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Isaac M. O'Bannon • Nov. 13, 2023



Corporate boards have become significantly more diverse over the past five years, according to a [new report](#) from The Conference Board and ESGAUGE. The share of female directors in the S&P 500 increased from 23% in 2018 to 32% in 2023, while the reported share of racially/ethnically diverse directors grew from 20% in 2018 to 25% in 2023.

As the report points out, however, the reported growth in both racial and gender diversity has slowed in the past year. The share of reported female directors increased by one percentage point, from 31% in 2022 to 32% in 2023. And the share of reported racially/ethnically diverse directors remained virtually unchanged, rising from 24% in 2022 to 25% in 2023.

The report identifies a key factor in the slowdown: The 2023 class of new corporate directors is less diverse in terms of race and gender than the 2022 class. The 2023 class of new directors was 38% female, compared to 43% in 2022. The percentage of

racially/ethnically diverse directors among new board members saw an even steeper

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The report addresses the current state of diversity in boardrooms and provides insights on how to maximize the benefits of a diverse board. It was produced in collaboration with data analytics firm ESGAUGE, along with Debevoise & Plimpton; KPMG; Russell Reynolds Associates; and the John L. Weinberg Center for Corporate Governance.

Additional findings and insights include:

Director Gender

- **The percentage of female directors continues to rise, albeit slowly:**
 - S&P 500: The share grew from 23% in 2018 to 31% in 2022 to 32% in 2023.
 - Russell 3000: The share grew from 17% in 2018 to 27% in 2022 to 28% in 2023.
- **A majority of Russell 3000 companies now have three or more female directors:**
 - Russell 3000: 54% now have three or more female directors, compared to 18% in 2018.
 - S&P 500: 86% now have three or more female directors, up from 47% in 2018.
- **The percentage of *new* directors who are female has fallen in 2023:**
 - S&P 500: The share of new female directors decreased from 43% in 2022 to 38% in 2023.
 - Russell 3000: The share decreased from 42% to 39%.

“While the reported growth in gender diversity is slowing, the share of female representation on corporate boards has increased meaningfully in the past five years by approximately 10 percentage points in both the S&P 500 and the Russell 3000, demonstrating that companies can, through focused attention, significantly enhance diversity in the boardroom,” said Merel Spierings, author of the report and Senior Researcher at The Conference Board.

Director Race/Ethnicity

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- S&P 500: The percentage of reported racially/ethnically diverse directors has barely increased, inching up from 20% in 2018 to 24% in 2022 to 25% in 2023.
- Russell 3000: Since 2018, the share has remained about the same at 21%.
- **The share of new non-White directors has decreased in both indexes:**
 - S&P 500: The share fell from 45% in 2022 to 36% in 2023.
 - Russell 3000: The share fell from 43% to 35%.
- **Additional context:** The diversification of US corporate boards is also limited by low the level of turnover on corporate boards and the fact that approximately 65% to 70% of the US board-age population is non-Hispanic White.

“Directors with diverse racial and ethnic backgrounds can bring new viewpoints into the boardroom that enrich boardroom conversations,” said Claudia Allen, senior advisor with the KPMG Board Leadership Center. “The plateauing of disclosure on director race and ethnicity suggests that in addition to considering the diversity of their board, directors also need to consider whether it is being fully disclosed.”

Director Sexual Orientation

- **Disclosure of director sexual orientation is increasing:**
 - S&P 500: In 2023, 29% are disclosing their directors' sexual orientation, up from 7% in 2021 and 0.4% in 2018.
 - Russell 3000: 41% in 2023 compared to 3% in 2021 and 0.1% in 2018.
- **Smaller companies are more likely than their larger counterparts to disclose this information:**
 - Whereas 70% of the smallest companies (under \$100 million in revenue) disclose their directors' sexual orientation, only 14% of the largest companies (over \$50 billion) do so.

- What is driving the increase in disclosure among smaller companies? The large

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These younger executives might be more willing to disclose information about their sexual orientation.

“Discussions about diversity should also recognize the importance of commonality. Having strategic experience, a clear understanding of the role of the board, an ability to ask probing questions, and collective fluency across a range of relevant areas are essential and can enable the board to make the most of diversity,” said Umesh Chandra, Executive Director of ESGAUGE.

Informing the report's findings and insights are 1) public disclosure data, as recent as August 2023; and 2) key insights from governance leaders at two Chatham House Rule convenings, where they discussed their views on current trends in corporate boardrooms and the advantages of having a diverse board.

Advisory

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