



Missing Pieces:

Women and Minorities on *Fortune* 500 Boards

Q & A Platform

What is ABD?

Founded in 2004, the Alliance for Board Diversity (ABD) is a collaboration of four leadership organizations: Catalyst, The Executive Leadership Council (ELC), the Hispanic Association on Corporate Responsibility (HACR), the Leadership Education for Asian Pacifics, Inc. (LEAP); and The Prout Group, Inc., an executive search firm, which is a founding partner of the ABD and serves as advisor and facilitator. The ABD's mission is to enhance shareholder value in *Fortune* 500 companies by promoting inclusion of women and minorities on corporate boards.

What is the Missing Pieces: Women and Minorities on Fortune 500 Boards Report?

The ABD has produced the report since 2004, and it is issued every two years. The report analyzes data based on race and gender of board directors in the top U.S. companies, providing snapshots of diversity in *Fortune* 100 and 500 boardrooms.

Why is the study important?

This research is critical to increasing awareness about board diversity on *Fortune* 100 and 500 boards, specifically the status of women and minorities. The research is part of a larger ABD effort to position qualified women and minority candidates for board service and to increase diversity on publicly traded company boards. The ABD believes that corporate governance works best when boards of publicly traded companies are diverse; and women and minorities are an important part of the equation.

What methodology was used to conduct the study?

The ABD utilizes a Census methodology, which counts *Fortune* 100 and 500 board directors to provide an accurate measurement of their representation and progress of women and minorities, allowing comparable statistics year-to-year. The ABD analyzes companies on the *Fortune* 500 list, which is published annually.

continued on next page

What were the key findings of your most recent study?

While it has been nearly a decade since the ABD began conducting its census of *Fortune* 100 board directors in 2004, women and minorities have made only small gains in increasing their representation in corporate boardrooms. The overall increase is negligible. In 2012, women and minorities remained underrepresented at the decision-making table of boardrooms, with white men comprising nearly 70 percent of the 1,214 seats.

- In the *Fortune* 100, between 2010 and 2012:
 - African Americans, Hispanics/Latinos and Asian/Pacific Islanders have either made only small gains or experienced losses in corporate board representation.
 - African American: Men comprised 7.0 percent of the total seats, while women captured 2.2 percent.
 - Asian/Pacific Islander: Men comprised 1.9 percent, while women encompassed 0.8 percent.
 - Hispanic/Latino: Men held 3.5 percent, while women occupied 0.8 percent.
 - White/Caucasian: Men represented 67.9 percent of the total board seats, while women were at 15.9 percent.
 - Women, inclusive of the U.S. Census groups, gained 22 seats, but that means only a total increase of 1.8 percentage points over two years.
 - The greatest deviation among groups occurred between white/Caucasian women and men. In 2010, white/Caucasian men occupied 69.9 percent of seats while white/Caucasian women occupied 14.6 percent. In 2012 white/Caucasian men comprised 67.9 percent of seats while white/Caucasian women held 15.9 percent.
 - In 2004, the majority of *Fortune* 100 companies had 0-30 percent board diversity, and this trend continued in 2010. However, in 2012, the majority of *Fortune* 100 companies had 31 percent or more board diversity. This shift indicates a slight increase in the amount of diversity on *Fortune* 100 boards.

Trending similarly to the *Fortune* 100, women and minorities remained underrepresented in corporate boardrooms with white/Caucasian men holding the majority of the *Fortune* 500 seats.

- In the *Fortune* 500 companies, between 2010 and 2012:
 - White/Caucasian males continued to dominate *Fortune* 500 boards, accounting for 73.3 percent or 4,020 of the 5,488 total board seats.
 - Since the ABD began conducting a census of *Fortune* 500 board directors in 2010, African-Americans, Hispanics/Latinos, and Asian/Pacific Islanders have made only small gains or experienced losses in boardroom representation.
 - Between 2010 and 2012, the number of companies with board members from each of the major U.S. Census Bureau groups increased from 5.2 to 6.0 percent.
 - Respectively, white/Caucasian women filled 13.4 percent, minority men occupied 10.1 percent and minority women held 3.2 percent of the total board seats.
 - African Americans are the only group that experienced a decline from 2010 to 2012, with a drop in seats from 5.7 to 5.5 percent among men, and the representation remained stagnant for women at 1.9 percent.
 - In 2010, the majority of *Fortune* 500 companies had 0-30 percent women and/or minority board director representation, and this trend continued in 2012. From 2010 to 2012, the number of *Fortune* 500 companies with 31-40 percent and greater than 40 percent of women and/or minority board directors increased. This shift indicates a small increase in the amount of diversity on *Fortune* 500 boards.

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What are the benefits of corporate board diversity?

The ABD believes in the business proposition that when diversity leads, corporate America succeeds. This belief is in part based on research which shows that diverse teams, well managed, yield better results. Diverse teams help to drive new and independent perspectives and better group performance as well as provide market-based insights which are critical for innovation and business success over time. The challenge to board diversity is not on the supply side. There are more qualified women and minority executives than ever before for board positions at *Fortune* 500 companies. The ABD is doing its part to ensure that qualified candidates are considered for board opportunities. Each ABD member supports initiatives that position qualified women and minorities for service on *Fortune* 500 corporate boards.

What steps is the ABD taking to increase boardroom diversity?

Although there are barriers to board diversity, the ABD believes there are tremendous opportunities. The organization is committed to partnering with corporate America to ensure its global competitiveness and success. In addition to releasing cutting-edge research, ABD members recognize and celebrate companies that promote board diversity. Each member company also sponsors programs to prepare women and minorities for board service, and they are helping *Fortune* 500 companies identify qualified candidates for competitive searches.

What are the trends in diversity in leadership roles in boardrooms?

The ABD assessed five major categories: Board chair, lead director, audit committee chair, nomination/governance committee chair and compensation committee chair. Women and minorities continue to be underrepresented in leadership roles in boardrooms with white males comprising 70-90 percent of positions. Across each category, minority women faced either a deficit or zero change in seat numbers. This was the only demographic that consistently did not realize an increase in any leadership positions. White/Caucasian women made small gains in board chair, audit committee chair, and nomination/governance committee chair roles. Minority men realized an increase in leadership roles, specifically as board chairs, compensation committee chairs, and nomination/governance committee chairs.

Why is the recycle rate relevant?

A recycle rate refers to the average number of board seats held by each individual. The rate is calculated by dividing the total number of seats by the total number of directors. While the ABD did not conduct in-depth research on this topic as part of this report, we do provide snapshots of the recycle rate in *Fortune* 100 and 500 companies. The data shows that there is a high recycle rate among all groups on corporate boards, with individual directors sitting on multiple boards. This trend could potentially mean troubling news for women and minority directors. The high recycle rate could indicate a risk aversion to bring in new talent, and it could result in less opportunities for qualified women and minority candidates if the same candidates are selected for open seats.