

## 2023 Spencer Stuart Industrials Sector Snapshot

Boards of industrials companies in the S&P 500 index tend to be less diverse than S&P 500 boards. The sector — the largest with 100 companies in the industrials and materials primary sectors — generally aligns with the S&P 500 on a variety of other governance metrics.

- » The average age of independent directors on industrials boards is 63.1 years, slightly younger than the 63.3 year average for S&P 500 boards.
- » The youngest average age of a industrials board is 56.1 years, the oldest is 69.3.
- » Industrials boards average 10.7 directors, smaller than the 10.8 average of S&P 500 boards.
- » Independence of industrials boards averages 87%, compared to 85% for S&P 500 boards.
- » The average board tenure of independent directors on industrials boards is 7.5 years, below the 7.8 average for S&P 500.
- » The longest-tenured industrials board averages 14.0 years.

## New independent director backgrounds

Fifty-six industrials companies — 56% of the sector — added at least one independent director over the past year, higher than the 53% for the S&P 500 universe. Appointees averaged 56.9 years of age, lower than the 58.0 average for all independent directors joining S&P 500 boards and the second lowest of all sectors. First-time directors represented 31% of independent directors joining industrials boards — matching the 31% for the S&P 500.

Fifty-three percent (53%) of the 81 independent directors joining industrials boards are actively employed, compared to half (50%) of independent directors joining S&P 500 boards this year.

Compared to the S&P 500 incoming class of independent directors, industrials boards recruited in 2023 a higher percentage of active and retired CEOs and a lower percentage of P&L and functional leaders.

	2023 Industrials	2023 S&P 500
<b>CEOs</b>	<b>36%</b>	<b>30%</b>
<i>Active</i>	21%	14%
<i>Retired</i>	15%	16%
<b>Chairs/presidents/COOs</b>	<b>7%</b>	<b>4%</b>
<i>Active</i>	2%	2%
<i>Retired</i>	5%	2%
<b>Functional leaders</b>	<b>12%</b>	<b>16%</b>
<b>P&amp;L leaders</b>	<b>9%</b>	<b>10%</b>
<b>Financial backgrounds</b>	<b>25%</b>	<b>27%</b>
<i>Financial executives/CFOs/treasurers</i>	16%	15%
<i>Investment managers/investors</i>	5%	7%
<i>Bankers/investment bankers</i>	1%	2%
<i>Public accounting executives</i>	2%	3%
<b>Academics/nonprofit executives</b>	<b>2%</b>	<b>3%</b>
<b>Consultants</b>	<b>2%</b>	<b>2%</b>
<b>Legal</b>	<b>1%</b>	<b>3%</b>
<b>Others</b>	<b>5%</b>	<b>5%</b>
<b>Total</b>		
<i>Active</i>	53%	50%
<i>Retired</i>	47%	50%

## Board leadership

The chair and CEO roles are separated at 57% of industrials boards — below the 59% for the S&P 500 index. Executive chairs are in place at 15% of industrials boards, matching the 15% of the S&P 500 index. Industrials boards have the same percentage of independent board chairs compared to the S&P 500 (39%). Sixty two percent (62%) of industrials boards have an independent lead director, compared to 65% of S&P 500 boards.

## Board organization and process

Governance practices and structures of industrials boards generally align with S&P 500 averages.

	2023 Industrials	2023 S&P 500
Annual elections of directors	89%	89%
Majority voting for directors	87%	88%
Stock ownership requirements for directors	95%	93%

Industrials boards, on average, meet least often of all sectors.

	2023 Industrials	2023 S&P 500
<b>Board</b>		
Size (avg #)	10.7	10.8
Meetings (avg #)	6.8	7.6
Board committees (avg #)	4.1	4.2
<b>Audit committee</b>		
Size (avg #)	4.8	4.5
Meetings (avg #)	7.3	8.2
<b>Compensation committee</b>		
Size (avg #)	4.5	4.3
Meetings (avg #)	5.5	5.8
<b>Nominating/governance committee</b>		
Size (avg #)	4.8	4.4
Meetings (avg #)	4.4	4.6

The most common additional committees for the industrials sector are: finance; environmental/health/safety; executive; and science/tech/cyber.

Committees	2023 Industrials	2023 S&P 500
Finance	27%	26%
Executive	22%	25%
Science/Tech/Cyber	11%	15%
Environmental/Health/Safety	26%	13%
Risk	2%	12%
Legal	0%	6%
Social responsibility	4%	6%
Investment	3%	3%
Strategy	1%	1%
Innovation	2%	1%
DEI	0%	1%

## Turnover policies

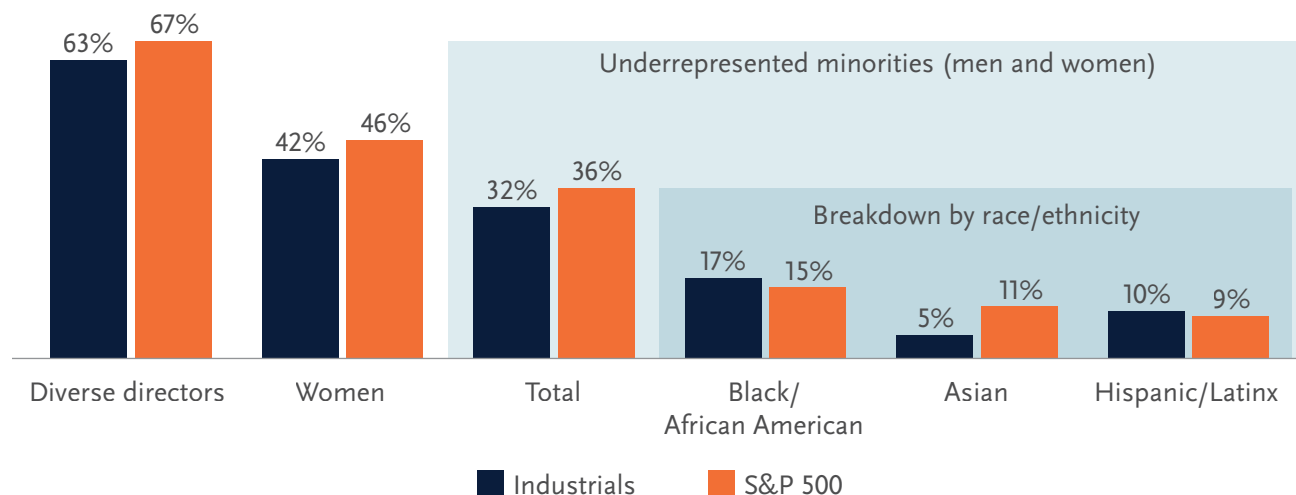
A higher percentage of industrials boards have age caps and term limits compared to the overall S&P 500 index. It places second highest with mandatory retirement policies.

	2023 Industrials	2023 S&P 500
<b>Mandatory retirement policy</b>		
% companies	84%	69%
Retirement age (avg yrs)	74.0	74.0
<b>Tenure policy</b>		
% companies	9%	8%
Tenure limit (avg yrs)	14.1	14.4
<b>Material change resignation policy</b>		
% companies	86%	88%

## Diversity — industrials sector 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 63% of the 81 independent directors joining industrials boards over the past year, below the 67% of independent directors joining S&P 500 boards.

### DIVERSITY OF INDEPENDENT DIRECTORS JOINING INDUSTRIALS BOARDS



## Diversity — industrials boards

Industrials boards tie with the energy sector for having the lowest percentage of women directors. The sector has the second lowest percentage of all sectors of underrepresented minorities.

	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
Industrials	46%	31%	13%	4%	4%	21%	86%	40%
S&P 500	48%	33%	11%	6%	5%	24%	87%	48%

## Diversity — board leadership

The industrials sector has lowest percentage of female independent lead directors compared to all other sectors. It ties with the real estate sector for the lowest percentage of lead directors who self-identify as underrepresented minorities.

	2023 Industrials	2023 S&P 500
<b>Independent chair</b>		
% women	18%	18%
% underrepresented minority	5%	8%
<b>Independent lead director</b>		
% women	3%	15%
% underrepresented minority	5%	12%

## Industrials companies

- » 3M Company
- » A. O. Smith Corporation
- » Air Products & Chemicals
- » Alaska Air Group
- » Albemarle Corporation
- » Allegion Public Limited Company
- » Amcor
- » American Airlines Group
- » AMETEK
- » Automatic Data Processing
- » Avery Dennison Corporation
- » Ball Corporation
- » Broadridge Financial Solutions
- » C.H. Robinson Worldwide
- » Carrier Global Corporation
- » Celanese Corporation
- » CF Industries Holdings
- » Cintas Corporation
- » Copart
- » Corteva
- » CoStar Group
- » CSX Corporation
- » Cummins
- » Deere & Company
- » Delta Air Lines
- » Dover Corporation
- » Dow
- » DuPont de Nemours
- » Eastman Chemical Company
- » Eaton Corporation
- » Ecolab
- » Emerson Electric Company
- » Equifax
- » Expeditors International of Washington
- » Fastenal Company
- » FedEx Corporation
- » FMC Corporation
- » Fortive Corporation
- » Freeport-McMoRan
- » Generac Holdings
- » General Dynamics Corporation
- » General Electric Company
- » Honeywell International
- » Howmet Aerospace
- » Huntington Ingalls Industries
- » IDEX Corporation
- » Illinois Tool Works
- » Ingersoll Rand
- » International Flavors & Fragrances
- » International Paper Company
- » J.B. Hunt Transport Services
- » Jacobs Solutions
- » Johnson Controls International
- » L3Harris Technologies
- » Leidos Holdings
- » Lockheed Martin Corporation
- » LyondellBasell Industries N.V.
- » Martin Marietta Materials
- » Masco Corporation
- » Newmont Corporation
- » Nordson Corporation
- » Norfolk Southern Corporation
- » Northrop Grumman Corporation
- » Nucor Corporation
- » Old Dominion Freight Line
- » Otis Worldwide Corporation
- » PACCAR
- » Packaging Corporation of America
- » Parker-Hannifin Corporation
- » Paychex
- » Pentair plc
- » PPG Industries
- » Quanta Services
- » Raytheon Technologies Corporation
- » Republic Services
- » Robert Half International
- » Rockwell Automation
- » Rollins
- » Sealed Air Corporation
- » Snap-on
- » Southwest Airlines Co.
- » Stanley Black & Decker
- » Steel Dynamics
- » Textron
- » The Boeing Company
- » The Mosaic Company
- » The Sherwin-Williams Company
- » Trane Technologies
- » TransDigm Group
- » Union Pacific Corporation
- » United Airlines Holdings
- » United Parcel Service
- » United Rentals
- » Verisk Analytics
- » Vulcan Materials
- » W.W. Grainger
- » Waste Management
- » Westinghouse Air Brake Technologies Corporation
- » WestRock Company
- » Xylem



## About Spencer Stuart

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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, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit [www.spencerstuart.com](http://www.spencerstuart.com).

