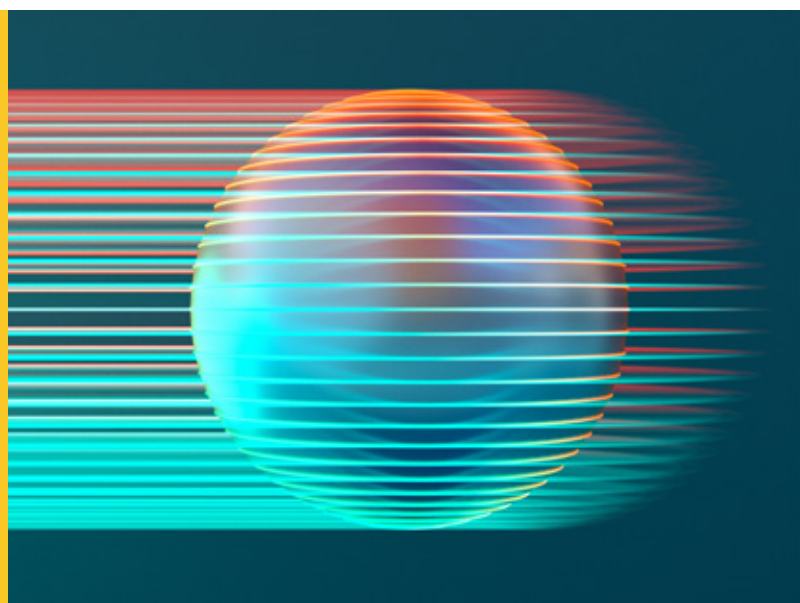


Spencer Stuart S&P MidCap 400 Index 2021



Spencer Stuart's 2021 survey of S&P MidCap 400 boards finds a significant focus on appointing independent directors from underrepresented communities, mirroring the trend at large-cap boards. Some differences between the mid- and large-cap boards remain, with mid-cap boards generally smaller in size and less diverse than the boards of larger S&P 500 companies. However, the profiles of directors joining mid- and large-cap boards in 2021 are increasingly similar — including similar professional and industry backgrounds — due largely to the changing profile of large-cap directors to resemble mid-cap directors.

Focus on directors from underrepresented communities

Similar to larger companies, mid-cap boards are focusing on enhancing their diversity. Of the 300 independent directors added to S&P MidCap 400 boards during the 2021 proxy season, two-thirds (67%) are from underrepresented groups (defined as women and Black/African American, Asian and Hispanic/Latino men). This represents a significant increase from 58% in 2020 but lags behind the 72% of the 2021 incoming class of independent S&P 500 directors.

Editor's Note: The *Spencer Stuart MidCap 400 Index* is based on our analysis of the most recent proxy reports from the S&P MidCap 400 Index. This edition draws on the latest proxy statements from 400 companies filed between June 1, 2020, and June 1, 2021. Data for the S&P 500 is taken from the 2021 *U.S. Spencer Stuart Board Index*.

Data in tables and charts may not total 100% due to rounding.

Women represent 43% of the S&P MidCap 400's incoming class of independent directors, a decline from 48% last year. Black/African American, Asian and Hispanic/Latino/a directors constitute 42% of the new independent mid-cap directors, more than double last year's 18% but below the record-breaking 47% of S&P 500 2021 boardroom appointments.

Of directors joining mid-cap boards in 2021, 28% are Black/African American, 9% are Asian and 5% are Hispanic/Latino/a.

	S&P MidCap 400	S&P 500
New directors elected	300	456
% Female	43%	43%
% Black/African American, Asian or Hispanic/Latino/a	42%	47%
% Female	18%	18%
% Male	24%	30%
Percentage of newly elected directors from underrepresented communities (female or Black/African American, Asian, Hispanic/Latino men)	67%	72%

Boardroom diversity enhanced by first-time directors

Forty percent (40%) of the new mid-cap directors are serving on their first public company board, down slightly from 43% last year. In contrast, the percentage of first-time directors joining S&P 500 boards increased from 28% in 2020 to 35% in 2021.

Of the mid-cap's 2021 first-time director group, 76% come from underrepresented groups (45% women and 31% Black/African American, Asian and Hispanic/Latino men), up significantly from 54% last year. This compares to 86% of first-time directors in the S&P 500 2021 incoming class.

Backgrounds of mid- and large-cap new directors aligning

The backgrounds of the 2021 incoming class of independent S&P mid-cap directors stayed relatively unchanged from the prior year. In contrast, the backgrounds of independent directors joining the S&P 500 in 2021 changed significantly and now resemble the new class of mid-cap directors in many ways.

Mid-cap boards appointed a similar percentage of active and retired CEOs, but a higher percentage of line/functional leaders, investors and consultants, compared to large-cap boards.

More than half (55%) of new directors joining mid-cap boards are actively employed, similar to the 56% of directors joining S&P 500 boards. Last year, 57% of new mid-cap directors were actively employed, compared to 50% of directors joining S&P 500 boards.

	MidCap 400		S&P 500	
	2021	2020	2021	2020
Top executives	26%	28%	26%	35%
<i>Retired CEOs</i>	12%	14%	10%	16%
<i>Active CEOs</i>	10%	9%	12%	13%
<i>Retired chairs/presidents/COOs</i>	2%	1%	2%	3%
<i>Active chairs/presidents/COOs</i>	2%	4%	2%	3%
Line/functional executives	33%	32%	33%	23%
<i>Line and functional leaders</i>	27%	22%	21%	16%
<i>Division/subsidiary leaders</i>	6%	10%	12%	7%
Financial executives	26%	23%	27%	27%
<i>Financial executives/CFOs/treasurers</i>	7%	6%	13%	14%
<i>Investment managers/investors</i>	13%	13%	8%	8%
<i>Bankers/investment bankers</i>	3%	1%	3%	4%
<i>Public accounting executives</i>	3%	3%	3%	1%
Legal executives	2%	3%	4%	3%
Other	15%	12%	10%	12%
<i>Consultants</i>	5%	5%	1%	2%
<i>Academics/nonprofit executives</i>	5%	4%	4%	3%
<i>Military/others</i>	5%	3%	5%	7%

New directors come from a wide range of industries

Industry backgrounds of the 2021 mid- and large-cap incoming classes are generally similar, with about 60% of new directors coming from five industries:

- » Consumer
- » Technology
- » PE/investment management
- » Industrial/manufacturing
- » Financial services

While the industry backgrounds of new mid-cap directors stayed generally unchanged from 2020, the S&P 500 class changed significantly year over year, with a notable decline in technology backgrounds.

NEW INDEPENDENT DIRECTOR TOP INDUSTRY BACKGROUNDS

	MidCap 400		S&P 500	
	2021	2020	2021	2020
Consumer	17%	15%	16%	14%
Technology	16%	13%	15%	24%
Private equity/investment management	12%	13%	7%	7%
Industrial/manufacturing	9%	11%	10%	6%
Financial services	8%	11%	9%	10%
Healthcare/pharmaceuticals	7%	7%	6%	6%
Energy/utilities	6%	6%	7%	7%
Education/nonprofit	6%	5%	4%	4%
Real estate construction/services	5%	4%	4%	4%

Low boardroom turnover persists

Boardroom turnover rates are consistently low across mid- and large-cap boards, with new independent directors representing 8-9% of all directors. As a result, moving the needle on boardroom composition — among both mid-cap and S&P 500 boards — is slow.

Formal turnover mechanisms differ by company size. Only 55% of mid-cap boards have adopted a mandatory retirement age for directors, compared with 70% of large-cap boards. Among boards with mandatory retirement policies, 58% of mid-cap boards set the age cap at 75 or older, compared with 51% of the large-caps with mandatory retirement. Director term limits are rare, with only 6% of mid- and large-cap boards adopting limits on independent directors' years of service.

Slow progress continues for boardroom gender diversity

S&P MidCap 400 boards continue to lag behind large-cap boards by one year in the representation of women. Women constitute 28% of all mid-cap directors, up from 26% last year, compared with 30% of large-cap directors, up from 28% in 2020. Two mid-cap boards have no women directors. A narrow majority (51%) have three or more female directors. In contrast, all S&P 500 boards have at least one female director, and 72% have three or more women.

Women continue to hold a minority of the committee leadership positions at mid- and large-cap boards.

FEMALE CHAIRS OF KEY COMMITTEES

	S&P MidCap 400	S&P 500
Audit committee	27%	30%
Compensation committee	26%	28%
Nominating/governance committee	31%	29%

Mid-cap boards enhancing transparency of boardroom diversity

Responding to growing calls from investors and other stakeholders for boardroom diversity details, 60% of S&P MidCap 400 companies disclosed information about the ethnic/racial composition of their boards, a significant change from about one-quarter last year. Of the companies disclosing this information, most (71%) provided aggregate data, while 29% disclosed director-specific details.

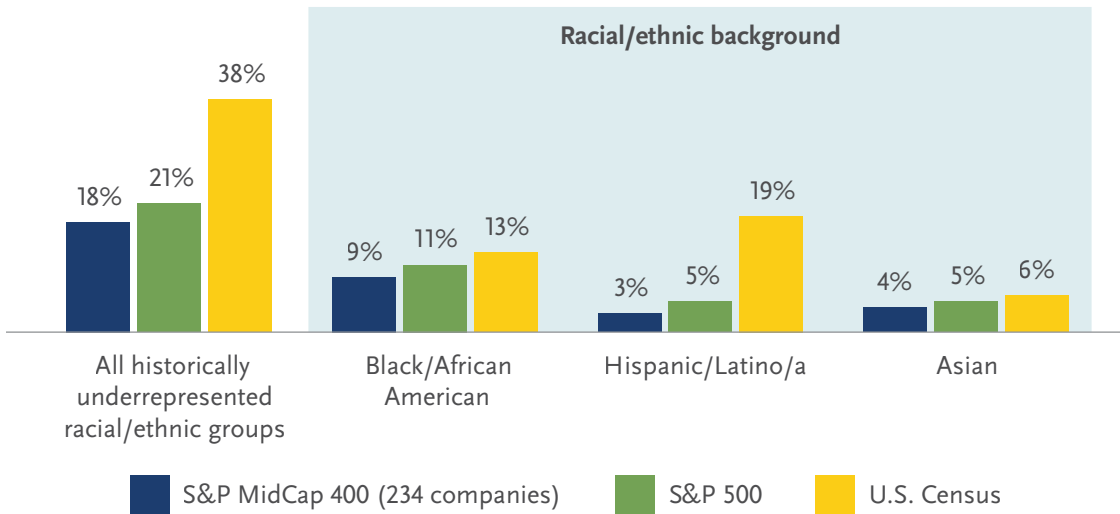
Nineteen percent (19%) of mid-cap companies report commitments for including women and people of color in director searches, up from 10% last year. The commitments vary from formal policies to general good-faith efforts to include diverse candidates on lists of directors under consideration for board seats. In contrast, 39% of S&P 500 boards disclosed a “Rooney Rule”-like commitment to include candidates from underrepresented groups in director searches.

Of the 234 mid-cap companies that disclosed the ethnicity, race and gender of directors:

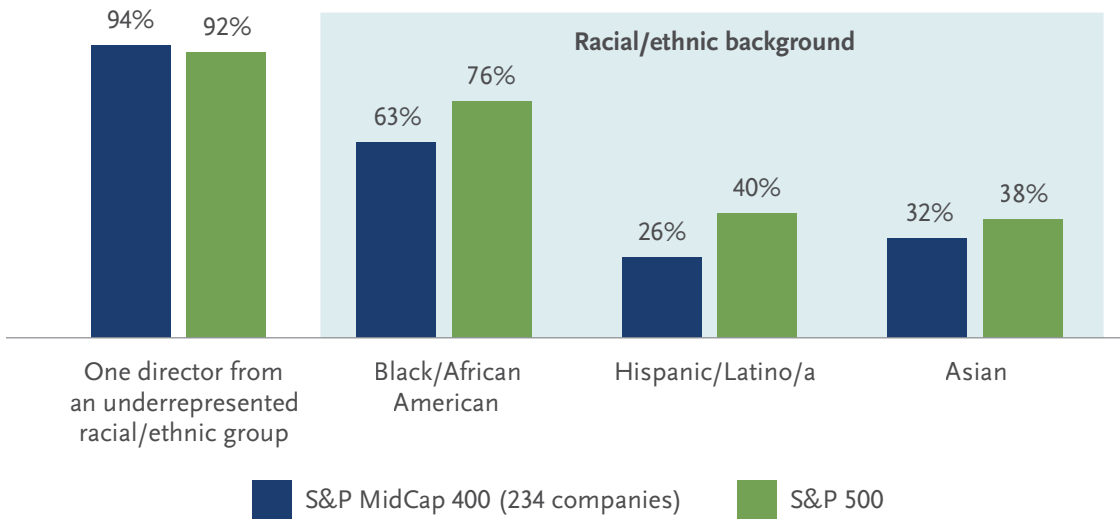
- » 41% of directors are from historically underrepresented groups — including women and Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska native or multiracial men.
- » 29% are women, including 6% female Black/African American, Asian, Hispanic/Latina, American Indian/Alaska native or multiracial directors. 12% are men from underrepresented racial and ethnic groups.
- » Among the directors from historically underrepresented racial and ethnic groups,
 - 9% Black/African American
 - 4% Asian
 - 3% Hispanic/Latino/a
 - 2% Pacific Islander, Native American, Native Hawaiian or Alaska Native
- » In comparison, 21% of the directors serving on S&P 500 boards are Black/African American, Asian or Hispanic/Latino/a.
- » 14 boards (6%) reported no Black/African American, Asian and Hispanic/Latino/a directors.
- » Seven companies disclosed that their boards include directors who identify as LGBTQ+, and one board disclosed director-specific details.

The racial/ethnic composition of mid-cap boards falls short of U.S. demographics, where, according to the U.S. Census Bureau, 51% of the population are women and 38% of the U.S. population are from underrepresented ethnic and racial groups, including 13.4% Black/African American, 5.9% Asian and 18.5% Hispanic/Latino/a.

RACIAL/ETHNIC DIVERSITY OF TOP U.S. BOARDS VS. US CENSUS



TOP U.S. BOARDS WITH AT LEAST ONE DIRECTOR FROM AN UNDERREPRESENTED RACIAL/ETHNIC GROUP

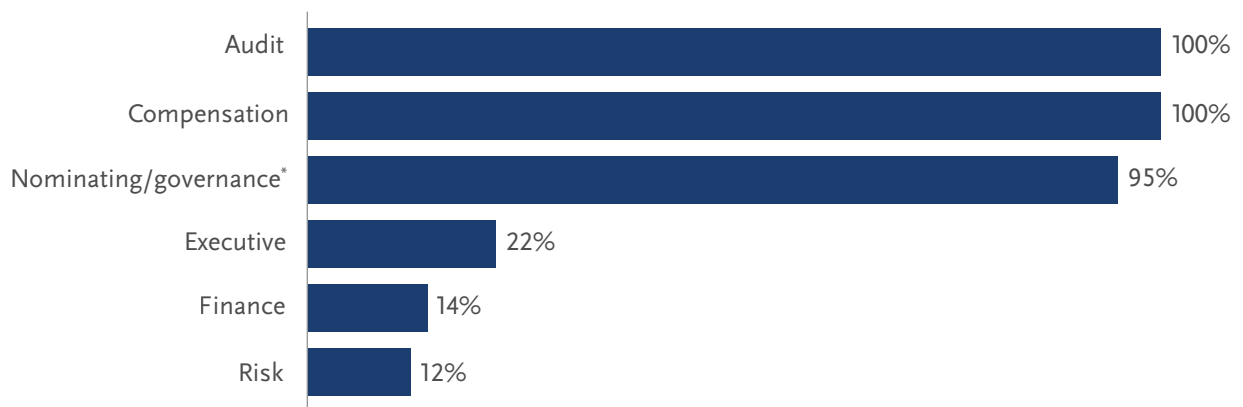


Independent chairs are more prevalent at mid-cap boards

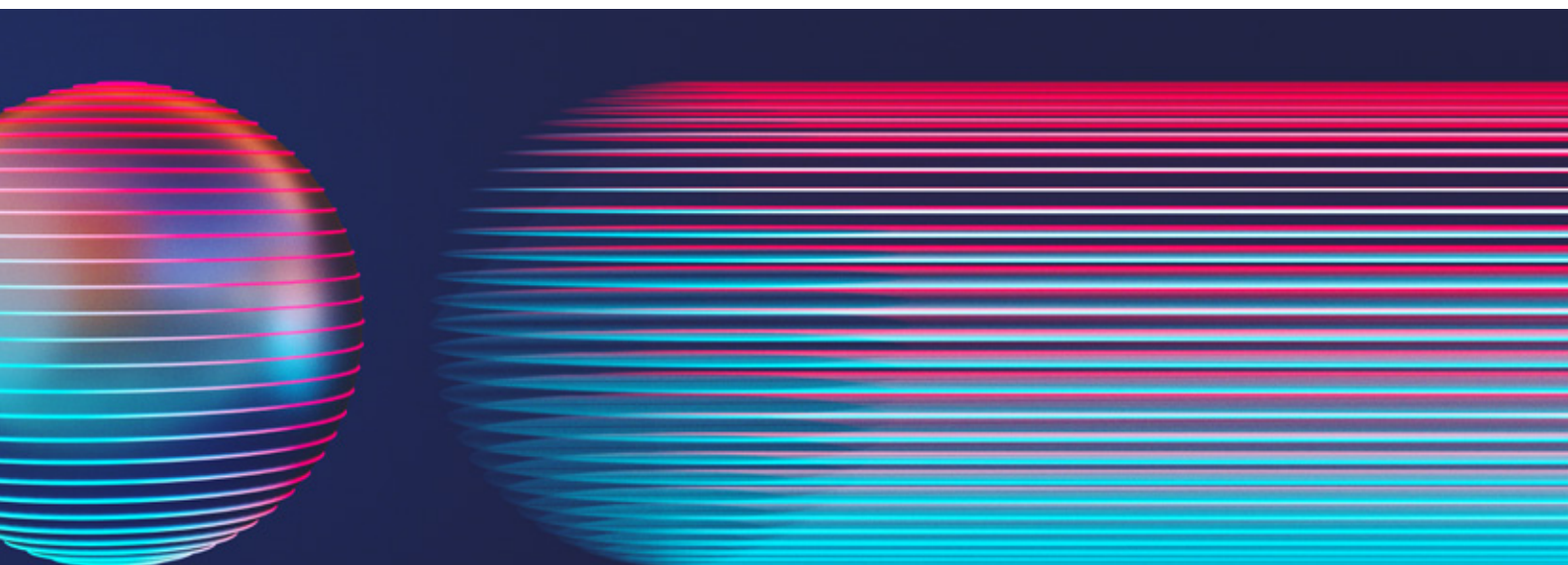
Independent chairs continue to gain acceptance. Independent directors now chair 46% of mid-cap boards (44% last year), compared with 37% of S&P 500 boards (34% last year). Lead independent directors are in place at 70% of large-cap boards and 50% of mid-cap boards.

Board meetings and committee structures are consistent across company size

S&P 500 and S&P MidCap boards generally hold a comparable number of meetings — a little more than nine. Similar to large cap boards, S&P MidCap boards have an average of four committees, in the following order of prevalence:



* 11 companies combine compensation and nominating committee functions.



How S&P MidCap 400 and S&P 500 Boards Compare

	2021 S&P MidCap 400	2021 S&P 500
Board composition		
Average board size	9.5	10.8
Independent directors	83%	86%
Average age of independent directors	63.2	63.1
Average tenure of independent directors	8.0	7.7
Oldest board (average age of independent directors)	75	74
Longest tenured board (average tenure of independent directors)	24	20
Board turnover (% new independent directors to total directors)	8%	9%
New independent directors		
Total number	300	456
Underrepresented	67%	72%
Women	43%	43%
Black/African American, Asian and Hispanic/Latino/a	42%	47%
Men	24%	29%
Women	18%	18%
Average age	57.0	57.5
Oldest new director	79	79
Youngest new director	34	33
Active CEO/chair/president/COO	12%	14%
Retired CEO/chair/president/COO	14%	12%
Financial backgrounds	26%	27%
Functional/division/subsidiary corporate executives	33%	33%
First-time directors		
# of first-time directors	119	159
% of all new directors	40%	35%
Average age	55.0	54.1
Women directors		
Women as % of all directors	28%	30%
Boards with at least one woman director	99%	100%
Boards with at least two women directors	90%	96%
Boards with at least three women directors	51%	72%
Women as a % of board leadership roles:		
Independent board chairs	3%	8%
Lead directors	6%	13%
Audit committee chairs	27%	30%
Compensation committee chairs	26%	28%
Nominating/governance committee chairs	31%	29%

	2021 S&P MidCap 400	2021 S&P 500
CEO profile		
% of CEOs serving on one or more outside boards	28%	40%
# of women CEOs	30	29
Boards where CEO is the only non-independent	60%	64%
Average age	57.7	58.2
Average tenure with company	16.2	19.8
Board leadership		
Chair/CEO combined roles	29%	41%
Independent chair	46%	37%
Lead/presiding director	50%	70%
Board meetings		
Average number of board meetings	9.1	9.4
Median number of board meetings	8	8
Retirement policies		
Mandatory Retirement Policies		
<i>Boards with mandatory retirement age</i>	55%	70%
<i>Average retirement age</i>	73.9	73.7
<i>Boards with mandatory retirement age of 75+</i>	58%	51%
<i>Boards with mandatory retirement age of 72+</i>	95%	97%
Tenure Policies		
<i>Boards with tenure policies</i>	6%	6%
<i>Average tenure limit</i>	14.8	14.6
<i>Boards with tenure policy of 15+ years</i>	64%	75%
Committee details (average number)		
Average number of committees	3.9	4.2
Audit committees		
<i>Size</i>	4.1	4.5
<i>Meetings</i>	7.3	8.4
Compensation committees		
<i>Size</i>	3.9	4.3
<i>Meetings</i>	5.9	6.2
Nominating committees		
<i>Size</i>	4.1	4.4
<i>Meetings</i>	4.4	4.7

Authors

Julie Hembrock Daum (New York) and **Ann Yerger** (Washington, D.C.)

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