

## 2022 Spencer Stuart Utilities Sector Snapshot

Boards of utility companies in the S&P 500 — which number 28 companies — tend to be larger and have shorter tenures than other sectors.

- » Utility boards average **11.3** members, more than the 10.8 average for S&P 500 company boards, and the second largest of all S&P 500 primary sectors.
- » The average age of independent directors on utility boards is **63.9** — slightly older than the S&P 500 average of 63.1. However, the average age of the oldest board in this sector is 68.2, the youngest of all S&P 500 primary sectors.
- » Independent directors represent **88%** of all directors on utility boards, a larger proportion than the S&P 500 universe overall (86%) and the highest of all primary sectors.
- » Independent directors on utility boards have an average tenure of **7.4** years. The S&P 500 average is 7.8 years. The maximum average tenure of utility boards is 10.5 years, the shortest tenured boards of all other sectors.
- » These boards' average compensation is **\$324,581** — more than the \$316,091 average for S&P 500 boards overall.<sup>1</sup>

<sup>1</sup> This is average compensation excluding chair pay. The average compensation including chair pay is \$330,935 for utility firms, and \$322,015 for S&P 500 firms overall.

## Diversity

The diversity of utility boards is generally aligned with the S&P 500 universe, with directors from historically underrepresented groups (defined as individuals who self-identify in one or more of the following categories: women, underrepresented racial or ethnic groups and the LGBTQ+ community) constituting 47% of directors on utility boards, compared with 46% of S&P 500 boards.

Women represent 32% of all utility board members in 2022, equal to the 32% of S&P 500 directors overall.

Directors from underrepresented racial or ethnic groups (defined as Black or African American, Asian, Hispanic or Latino/a, American Indian or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races) constitute 25% of utilities board directors.

Utility boards have the highest percentage of Black or African American directors (16%). And the sector ties with communications sector boards for the highest percentage of Hispanic or Latino/a directors (7%).

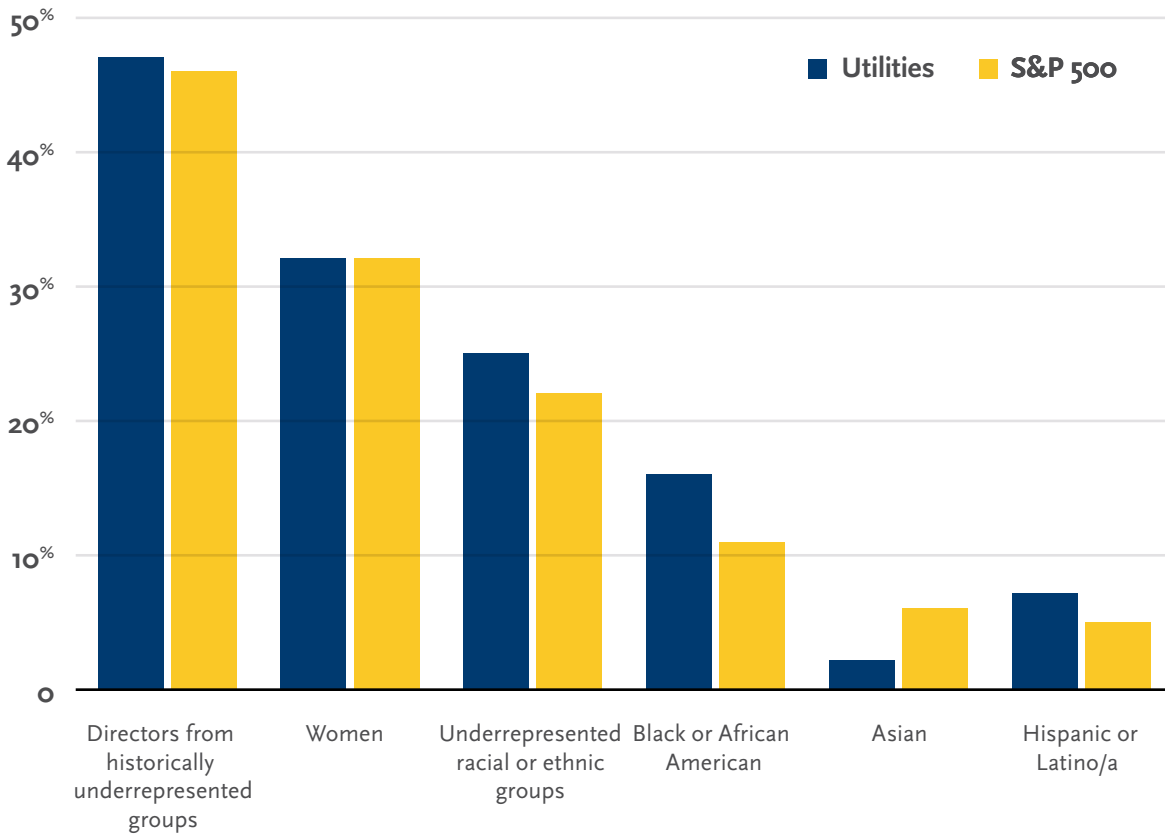
Asian directors represent just 2% of utilities directors, significantly lower than the 6% of the S&P 500 overall and the lowest of all primary sectors.

All utility boards have at least one Black or African American, Hispanic or Latino/a or Asian director, and 93% of utility boards have three or more women directors — higher than the S&P 500 universe overall (81%).

Both the utilities sector and the S&P 500 index mostly fall short of reflecting U.S. demographics. According to the U.S. Census Bureau, 51% of the U.S. population are women and 18.5% identify as Hispanic or Latino/a, 5.9% as Asian, 1.3% as American Indian or Alaska Native and 2.8% as multiracial. However, 16% of the utilities sector's directors identify as Black or African American, which is a bigger proportion than the U.S. population as a whole (13.4%).

A significant proportion of utility companies disclose director-specific race or ethnicity details (68%), significantly higher than the 39% of S&P 500 companies overall. Over half (57%) disclosed a commitment to adopt a Rooney Rule-like policy, which requires boards to include individuals from underrepresented groups in the candidate pool when recruiting new directors. This is higher than the 50% of S&P 500 companies overall.

## DIVERSITY OF UTILITIES SECTOR BOARDS



50%

of new independent directors in the utilities sector are women

## New independent director backgrounds

A total of 395 new independent directors joined S&P 500 boards in the past year — down from 456 in 2021. The utilities sector represents 6% of companies overall and accounts for 26 of these directors, or 7% of the total.

These new independent directors had an average age of 58.7 years, older than the overall average of 57.3 years. Forty-two percent joined the board as first-time directors, higher than the overall S&P 500 proportion of 34%.

The majority of new directors are from historically underrepresented groups (62%), but this is lower than the S&P 500 total of 72%.

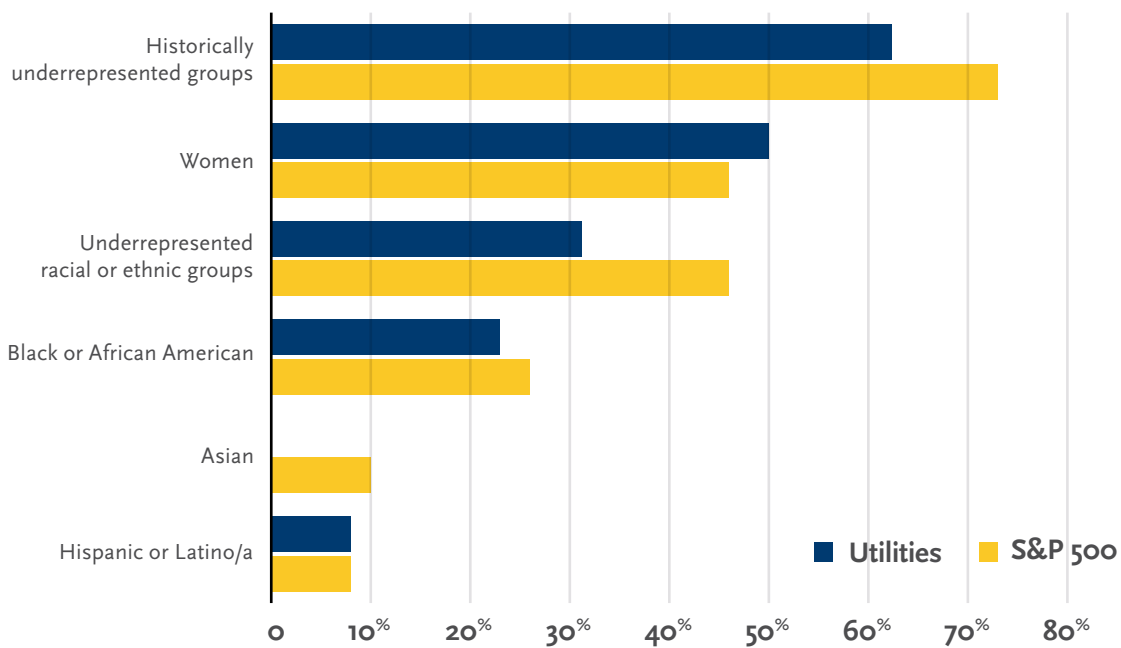
Utility companies did not recruit any directors from Asian backgrounds, whereas 10% of the incoming class in the S&P 500 universe are Asian. This sector also recruited a lower-than-average number of Black or African American directors (23%, compared with 26% for the S&P 500 overall) and 8% of new recruits are Hispanic or Latino/a, which is equal to the S&P 500 index overall.

Half of new directors are women (50%), higher than the S&P 500 proportion of 46%.

Of this incoming class, just 12% are next-gen directors (aged 50 and younger), lagging the overall S&P 500 index (18%). Over half (58%) of new directors are retirees, compared with 44% for the S&P 500 overall. CEOs constitute 23% of new directors joining utility boards, the same as the S&P 500 total.

Utility boards recruited the highest percentage of academics/nonprofit executives of all sectors (8%).

**DIVERSITY OF NEW INDEPENDENT DIRECTORS JOINING UTILITIES  
SECTOR BOARDS**



## NEW INDEPENDENT DIRECTOR FUNCTIONAL BACKGROUNDS

	Utilities sector	S&P 500 overall
<b>CEOs</b>	<b>23%</b>	<b>23%</b>
<i>Active</i>	8%	12%
<i>Retired</i>	15%	11%
<b>Chairs/presidents/COOs</b>	<b>0%</b>	<b>3%</b>
<i>Active</i>	0%	2%
<i>Retired</i>	0%	1%
<b>Line/functional leaders</b>	<b>8%</b>	<b>20%</b>
<b>Division/subsidiary leaders</b>	<b>15%</b>	<b>13%</b>
<b>Finance/accounting executives</b>	<b>23%</b>	<b>22%</b>
<i>Financial executives/CFOs/treasurers</i>	8%	12%
<i>Investment managers/investors</i>	12%	6%
<i>Bankers/investment bankers</i>	0%	4%
<i>Public accounting executives</i>	4%	1%
<b>Academics/nonprofit executives</b>	<b>8%</b>	<b>4%</b>
<b>Consultants</b>	<b>0%</b>	<b>2%</b>
<b>Legal</b>	<b>8%</b>	<b>5%</b>
<b>Others</b>	<b>15%</b>	<b>7%</b>

## Board leadership

Our research shows that 54% of utility companies separate the chair and CEO roles — slightly lower than the overall S&P 500 average (57%). The majority (79%) of utility companies have a lead or presiding director, higher than the S&P 500 (68%). Of these lead directors, 36% were women — the highest of any sector.

Just 32% of utility companies appoint an independent chair, compared with 36% for the S&P 500 overall. Of the utilities sector's independent chairs, none are women and 22% are from underrepresented racial or ethnic groups, compared with 14% and 9% for the S&P 500 overall.

Only 14% of utility boards appoint an executive chair, slightly less than the overall S&P 500 proportion of 15%.

## Board organization and process

Utility boards meet more often than other boards and average 5.1 committees, the highest of all S&P 500 primary sectors. After audit, compensation and nominating/governance committees, the most prevalent utility board committees are finance (71% of utility boards) and executive (36% of utility boards).

Only 3.6% of utility companies have staggered, three-year terms for directors — the second-lowest percentage of all primary sectors. In contrast, 11.2% of S&P 500 companies have classified boards. While 70% of S&P 500 boards have adopted mandatory retirement policies, 89% of utility boards have adopted age limits for directors — the highest percentage of all S&P 500 primary sectors.

## BOARD ORGANIZATION AND PROCESS

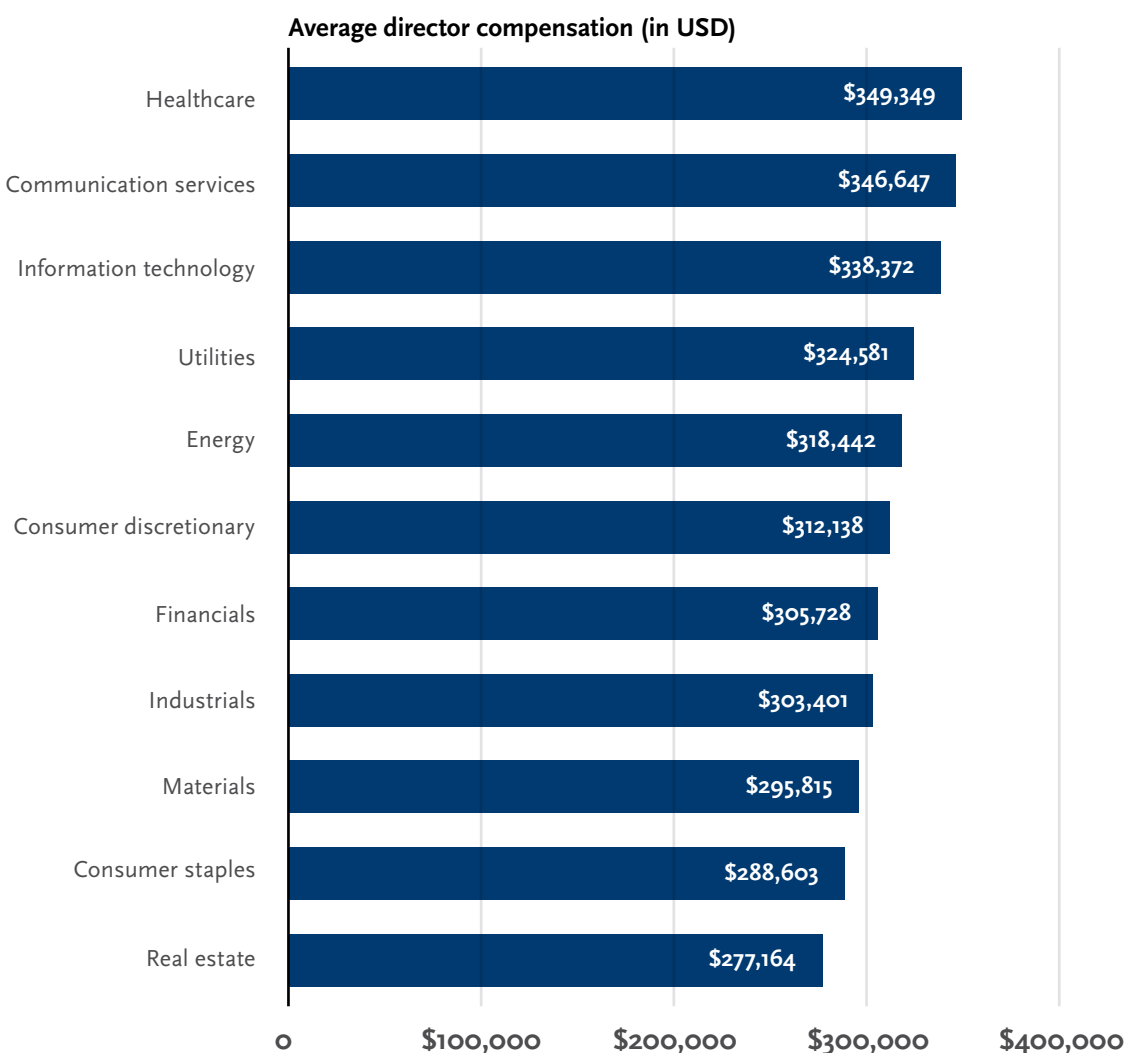
	2022 Utilities	2022 S&P 500
<b>Classified board</b>	3.6%	11.2%
<b>Board meetings (avg #)</b>	10.1	8.3
<b>Board committees (avg #)</b>	5.1	4.2
<b>Audit committee</b>		
<i>Size (avg #)</i>	4.9	4.4
<i>Meetings (avg #)</i>	6.9	8.2
<b>Compensation committee</b>		
<i>Size (avg #)</i>	4.7	4.3
<i>Meetings (avg #)</i>	5.8	6
<b>Nominating/governance committee</b>		
<i>Size (avg #)</i>	4.6	4.5
<i>Meetings (avg #)</i>	4.8	4.7
<b>Mandatory retirement</b>	89%	70%
<b>Retirement age (avg)</b>	73.5	73.8

## Compensation

The average compensation of directors on utility boards is \$324,581, higher than the \$316,091 average for S&P 500 boards.<sup>2</sup>

Compared with the S&P 500 average, directors on utility boards receive a higher percentage of their compensation in cash (51% vs 37%), and this is the highest of any sector. A lower-than-average percentage is paid as stock grants (47% vs 56%). No compensation is paid as stock option grants, compared with 5% for the S&P 500 overall.

### AVERAGE DIRECTOR COMPENSATION

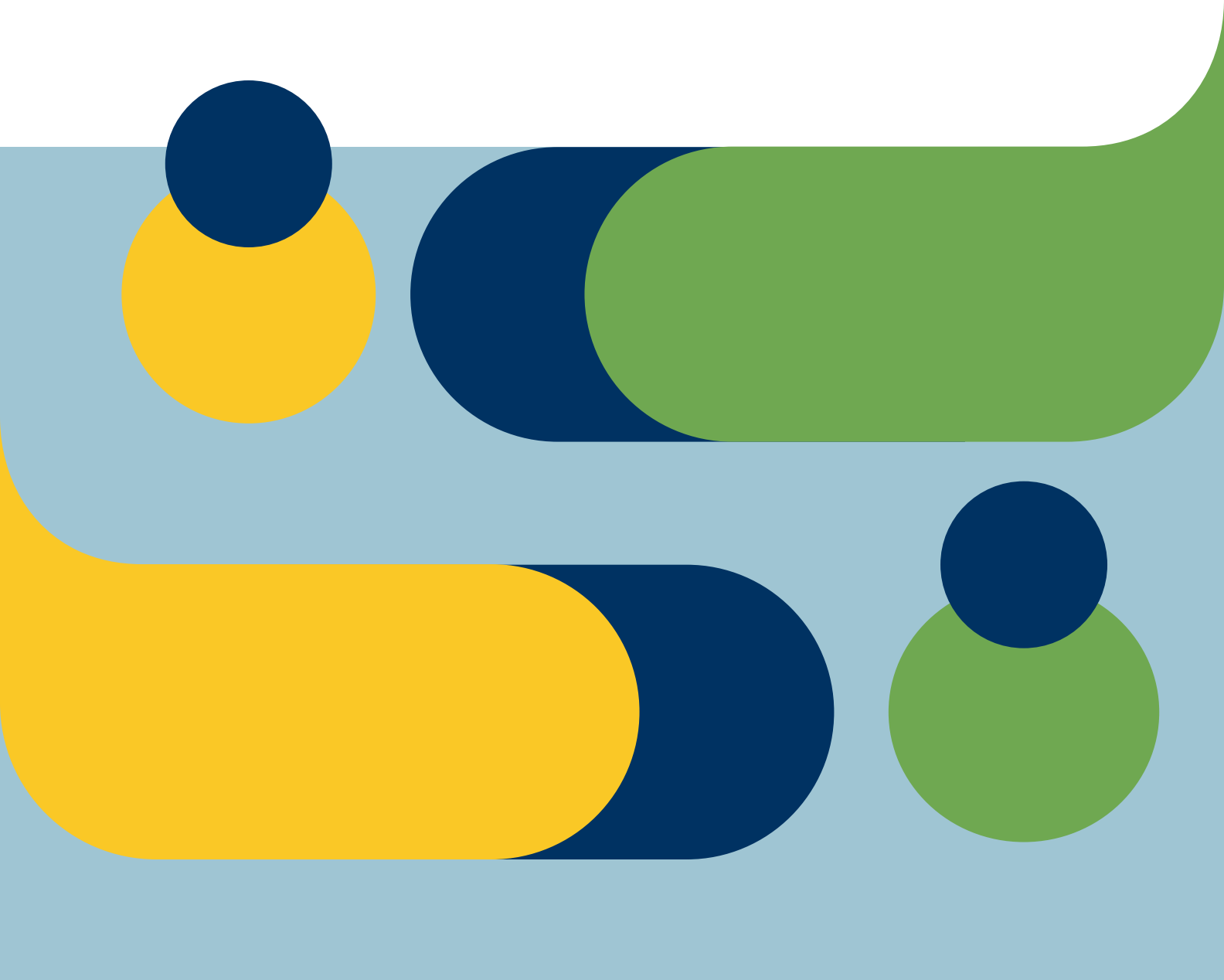


<sup>2</sup> Excluding independent chair's fee. Average compensation including independent chair's fee for utility boards is \$330,935.



## List of utilities sector companies

- » The AES Corporation
- » Alliant Energy Corporation
- » Ameren Corporation
- » American Electric Power Company
- » American Water Works Company
- » Atmos Energy Corporation
- » CenterPoint Energy
- » CMS Energy Corporation
- » Consolidated Edison
- » Dominion Energy
- » DTE Energy Company
- » Duke Energy Corporation
- » Edison International
- » Entergy Corporation
- » Energy
- » Eversource Energy
- » Exelon Corporation
- » FirstEnergy Corporation
- » NextEra Energy
- » NiSource
- » NRG Energy
- » Pinnacle West Capital Corporation
- » PPL Corporation
- » Public Service Enterprise Group
- » Sempra Energy
- » The Southern Company
- » WEC Energy Group
- » Xcel Energy



## Editor's note

This data draws on the latest proxy statements from 489 companies filed between May 1, 2021 and April 30, 2022.

“Historically underrepresented groups” is defined to mean an individual who self-identifies in one or more of the following categories: i) women ii) underrepresented racial or ethnic groups iii) LGBTQ+ *when disclosed*.

- » “Underrepresented racial or ethnic groups” is defined to mean an individual who self-identifies as one or more of the following: Black or African American, Asian, Hispanic or Latino/a, American Indian or Alaska Native, Native Hawaiian or Pacific Islander or two or more races (multiracial).
- » The Asian category includes individuals of Indian descent, consistent with U.S. Census Bureau methodology.
- » LGBTQ+ is defined to mean an individual who self-identifies as any of the following: lesbian, gay, bisexual, transgender, or as a member of the queer community.

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Data in tables may not total 100% due to rounding.

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