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Board Trends at the S&P 1500 Companies

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ISS Board Practices show the continuing strength of key governance trends and the differences in practices between large- and mid-cap companies. Directors elected annually and by majority vote has become the norm at about 90% of large-caps, compared to around 60% of mid-caps. The adoption of both practices continues to rise each year.

Large-caps tend to be much less inclined to separate CEO and chair roles, however, especially as more investors accept lead directors with robust responsibilities as demonstrating appropriate independent leadership. 35% of mid-cap companies, but only 26% of large-caps, have independent chairmen. More than half of the large-caps continue to combine the CEO and chair roles, a trend that has actually increased from last year when it was only 43%. In direct contrast, 39% of mid-caps now have one person serving both positions, a decrease from more than half of those companies last year. Note that ISS policies do not always coincide with company determinations, as many chairmen that companies consider to be independent are deemed “affiliated” by ISS.

Although board composition is very much a key governance focus for both investors and companies, the trends have remained steady with average tenure of 8.8 years at large-caps and 9.4 years for mid-caps. True outliers are becoming increasingly rare. Only 36 companies in the entire S&P 1500 have average director tenure of over 20 years, and about 20 directors have served for more than 50 years on their boards.

62 is the average director age for large- and mid-sized companies, with 44% of directors in their 60s. However, female directors are nearly as likely to be in their 50s as in their 60s, while men outnumber women 14.8 to one when it comes to directors in their 70s. 335 companies in the S&P 1500 have no women on their boards, which has been fairly consistent over the past few years.

Many board practices have stayed steady for years. Large-cap companies average 11 directors, with 9 at mid-caps. The average number of meetings for the S&P 1500 companies is 8, and the average number of audit committee financial experts is 2.6, a slight increase from 2.2 last year.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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