

## 2021 S&P 500 Board Diversity Snapshot



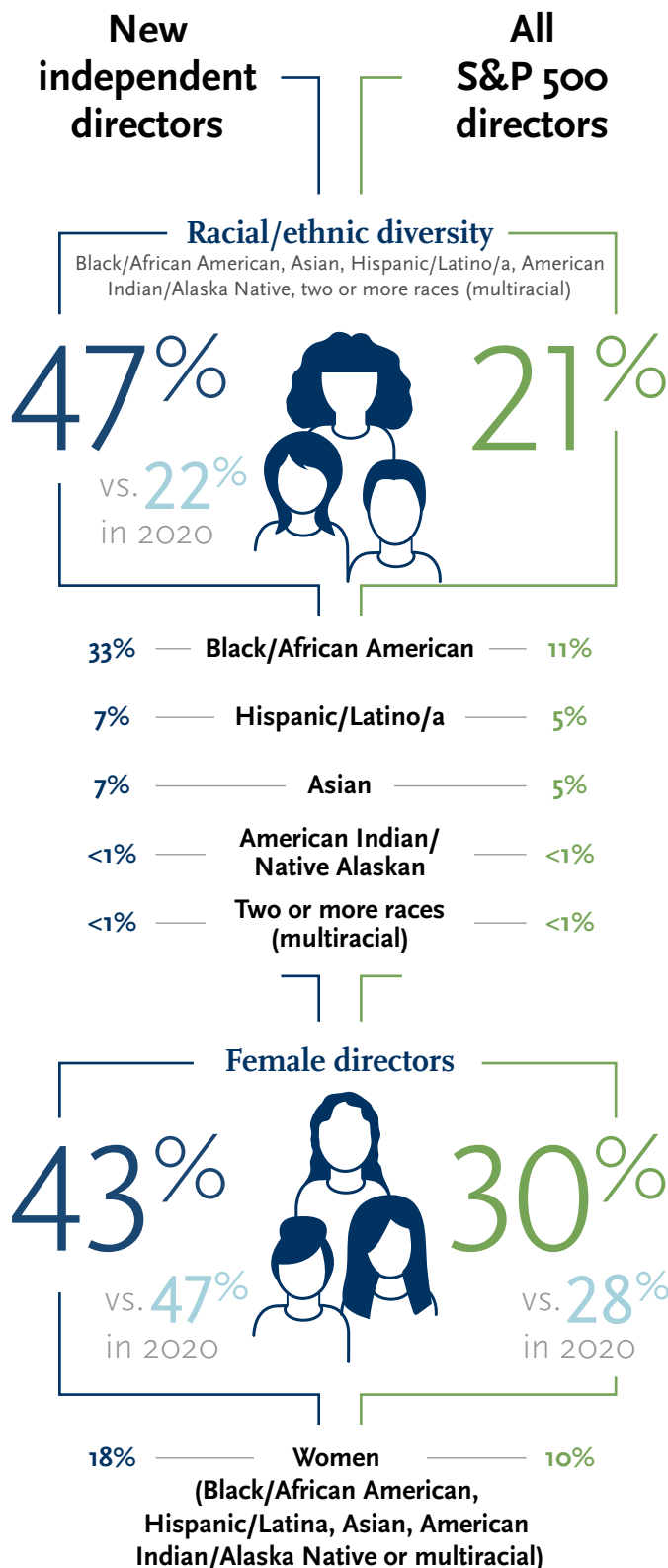
The racial justice reckoning of the past year highlighted the lack of progress companies have made in increasing ethnic and racial representation on boards and in executive ranks. Looking ahead, nominating/governance committee chairs have indicated that adding to the racial and ethnic diversity of their boards will be a top director recruiting priority for the next three years.

## What progress have boards made in increasing the diversity of their composition in the past year?

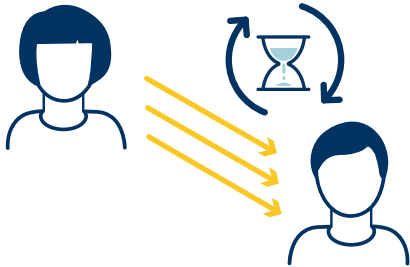
Certainly, we have seen growing demand for directors from historically underrepresented groups among boards recruiting new directors. Overall, 47% of the new director class are Black/African American, Hispanic/Latino/a, Asian, American Indian/Native Alaskan and multiracial directors, largely driven by an increase in the recruitment of Black/African American directors. And 43% of new directors are women, a decline from 47% last year.

Due to the persistent issue of low boardroom turnover, however, the addition of new directors from underrepresented groups has had little impact on the overall diversity of S&P 500 boards. Just 21% of all S&P 500 directors in 2021 are Black/African American, Hispanic/Latino/a, Asian, American Indian/Native Alaskan or multiracial — the first time we have tracked the racial/ethnic diversity of the full set of S&P 500 boards. And women now represent 30% of all S&P 500 directors — the most ever — despite representing close to half the new director classes the last several years.

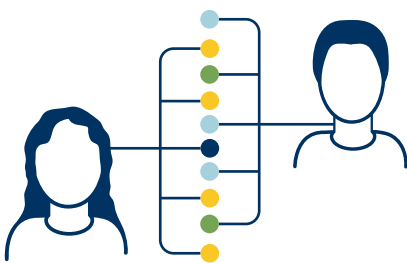
Boards are increasingly looking beyond the CEO seat for board talent, and we have consistently found a strong pool of board-ready candidates who meet the criteria that our clients set and add racial and ethnic diversity into the boardroom.



Ultimately, boards will not make meaningful progress increasing diversity — gender, ethnic, racial, LGBTQ+ and age — or addressing other recruiting priorities such as adding digital and technology experience, without being intentional and embracing a refreshment process that ensures regular turnover, prioritizes the perspectives needed in the boardroom and builds a robust talent pipeline. In practice, this means:



» **Forward-looking boards will be willing to roll directors off the board before retirement age.** These boards will establish the expectation that directors' continued service depends on the value and relevance of their contributions and perspectives on a forward-looking basis. These boards will use tools such as board and director assessments and board matrices to identify needed skills and perspectives and determine whether the current skills on the board are still the right ones. When they are not, or director performance is lacking, these boards will have the courage and culture to make a change.



» **Boards will expand their networks.** Forward-looking boards will truly commit to increasing the diversity of the board. They will set objectives like the "Rooney Rule" for themselves, such as interviewing at least one candidate from historically underrepresented groups for any board vacancy. And they will proactively meet and cultivate relationships with executives from racially and ethnically diverse backgrounds to build a pipeline of talent beyond their traditional networks. Some boards expand their reach by leveraging company and external affinity groups or the networks of company executives or board directors from underrepresented groups.



» **CEOs will increase opportunities for up-and-coming leaders in their organizations to interact with the board and encourage them to serve on external boards.** CEOs can support the career development of executives from historically underrepresented groups by ensuring they gain exposure to the company's own board and supporting opportunities to serve on external boards. These opportunities can provide visibility to different leadership styles, corporate cultures and business models and expand leaders' perspectives. Board service also extends individuals' professional and personal networks. These are developmental experiences that also benefit the company — and can engender loyalty and increase the retention of these leaders.



» **Boards will plan for diverse representation in their leadership roles.** Diversity in leadership can elevate important perspectives and increase the sense of belonging in the boardroom for all directors. Boards typically tap experienced directors for key leadership roles. These directors already have institutional knowledge of the company, familiarity with the key issues, and relationships with the other board or committee members and management. Forward-looking board succession planning anticipates the departure of board and committee leaders early and ensures that the board has someone with the right skills, time and commitment to serve when the time comes, taking diversity into account.

# Diversity On S&P 500 Boards: 2021 Trends

With board diversity becoming a growing issue for investors and other stakeholders, boards have increased disclosures about the racial and ethnic diversity of their composition. Sixty percent (60%) of S&P 500 boards disclosed their ethnic/racial composition, with 28% of those boards identifying directors from historically underrepresented groups by name. Thirty-nine percent (39%) of boards reported having a policy to include individuals from underrepresented groups in the candidate pool when recruiting new directors.

## New independent directors: The incoming class reaches a new diversity milestone

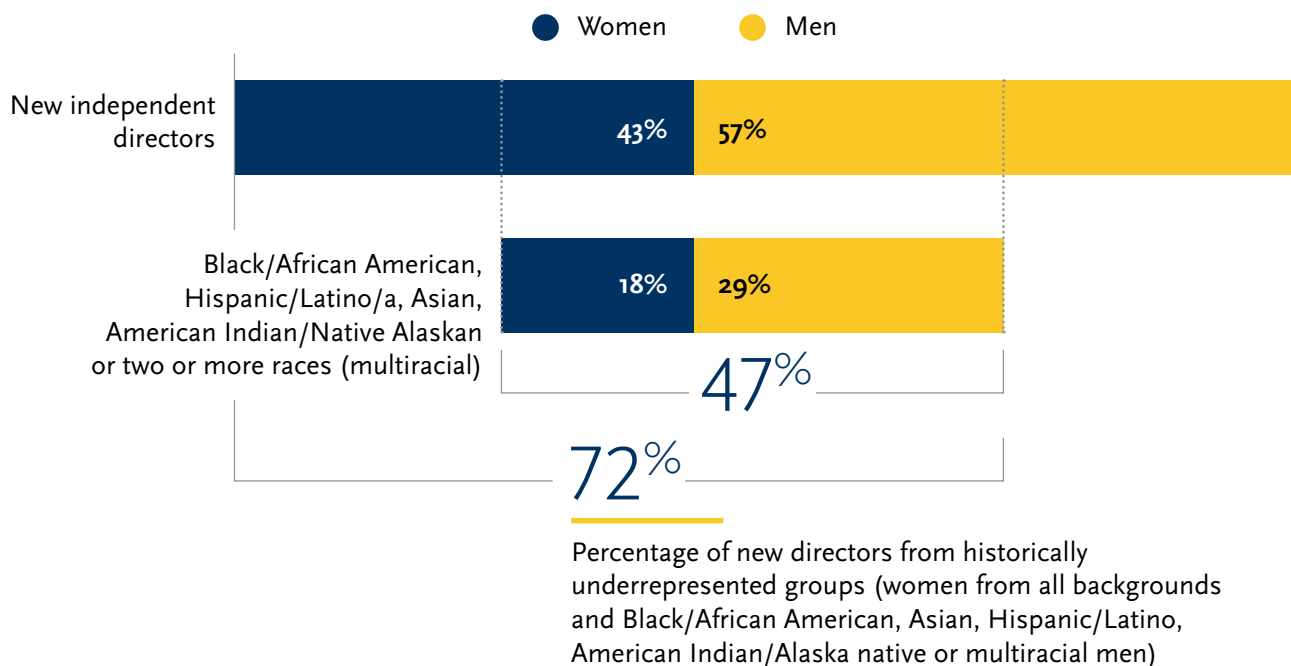
S&P 500 boards added 456 new independent directors during the 2021 proxy season, the most since 2004.

Driven by the increase in Black/African American directors, the incoming class of directors is the most diverse we have seen. Nearly half — 47% — of new directors are Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska native or multiracial, and 43% are women. Together, directors from these historically underrepresented groups account for 72% of all new directors.

# 456

New independent directors — **the most added since 2004**

### NEW S&P 500 DIRECTORS: 2021 BREAKDOWN BY GENDER AND ETHNIC/RACIAL BACKGROUND

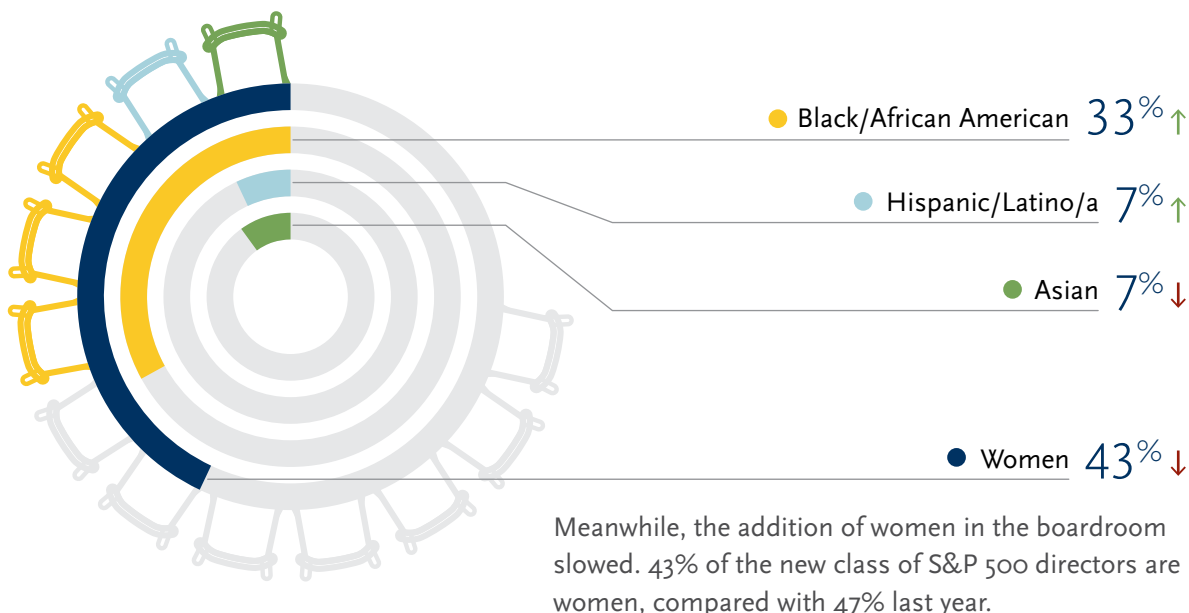


## NEW S&amp;P 500 DIRECTORS: ONE, FIVE AND 10-YEAR BREAKDOWN BY GENDER AND RACE/ETHNICITY

	2021	2020	2016	2011	5-Yr % change	10-Yr % change
New directors	456	413	345	294	32%	55%
% women	43% ▼	47%	32%	21%	34%	105%
% Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska native, or two or more races	47% ▲	22%	15%	14%	213%	235%
% female	18% ▲	10%	5%	4%	260%	350%
% male	29% ▲	12%	10%	10%	200%	200%
Percentage of new directors from historically underrepresented groups: Women from all backgrounds and Black/African American, Asian, Hispanic/Latino, American Indian/Alaska native or multiracial men	72% ▲	59%	42%	31%	71%	132%

Nearly all of the gains in the diversity of the new class of directors are due to the increase in Black/African American directors.

- » One-third (33%) of all new independent directors are Black/African American, three times more than last year (11%) and the most since we began tracking this data in 2008.
- » The representation of Asian directors among new directors fell slightly to 7% from 8% last year.
- » Hispanic/Latino/a directors make up 7% of new directors, an increase from 3% last year. The representation of Hispanic/Latino/a directors among new directors has vacillated between 3% and 5% since we began collecting this data in 2008, not reaching above 6% before this year.

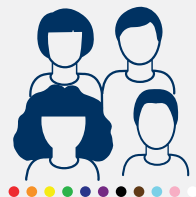


## RACIAL/ETHNIC DIVERSITY OF THE S&P 500 NEW DIRECTOR CLASS

	2021	2020	2016	2011	5-Yr % change	10-Yr % change
% Black /African American	33% ▲	11%	8%	7%	313%	371%
% Hispanic/Latino/a	7% ▲	3%	5%	3%	40%	133%
% Asian	7% ▼	8%	2%	4%	250%	75%
% American Indian or Alaska Native	<1%	n/a	n/a	n/a	n/a	n/a
% Two or more races (multiracial)	<1%	n/a	n/a	n/a	n/a	n/a
% Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska Native, two or more races (multiracial)	47% ▲	22%	15%	14%	213%	235%

## Additional proxy disclosures focused on diversity are emerging

### LGBTQ+



32 boards (6%) included LGBTQ+ disclosure in their proxy statement. Not all of these boards identified the LGBTQ+ status of individual directors, and most did not disclose details about LGBTQ+ representation on the board. On these 32 boards, 5 LGBTQ+ directors were identified by name.

### DISABLED/DIFFERENTLY ABLED



1 board disclosed having a disabled/differently abled director.

### VETERANS



3 boards disclosed having a veteran on their board.

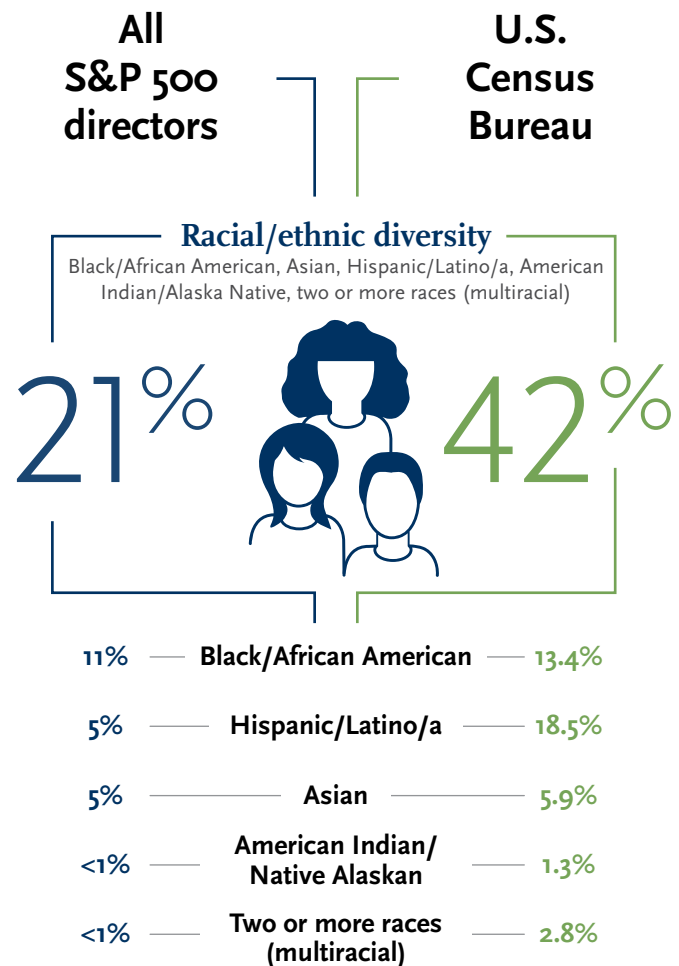
## All S&P 500 directors: A more complete picture of board diversity is emerging

For the first time, our *U.S. Spencer Stuart Board Index* research tracks the director diversity of all S&P 500 companies in addition to the new class of directors.

This year, 193 companies (39%) in the S&P 500 included a statement in their proxy committing to diverse slates when considering new directors, up from 24% last year.

Despite the record number of new directors from historically underrepresented groups, continued low boardroom turnover remains a persistent impediment to meaningful year-over-year change in the overall composition of S&P 500 boards.

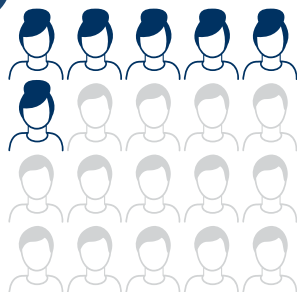
While the representation of some demographic groups on S&P 500 boards more closely reflects the U.S. population, there is a significant disparity in representation for others. According to the [U.S. Census Bureau](#), 42% of the U.S. population is Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska Native or multi-racial, which is double their representation among all S&P 500 directors (21%). The largest disparity is between Hispanic/Latino/a representation on S&P 500 boards (5% of all directors) and their representation in the U.S. population (18.5%).



### BOARD REPRESENTATION VERSUS U.S. POPULATION

	New S&P 500 directors	All S&P 500 directors	U.S. Census Bureau
% Women	43%	30%	50.8%
% Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska Native, two or more races (multiracial)	47%	21%	42%
% Black/African American	33%	11%	13.4%
% Hispanic/Latino/a	7%	5%	18.5%
% Asian	7%	5%	5.9%
% American Indian or Alaska Native	<1%	<1%	1.3%
% Two or more races (Multiracial)	<1%	<1%	2.8%

30%



## Will progress for women slow?

Women now represent 30% of all S&P 500 directors, **the most ever**. But 2021 saw a decrease in female representation among new directors, and our survey of nominating/governance committee chairs suggests that fewer women may be recruited on boards in the next several years. Among boards' recruiting priorities, the recruitment of women fell from 3rd place last year to 10th this year. Increasing gender diversity also fell out of the top five priorities for nominating/governance committees, our survey found.

### S&P 500 WOMEN DIRECTORS

	2021	2020	2016	2011	5-Yr % change	10-Yr % change
Women as a % of all S&P 500 directors	30% ▲	28%	21%	16%	42%	88%
% women as new independent directors	43% ▼	47%	32%	21%	34%	105%



## The majority of newly hired younger “next generation” directors are from historically underrepresented groups

16% of the incoming class of S&P 500 directors are “next-generation” directors, age 50 or younger, essentially flat for the past decade. But this year, the next-generation group is significantly more diverse: 69% are Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska Native or multiracial, compared with 40% last year.



## Little change seen in geographic diversity

More than two-thirds (68%) of all S&P 500 boards **include at least one director born outside the U.S.**, compared with 66% last year. While the percentage of new non-U.S. directors declined slightly from last year, the overall representation of non-U.S. directors increased to 14% of all directors from 13% in 2020.



## Diversity lags in board leadership

Just 8% of S&P 500 board chairs and 10% of lead directors are from historically underrepresented racial or ethnic groups.



### S&P 500 BOARD AND COMMITTEE LEADERSHIP ROLES

	% from underrepresented ethnic/racial Group	% female
Independent board chair	8%	8%
Lead director	10%	13%
Audit committee chair	12%	30%
Compensation committee chair	14%	28%
Nominating/governance committee chair	16%	29%



## Editor's Notes

- » This data draws on the latest proxy statements from 493 companies filed between May 28, 2020 and May 13, 2021.
- » “Underrepresented” includes the Black/African American, Hispanic/Latino/a and Asian directors. The Asian category includes individuals of Indian descent, consistent with U.S. Census Bureau methodology.
- » Data in tables may not total 100% due to rounding.

## About Spencer Stuart

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