

Spencer Stuart S&P MidCap 400 Index 2022

Companies in the S&P MidCap 400 Index continue to evolve the composition of their boards. This is particularly evident in mid-caps' growing recruitment of female directors and those from underrepresented racial or ethnic groups. For the second year, the backgrounds of the incoming class of mid-cap directors are broadly similar to new directors from S&P 500 boards, reflecting the shift in recruitment profiles by large-cap boards. In several respects, the profiles of mid-cap and large-cap boards are converging.¹

A continued focus on increasing diversity

The percentage of new directors from historically underrepresented groups (defined as individuals who self-identify in one or more of the following categories: women, underrepresented racial or ethnic groups or the LGBTQ+ community) joining S&P MidCap 400 boards during the 2022 proxy season rose to 73% from 67% last year. The mid-cap figure slightly exceeds the figure recorded by large-cap boards (72%) during the same period, marking a convergence between the two when it comes to historically underrepresented groups in new director cohorts.

¹ 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, 2021, and June 1, 2022. Data for the S&P 500 is taken from the 2022 U.S. *Spencer Stuart Board Index*. Data in tables and charts may not total 100% due to rounding.

After more than doubling last year to 42%, the proportion of Black or African American, Asian and Hispanic or Latino/a directors in the incoming class increased, albeit at a slower pace, to 49%.

Of directors joining mid-cap boards in 2022, 27% are Black or African American, 12% are Asian and 10% are Hispanic or Latino/a.

The representation of women among new mid-cap directors also rose, increasing from 43% of the 2021 incoming class to 46% this year. The S&P MidCap 400 and S&P 500 boards have also converged in this respect, with identical female representation figures among new directors.

NEW DIRECTORS FROM HISTORICALLY UNDERREPRESENTED GROUPS

	S&P MidCap 400	S&P 500
New directors	313	395
% historically underrepresented groups (women, underrepresented racial or ethnic groups or the LGBTQ+ community)	73%	72%
% Female	46%	46%
% Black or African American, Asian or Hispanic or Latino/a	49%	46%
% Female	22%	20%
% Male	27%	26%

Mid-cap boards bring in more first-time directors, particularly from underrepresented groups

First-time public company directors constitute almost half (48%) of the incoming class of directors in 2022 — a considerable increase from 40% the previous year. It is also substantially above the percentage of first-time directors appointed to S&P 500 boards in the past year (34%).

Historically underrepresented groups account for 79% of first-time directors in the class of 2022, up from 76% last year. (Of these, 46% are women and 33% are Black or African American, Asian and Hispanic or Latino men.) Notwithstanding the increase, the share of underrepresented groups among new, first-time mid-cap directors remains below the share recorded by large-cap boards (82%).

Mid-cap companies recruit fewer top-level executives to boards compared with large-caps

The share of retired or active top executives recruited to S&P MidCap boards declined this past year to 22% from 26% in 2021. In particular, the percentage of retired CEOs among new directors more than halved to 5% from 12%, although the percentage of active CEOs rose slightly to 12% from 10% last year. Overall, top executives (including active and retired CEOs, chairs, COOs, presidents) represent a smaller percentage of new mid-cap directors compared with S&P 500 large-caps.

Boards in both S&P indices appointed a similar proportion of division/functional leaders among newly recruited directors (about one-third in each). The composition of this group differs, however, with division/subsidiary leaders considerably more common additions to mid-cap boards, and functional leaders more prevalent on large-cap boards.

Compared with large-cap boards, mid-cap boards also recruited a larger percentage of financial executives (especially investment managers and investors), as well as consultants, to serve as directors this year.

More than half (56%) of new large-cap directors are actively employed, compared with 65% of mid-cap new directors. Last year, 55% of new mid-cap directors were actively employed, which was similar to the 56% of directors joining S&P 500 boards.

EXPERIENCE OF NEW DIRECTORS

	S&P MidCap 400	S&P 500
Top executives	22%	29%
<i>Retired CEOs</i>	5%	12%
<i>Active CEOs</i>	12%	13%
<i>Retired chairs/presidents/COOs</i>	1%	1%
<i>Active chairs/presidents/COOs</i>	3%	3%
Functional/divisional executives	33%	32%
<i>Line and functional leaders</i>	7%	20%
<i>Division/subsidiary leaders</i>	25%	12%
Financial executives	27%	23%
<i>Financial executives/CFOs/treasurers</i>	10%	12%
<i>Investment managers/investors</i>	12%	6%
<i>Bankers/investment bankers</i>	2%	4%
<i>Public accounting executives</i>	4%	1%
Legal executives	4%	5%
Other	15%	11%
<i>Consultants</i>	7%	2%
<i>Academics/nonprofit executives</i>	4%	4%
<i>Military/others</i>	4%	5%

Consumer, tech and investment sectors contribute the largest share of new mid-cap directors

The industry backgrounds of the incoming class of mid-cap directors in 2022 remain little changed from last year, although the contingent from consumer and technology companies is slightly down, while the share of directors from private equity (PE) and investment managers is slightly up. Over half (57%) of new mid-cap directors this year are from five industries:

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

The new class of S&P 500 directors displays a broadly similar composition, with the main differences being higher percentages from the technology, financial services and energy/utilities sectors. New directors from PE/investment management companies are less well represented among large-caps compared with mid-caps.

NEW DIRECTOR INDUSTRY BACKGROUNDS

	MidCap 400		S&P 500	
	2022	2021	2022	2021
Consumer	14%	17%	13%	16%
Technology	13%	16%	17%	15%
PE/investment management	13%	12%	6%	7%
Industrial/manufacturing	9%	9%	10%	10%
Financial services	8%	8%	12%	9%
Healthcare/pharmaceuticals	8%	7%	8%	6%
Education/nonprofit	5%	6%	5%	4%
Real estate construction/services	4%	5%	0%	4%
Energy/utilities	3%	6%	7%	7%

Low boardroom turnover continues

Turnover rates of directors remain low in both mid- and large-cap boards, at 8% in the past year, which is consistent with prior years. Term limits exist at just 8% of mid-caps and 7% of large-caps (although both figures are up from 6% the previous year).

Mid- and large-cap boards diverge, however, when it comes to retirement policies. Mid-caps are far less likely than large-caps (53% versus 70%) to have mandatory retirement ages. The mid-cap figure is also a slight fall-off, from 55% last year. Nevertheless, the average age limit is 74 at both indices.

53%

of mid-caps
have mandatory
retirement policies,
versus 70% of
large-caps

Gender diversity: steps forward and backward

In last year's mid-cap report, we saw that mid-cap boards were lagging large-caps in overall female representation. This divergence remains, although the percentage of women on boards of both indices continues to rise. Women constitute 30% of all mid-cap directors, up from 28% last year; among large-caps, the analogous figures are 32% and 30%. (Mid-cap boards with at least two women directors increased from 90% last year to 94%, and boards with at least three increased from 51% to 61%.)

The divergence between mid-caps and large-caps is larger when it comes to female leadership roles in boards where, in some respects, mid-cap boards are moving backwards. For example, women were 27% of audit committee chairs in the S&P MidCap 400 in 2021 but are just 24% of them today. The percentage of women acting as compensation committee chairs has also fallen, although only slightly — to 25% from 26% in the previous year. Meanwhile, large-cap boards have seen an increase in women chairing these committees this year, to 32% for audit committees and 33% for compensation committees. Women constitute 4% of independent chairs and 6% of independent leads, compared with the S&P 500 figure of 14% for both.

WOMEN CHAIRS OF KEY COMMITTEES

	S&P MidCap 400	S&P 500
Audit committee	24%	32%
Compensation committee	25%	33%
Nominating/governance committee	35%	34%



Transparency about boardroom diversity is growing

Considerable progress is evident in mid-cap reporting about boardroom diversity. For example, 83% of these companies now disclose details about the racial or ethnic composition of their boards, a sizeable increase from 60% in 2021. A few mid-caps (15, compared with seven the previous year) also reported on the representation of LGBTQ+ directors. Most mid-caps (71%) provide aggregate information about diversity, with just 29% providing director-specific details.

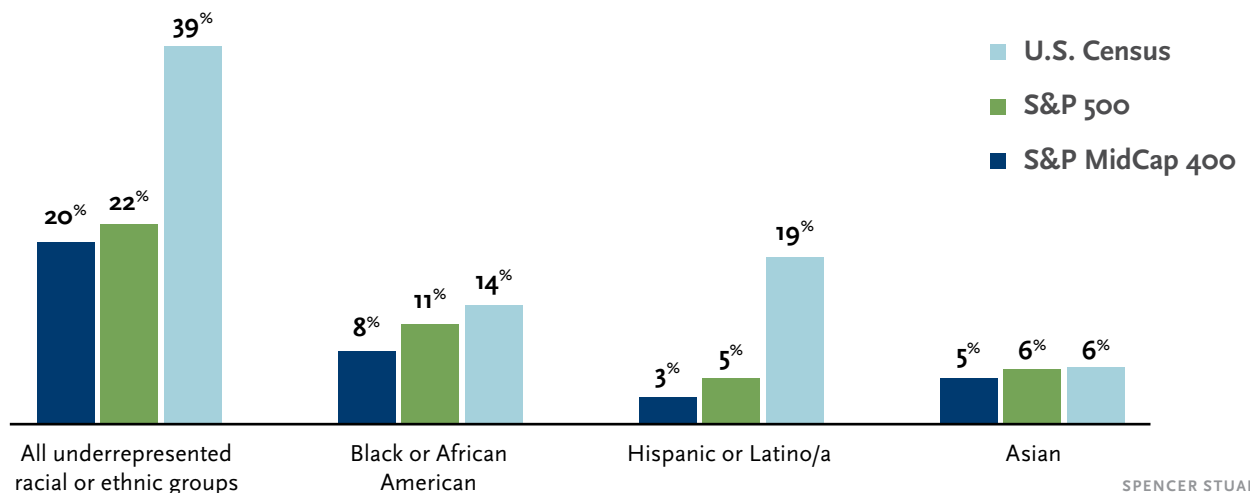
Another change: 27% of mid-caps disclosed a Rooney Rule-type commitment to include underrepresented groups in director searches, up from 19% last year. This is an almost three-fold increase since 2020, when the figure was just 10%. Still, mid-caps have a long way to go to catch up with large-cap boards on this measure. Half (50%) of S&P 500 boards reported having a policy like the Rooney Rule — a considerable increase from 39% the previous year.

Among the 83% of companies (numbering 322) in the S&P MidCap 400 reporting details about board diversity:

- » Forty-four percent of directors are from historically underrepresented groups, including women and Black or African American, Asian, Hispanic or Latino, American Indian or Alaska Native or multiracial men, up from the 2021 figure of 41% (reported by a smaller sample of 234 companies).
- » Thirty percent of all mid-cap directors in 2022 are women.
- » Twenty percent are from underrepresented racial or ethnic groups. Of these directors, 8% are Black or African American, 3% are Hispanic or Latino/a and 5% are Asian. On each of these indicators, mid-caps lag slightly behind large-cap companies (by about 1–3%).
- » Four percent this year report no Black or African American, Asian and Hispanic or Latino/a directors, down from 6% last year.

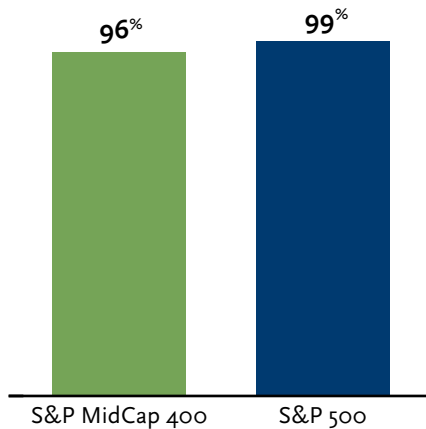
The racial or ethnic composition of mid-cap boards falls short of U.S. demographics. According to the U.S. Census Bureau, 51% of the population are women and 42% of the population are from underrepresented racial or ethnic groups, including 13.4% Black or African American, 5.9% Asian and 18.5% Hispanic or Latino/a.

RACIAL OR ETHNIC DIVERSITY OF TOP U.S. BOARDS VS. U.S. CENSUS

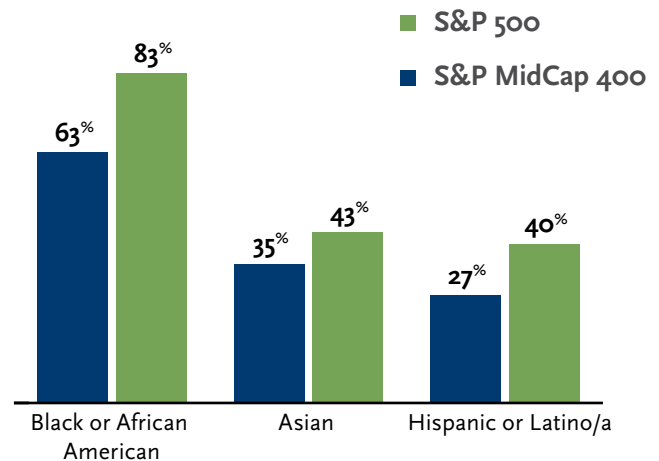


U.S. BOARDS WITH AT LEAST ONE DIRECTOR FROM AN UNDERREPRESENTED RACIAL/ETHNIC GROUP

At least one director from an underrepresented racial or ethnic group



Racial or ethnic background



Board leadership differs at mid- and large-caps

Mid-cap CEOs are considerably less likely to also serve as the board chair at their companies than at large-cap companies: 30% at mid-caps and 43% at large-caps. Mid-caps are far more likely than large-caps to have independent directors as chairs — 47% (up slightly from 2021) compared with 36%.

Separately, it is much less common for mid-cap CEOs to serve on boards of other companies than their large-cap peers — 29%, compared with 41% of large-cap CEOs.

Frequency of board meetings is on the decline

In this past year, mid-cap boards met about eight times on average — down from the average of nine the previous year. The same trend is visible at large-caps, with the average frequency falling to eight from nine post COVID. In 2020, mid-cap boards met seven and a half times on average.



How S&P MidCap 400 and S&P 500 boards compare

	2022 S&P MidCap 400	2022 S&P 500
Board composition		
Average board size	9.6	10.8
Independent directors	84%	86%
Average age of independent directors	62.8	63.1
Average tenure of independent directors	7.6	7.8
Oldest board (average age of independent directors)	74	74
Longest-tenured board (average tenure of independent directors)	20	18
Board turnover (% new independent directors to total directors)	8%	8%
New independent directors		
Total number	313	395
Historically underrepresented groups	73%	72%
Women	46%	46%
Black or African American, Asian and Hispanic or Latino/a	49%	46%
Men	27%	26%
Women	22%	20%
Average age	56.6	57.3
Oldest new director	88	70
Youngest new director	33	43
Active CEO/chair/president/COO	15%	16%
Retired CEO/chair/president/COO	6%	13%
Financial backgrounds	27%	23%
Functional/division/subsidiary corporate executives	33%	32%
First-time directors		
# of first-time directors	149	133
% of all new directors	48%	34%
Average age	54.7	54.4
Women directors		
Women as % of all directors	30%	32%
Boards with at least one woman director	100%	100%
Boards with at least two women directors	94%	98%
Boards with at least three women directors	61%	81%
Women as a % of board leadership roles		
Independent board chairs	4%	14%
Lead directors	6%	14%
Audit committee chairs	24%	32%
Compensation committee chairs	25%	33%
Nominating/governance committee chairs	35%	34%

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	2022 S&P MidCap 400	2022 S&P 500
CEO profile		
% of CEOs serving on one or more outside boards	29%	41%
# of women CEOs	29	34
Boards where CEO is the only non-independent	62%	65%
Average age	57.9	58.5
Average tenure with company	16.5	19.8
Board leadership		
Chair/CEO combined roles	30%	43%
Independent chair	47%	36%
Lead/presiding director	49%	68%
Board meetings		
Average number of board meetings	8.2	8.3
Median number of board meetings	7	7
Retirement policies		
Mandatory retirement policies		
Boards with a mandatory retirement age	53%	70%
Average retirement age	74.1	73.8
Boards with a mandatory retirement age of 75+	61%	53%
Boards with a mandatory retirement age of 72+	98%	96%
Tenure policies		
Boards with tenure policies	8%	7%
Average tenure limit	13.8	14.3
Boards with a tenure policy of 15+ years	53%	67%
Committee details		
Average number of committees	3.8	4.2
Audit committees		
Size	4.2	4.4
Meetings	7.3	8.2
Compensation committees		
Size	4.0	4.3
Meetings	5.6	6.0
Nominating committees		
Size	4.1	4.5
Meetings	5.3	4.7



About Spencer Stuart

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