

U.S. Spencer Stuart Board Index 2021 Highlights

Now in its 36th year, the *U.S. Spencer Stuart Board Index* analyzes the board governance practices of the S&P 500. Here, some of the most notable findings are highlighted.



SpencerStuart

New class of S&P 500 directors is the most diverse ever

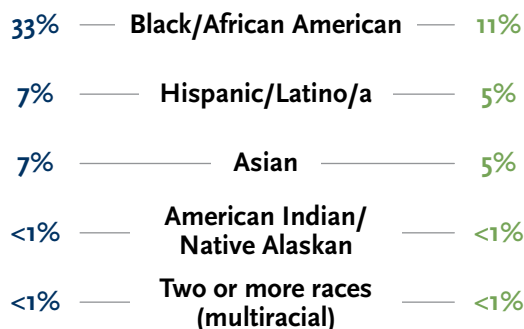
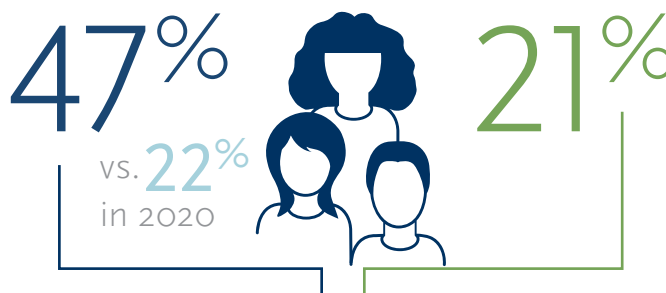
- » Directors from historically underrepresented groups — including women and Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska native or multiracial men — account for 72% of all new directors, compared with 59% last year. Nearly half — 47% — of the 456 new independent director class are from historically underrepresented racial and ethnic groups, and 43% are women, including 18% female Black/African American, Asian, Hispanic/Latina, American Indian/Alaska native or multiracial directors.
- One-third (33%) of all new independent directors are Black/African American, three times as much as than last year (11%) and the most since we began tracking this data in 2008.
- The representation of Asian directors among new directors fell slightly to 7% from 8% last year.
- Hispanic/Latino/a directors make up 7% of new directors, an increase from 3% last year and the most since we began collecting this data in 2008.
- The representation of women among new independent directors fell to 43% from 47% last year.

New independent directors

All S&P 500 directors

Racial/ethnic diversity

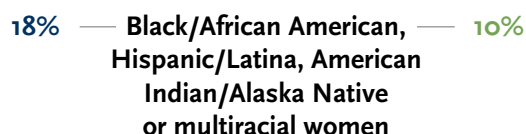
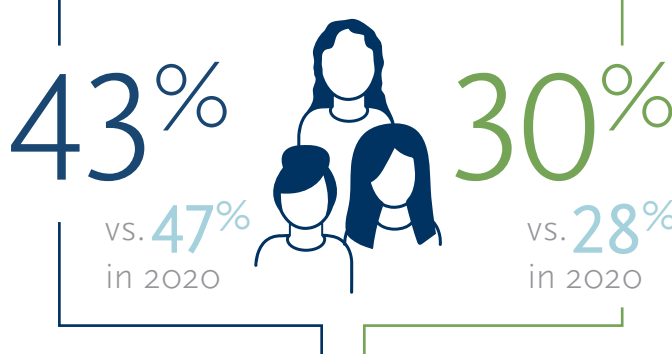
Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska Native, two or more races (multiracial)



30% of all S&P 500 directors are women, a new milestone

- » Female representation increased to 30% this year from 28% last year and 16% a decade ago.
- » 96% of boards have two or more women directors, compared with 58% of boards in 2011. 72% have three or more women.
- » Only 8% of independent board chairs and 13% of lead/presiding directors are women.

Female directors



69%

of next-gen directors
are from historically
underrepresented racial
or ethnic groups

More than one-third (35%) of the directors appointed in the 2020 proxy year are serving on their first outside public company board, up from 28% in 2020

- » Nearly three-quarters of first-time directors — 74% — are actively employed, compared with 44% of non-first-time directors. 4% are actively employed private company CEOs who are serving on their first public company board.

Directors 50 and younger make up 16% of new directors and 6% of all directors

- » 69% of these next-gen directors are from historically underrepresented racial or ethnic groups.
- » 47% of new next-gen directors are women.

33%

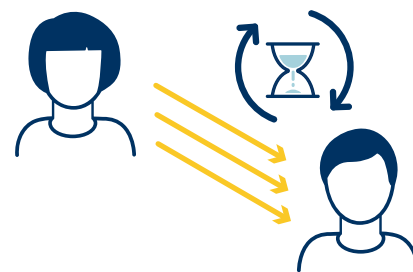
of new S&P 500 directors
are active and retired
corporate executives

Functional, line leaders and other corporate executives are the most common new director backgrounds

- » One-third (33%) of new S&P 500 directors are active and retired corporate executives, including functional and other line leaders and division/subsidiary presidents.
- » 22% are active and retired CEOs.
- » 56% of new directors today are actively employed.
- » New independent directors from historically underrepresented groups are more likely to be functional/other line leaders and division/subsidiary presidents than those who are not and much less likely to be CEOs.

Boards continue to be more likely to use mandatory retirement than term limits to trigger refreshment

- » 6% of boards report having explicit term limits for non-executive directors. Term limits range from 10 to 20 years, with 73% of those that have them setting limits at 15 years or more.
- » 70% report having a mandatory retirement age, the same as last year, but retirement ages continue to climb. Half (51%) of boards with age limits have a mandatory retirement age of 75 or older, compared with 48% last year and 20% a decade ago.
- » The average tenure of independent directors on S&P 500 boards is 7.7 years, a year less on average than in 2011 (8.7 years).
- » The average age of independent directors is 63.1, compared with 62.4 in 2011.



70%

of boards report a mandatory retirement policy; 51% set the retirement age at 75 or older

60% of boards disclosed their ethnic/racial composition, with 28% of those boards identifying directors from historically underrepresented groups by name

- » 39% of boards reported having a policy to include individuals from historically underrepresented groups in the candidate pool when recruiting new directors, up from 24% last year.
- » Despite the record number of new directors from historically underrepresented groups during the 2021 proxy year, the overall representation of some demographic groups on S&P 500 boards trails their representation in the [U.S. population](#).
 - 21% of all S&P 500 directors are Black/African American, Hispanic/Latino/a, Asian, American Indian/Native Alaskan or multiracial, versus 42% of the U.S. population.
 - 49 S&P 500 companies (10%) are led by Black/African American, Hispanic/Latino/a, Asian, American Indian/Native Alaskan or multiracial CEOs.
 - 8% of independent board chairs and 10% of lead independent board directors are from historically underrepresented ethnic or racial groups.



49

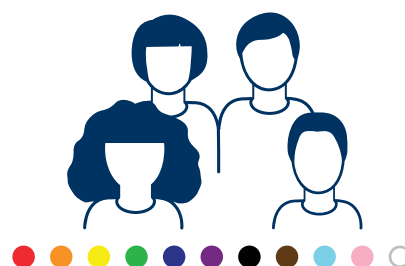
S&P 500 companies (10%) are led by individuals from historically underrepresented ethnic/racial groups

S&P 500 BOARD REPRESENTATION VERSUS U.S. POPULATION

	New S&P 500 directors	All S&P 500 directors	U.S. Census Bureau
% Women	43%	30%	50.8%
% From historically underrepresented ethnic/racial groups	47%	21%	42%
% Black/African American	33%	11%	13.4%
% Hispanic/Latino/a	7%	5%	18.5%
% Asian	7%	5%	5.9%
% American Indian or Alaska Native	<1%	<1%	1.3%
% Two or more races (multiracial)	<1%	<1%	2.8%

Additional proxy disclosures focused on diversity are emerging

- » 32 boards (6%) included LGBTQ+ disclosure in their proxy statement, although most did not identify the LGBTQ+ status of individual directors. Just five LGBTQ+ directors were identified by name.



37% of boards have an independent board chair

- » Today, 59% of S&P 500 boards split the chair and CEO roles, compared with 55% last year and 41% in 2011.
- » Boards also are more likely to name an independent chair — a director who meets applicable NYSE or NASDAQ rules for independence. 37% of boards have a truly independent chair today, compared with 34% last year. A decade ago, only 21% of boards had an independent chair.



In a year of unprecedented challenges, boards met more often

- » Boards met 9.4 times on average, exceeding the 7.9 meeting average last year. Because of travel restrictions and the convenience of virtual meetings, most boards did not meet in person.



More board performance evaluations consider individual director contributions

- » 98% of S&P 500 boards — all but 10 — report conducting some sort of annual performance evaluation.
- » 47% of boards disclose that they have some form of individual director evaluations, an increase from 44% last year and 34% a decade ago.

47%

of S&P 500 boards disclose some form of individual director evaluations

Director compensation rises modestly

- » The average total director compensation rose 1% to \$312,279. This average reflects actual director compensation, including the voluntary, and usually temporary, pay cuts some boards took during the height of the pandemic crisis.
- » Stock grants and cash represent the largest share of director compensation, 56% and 37%, respectively. Option grants (5%) and miscellaneous fees (2%) constitute the rest.
- » The average annual retainer increased by 2% to \$131,664.
- » 76% of boards provide stock grants to directors in addition to a cash retainer.
- » 93% of the 180 boards with independent board chairs provide additional compensation to the board chair, averaging \$164,276. 79% of boards with a lead or presiding director provide additional compensation to directors serving in those roles, averaging \$41,595.

\$312,279

Average total director compensation — an increase of 1% versus 2020



About Spencer Stuart

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness. For more information on Spencer Stuart, please visit www.spencerstuart.com.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.

