



Report to the Ranking Member,
Subcommittee on Capital Markets and
Government Sponsored Enterprises,
Committee on Financial Services,
House of Representatives

December 2015

CORPORATE BOARDS

Strategies to Address Representation of Women Include Federal Disclosure Requirements

Accessible Version

GAO Highlights

Highlights of [GAO-16-30](#), a report to the Ranking Member, Subcommittee on Capital Markets and Government Sponsored Enterprises, Committee on Financial Services, House of Representatives

Why GAO Did This Study

Women make up almost half of the nation's workforce, yet research shows that they continue to hold a lower percentage of corporate board seats compared to men. Research highlights advantages to gender diverse boards, and some countries have taken steps to increase board gender diversity. The SEC requires companies to disclose certain information on board diversity. GAO was asked to review the representation of women on U.S. corporate boards.

This report examines (1) the representation of women on boards of U.S. publicly-traded companies and factors that may affect it and (2) selected stakeholders' views on strategies for increasing representation of women on corporate boards. GAO analyzed a dataset of board directors at companies in the S&P 1500 from 1997 through 2014; and conducted interviews with a nongeneralizable sample of 19 stakeholders including CEOs, board directors, and investors. GAO selected stakeholders to reflect a range of experiences, among various factors. GAO also reviewed existing literature and relevant federal laws and regulations.

GAO is not making recommendations in this report. SEC provided technical comments that were incorporated, as appropriate. The Equal Employment Opportunity Commission had no comments.

View [GAO-16-30](#). For more information, contact Andrew Sherrill at (202) 512-7215 or sherrilla@gao.gov.

December 2015

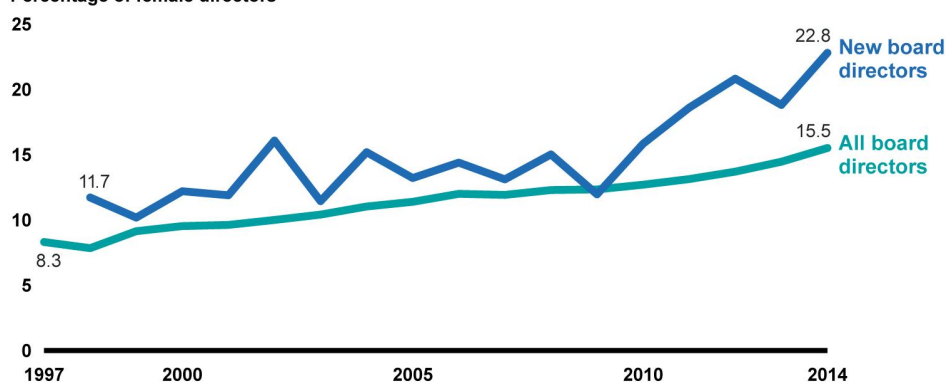
CORPORATE BOARDS

Strategies to Address Representation of Women Include Federal Disclosure Requirements

What GAO Found

Representation of women on the boards of U.S. publicly-traded companies has been increasing, but greater gender balance could take many years. In 2014, women comprised about 16 percent of board seats in the S&P 1500, up from 8 percent in 1997. This increase was partly driven by a rise in women's representation among new board directors. However, even if equal proportions of women and men joined boards each year beginning in 2015, GAO estimated that it could take more than four decades for women's representation on boards to be on par with that of men's.

Percentage of Women on Corporate Boards and among New Directors, 1997-2014
Percentage of female directors



Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data for the S&P 1500. | GAO-16-30

Based on an analysis of interviews with stakeholders, board director data, and relevant literature, GAO identified various factors that may hinder women's increased representation among board directors. These include boards not prioritizing recruiting diverse candidates; few women in the traditional pipeline to board service—with Chief Executive Officer (CEO) or board experience; and low turnover of board seats.

Stakeholders GAO interviewed generally preferred voluntary strategies for increasing gender diversity on corporate boards, yet several large investors and most stakeholders interviewed (15 of 19) supported improving Securities and Exchange Commission (SEC) disclosure requirements on board diversity. SEC currently requires companies to disclose information on board diversity to help investors make investment and voting decisions. As stated in its strategic plan, one of SEC's objectives is to ensure that investors have access to high-quality disclosure materials to inform investment decisions. A group of large public pension fund investors and many stakeholders GAO interviewed questioned the usefulness of information companies provide in response to SEC's board diversity disclosure requirements. Consequently, these investors petitioned SEC to require specific disclosure on board directors' gender, race, and ethnicity. Without this information, some investors may not be fully informed in making decisions. SEC officials said they plan to consider the petition as part of an ongoing effort to review all disclosure requirements.

Contents

Letter	1	
	Background	3
	Representation of Women on Boards Has Increased to About 16 Percent, but a Number of Factors May Hinder Further Progress	7
	Stakeholders Provided Mixed Opinions on Potential Strategies, Yet They and Some Large Investors Supported Improving Disclosure Requirements on Board Diversity	14
	Agency Comments	24
Appendix I: Analysis of Data for Boards of S&P 1500 Companies		26
Appendix II: Stakeholders We Interviewed		29
Appendix III: Researchers and Organizations We Interviewed		31
Appendix IV: GAO Contact and Staff Acknowledgments		32
	GAO Contact	32
	Staff Acknowledgments	32
Appendix V: Accessible Data		33
	Data Tables/Accessible Text	33
Table		
	Table 1: Potential Strategies to Increase Representation of Women on Boards ¹⁶	
	Data Table for Highlights Figure: Percentage of Women on Corporate Boards and among New Directors, 1997-2014	33
	Accessible Text for Figure 1: Common Board Committees and Their Key Duties	33
	Data Table for Figure 2: Percentage of Women on Corporate Boards and among New Board Directors in the S&P 1500, 1997-2014	33
	Data Table for Figure 3: Greater Gender Balance on Corporate Boards May Take Time	34
	Data Table for Figure 4: Women's Board Representation in the S&P 1500 Varied by Company Size and Industry, 2014	36
	Data Table for Figure 5: Male and Female Directors in the S&P 1500 Differ in Certain Characteristics, 2014	38

Figures

Figure 1: Common Board Committees and Their Key Duties	4
Figure 2: Percentage of Women on Corporate Boards and among New Board Directors in the S&P 1500, 1997-2014	8
Figure 3: Greater Gender Balance on Corporate Boards May Take Time	9
Figure 4: Women's Board Representation in the S&P 1500 Varied by Company Size and Industry, 2014	10
Figure 5: Male and Female Directors in the S&P 1500 Differ in Certain Characteristics, 2014	11
Figure 6: Examples of Variation in Proxy Statement Information on Board Diversity	22

Abbreviations

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

CEO	Chief Executive Officer
EEO-1	Employer Information Report
EEOC	Equal Employment Opportunity Commission
ISS	Institutional Shareholder Services, Inc.
SEC	Securities and Exchange Commission



December 3, 2015

The Honorable Carolyn Maloney
Ranking Member
Subcommittee on Capital Markets and
Government Sponsored Enterprises
Committee on Financial Services
House of Representatives

Dear Ms. Maloney:

Corporate boards take actions and make decisions that not only affect the lives of millions of employees and consumers, but also influence the policies and practices of the global marketplace. In the United States, women make up almost half of the workforce, but research shows that they occupy a much lower percentage of board seats at publicly traded companies compared to men. A growing body of literature has highlighted the advantages of increased diversity on corporate boards, including gender diversity, such as including more perspectives leading to better decision making, better reflecting a company's employee and customer base, and having a broader talent pool from which to select candidates. Investors, corporate governance organizations, Chief Executive Officers (CEO), board directors, and other stakeholders in this area have also recognized the importance of increasing the representation of women on corporate boards.¹ While the U.S. Securities and Exchange Commission (SEC) requires public companies in the United States to disclose certain information on board diversity,² some countries have started taking steps designed to directly increase gender diversity in the boardroom, including mandating quotas.

You asked us to examine gender diversity on corporate boards. This report describes (1) representation of women on U.S. corporate boards and factors that affect it and (2) selected stakeholders' views on various

¹While this report focuses on gender diversity, there have also been calls for more racial and ethnic diversity on corporate boards.

²17 C.F.R. § 229.407(c)(2)(vi).

strategies to increase representation of women on U.S. corporate boards.³

To provide descriptive statistics on women's representation on boards and different characteristics of male and female board directors, we analyzed a dataset from Institutional Shareholder Services, Inc. (ISS)⁴ on board directors at each company in the S&P Composite 1500 from 1997 through 2014, the years for which data were available.⁵ Through interviews with knowledgeable ISS employees and electronic data testing, we found the data reliable for the purposes used in this report. See appendix I for more detailed information about our data analyses.

To identify factors affecting the representation of women on corporate boards and obtain stakeholders' views on various strategies for increasing gender diversity on boards as well as SEC's current disclosure requirements on board diversity, we conducted semi-structured interviews using a standard set of questions with 19 individuals.⁶ We selected individuals to reflect a range of experiences and perspectives, including current or former CEOs and board directors in different industries; investors such as asset management firms and pension funds; and individuals to reflect a mix of gender and racial backgrounds. We selected most of these individuals based on recommendations from corporate governance associations and researchers or because of their involvement in board diversity efforts or their participation in related panel discussions or report contributions. We also interviewed several individuals who have

³For other GAO work on board diversity, see *Federal Home Loan Banks: Information on Governance Changes, Board Diversity, and Community Lending*, [GAO-15-435](#) (Washington, D.C.: May 12, 2015).

⁴ISS is a company that provides corporate governance services, including proxy voting services, governance research and advisory services, and investment tools and data.

⁵The S&P Composite 1500 combines three indices—the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600. S&P 500 companies have an unadjusted market capitalization (the total dollar market value of all of a company's outstanding shares) of \$5.3 billion or greater; S&P MidCap 400 companies have an unadjusted market capitalization of \$1.4 billion to \$5.9 billion; and S&P SmallCap 600 companies have an unadjusted market capitalization of \$400 million to \$1.8 billion. In this report, we refer to these companies as large, medium, and small, respectively.

⁶During these interviews we asked open ended questions. On selected questions about potential strategies for boards and government, as well as potential avenues to improve SEC disclosure requirements on board diversity, we used a series of follow-up questions that were consistent across all interviews.

experience serving on boards with few, if any, women.⁷ While the views of the individuals we interviewed represent a range of perspectives, they cannot be generalized to the universe of CEOs, board directors, or investors. See appendix II for a list of the individuals we interviewed. We identified potential strategies through reviewing relevant literature and interviewing researchers, organizations, and institutions knowledgeable about corporate governance and diversity on corporate boards.⁸ We identified them through a literature search and recommendations from other knowledgeable individuals. Their views represented a wide range of perspectives but do not represent all views on the topic. See appendix III for a list of organizations we interviewed.

We also reviewed SEC's current disclosure requirements on board diversity. We compared the views we obtained from our interviews as well as other investors on the usefulness of the information produced by these requirements to SEC's strategic objectives for providing investors with high-quality information, as outlined in its 2014-2018 strategic plan. We also reviewed relevant federal laws and regulations, and interviewed officials at the SEC, the Equal Employment Opportunity Commission (EEOC), and the Department of Commerce.

We conducted this performance audit from October 2014 to December 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

⁷To try to ensure that we obtained the perspectives of a variety of individuals, particularly those who served on boards with few, if any, women, we also selected a small random sample of individuals to interview from the population of board directors serving on an S&P 1500 board in 2013 with less than two women. Of the 12 contacted, 4 agreed to be interviewed.

⁸We worked with a research librarian to undertake a literature search about gender diversity on corporate boards. An economist and a research methodologist reviewed the findings and methodologies for key empirical research studies and found them to be sufficiently reliable for our purposes.

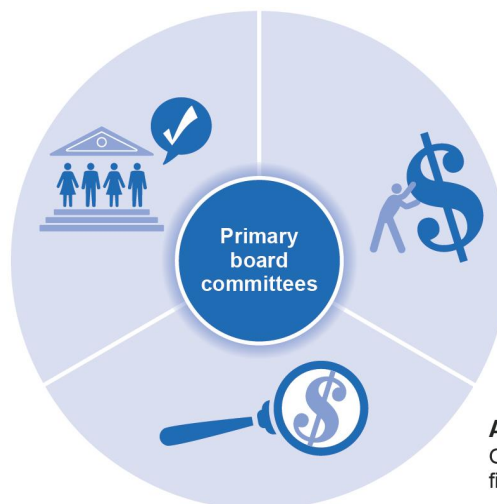
Responsibilities of Corporate Boards

Generally, a public company's⁹ board of directors is responsible for managing the business and affairs of the corporation, including representing a company's shareholders and protecting their interests.¹⁰ Corporate boards range in size and according to a 2013 survey of public companies, the average board size was about nine directors, with larger companies often having more.¹¹ Corporate boards are responsible for overseeing management performance on behalf of shareholders and selecting and overseeing the company's CEO, among other duties, and directors are compensated for their work. The board of directors generally establishes committees to enhance the effectiveness of its oversight and focus on matters of particular concern. See figure 1 for common corporate board committees and their key duties.

Figure 1: Common Board Committees and Their Key Duties

Nominating/Governance

Recommends director nominees to the full board and the corporation's shareholders, and oversees the composition and evaluation of the board



Compensation

Oversees the corporation's compensation structure and determines compensation for the Chief Executive Officer (CEO) and other senior managers

Audit

Oversees the corporation's financial reporting process

Source: GAO analysis of information from The Conference Board, National Association of Corporate Directors, and Business Roundtable. | GAO-16-30

⁹A public company can be defined in various ways, but the SEC defines the term on its website to include companies that trade securities on public markets and disclose certain business and financial information regularly to the public.

¹⁰The requirements concerning corporate structure, including the role of boards of directors, are primarily determined by state law. We did not examine specific state law requirements concerning boards of directors.

¹¹National Association of Corporate Directors Public Company Governance Survey, 2013-2014. This report details 1,019 public company responses.

Note: Boards may have additional committees such as executive, finance, or risk management.

Research on Gender Diversity on Corporate Boards

Research and other literature provide a number of reasons as to why it is important for corporate boards to be diverse. For instance, research has shown that the broader range of perspectives represented in diverse groups require individuals to work harder to come to a consensus, which can lead to better decisions.¹² Some research has found that gender diverse boards may have a positive impact on a company's financial performance, but other research has not. These mixed results depend, in part, on differences in how financial performance was defined and what methodologies were used.¹³ Various reports on board diversity also highlight that diverse boards make good business sense because they can better reflect the employee and customer base, and they can tap into the skills of a wider talent pool.¹⁴

Federal Disclosure Requirements on Board Diversity

Publicly traded companies are required by the SEC to disclose to their shareholders certain corporate governance information for shareholder meetings if action is to be taken with respect to the election of directors.¹⁵ Companies disclose this information in proxy statements that are filed with the SEC.¹⁶ The SEC's mission includes protecting investors, and disclosure is meant to provide investors with important information about companies' financial condition and business practices for making informed investment and voting decisions.¹⁷ Investors owning shares in a company generally have the ability to participate in corporate governance by voting on who should be a member of the board of directors.¹⁸ In December 2009, the SEC published a

¹²See Katherine W. Phillips, *How Diversity Works*, Scientific American, October 2014.

¹³For an overview of research on the impact of gender diversity on firm performance, see W. Gary Simpson, David A. Carter, and Frank D'Souza, "What Do We Know About Women on Boards?", *Journal of Applied Finance*, No. 2 (2010) and Deborah L. Rhode and Amanda K. Packel, *Diversity on Corporate Boards: How Much Difference Does Difference Make*, 39 Del. J. Corp. L., 2 (2014).

¹⁴For example, see Report of the National Association of Corporate Directors Blue Ribbon Commission, *The Diverse Board: Moving From Interest to Action* (National Association of Corporate Directors, 2012).

¹⁵See Rule 14a-3 of the Securities Exchange Act of 1934 and Item 7 of Schedule 14A.

¹⁶A proxy statement is a document that contains information for shareholders so they can make informed decisions about matters to be considered at an annual shareholder meeting. Proxy statements may include proposals for new board directors and information about directors' salaries, among other things.

¹⁷The mission of the SEC is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. See the SEC's website at: www.sec.gov/about/whatwedo.shtml.

¹⁸The right of security holders to vote for directors is a matter of applicable state law.

rule that requires companies to disclose certain information on board diversity in proxy statements filed with the Commission if action is to be taken with respect to the election of directors, including whether, and if so how, boards consider diversity in the director nominating process. Also, if boards have a policy for considering diversity when identifying director nominees, they must disclose how this policy is implemented and how the board assesses the effectiveness of its policy.¹⁹

Approaches in Other Countries for Addressing Boardroom Diversity

According to various publications on corporate governance or gender diversity, several countries are implementing measures to address gender diversity in the boardroom such as:²⁰

- **Quotas.** Some countries, such as Germany and Norway, among several other countries, have government quotas to increase the percentage of women on boards.²¹ For example, Germany requires that 30 percent of board seats at certain public companies be allocated for women and Norway requires that 40 percent be allocated for women.
- **Disclosure policies.** Other countries, such as Australia and Canada, have adopted “comply or explain” disclosure arrangements. Under such arrangements, if companies choose not to implement or comply with certain recommendations or government-suggested approaches related to board diversity—such as establishing a diversity policy—they must disclose why.²²
- **Voluntary approaches.** The United Kingdom has aimed to increase the representation of female directors through a voluntary, target-based approach rather than through the use of government-mandated interventions. As part of this effort, the government worked with leading companies, investors, and search firms to encourage the

¹⁹Proxy Disclosure Enhancements, 74 Fed. Reg. 68,334, 68,364 (Dec. 23, 2009), codified at 17 C.F.R. § 229.407(c)(2)(vi).

²⁰We did not conduct an independent legal analysis of the laws of other countries.

²¹Based on research by Corporate Women Directors International published in 2015, these countries have quotas for publicly-listed companies. In addition, the European Commission, which represents the interests of the European Union as a whole, has proposed legislation to improve gender balance on the boards of European companies.

²²See *Corporate Governance Principles and Recommendations with 2010 Amendments 2nd Edition* (Australian Securities Exchange Corporate Governance Council, 2007).

adoption of a set of recommendations to increase representation of women on boards.²³ These recommendations included, for example, that certain companies achieve a minimum of 25 percent women on boards by 2015 and publicly disclose the proportion of women on the company's board, management, and workforce. In addition, executive search firms were encouraged to draw up a voluntary code to address gender diversity and best practices covering relevant search criteria for board directors. Selected search firms in the United Kingdom have entered into a voluntary Code of Conduct to address gender diversity on boards in their search processes, including trying to ensure that at least 30 percent of proposed candidates are women.

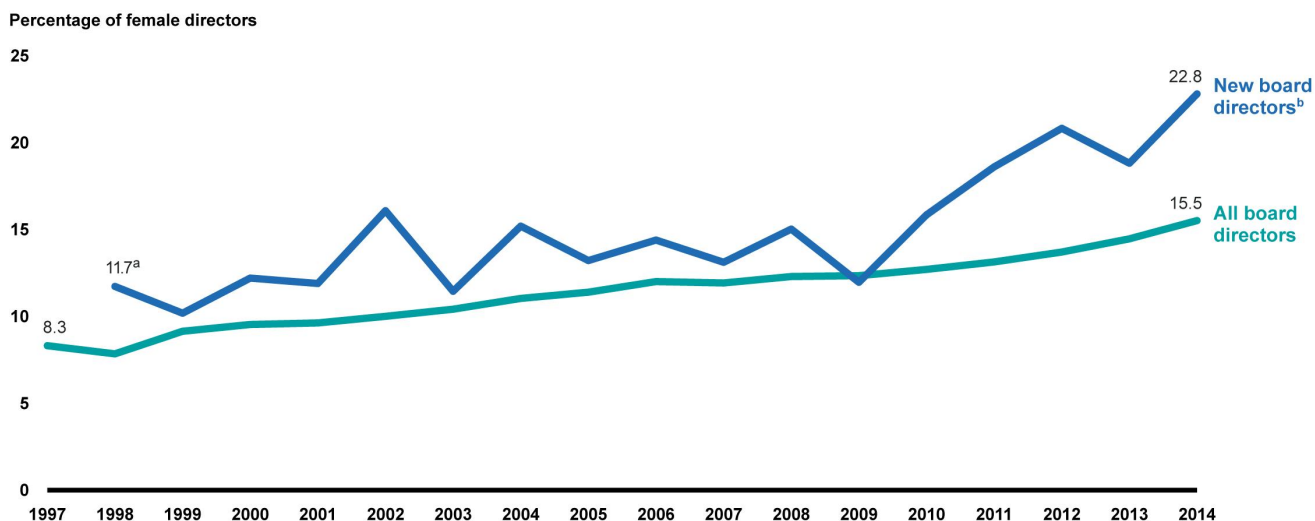
Representation of Women on Boards Has Increased to About 16 Percent, but a Number of Factors May Hinder Further Progress

Women's Representation on Boards Has Increased 8 Percentage Points over the Past 17 Years but Greater Gender Balance May Take Time

Based on our analysis, we found that women's representation on boards of companies in the S&P 1500 has increased steadily over the past 17 years, from about 8 percent in 1997 to about 16 percent in 2014. As figure 2 illustrates, part of what is driving this increase is the rise in women's representation among new board directors—directors who joined the board each year.

²³See *Women on Boards: Davies Review Annual Report 2015* (March 2015).

Figure 2: Percentage of Women on Corporate Boards and among New Board Directors in the S&P 1500, 1997-2014



Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data. | GAO-16-30

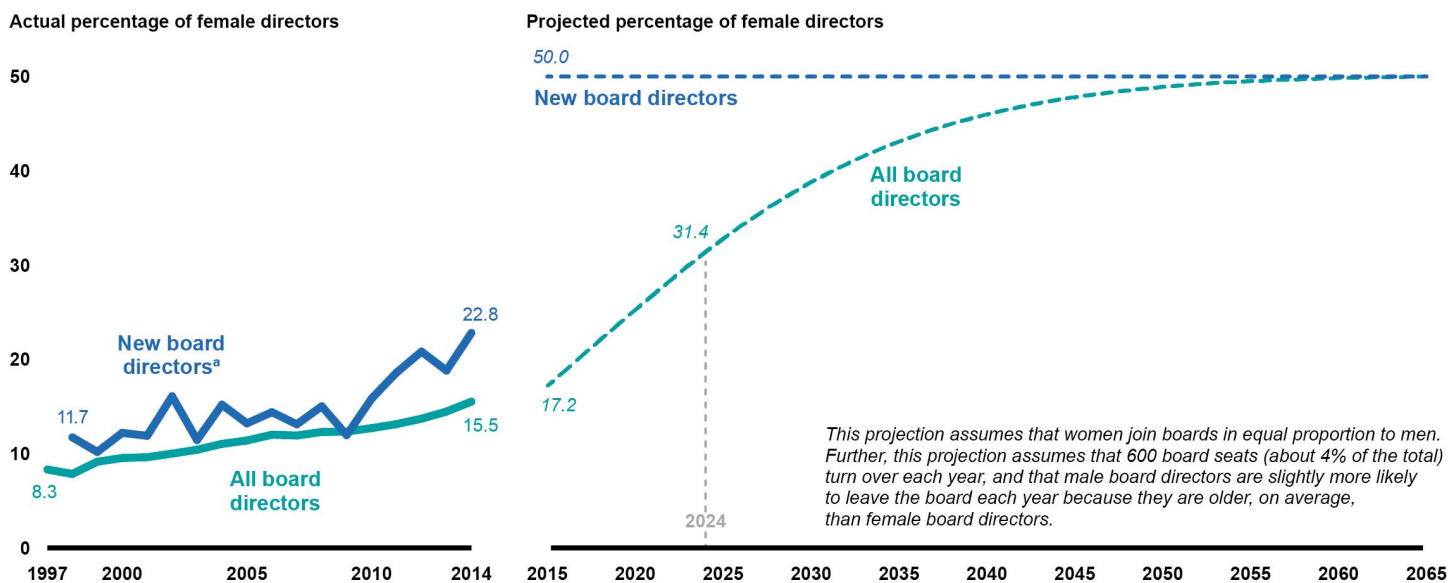
^aWe could not determine the number of new board directors in 1997 as we did not have data for 1996.

^bNew board directors refer to directors who joined the board each year.

While the number of female board directors among S&P 1500 companies has been increasing, particularly in recent years, we estimated that it will likely take a considerable amount of time to achieve greater gender balance. When we projected the representation of women on boards into the future assuming that women join boards in equal proportion to men—a proportion more than twice what it currently is—we estimated it could take about 10 years from 2014 for women to comprise 30 percent of board directors and more than 40 years for the representation of women on boards to match that of men (see fig. 3).²⁴ Appendix I contains more information about this projection.

²⁴Some researchers have found that once women’s representation on a board reaches 30 percent, this “critical mass” enhances the likelihood that women’s voices and ideas are heard and that boardroom dynamics change substantially. See V.W. Kramer, A.M. Konrad, and S. Erkut, *Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance* (2006).

Figure 3: Greater Gender Balance on Corporate Boards May Take Time



Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data. | GAO-16-30

^aNew board directors refer to directors who joined the board each year.

Even if every future board vacancy were filled by a woman, we estimated that it would take until 2024 for women to approach parity with men in the boardroom.

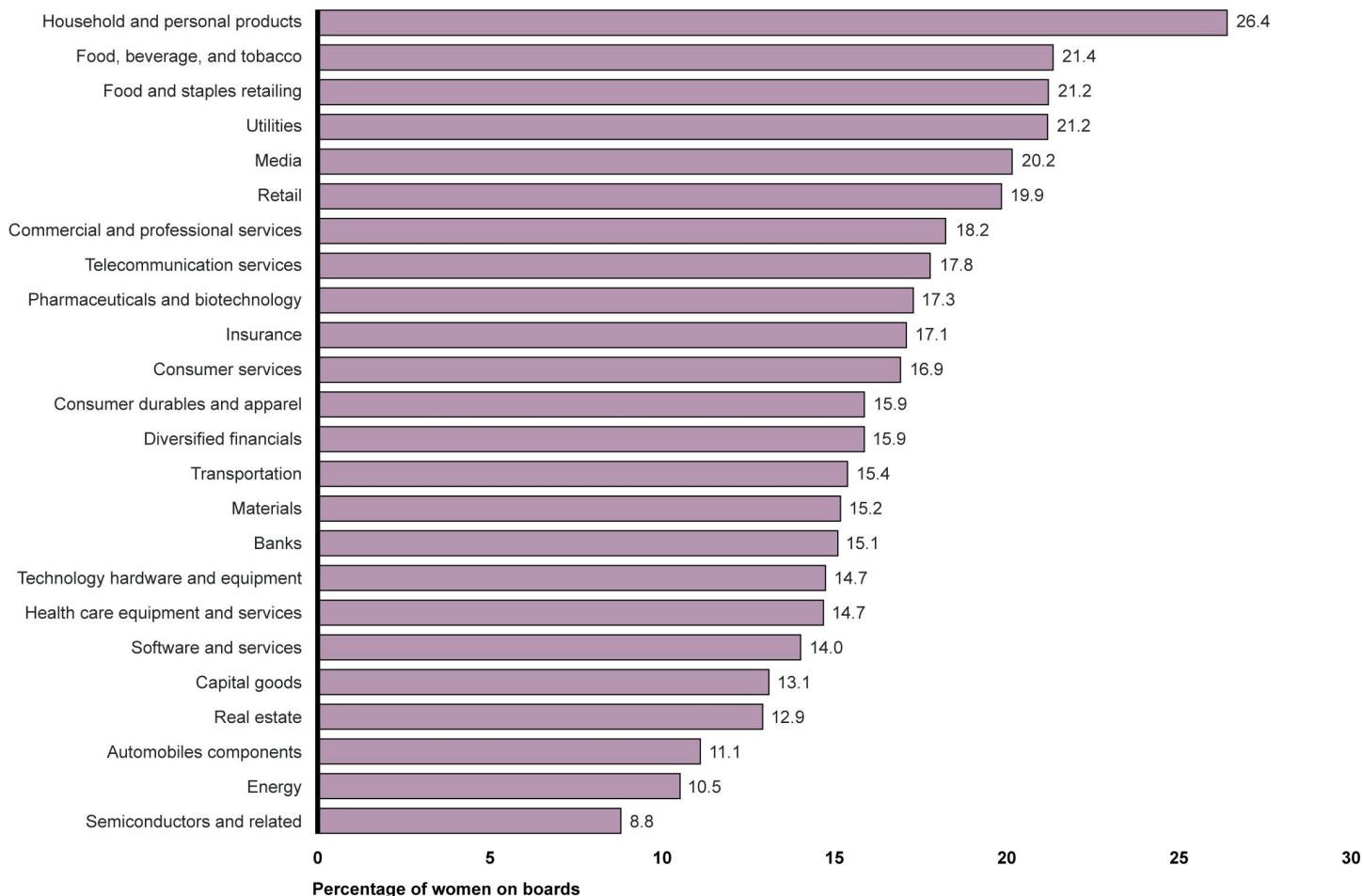
Using 2014 data, we also found that women's representation on boards differed by company size and industry (see fig. 4) and that there were differences in certain characteristics between male and female directors, such as age and tenure (see fig.5).

Figure 4: Women's Board Representation in the S&P 1500 Varied by Company Size and Industry, 2014

► **Company size:** Larger companies tend to have more women on their boards than medium or small companies^a



► **Industries:** Some industries had higher percentages of women serving on their boards than other industries



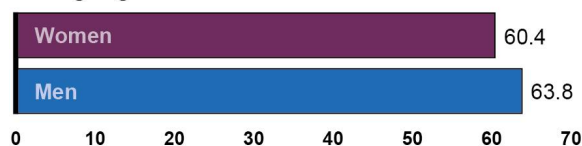
Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data, and Bloomberg Industry Classifications. | GAO-16-30

^aLarge companies represent those in the S&P 500 (with an unadjusted market capitalization of \$5.3 billion or greater); medium companies represent those in the S&P MidCap 400 (with an unadjusted market capitalization of \$1.4 billion to \$5.9 billion); small companies are represented by those in the S&P SmallCap 600 (with an unadjusted market capitalization of \$400 million to \$1.8 billion).

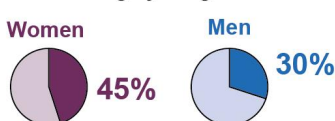
Figure 5: Male and Female Directors in the S&P 1500 Differ in Certain Characteristics, 2014

► **Age:** Female board directors were younger on average than male directors

Average age



Percentage younger than 60

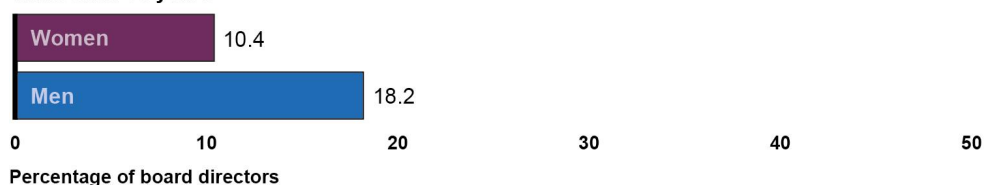


► **Tenure:** Male board directors had longer tenure on boards than female directors

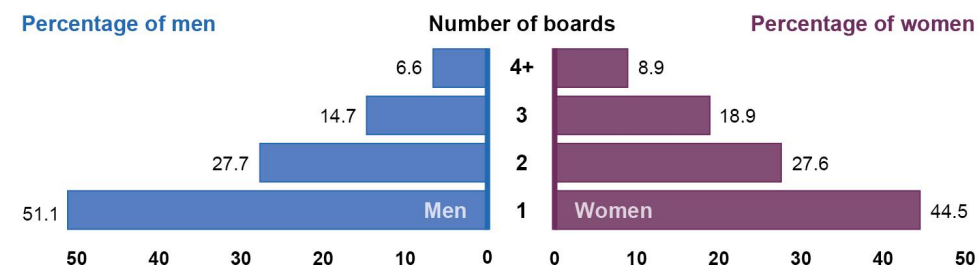
Less than 5 years



More than 15 years



► **Number of boards:** Female board directors were slightly more likely than male directors to sit on more than two boards^a



► **Leadership:** Women board directors were slightly less likely to be committee chairs than men

Percentage likelihood of chairing a board committee



Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data. | GAO-16-30

^aThis calculation includes other public board appointments outside the S&P 1500.

Various Factors May Hinder Increased Representation of Women among Board Directors

Not Prioritizing Diversity in Recruitment Efforts

Based on our interviews with stakeholders, analysis of ISS board director data, and our review of relevant literature, we identified various factors that may hinder increases in women's representation on corporate boards: boards not prioritizing diversity in recruitment efforts; lower representation of women in the traditional pipeline for board positions; and low turnover of board seats.

Several stakeholders we interviewed suggested boards not prioritizing diversity in identifying and selecting directors is a factor affecting gender diversity on corporate boards.²⁵

- Specifically, 9 of the 19 stakeholders we interviewed cited board directors' tendencies to rely on their personal networks to identify new board candidates as a factor that contributes to women's lower representation.²⁶ For example, three of the nine stakeholders specifically noted that men tend to network with other men, and given that the majority of board directors are men, this may prevent women from obtaining vacant board seats.
- Furthermore, 8 of the 19 stakeholders suggested unconscious bias may be a factor affecting the selection of women onto boards. Several stakeholders we interviewed discussed board directors' desire to maintain a certain level of comfort in the boardroom. For example, one stakeholder observed that boards may have a tendency to seek other directors who look and sound like they do. Another noted that boards want to ensure new members "fit in" which may lead them to recruit people they know and can limit gender diversity on boards.
- We found some indication that boards' appointment of women slows down when they already have one or two women on the board. In

²⁵We asked stakeholders to identify factors that may affect the representation of women on boards and strategies to potentially address them. However, we did not ask each stakeholder specifically about every factor we had previously identified.

²⁶According to a July 2014 survey with 250 respondents, 72 percent of respondents reported turning to their own directors as their first option for prospective board director recommendations. Deloitte LLP Center for Corporate Governance and Society of Corporate Secretaries and Governance Professionals, *2014 Board Practices Report: Perspectives from the Boardroom* (2014). The survey was provided to the membership of the Society of Corporate Secretaries and Governance Professionals, which includes individuals from 1,200 public companies of varying sizes and industries. 250 completed surveys were received.

Low Representation of Women in the Traditional Pipeline for Board Positions

Low Turnover of Board Seats Each Year

2014, 29 percent of companies in the S&P 500 that had no women on the board added a woman; 15 percent of companies that had one woman on the board added a woman; and 6 percent of companies that had two women on the board added a woman.²⁷ Small and medium-sized companies generally followed the same pattern.²⁸

- Further, three stakeholders we interviewed specifically suggested that boards may add a “token” woman to appear as though they are focused on diversity without making diversity a priority.²⁹

Eleven of the 19 stakeholders we interviewed highlighted the low representation of women in the traditional pipeline for board seats—with either CEO or board experience—as another factor affecting the representation of women on boards. According to recent reports, current and former CEOs composed nearly half of new appointments to boards of Fortune 500 companies in 2014,³⁰ and 4 percent of CEOs in the S&P 1500 in 2014 were women.³¹ One CEO we interviewed said that as long as boards limit their searches to the pool of female executives in the traditional pipeline, they are going to have a hard time finding female candidates.

Another factor that may help explain why progress for women has been slow and greater gender balance could take time is that boards have only a small number of vacant seats each year.³² Based on our analysis, we

²⁷Of the S&P 500, besides the women joining the board that year, 5.6 percent of boards had no women in 2014; 30.3 percent of boards had one woman; and 38.7 percent of boards had two women.

²⁸Our analysis only controlled for size of company by running separate analyses for small, medium, and large companies.

²⁹The term “tokenism” refers to the practice or policy of making only a perfunctory or symbolic gesture toward accomplishing a goal.

³⁰Heidrick and Struggles, *Board Monitor: Four Boardroom Trends to Watch*, New York (2015). This report also found that current and former CEOs and Chief Financial Officers together claimed two-thirds or more of new appointments to boards of Fortune 500 companies in 2014.

³¹This study reported also that 10 percent of Chief Financial Officers in the S&P 1500 were women. EY Center for Board Matters, *Women on US Boards: What are We Seeing?* (2015).

³²We measured turnover as the number of new board directors in each year. Across the years, the number of exiting board directors appears to be roughly similar to the number of entering directors, as evidenced by the median board size remaining roughly constant over time. However, we did not attempt to measure the number of exiting board directors in each year because that would have required linking companies and board directors over time, which had the possibility of data error.

found that board turnover has remained relatively consistent since 1998, with 4 percent of seats in the S&P 1500 filled, on average, by new board directors each year.³³ In 2014, we found that there were 614 new board directors out of 14,064 seats among all companies in the S&P 1500. Seven of the 19 stakeholders we interviewed similarly cited low turnover, in large part due to the long tenure of most board directors, as a barrier to increasing women's representation on boards.

Stakeholders
Provided Mixed
Opinions on Potential
Strategies, Yet They
and Some Large
Investors Supported
Improving Disclosure
Requirements on
Board Diversity

³³We identified new board directors as those who served on the board for less than a year.

Stakeholders Provided Mixed Opinions on Various Potential Strategies for Increasing Representation of Women on Corporate Boards

Based on relevant literature and discussions with researchers, organizations, and institutions knowledgeable about corporate governance and board diversity, we identified a number of potential strategies for increasing gender diversity on corporate boards (see table 1). While the stakeholders we interviewed generally agreed on the importance of diverse boards³⁴ many noted that there is no one-size-fits-all solution to addressing diversity on boards and highlighted advantages and disadvantages of various strategies for increasing gender diversity on corporate boards.³⁵

³⁴The majority of stakeholders we interviewed (13 of 19) emphasized the importance of racial, ethnic, and other types of diversity on boards in addition to gender diversity. According to our analysis of ISS data, 90 percent of all board directors at S&P 1500 companies in 2014 were identified as Caucasian.

³⁵We asked stakeholders about each potential strategy. However, not all stakeholders expressed a clear opinion about each strategy. As a result, the total number of stakeholder views discussed will not add to 19 for each strategy.

Table 1: Potential Strategies to Increase Representation of Women on Boards

Factor affecting representation of women on boards	Potential Strategies
Not prioritizing diversity in recruitment efforts	Requiring a diverse slate of candidates to include at least one woman Setting voluntary targets
Lower representation of women in the traditional pipeline for board positions	Expanding board searches
Low turnover of board seats each year	Expanding board size Adopting term limits or age limits Conducting board performance evaluations

Source: GAO analysis of factors and strategies that can affect gender diversity of boards. | GAO-16-30

Potential strategies for encouraging or incentivizing boards to prioritize and address gender diversity as part of their agenda could include:

- **Requiring a diverse slate of candidates to include at least one woman.** Eleven stakeholders we interviewed supported boards requiring a gender diverse slate of candidates.³⁶ Two specifically suggested that boards should aim for slates that are half women and half men. Two of the 11 advocated that boards include more than one woman on a slate of candidates, expressing concern that a board policy requiring that only one woman be included on a slate could lead to tokenism. This was also a concern for three of the five stakeholders who did not support this strategy.
- **Setting voluntary targets.** Ten stakeholders we interviewed supported boards setting voluntary diversity targets with two stakeholders citing the importance of having targets or internal goals for monitoring progress.³⁷ Four stakeholders opposed voluntary targets. For example, one stakeholder thought that boards should consider a diverse

³⁶Several stakeholders also discussed the need for boards to be clear with executive search firms about their desire to have female candidates included on the slate of nominees.

³⁷Some state legislative bodies have passed resolutions encouraging gender diversity on boards of publicly-held corporations in their states and set voluntary targets—for example, the California Senate (S. Con. Res. 62, 2013 Leg. Reg. Sess. (Cal. 2013)), the Illinois House of Representatives (H. Res. 439, 99th Gen. Ass., (Ill. 2015)), and the Senate of the Commonwealth of Massachusetts (S. Res. 1007, 189th Gen. Ct. (Mass. 2015)).

slate of candidates but expressed concern over how voluntary diversity targets would work in the context of considering board candidates' skills.

Potential strategies for recruiting more female candidates on to boards could include:

- **Expanding board searches.** Of the 17 stakeholders who expressed an opinion, all supported expanding board searches beyond the traditional pool of CEO candidates to increase representation of women on boards. Several stakeholders suggested, for example, that boards recruit high performing women in other senior executive level positions, or look for qualified female candidates in academia or the nonprofit and government sectors. According to aggregate Employer Information Report (EEO-1) data,³⁸ roughly 29 percent of all senior level managers in 2013 were women, suggesting that if boards were to expand their director searches beyond CEOs more women might be included in the candidate pool.³⁹ Our analysis of EEO-1 data also found that at the largest companies—those with more than 100,000 employees—women comprised 38 percent of all senior-level managers in 2013, up from 26 percent in 2008. In addition, a few stakeholders said boards need to be more open to appointing women who have not served on boards before. One board director said individuals are more likely to be asked to serve on additional boards once they have prior board experience and have demonstrated they are trustworthy.

Potential strategies that boards could implement to address the small number of new directors that are appointed to boards each year could include:

³⁸Generally, under federal law and regulations, employers with 100 or more employees who are subject to Title VII of the Civil Rights Act of 1964 are required to file an Employer Information Report EEO-1 with the Equal Employment Opportunity Commission (EEOC), which includes specified employment data. See 42 U.S.C. § 2000e-8(c), 29 C.F.R. § 1602.7.

³⁹The EEO-1 data covers a broader universe of the workforce than the S&P 1500. In 2007, EEOC divided the “officials and managers” reporting category into two management level categories—one for first and midlevel managers and another for senior level managers. The “Executive/Senior Level Officials and Managers” (senior level managers) include individuals within two reporting levels of the CEO. Examples of these kinds of managers are: chief executive officers, chief operating officers, chief financial officers, line of functional areas operating groups, chief information officers, chief human resources officers, chief marketing officers, chief legal officers, management directors and managing partners. See the EEO-1 Job Classification Guide for more information.

-
- **Expanding board size.** Nine stakeholders we interviewed expressly supported expanding board size either permanently or temporarily to include more women, with five specifically supporting this strategy only as a temporary measure.⁴⁰ For example, one stakeholder's board temporarily expanded in size from 8 directors to 11 in anticipation of retirements, but the stakeholder was not in favor of permanently expanding the board size. Some stakeholders noted that expanding board size might make sense if the board is not too large but expressed concern about challenges associated with managing large boards. Three stakeholders were not in favor of expanding board size permanently or temporarily to increase the representation of women on boards.
 - **Adopting term limits or age limits.** Five stakeholders we interviewed supported boards adopting either term or age limits to address low turnover and increase the representation of women. However, most stakeholders were not in favor of these strategies and several pointed out trade-offs to term and age limits.⁴¹ For example, a CEO we interviewed said he would be open to limitations on tenure for board directors, especially as the board appoints younger candidates. However, he said directors with longer tenure possess invaluable knowledge about a company that newer board directors cannot be expected to possess. Many of the stakeholders not in favor of these strategies noted that term and age limits seem arbitrary and could result in the loss of high-performing directors.
 - **Conducting board evaluations.** Twelve stakeholders we interviewed generally agreed it is good practice to conduct full-board or individual director evaluations, or to use a skills matrix to identify gaps. However, a few thought evaluation processes could be more robust or said that board dynamics and culture can make it difficult to use evaluations as a tool to increase turnover by removing under-

⁴⁰ According to a recent report published by EY Center for Board Matters, increasing board size to add female directors is common among S&P 1500 companies. The report states that 51 percent of S&P 1500 companies that increased directorships held by women in the last year did so by increasing board size. See EY Center for Board Matters, *Women on U.S. Boards: what are we seeing?* (February 2015).

⁴¹ According to a 2013 EY report, more than 70 percent of S&P 500 companies have retirement age policies for their directors of 70 or older. See EY Corporate Governance Center, *Diversity drives diversity: From the boardroom to the C-suite* (2013). However, a few stakeholders we interviewed said retirement age policies are often waived.

performing directors from boards. The National Association of Corporate Directors encourages boards to use evaluations not only as a tool for assessing board director performance, but also as a means to assess boardroom composition and gaps in skill sets.⁴² Several stakeholders we interviewed discussed how it is important for boards to identify skills gaps and strategically address them when a vacancy occurs, and one stakeholder said doing so may help the board to think more proactively about identifying diverse candidates.

In addition, almost all of the stakeholders we interviewed (18 of 19) indicated that either CEOs or investors and shareholders play an important role in promoting gender diversity on corporate boards. For example, one stakeholder said CEOs may encourage boards to prioritize diversity efforts by “setting the tone at the top” of companies and acknowledging the benefits of diversity. In addition, several stakeholders said that CEOs may serve as mentors for women and sponsor, or vouch for, qualified women they know for board seats. One stakeholder we interviewed developed a program to help women in senior management positions become board-ready and has also recommended qualified women when he was asked to serve on the board of other companies. Nearly all of the stakeholders we interviewed (18 of 19) said that investors play an important role in promoting gender diversity on corporate boards. For example, almost all of the board directors and CEOs we interviewed said that investors or shareholders may exert pressure on the companies they invest in to prioritize diversity when recruiting new directors. According to one board director we interviewed, boards listen to investors more than any other actor, and they take heed when investors bring attention to an issue.

Several Large Investors and Many Stakeholders We Interviewed Supported Improving Federal Disclosure Requirements on Board Diversity

While most stakeholders we interviewed emphasized their preference for voluntary efforts by business to increase gender diversity on corporate boards over government mandates such as quotas, several large public pension fund investors and many stakeholders we interviewed (15 of 19) supported improving federal disclosure requirements on board diversity. Stakeholders were generally supportive of the government undertaking efforts to raise awareness about gender diversity on boards or to collect and disseminate information on board diversity.⁴³ Most stakeholders we

⁴²*The Diverse Board: Moving From Interest to Action* (National Association of Corporate Directors, 2012).

⁴³To date, the SEC Chair and selected SEC Commissioners and the Secretary of Commerce have raised awareness by discussing board diversity in speeches.

interviewed (16 of 19), however, did not support government quotas as a strategy to increase board gender diversity in the United States. Several suggested that quotas may have unintended consequences—boards may strive to meet the quota, but not to exceed it; boards may appoint directors who are not the best fit for the board just to meet the quota; and there may be the perception that women did not earn their board seat because of their skills, but instead were appointed for purposes of meeting a requirement. However, a few stakeholders and other organizations and researchers we interviewed stated that quotas are an effective means of achieving increased representation or that the prospect of quotas may spur companies to take voluntary actions to address gender diversity on boards.

While the SEC seeks to ensure that companies provide material information to investors that they need to make informed investment and voting decisions, we found information companies disclose on board diversity is not always useful to investors who value this information.⁴⁴ According to SEC's 2014-2018 Strategic Plan, one of the Commission's objectives is to structure disclosure requirements to ensure that investors have access to useful, high-quality disclosure materials that facilitate informed investment decision-making.⁴⁵ The SEC notes in its strategic plan that it is helpful for information to be provided in a concise, easy-to-use format tailored to investors' needs. In addition, the SEC acknowledges that the needs of investors may vary and that investors' needs are affected by their backgrounds and goals.

⁴⁴According to SEC, information is considered material if there is a substantial likelihood that a reasonable investor would consider it important in making an investment or voting decision. The standard for materiality has been established by case law, including *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438 (1976).

⁴⁵U.S. Securities and Exchange Commission, Strategic Plan Fiscal Years 2014-2018, *Protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation*.

SEC discussion in final rule of diversity disclosure requirements

We recognize that companies may define diversity in various ways, reflecting different perspectives. For instance, some companies may conceptualize diversity expansively to include differences of viewpoint, professional experience, education, skill and other individual qualities and attributes that contribute to board heterogeneity, while others may focus on diversity concepts such as race, gender and national origin. We believe that for purposes of this disclosure requirement, companies should be allowed to define diversity in ways that they consider appropriate. As a result we have not defined diversity in the amendments.

Source: 74 Fed. Reg. 68,334, 68,344 (Dec. 23, 2009). | GAO-16-30

Several large public pension fund investors and many of the stakeholders we interviewed (12 of 19) called into question the usefulness of information companies provide in response to SEC's current disclosure requirements. Specifically, in a recent petition to the SEC (investor petition) to improve board nominee disclosure, a group of nine public fund fiduciaries supervising the investment of over \$1 trillion in assets stated that some companies have used such broad definitions of diversity that the concept conveys little meaning to investors.⁴⁶ In its requirements for company disclosure on board diversity, SEC leaves it up to companies to define diversity in ways they consider appropriate. As a result, there is variation in how much information companies provide in response to the requirements as well as the type of information they provide. A recent analysis of S&P 100 firms' proxy statements from 2010 through 2013 found that most of the companies chose to define diversity to include characteristics like relevant knowledge, skills, and experience. Approximately half of the companies reported defining diversity to include demographic factors such as gender, race, or ethnicity.⁴⁷ Figure 6 illustrates the range of information companies provide on board diversity. For example, Company A and Company D provide information on demographic diversity and specifically disclosed the number of women on the board; Company C combined information on gender diversity with other demographic information; and Company B did not provide any numerical information on demographic characteristics, including gender diversity.

⁴⁶Petition for Amendment of Proxy Rule Regarding Board Nominee Disclosure—Chart / Matrix Approach, March 31, 2015. For a copy of the petition, see Petitions for Rulemaking Submitted to the SEC on SEC's website. We interviewed two of the nine signatories to the petition during the course of our work. One of the nine signatories to the petition is included in the group of 19 stakeholders we interviewed.

⁴⁷Aaron Dhir, *Challenging Boardroom Homogeneity: Corporate Law, Governance, and Diversity* (Cambridge University Press, April 2015).

Figure 6: Examples of Variation in Proxy Statement Information on Board Diversity

Company A ►

BOARD DIVERSITY

While the Company does not have a formal policy on Board diversity, diversity is an integral part of our Corporate Governance Principles, and the Committee actively considers diversity in recruitment and nominations of directors. The current composition of our Board reflects those efforts and the importance of diversity to the Board:

Total number of director nominees: 11

2	director nominees have worked outside the United States
1	director nominee is African-American
1	director nominee is Asian-American
1	director nominee is Hispanic
3	director nominees are women

Company B ►

All Director candidates, including those recommended by stockholders, are evaluated on the same basis. Candidates are selected for their character, judgment, business experience and specific areas of expertise, among other relevant considerations, such as the requirements of applicable law and listing standards (including independence standards) and diversity of membership. While the Company's Corporate Governance Guidelines do not prescribe diversity standards, as a matter of practice, the Nominating and Corporate Governance Committee considers diversity in the context of the Board as a whole, taking into account personal characteristics and experience of current and prospective Directors in order to facilitate Board deliberations that reflect an appropriate range of perspective. The Board of Directors recognizes the importance of soliciting new candidates for membership on the Board of Directors and that the needs of the Board of Directors,

Company C ►

Experience, expertise or attribute	[Director 1]	[Director 2]	[Director 3]	[Director 4]	[Director 5]	[Director 6]	[Director 7]	[Director 8]	[Director 9]	[Director 10]
Technology, devices, and services	•	•		•	•	•	•	•	•	•
Leadership	•	•		•		•	•	•	•	•
Global business	•		•		•	•	•	•	•	•
Financial	•		•	•		•	•	•	•	•
Mergers and acquisitions		•	•		•		•	•	•	•
Public company board service and governance	•	•	•	•	•	•	•	•	•	•
Sales and marketing		•				•	•		•	•
Research and academic	•									
Ethnic, gender, national or other diversity	•	•	•	•	•	•	•	•	•	•

← Individual director names

Ethnic, gender, national or other diversity

Company D ►

Although the Board does not establish specific goals with respect to diversity, the Board's overall diversity is a consideration in the director nomination process. For this year's election, the Board has nominated ten individuals; all are incumbent nominees who currently bring tremendous diversity to the Board. Each nominee is a strategic thinker and has varying, specialized experience in the areas that are relevant to the Company and its businesses. Moreover, their collective experience covers a wide range of countries, geographies and industries, including health care, insurance, consumer products, technology and financial services, including roles in academia and government. The ten director nominees range in age from 59 to 80 and two of the ten director nominees are women; one is African-American; and three are citizens of other countries including Brazil, New Zealand and the United Kingdom. The Board views this diversity as a clear strength.

Source: Company proxy statements. | GAO-16-30

**SEC disclosure requirements
on board diversity**

whether, and if so how, the nominating committee (or the board) considers diversity in identifying nominees for director. If the nominating committee (or the board) has a policy with regard to the consideration of diversity in identifying director nominees, describe how this policy is implemented, as well as how the nominating committee (or the board) assesses the effectiveness of its policy

Source: 17 C.F.R. § 229.407(c)(2)(vi). | GAO-16-30

Furthermore, SEC's requirement for companies to disclose information related to a board policy for considering diversity in the nomination process, if they have such a policy, may not yield useful information.⁴⁸ For example, the recent analysis of S&P 100 firms' proxy statements previously mentioned found that 8 of the 100 companies reviewed disclosed the existence of a diversity policy in 2010 through 2013.⁴⁹ In addition, according to the analysis, a substantial number of companies disclosed the absence of a policy or were silent on the topic. According to SEC's requirements, if a board does have a policy, then it must provide additional information on how the policy is implemented and assessed, leading some investors and others we interviewed to question whether it creates a disincentive for companies to disclose a policy.

The investor petition to the SEC supported improving existing disclosure requirements and requested that the SEC require new disclosures on board diversity specifically to indicate directors' gender, racial, and ethnic diversity in a chart or matrix in addition to their skills and experiences. Those who submitted the investor petition believe there are benefits to diverse boards, such as better managing risk and including different viewpoints, and that having more specific information on individual director diversity attributes is necessary for investors to fully exercise their voting rights. They said that as large investors, they have an interest in electing a slate of board directors who are well-positioned to help carry out a company's business strategy and meet their long-term investment needs, and that for at least some investors, demographic diversity is an important factor to consider when electing board directors.

Most of the 19 stakeholders we interviewed (15 of 19) also supported improving SEC rules to require more specific information from public companies on board diversity. In addition to increasing transparency, some organizations and researchers we interviewed highlighted that disclosing information on board diversity may cause companies to think about diversity more and thus may be a useful strategy for increasing

⁴⁸SEC requires companies that have a nominating committee (or board) policy with regard to the consideration of diversity in identifying director nominees to describe how the policy is implemented, as well as how the nominating committee (or the board) assesses the effectiveness of its policy. Item 407(c)(2)(vi) of Regulation S-K.

⁴⁹Aaron Dhir, *Challenging Boardroom Homogeneity: Corporate Law, Governance, and Diversity* (Cambridge University Press, April 2015).

pressure on companies to diversify their boards.⁵⁰ Twelve stakeholders we interviewed explicitly supported SEC requiring companies to specifically disclose the number of women on the board; five others were not opposed to disclosing this information; and two questioned whether this specificity was necessary as companies already include the names of board directors in their proxy statements or may include photos of directors. While the investor petition acknowledged that some companies provide aggregate board diversity information on gender and race, they said diversity information at the board level is not available for all companies. They also stated that it can be difficult to determine gender diversity through proxy statements and is time-consuming to collect this information on their own. Without specific information on board diversity that is concise and easy-to-use, investors may not be fully informed in making decisions. SEC officials told us they intend to consider the investor petition requesting changes to board diversity disclosure as part of its Disclosure Effectiveness Initiative—an ongoing review of all SEC disclosure requirements to improve them for the benefit of companies and investors.⁵¹ SEC’s review of its disclosure requirements provides an opportunity for the agency to solicit broader input on making specific changes to the disclosure requirements on board diversity.

Agency Comments

We provided a draft copy of this report to the Securities and Exchange Commission and the Equal Employment Opportunity Commission for review and comment. SEC staff provided technical comments that we incorporated, as appropriate. EEOC did not have comments.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the

⁵⁰While SEC’s rule states that the current diversity disclosure requirement is not intended to steer behavior, the Commission acknowledged that the disclosure of certain information on diversity may induce beneficial changes in board composition. 74 Fed. Reg. 68,334, 68,355 (Dec. 23, 2009).

⁵¹The Disclosure Effectiveness Initiative is the outcome of a report the SEC issued to Congress in December 2013 on its disclosure rules for U.S. public companies. The report, mandated by the Jumpstart Our Business Startups Act (Pub. L. No. 112-106, § 108, 126 Stat. 306, 313 (2012)), outlines SEC’s intention to conduct a broad-based review of disclosure requirements, including corporate governance requirements, to confirm that the information is material to investors and develop ways to obtain disclosure that is presented in a manner that provides investors with effective access to material information and avoids boilerplate information. SEC staff is undertaking this review and will provide recommendations to the Commission based on its results.

report date. At that time, we will send copies to the appropriate congressional committees, the Chair of the Securities and Exchange Commission, the Chair of the Equal Employment Opportunity Commission, and other interested parties. In addition, the report will be available at no charge on GAO's website at <http://www.gao.gov>.

If you or your staff should have any questions about this report, please contact me at (202) 512-7215 or sherrilla@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink that reads "Andrew Sherrill". The signature is written in a cursive, flowing style.

Andrew Sherrill
Director, Education, Workforce,
and Income Security Issues

Appendix I: Analysis of Data for Boards of S&P 1500 Companies

To identify trends in women's representation on corporate boards and characteristics of male and female board directors, we analyzed a dataset from Institutional Shareholder Services, Inc. (ISS)¹ that contained information about individual board directors at each company in the S&P Composite 1500 from 1997 through 2014, the years for which they collected these data.

Data Source

The ISS data include publicly available information on directors compiled from company proxy statements and other U.S. Securities and Exchange Commission (SEC) filings. The data include information such as gender, age, committee memberships, race and ethnicity, and other characteristics. To determine the reliability of the ISS data, we compared it to other analyses of women's board representation to see if our results were comparable, interviewed knowledgeable ISS employees and other researchers who have used ISS data, and conducted electronic testing of the data. In cases where we did find discrepancies in the data, we discussed the issue with ISS employees and either resolved the issue or determined the specific data element was not sufficiently reliable for our analysis and excluded it from our review. Based on our assessment of the reliability of the ISS data generally and of data elements that were critical to our analyses, we determined that they were sufficiently reliable for our analyses.

Data on Company Size, Industry and Other Characteristics

We used ISS data to provide descriptive statistics on characteristics of male and female board directors, including comparing the age and tenure of female board directors to males, and we also presented information on the representation of women by company size and industry. The ISS data divided companies into the S&P 500 (large cap companies), S&P 400 (mid cap companies) and S&P 600 (small cap companies), which enabled us to conduct analyses by company size. The companies that comprise these indices, including the composite S&P 1500, may change each year depending on the value of the company at the time the index is established. Thus, our analysis is a point in time estimate for the index based on the indices as they were in a certain year. The ISS data did not include industry or sector for the companies in the dataset. We used data from the Bloomberg Industry Classification System to identify the industries for the companies in the ISS dataset by matching up the stock

¹ISS is a company that provides corporate governance services, including proxy voting services, governance research and advisory services, and investment tools and data.

market ticker.² We were able to make these matches for 96 percent of the director observations in the ISS data. When we could not make a match, it was typically because we could not locate the ticker in the Bloomberg data. This could be the case, for example, if a company experienced a merger or dismantled.

In addition to presenting past trends and descriptive statistics on board membership, we used the ISS data to determine the likelihood of a board adding a woman based on the number of women already on the board. Specifically, we computed how the percentage of boards that have added a woman changes with the number of women already on the board. To do this, we determined the proportion of companies with 0, 1, or 2 women on the board that added a woman in that year. While we did not control for other factors, such as industry, we did do this analysis separately for large, medium, and small firms.

Projection Analysis

We also developed two hypothetical projections to illustrate future gender representation on corporate boards. Neither of these projections is meant to be predictive of what will happen over the coming decades. In one scenario, we assumed an equal proportion of men and women join boards each year starting in 2015. In the second scenario, we assumed only women join boards as new board directors beginning in 2015. For both projections, we made the following assumptions based on ISS data on directors in the S&P 1500 from 1997 through 2014:

- The total number of board directors in the S&P 1500 will stay constant at 14,000 each year, based on the average of the total number of board directors in the S&P 1500 in 2013 and 2014.
- The total number of new board directors joining companies in the S&P 1500 will stay constant at 600 new directors each year, which is the total average number of new board directors joining companies in the S&P 1500 for the years of our analysis.
- We used 600 as an indicator of the number of board directors leaving their board positions each year. Women on boards tend to be younger than men and have had less tenure in 2014. Therefore, we wanted to

²Bloomberg classifies companies by tracking their primary business activities as measured by their primary source of revenue; it then groups them together according to the end markets these businesses service. According to Bloomberg, members of groupings should exhibit similar behavior in market cycles and should be correlated.

assume that women leave the board at a slightly lower rate than men, so we estimated the proportion of women among the 600 departing board directors in each year would equal the proportion of women who were on boards 10 years prior (when women were less represented).

Appendix II: Stakeholders We Interviewed

Name / Current Title	Current or Prior Experience		
	CEO	Board Director	Investor
Curtis J. Crawford, Ph.D. , Founder, President and Chief Executive Officer, XCEO, Inc.	interviewed	interviewed	N/A
Michelle Edkins , Managing Director, Global Head of Corporate Governance & Responsible Investment, BlackRock	N/A	N/A	interviewed
Melody Hobson , President, Ariel Investments, LLC	N/A	interviewed	interviewed
Bess Joffe , Managing Director, Head of Corporate Governance, TIAA-CREF	N/A		interviewed
Ken Kannappan , President and Chief Executive Officer, Plantronics	interviewed	interviewed	N/A
Kay Koplovitz , Chairman and Chief Executive Officer, Koplovitz & Company, LLC	interviewed	interviewed	N/A
Terry Lundgren , Chairman and Chief Executive Officer, Macy's, Inc.	interviewed	interviewed	N/A
Michael McCauley , Senior Officer, Investment Programs & Governance, Florida State Board of Administration	N/A	N/A	interviewed
Jack Oliver, III , Senior Policy Advisor, Bryan Cave Strategies	N/A	interviewed	N/A
Anthony Principi , Principal, The Principi Group, LLC	N/A	interviewed	N/A
Jonas Prising , Chief Executive Officer, ManpowerGroup	interviewed	interviewed	N/A
George Scangos, Ph.D. , Chief Executive Officer, Biogen Inc.	interviewed	interviewed	N/A
Jane Shaw , Retired Chairman of the Board, Intel Corporation	interviewed	interviewed	N/A
Willow Shire , Former Executive Consultant, Orchard Consulting Group	N/A	interviewed	N/A
Anne Simpson , Investment Director, Global Governance, California Public Employees' Retirement System (CalPERS)	N/A	N/A	interviewed
Timothy Smith , Director of Environmental, Social, and Governance Shareowner Engagement, Walden Asset Management and Heidi Soumerai , Managing Director and Director of Environmental, Social and Governance Research, Walden Asset Management ¹	N/A	N/A	interviewed
Paula Stern, Ph.D. , Founder & Chair, The Stern Group, Inc., International Trade Advisors	N/A	interviewed	N/A
Edie Weiner , CEO and President of The Future Hunters	interviewed	interviewed	N/A
Maggie Wilderotter , Executive Chairman, Frontier Communications	interviewed	interviewed	N/A

Source: GAO | GAO-16-30.

In addition to the affiliations above, the CEOs and board directors we interviewed collectively have experience serving at companies in a wide range of industries, including the following:

¹Both of these individuals participated in our interview. We consider Walden Asset Management as a single stakeholder view.

-
- | | |
|--------------------------------------|-----------------------------------|
| • Agilent Technologies, Inc. | • Mattson Technology, Inc. |
| • Avaya | • Neiman Marcus |
| • Avon Products, Inc. | • ON Semiconductor Corporation |
| • CA Technologies | • Procter & Gamble Company |
| • Cleveland BioLabs, Inc. | • RAC, Inc. |
| • CompUSA | • Scott Paper |
| • DreamWorks Animation SKG, Inc. | • Starbucks Corporation |
| • Duracell | • The Estée Lauder Companies Inc. |
| • eHealth, Inc. | • Time Inc. |
| • Engility Holdings, Inc. | • TJX Companies, Inc. |
| • Exelixis, Inc. | • UNUM Corporation |
| • Integrated Device Technology (IDT) | • Walmart |
| • ION Media | • Westinghouse |
| • Juno Therapeutics, Inc. | • Xerox Corporation |
| • Kohl's Corporation | • Yahoo! Inc. |
| • Kraft Foods, Inc. | |

Appendix III: Researchers and Organizations We Interviewed

To gather information about the representation of women on corporate boards, including factors affecting women's board representation and potential strategies to increase representation, we also conducted interviews with researchers, organizations, and institutions knowledgeable about corporate governance and diversity on corporate boards. We identified them through a literature search and recommendations from other knowledgeable individuals. Their views were not generalizable, but provided a range of perspectives on factors affecting the representation of women on corporate boards and potential strategies to increase representation. We spoke with individuals from the following organizations and institutions:

- American Bar Association Corporate Governance Committee
- Association of Executive Search and Leadership Consultants
- Bentley University
- California State Teachers' Retirement System
- Catalyst, Inc.
- Columbia Business School
- EY Center for Board Matters
- Harvard Business School
- The Center for Transatlantic Relations, Paul H. Nitze School of Advanced International Studies (SAIS), Johns Hopkins University
- National Association of Corporate Directors
- Arthur and Toni Rembe Rock Center for Corporate Governance, Stanford University
- The Conference Board
- U.S. Chamber of Commerce Center for Capital Markets Competitiveness
- U.S. Chamber of Commerce Foundation, Center for Women in Business

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Andrew Sherrill, (202) 512-7215 or sherrilla@gao.gov

Staff Acknowledgments

In addition to the contact named above, Clarita Mrena (Assistant Director), Kate Blumenreich (Analyst-in-Charge), Ben Bolitzer, and Meredith Moore made significant contributions to all phases of the work. Also contributing to this report were James Bennett, David Chrisinger, Kathy Leslie, James Rebbe, Walter Vance, and Laura Yahn.

Appendix V: Accessible Data

Data Tables/Accessible Text

Data Table for Highlights Figure: Percentage of Women on Corporate Boards and among New Directors, 1997-2014

Year	All board directors	New board directors
1997	8.31	N/A
1998	7.84	11.72
1999	9.14	10.18
2000	9.53	12.2
2001	9.62	11.89
2002	10	16.08
2003	10.41	11.44
2004	11.03	15.19
2005	11.39	13.21
2006	12	14.39
2007	11.92	13.11
2008	12.29	15.02
2009	12.34	11.96
2010	12.7	15.84
2011	13.13	18.6
2012	13.7	20.82
2013	14.46	18.81
2014	15.51	22.8

Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data for the S&P 1500. | GAO-16-30

Accessible Text for Figure 1: Common Board Committees and Their Key Duties

- Nominating/Governance: Recommends director nominees to the full board and the corporation’s shareholders, and oversees the composition and evaluation of the board
- Compensation: Oversees the corporation’s compensation structure and determines compensation for the Chief Executive Officer (CEO) and other senior managers
- Audit: Oversees the corporation’s financial reporting process

Source: GAO analysis of information from The Conference Board, National Association of Corporate Directors, and Business Roundtable. | GAO-16-30

Data Table for Figure 2: Percentage of Women on Corporate Boards and among New Board Directors in the S&P 1500, 1997-2014

Year	All board directors	New board directors
1997	8.31	N/A

Year	All board directors	New board directors
1998	7.84	11.72
1999	9.14	10.18
2000	9.53	12.2
2001	9.62	11.89
2002	10	16.08
2003	10.41	11.44
2004	11.03	15.19
2005	11.39	13.21
2006	12	14.39
2007	11.92	13.11
2008	12.29	15.02
2009	12.34	11.96
2010	12.7	15.84
2011	13.13	18.6
2012	13.7	20.82
2013	14.46	18.81
2014	15.51	22.8

Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data for the S&P 1500. | GAO-16-30

Data Table for Figure 3: Greater Gender Balance on Corporate Boards May Take Time

Actual

Year	All board directors	New board directors
1997	8.31	N/A
1998	7.84	11.72
1999	9.14	10.18
2000	9.53	12.2
2001	9.62	11.89
2002	10	16.08
2003	10.41	11.44
2004	11.03	15.19
2005	11.39	13.21
2006	12	14.39
2007	11.92	13.11
2008	12.29	15.02

Year	All board directors	New board directors
2009	12.34	11.96
2010	12.7	15.84
2011	13.13	18.6
2012	13.7	20.82
2013	14.46	18.81
2014	15.51	22.8

Projected

This projection assumes that 600 board seats (about 4% of the total) turn over each year, and that male board directors are slightly more likely to leave the board each year because they are older, on average, than female board directors

Year	New board directors	All board directors
2015	50	17.17
	50	18.8
	50	20.42
	50	22.04
	50	23.65
2020	50	25.25
	50	26.83
	50	28.39
	50	29.91
	50	31.39
2025	50	32.8
	50	34.13
	50	35.4
	50	36.6
	50	37.72
2030	50	38.78
	50	39.77
	50	40.7
	50	41.57
	50	42.37
2035	50	43.1
	50	43.78

Year	New board directors	All board directors
2040	50	44.41
	50	44.98
	50	45.51
	50	45.99
	50	46.42
2045	50	46.82
	50	47.19
	50	47.52
	50	47.81
	50	48.07
2050	50	48.32
	50	48.53
	50	48.72
	50	48.9
	50	49.05
2055	50	49.18
	50	49.3
	50	49.41
	50	49.5
	50	49.59
2060	50	49.66
	50	49.72
	50	49.78
	50	49.83
	50	49.87
2065	50	49.91
	50	49.94
	50	49.97
	50	49.99

Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data. | GAO-16-30

Data Table for Figure 4: Women’s Board Representation in the S&P 1500 Varied by Company Size and Industry, 2014

Company size: Larger companies tend to have more women on their boards than medium or small companies^a

Company Size	Women's percentage on the boards of...	Median number of women on the boards of...	Percentage of boards without women in...
Small companies	12%	1 woman	33%
Medium companies	15%	1 woman	17%
Large companies	19%	2 women	4%

Industries: Some industries had higher percentages of women serving on their boards than other industries

Industry	Percentage of women on boards
Household and personal products	26.4
Food, beverage, and tobacco	21.35
Food and staples retailing	21.21
Utilities	21.19
Media	20.16
Retail	19.85
Commercial and professional services	18.23
Telecommunication services	17.78
Pharmaceuticals and biotechnology	17.29
Insurance	17.09
Consumer services	16.92
Consumer durables and apparel	15.87
Diversified financials	15.87
Transportation	15.38
Materials	15.18
Banks	15.1
Technology hardware and equipment	14.74
Health care equipment and services	14.68
Software and services	14.02
Capital goods	13.1
Real estate	12.92
Automobiles components	11.11
Energy	10.52
Semiconductors and related	8.8

Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data, and Bloomberg Industry Classifications. | GAO-16-30

Data Table for Figure 5: Male and Female Directors in the S&P 1500 Differ in Certain Characteristics, 2014

Age: Female board directors were younger on average than male directors

Sex	Average age	Percentage younger than 60
Women	60.4	45%
Men	63.8	30%

Tenure: Male board directors had longer tenure on boards than female directors

Sex	Less than 5 years	More than 15 years
Women	42.1	10.4
Men	30.2	18.2

Number of boards: Female board directors were slightly more likely than male directors to sit on more than two boards^a

	1 board	2 boards	3 boards	4 or more boards
Percentage of Women	8.9	18.9	27.6	44.5
Percentage of Men	6.6	14.7	27.7	51.1

Leadership: Women board directors were slightly less likely to be committee chairs than men

	1 board	2 boards	3 boards	4 or more boards
Percentage of Women	8.9	18.9	27.6	44.5
Percentage of Men	6.6	14.7	27.7	51.1

Source: GAO analysis of Institutional Shareholder Services Inc. (ISS) data. | GAO-16-30

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [E-mail Updates](#).
Listen to our [Podcasts](#) and read [The Watchblog](#).
Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 2054