inFORUM

See what's possible. Get there faster.

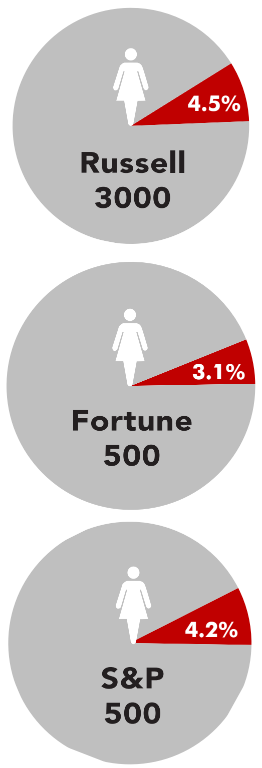
2022 STATUS OF BLACK WOMEN ON U.S. AND MICHIGAN CORPORATE BOARDS

Black women are being left out of U.S. corporate governance, and America's companies are missing out as a result.

This report's purpose is to document trends in Black women's representation on corporate boards in Michigan and nationally. Although increased visibility has resulted in some progress, there is more that can and should be done.

"If you look around, everyone wants a sitting or recently retired CEO who's done very similar things to what their company's trying to do sometime in the last decade," Jennifer Tejada, CEO of PagerDuty, a software company, and a member of the boards of Estée Lauder and UiPath, told *The New York Times* in January. "That's a very narrow lens to look through."

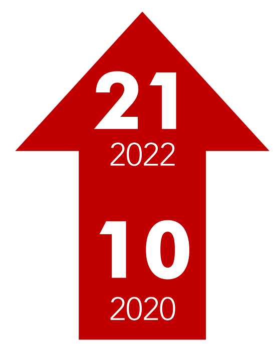
BOARD SEATS HELD BY BLACK WOMEN



Currently, Black women hold about 4.5% of board seats in the Russell 3000 Index, 3.1% of Fortune 500 seats, and 4.2% of S&P 500 seats – an all-time high, according to ISS Corporate Solutions (ICS).

"Even when there is still significant work to be done, and that is still the case, I do think that it's also important to step back and notice that there has been movement and that matters," Marla Blow, who was appointed to Etsy's board in November and is the president and COO of the Skoll Foundation, which invests in and supports social entrepreneurs, told Bloomberg News of the S&P 500 numbers.

Locally, Inforum's biennial Michigan Women's Leadership Report, published in January 2022, reported that Black women held only 21 of the 742 board seats (2.8%) at Michigan's 82 public companies. Black men held 4%. Twelve of the 21 women had been appointed since the 2020 Michigan Women's Leadership Report. One Black woman left a corporate board following a merger.



MICHIGAN BOARD SEATS HELD BY BLACK WOMEN

Fourteen (4.3%) of those directors were on the boards of the 32 largest companies comprising 319 board seats – the universe most comparable to the national statistics. That means only seven Black women sat on the remaining 50 Michigan public companies.

The Michigan numbers are unlikely to change much in the coming year.

In preparing this report, Inforum reviewed the 2022 corporate proxy statements, annual statements to shareholders that list board candidates, filed so far this year by Michigan companies. Our research indicates those numbers will change very little.

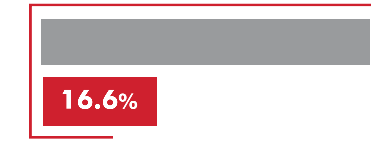
Part of the reason is that board opportunities are scarce. The 28 largest companies that had filed proxies by April 30 showed only 15 new board candidates, with the remainder being put forward for re-election or continuing to serve a current term. One is a Black woman.

NEW MICHIGAN BOARD CANDIDATES

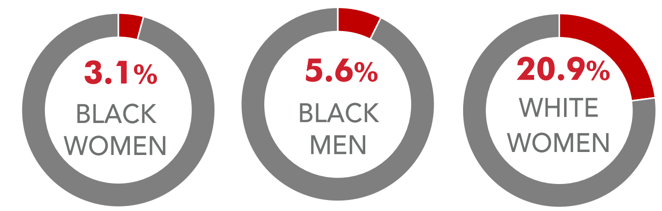
IN 2022

The sixth edition of the Missing Pieces report, a biennial collaboration of Deloitte and the Alliance for Board Diversity, reported that in 2020, less than one in five Fortune 500 director seats - 974 of 5,880 (16.6%) - were filled by directors new to Fortune 500 boards since the 2018 report. Of those, 81% were filled by white directors, 53.8% by white men.

DIRECTORS NEW TO FORTUNE 500 BOARDS



OVERALL DIRECTORS ON FORTUNE 500 BOARDS



Overall in 2020, Black women held 183 of 5,880 Fortune 500 seats (3.1%) compared with Black men (5.6%) and white women (20.9%). Latina and Asian women held smaller percentages of the director seats.

HISTORY

Although women generally, and Black women specifically, have been working for some time for recognition and consideration as board candidates, momentum has been building over the last few years.

In 2019, women for the first time held at least one board seat at every S&P 500 company, and the Thirty Percent Coalition launched a national campaign to promote women of color to corporate boards.

In May 2021, ISS Corporate Solutions (ICS) released an analysis that showed a nearly 200% increase in the count of newly appointed S&P 500 board members that are Black – a presumed response to what's become known as the summer of racial unrest following the death of George Floyd in police custody.

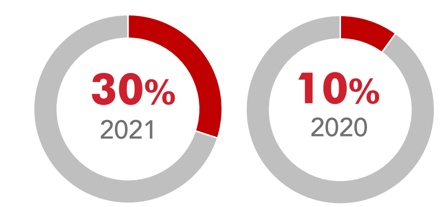
The analysis also showed:

- 32% of all directors newly appointed from July 1, 2020-May 19, 2021, were Black while 54% were white. Those figures stood at 11% and 74%, respectively, for July 1, 2019-May 19, 2020, and at 12% and 77% for July 1, 2018-May 19, 2019.
- 148 (30%) of the S&P 500 companies appointed at least one Black director from July 1, 2020-May 19, 2021, compared to 52 (10%) in the previous period.
- 49% of the newly appointed Black board members were new to publicly traded board services compared with 37% and 33% over the two prior periods.
- Overall, Black directors made up 10.6% of S&P 500 directorships compared with 8.3% in May 2020 and 7.8% in May 2019.

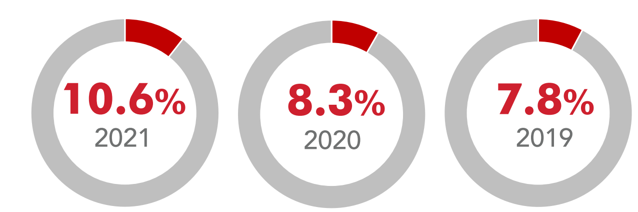
ALL NEWLY APPOINTED S&P 500 DIRECTORS

	July 1, 2020-May 19, 2021	July 1, 2019-May 19, 2020	July 1, 2018-May 19, 2019
Black	32%	11%	12%
White	54%	74%	77%

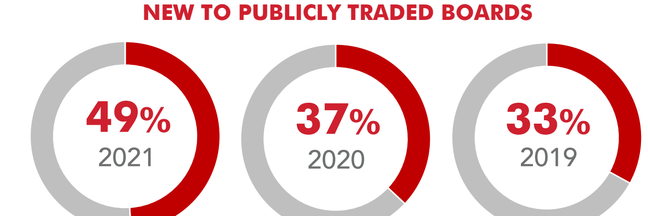
S&P 500 COMPANIES WHO APPOINTED AT LEAST ONE BLACK DIRECTOR



BLACK DIRECTORS IN S&P 500



NEWLY APPOINTED S&P 500 BLACK DIRECTORS NEW TO PUBLICLY TRADED BOARDS



Progress on corporate boards for women – especially at large companies has been faster because publicly company governance is tracked, regulated, and incentivized by government and institutional investors. And more recently, gender diversity followed by racial and ethnic diversity and gender identity have been particular focuses, led by companies like BlackRock, who in 2018 issued proxy guidelines for diverse boards, and Goldman Sachs, which announced in 2020 it would only underwrite IPOs for companies with at least one diverse board member.

In the same time frame, The Midwest Investors Diversity Initiative, a coalition of institutional investors that includes the UAW Retiree Medical Benefits Trust, launched the Midwest Investors Diversity Initiative dedicated to increasing racial, ethnic, and gender diversity on corporate boards of companies headquartered in six Midwest states with the goal of protecting shareholder value and maximizing returns. The latter point is important. Although diversity is important in its own right, diversity in corporate governance is also essential to performance.

Most recently, in August 2021, the Securities and Exchange Commission approved a Nasdaq proposal that would require its 3,000 listed companies to have at least one woman on their board of directors, along with one person who is racially diverse or identifies as LGBTQ. Companies also would be required to disclose the demographic breakdown of board members.

Additionally, California passed a law in 2018 that would require public companies with their principal executive offices in the state to have at least two women on boards of five directors and at least three on boards with six or more directors by the end of 2021. A report from the California Partners project documents that the number of women directors has doubled, but the law itself was struck down as unconstitutional by a California Superior Court judge on April 1.

CHANGING PRIORITIES?

But even as the numbers inch upward, diversity may be taking a back seat to other priorities.

The 2022 edition of What Directors Think, Corporate Board Member's annual survey of U.S. public company board members, reports that nearly half (47%) believe they have met their diversity goals with another 32% who say they're on track to meet them on the timeline that has been set.

Instead the focus, anecdotally, is moving toward filling in missing skillsets – even though they also say they are closer to achieving the ideal mix of expertise (4.3 out of 5) than they are meeting gender, age, and ethnicity goals (3.9/5.0).

A survey by the search firm Spencer Stuart showed that while board diversity remains a high priority, others have joined the top five list, including expanding and enhancing environmental, social, and governance (ESG) investing, which was the No. 1 priority. In addition, gender diversity as a priority in board recruiting profiles fell from 3rd place to 10th.

However, Missing Pieces reported that women and minority board members are currently more likely than white men to bring experience in corporate sustainability and socially responsible investing, government, sales and marketing, and technology to their boards. "These skills are on the forefront of growth in a post-pandemic economy and less than 55% of board members in the Fortune 500 report having any one of these skills."

In May 2021, ISS Corporate Solutions (ICS) reported that women and minority Fortune 500 company directors are more likely than white men to bring experience with corporate sustainability and socially responsible investing, government, sales and marketing, and technology in the workplace to their boards. "These skills are on the forefront of growth in a post-pandemic economy and less than 55% of board members in the Fortune 500 report having any one of these skills."

Boards are tasked with meeting a significant number of objectives. But given the relatively small number of people on most boards, it makes sense that board members bring more than one desirable experience and/or attribute with them if possible.

Diversity enables that. Missing Pieces reported that women and minority board members are currently more likely than white men to bring experience in corporate sustainability and socially responsible investing, government, sales and marketing, and technology to their boards.

The bottom line is that less attention to diversity is likely to affect Black women more than other diverse groups – including Black men and white women – because they are already more underrepresented. And yet, sustained attention to board diversity brings more access to expertise. Diversity is important as a matter of equity, but it's also important for corporate performance.

McKinsey & Co. first established the connection in its 2015 Diversity Matters report, which examined data sets that included financial results and the composition of top management and board for 366 public companies across a range of industries in Canada, Latin America, the United Kingdom, and the U.S. Its findings included:

- Companies in the top quartile for racial and ethnic diversity were 35% more likely to have financial returns above their national industry medians.
- Companies in the top quartile for gender diversity are 15% more likely to have financial returns above their national industry medians.
- Companies in the bottom quartile for both gender and for ethnicity and race were statistically less likely to achieve above-average financial returns than the average companies in the data set.
- In the U.S., there was a linear relationship between racial and ethnic diversity and better financial performance. For every 10% increase in racial and ethnic diversity on the senior-executive team, earnings before interest and taxes (EBIT) rose 0.8%.

"While correlation does not equal causation (greater gender and ethnic diversity in corporate leadership doesn't automatically translate into more profit)," the study reported, "the correlation does indicate that when companies commit themselves to diverse leadership, they are more successful. More diverse companies, we believe, are better able to win top talent and improve their customer orientation, employee satisfaction, and decision making, and all that leads to a virtuous cycle of increasing returns. This in turn suggests that other kinds of diversity—for example, in age, sexual orientation, and experience (such as a global mindset and cultural fluency)—are also likely to bring some level of competitive advantage for companies that can attract and retain such diverse talent."

The firm has confirmed its results multiple times since. Its 2019 analysis found that companies in the top quartile for gender diversity on executive teams were 25% more likely to have above-average profitability than companies in the fourth quartile – up from 21% in 2017 and 15% in 2014.

Amy Wilson, general counsel and corporate secretary for Dow, noted in an October 2021 interview that "the diversity of a company's board is important for several reasons in addition to driving overall performance. First, it helps cultivate an effective and comprehensive understanding of the complex risks and issues facing a multinational corporation, while helping to foster a more inclusive and innovative corporate culture.

"Second, board diversity helps provide unique perspectives and a critical understanding of the actions we will take to achieve our strategic objectives."

WHAT COMPANIES CAN DO

- Change directors more often. Companies need some longevity from directors, but some companies retain board members for decades. Investors, properly, are starting to push back on this.
- Avoid a "check the box" mentality. Make sure every board vacancy has gender-diverse and racially diverse candidates, including Black women.
- Ensure director candidate research unearths candidates not already known to one or more directors or the CEO. As retired BET CEO Debra Lee, who sits on numerous corporate boards, says: "Stop fishing in the same pond."
- Sponsor Black women who have the potential to be corporate board members. "Sponsorship is a very powerful tool," says Meesha Rosa, vice president of corporate board services, for Catalyst. "There are many women who are board-ready but don't have the networks they need. A sponsor can get them in front of a board, increase their visibility, advocate on their behalf, and make introductions to someone that is looking for a board candidate.

DEFINITIONS

Russell 3000 Index: Measures the performance of the 3,000 largest public companies incorporated in the U.S. as measured by market capitalization. The index is maintained and reconstituted annually by FTSE Russell, a subsidiary of the London Stock Exchange Group.

S&P 500: A stock market index tracking the performance of 500 large companies listed on stock exchanges in the U.S. Companies are selected by a committee based on established criteria, including market capitalization and monthly trading volume, among others.

Fortune 500: *Fortune* magazine's annual ranking of 500 of the largest public – and some privately held - corporations by total revenue.