

Spencer Stuart U.S. Board Index 2017 Highlights

Now in its 32nd year, the *Spencer Stuart U.S. Board Index* analyzes the board governance practices of the S&P 500. Some of the more notable key findings are listed below.

NUMBER OF NEW INDEPENDENT DIRECTORS CLIMBS

S&P 500 boards appointed 397 new directors in the 2017 proxy year. This is the highest since 2004 and an increase of 15% from 2016.

NEW MILESTONE FOR FEMALE AND MINORITY REPRESENTATION

For the first time in the history of the *Spencer Stuart U.S. Board Index*, just over half of the 397 new S&P 500 directors are women and/or minorities.

- » Female representation among new directors rose to 36% (142 directors) in 2017, a 20-year high.
- » 14% or 57 of the new directors are diverse males.
- » 6% or 25 of the new directors are women and minorities.

DESPITE THE INCREASE IN NEW DIRECTORS, THERE IS STILL RELATIVELY LITTLE TURNOVER

- » 48% of boards did not appoint a new director in the 2017 proxy year, the same as last year.
- » Altogether, boards appointed 0.81 new directors on average.
- » Even with the record number of women directors joining boards, the percentage of women on S&P 500 boards increased only incrementally to 22% of all directors, up from 21% in 2016 and 17% in 2012.

397

New independent directors

36%

New female directors

14%

New male minority directors

45%

New directors serving on first corporate board



37%

CEOs sitting on
outside boards



51%

of boards have a
separate chair and CEO

BOARDS ARE CASTING A WIDER AND DEEPER NET TO IDENTIFY DIRECTOR CANDIDATES

- » A record-breaking 45% of the incoming directors are serving on their first outside corporate board, compared to 32% in 2016.
 - As for diversity among these first-time directors, 42% are female, 13% are diverse men and 8% are female and diverse.
- » CEOs are increasingly opting out of outside board roles.
- » Only 37% of S&P 500 CEOs serve on one or more outside boards, down from 52% 10 years ago.

MOST BOARDS NOW HAVE TWO OR MORE FEMALE DIRECTORS

- » Only four S&P 500 boards have no women, a drop from 45 all-male boards in 2007.
- » 80% of S&P 500 boards include two or more female directors, and 41% have three or more.
- » Yet, only nine women (7%) serve as independent board chair, and just 10% of lead/presiding directors are women.
- » Looking at other board leadership roles, women chair 20% of audit committees (compared to 15% in 2016), 17% of compensation committees (11% in 2016) and 22% of nominating committees (20% in 2016).

BOARD LEADERSHIP CONTINUES TO EVOLVE

- » For the first time, more than half (51%) of boards have a separate chair and CEO.
- » 28% of S&P 500 boards, versus 27% in 2016 and 13% in 2007, have an independent chair.

MANDATORY RETIREMENT AGES REMAIN AS THE PRIMARY MECHANISM FOR PROMOTING TURNOVER

- » About three-quarters (73%) of S&P 500 boards report having a mandatory retirement age for directors, unchanged over the past five years.
- » 42% of boards with a retirement age set it at 75 or higher, up from 11% a decade ago.

- » For the first time, a majority of boards with mandatory retirement policies set the age at 73 or higher — up from less than a third five years ago and 15% 10 years ago.
- » Only 24 S&P 500 boards (5%) have term limits for directors, an increase from 19 boards a year ago.

DIRECTOR SKILLS AND QUALIFICATIONS ARE CHANGING

- » 29% of new directors are active or retired executives with banking, finance, investment or accounting credentials, compared with 25% last year and 19% in 2007.
- » 19% of new independent directors have backgrounds in the technology or telecommunications industries.
- » Directors with investing and investment management backgrounds account for about 13% of new directors, up from 5% a decade ago.
- » 36% of new directors are active or retired CEOs, chairs, presidents and chief operating officers, down from 47% 10 years ago.

BOARDS HAVE CHANGED IN OTHER WAYS OVER THE PAST 10 YEARS

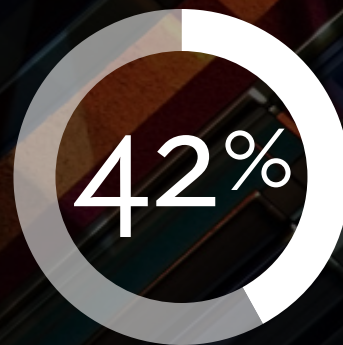
- » Independent directors now make up 85% of all S&P 500 board members, the highest percentage since we began tracking this data in 1998.
- » CEOs are now the only non-independent director on 60% of boards, up from 43% in 2007.
- » Today 92% of S&P 500 boards are elected annually, up from 62% in 2007.
- » The average age of S&P 500 independent directors is 63.1, two years older than a decade ago.

AVERAGE DIRECTOR COMPENSATION ROSE SLIGHTLY

- » Average total compensation for non-employee directors rose 1% to \$288,909. The median annual retainer remained flat at \$100,000.



of new directors have finance backgrounds



Boards with retirement age setting it at 75 or higher

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