

## 2024 Spencer Stuart Healthcare Sector Snapshot

Boards of the 63 healthcare companies in the S&P 500 index generally align with the broad S&P 500 boards on a range of governance measures.

- » The average age of independent directors on healthcare boards is 63.8 years, slightly higher than the 63.4-year average for S&P 500 boards.
- » The youngest average age of a healthcare board is 56 years, the oldest is 70.7 years.
- » Healthcare boards average 10.4 directors, slightly lower than the 10.8 average of S&P 500 boards.
- » Independence of healthcare boards averages 87%, compared to 85% for S&P 500 boards.
- » The average board tenure of independent directors on healthcare boards is 7.6 years, slightly lower than the 7.8 average for S&P 500 boards.
- » The longest-tenured healthcare board averages 16.3 years.

## New independent director backgrounds

The 63 healthcare sector companies added 55 new directors to the boardroom in the past year. Among the healthcare companies, 57% added at least one independent director, while 24% added more than one.

Appointees averaged 57.8 years of age, lower than the 58.2 average for all independent directors joining S&P 500 boards. First-time directors represented 36% of independent directors joining healthcare boards — higher than the 34% for the S&P 500. NextGen directors (50 years of age or younger) comprised 15% of the sector’s incoming class, compared to 14% for the S&P 500.

Nearly two-thirds (64%) of the independent directors joining healthcare boards are actively employed — the highest of all sectors — compared to 52% of independent directors joining S&P 500 boards this year.

Compared to the S&P 500 incoming class of independent directors, healthcare boards recruited the highest percentage of academics and CFOs (active or retired) in 2024.

### NEW INDEPENDENT DIRECTOR BACKGROUNDS

|   | 2024<br>Healthcare | 2024<br>S&P 500 |
|---|--------------------|-----------------|
| <b>CEOs</b>                                 | 22%                | 30%             |
| <i>Active</i>                               | 15%                | 16%             |
| <i>Retired</i>                              | 7%                 | 14%             |
| <b>Chairs/presidents/COOs</b>               | 5%                 | 3%              |
| <i>Active</i>                               | 4%                 | 1%              |
| <i>Retired</i>                              | 2%                 | 2%              |
| <b>Functional leaders</b>                   | 16%                | 16%             |
| <b>P&amp;L leaders</b>                      | 7%                 | 8%              |
| <b>Financial backgrounds</b>                | 22%                | 29%             |
| <i>Financial executives/CFOs/treasurers</i> | 18%                | 15%             |
| <i>Investment managers/investors</i>        | 2%                 | 7%              |
| <i>Bankers/investment bankers</i>           | 0%                 | 5%              |
| <i>Public accounting executives</i>         | 2%                 | 2%              |
| <b>Academics/nonprofit executives</b>       | 9%                 | 2%              |
| <b>Consultants</b>                          | 2%                 | 3%              |
| <b>Legal</b>                                | 4%                 | 3%              |
| <b>Others</b>                               | 13%                | 6%              |
| <b>TOTAL</b>                                |                    |                 |
| <i>Active</i>                               | 64%                | 52%             |
| <i>Retired</i>                              | 36%                | 48%             |

## Board leadership

The chair and CEO roles are separated at 52% of healthcare boards — lower than the 60% of S&P 500 boards. Executive chairs are in place at 6% of healthcare boards — the lowest of all sectors — compared to 14% for the S&P 500. Independent chairs lead 41% of healthcare boards, compared to 39% of the S&P 500. Two-thirds (65%) name an independent lead director compared to 66% of the S&P 500.

## Board organization and process

Healthcare boards have the lowest percentage of declassified boards of all sectors.

### DIRECTOR ELECTIONS AND STOCK OWNERSHIP

|  | 2024<br>Healthcare | 2024<br>S&P 500 |
|--|--------------------|-----------------|
| Annual elections of directors              | 87%                | 91%             |
| Majority voting for directors              | 90%                | 89%             |
| Stock ownership requirements for directors | 95%                | 94%             |

Healthcare committees tend to be smaller than the S&P 500.

### BOARD AND COMMITTEE SIZE AND MEETINGS

|  | 2024<br>Healthcare | 2024<br>S&P 500 |
|--|--------------------|-----------------|
| <b>Board</b>                           |                    |                 |
| <i>Size (avg #)</i>                    | 10.4               | 10.8            |
| <i>Meetings (avg #)</i>                | 7.9                | 7.7             |
| <i>Board committees (avg #)</i>        | 4.3                | 4.2             |
| <b>Audit committee</b>                 |                    |                 |
| <i>Size (avg #)</i>                    | 4.2                | 4.5             |
| <i>Meetings (avg #)</i>                | 8.3                | 8.1             |
| <b>Compensation committee</b>          |                    |                 |
| <i>Size (avg #)</i>                    | 4.0                | 4.3             |
| <i>Meetings (avg #)</i>                | 5.7                | 5.7             |
| <b>Nominating/governance committee</b> |                    |                 |
| <i>Size (avg #)</i>                    | 4.2                | 4.4             |
| <i>Meetings (avg #)</i>                | 4.5                | 4.6             |

The most common additional committees for the healthcare sector are: science/tech/cyber (the highest percentage of all sectors); legal (the highest percentage of all sectors); finance; and executive.

### PREVALENCE OF STANDING COMMITTEES

| Committees                  | 2024 Healthcare | 2024 S&P 500 |
|-----------------------------|-----------------|--------------|
| Finance                     | 25%             | 26%          |
| Executive                   | 11%             | 25%          |
| Science/tech/cyber          | 40%             | 17%          |
| Environmental/health/safety | 8%              | 13%          |
| Risk                        | 6%              | 12%          |
| Social responsibility       | 5%              | 7%           |
| Legal                       | 27%             | 5%           |
| Investment                  | 2%              | 3%           |
| Strategy                    | 5%              | 1%           |
| Innovation                  | 0%              | 1%           |

## Turnover policies

Healthcare boards are consistent with the overall S&P 500 index when it comes to formal turnover policies such as age caps, term limits and policies requiring the submission of a director's resignation in the event of a material change in circumstances.

### TURNOVER POLICIES

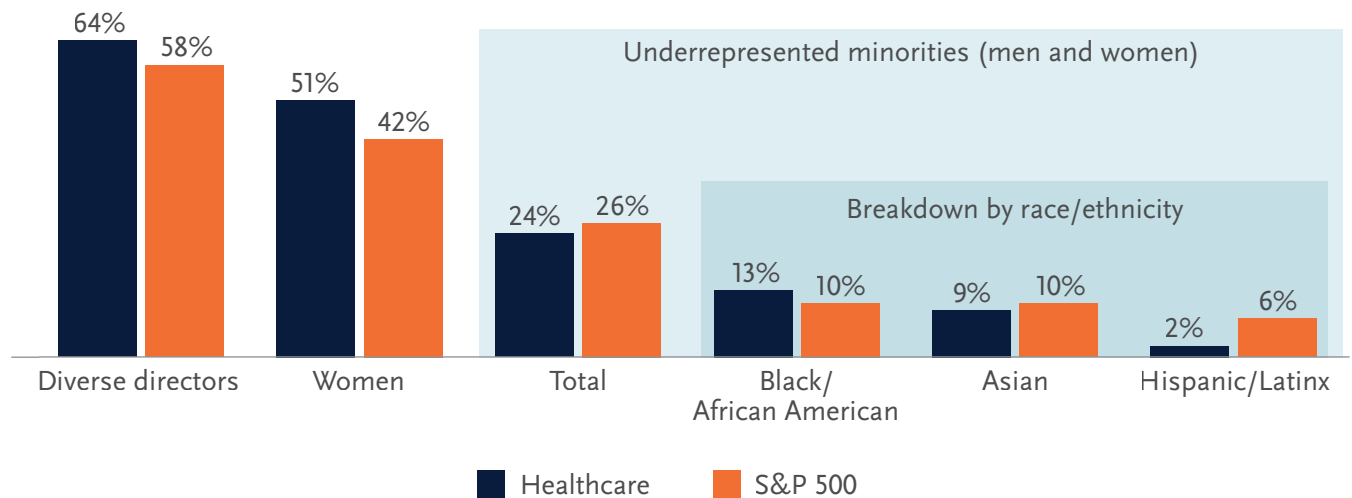
|   | 2024 Healthcare | 2024 S&P 500 |
|---|-----------------|--------------|
| <b>Mandatory retirement policy</b>        |                 |              |
| <i>% companies</i>                        | 65%             | 67%          |
| <i>Retirement age (avg yrs)</i>           | 74.1            | 74.1         |
| <b>Tenure policy</b>                      |                 |              |
| <i>% companies</i>                        | 8%              | 9%           |
| <i>Tenure limit (avg yrs)</i>             | 14.8            | 14.7         |
| <b>Material change resignation policy</b> |                 |              |
| <i>% companies</i>                        | 89%             | 89%          |

## Diversity — healthcare incoming class

Directors from diverse communities — defined using the Nasdaq definition of directors who self-identify as female and/or an underrepresented minority (Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races or ethnicities), and/or LGBTQ+ — constituted 64% of the 55 independent directors joining healthcare boards over the past year, compared to 58% of independent directors joining S&P 500 boards.

The healthcare sector ties with the communications services and financial services sectors for the highest percentage of diverse appointments.

### DIVERSITY OF INDEPENDENT DIRECTORS JOINING HEALTHCARE BOARDS



## Diversity — healthcare boards

The diversity of healthcare boards matches the S&P 500, with 50% of all directors self-identifying as diverse.

### DIVERSITY OF ALL HEALTHCARE BOARD DIRECTORS

|            | Diverse directors | Women | Underrepresented minorities (men and women) |       |                 |       | Boards with...  |                |
|------------|-------------------|-------|---|-------|-----------------|-------|-----------------|----------------|
|            |                   |       | Black/African American                      | Asian | Hispanic/Latinx | Total | 3 or more women | 3 or more URM* |
| Healthcare | 50%               | 36%   | 11%   | 8%    | 4%              | 23%   | 90%             | 48%            |
| S&P 500    | 50%               | 34%   | 12%   | 6%    | 4%              | 24%   | 91%             | 48%            |

\* URM refers to underrepresented minorities

## Diversity — board leadership

With the exception of women board chairs, the healthcare sector outpaces the S&P 500 on other dimensions of diversity of board leadership.

### DIVERSITY — BOARD LEADERSHIP

|                                  | 2024<br>Healthcare | 2024<br>S&P 500 |
|----------------------------------|--------------------|-----------------|
| <b>Independent chair</b>         |                    |                 |
| % women                          | 15%                | 18%             |
| % underrepresented minority      | 8%                 | 7%              |
| <b>Independent lead director</b> |                    |                 |
| % women                          | 24%                | 20%             |
| % underrepresented minority      | 22%                | 11%             |

## Healthcare companies

- » Abbott Laboratories
- » AbbVie
- » Agilent Technologies
- » Align Technology
- » Amgen
- » Baxter International
- » Becton, Dickinson and Company
- » Biogen Idec
- » Bio-Rad Laboratories
- » Bio-Techne Corporation
- » Boston Scientific Corporation
- » Bristol-Myers Squibb Company
- » Cardinal Health
- » Catalent
- » Cencora
- » Centene Corporation
- » Charles River Laboratories International
- » CVS Health Corporation
- » Danaher Corporation
- » DaVita
- » DexCom
- » Edwards Lifesciences Corporation
- » Elevance Health
- » Eli Lilly & Company
- » GE HealthCare Technologies
- » Gilead Sciences
- » HCA Healthcare
- » Henry Schein
- » Hologic
- » Humana
- » IDEXX Laboratories
- » Illumina
- » Incyte Corporation
- » Insulet Corporation
- » Intuitive Surgical
- » IQVIA Holdings
- » Johnson & Johnson
- » Laboratory Corporation of America Holdings
- » McKesson Corporation
- » Medtronic
- » Merck & Co.
- » Mettler-Toledo International
- » Moderna
- » Molina Healthcare
- » Pfizer
- » Quest Diagnostics
- » Regeneron Pharmaceuticals
- » ResMed
- » Revvity
- » STERIS plc
- » Stryker Corporation
- » Teleflex
- » The Cigna Group
- » The Cooper Companies
- » Thermo Fisher Scientific
- » UnitedHealth Group
- » Universal Health Services
- » Vertex Pharmaceuticals
- » Viatris
- » Waters Corporation
- » West Pharmaceutical Services
- » Zimmer Biomet Holdings
- » Zoetis



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