

Gender diversity in US board rooms

Diversifying employees, particularly those in senior positions, is high on the agenda for companies around the world. **Meridian Compensation Partners** provides boards, compensation committees and senior management with a complete array of executive compensation advisory services.

The important issue of diversity, among most organisations' employee population, has been an area of focus for a number of years. Companies have rightly spent time and effort to improve and publicly communicate these results.

Most companies have also been actively addressing the issue of gender diversity at the board of directors level. Based on a recent survey by executive compensation consulting company, Meridian Compensation Partners, LLC, the percentage of board seats now filled by women (within the Russell 3000) is approaching 25% this year. However, gender parity is not expected to occur for another 10 years – into 2032.

Bob Romanchek, partner and executive committee member, Meridian Compensation Partners



member, with less than 3% having reached gender parity. Although four out of ten new board members are now women, it has taken years, and a number of external catalysts, to achieve this level of change. Specifically, the Nasdaq stock exchange has reached approval from the US Securities Exchange Commission to make gender diversity a condition of maintaining issuer stock trading privileges on its exchange. Also, the House Financial

companies to disclose the racial, ethnic and gender composition of their boards and executive officers. This bill also would require companies to disclose whether they have adopted any plan, policy or strategy to promote racial, ethnic and gender diversity.

Certain states in the US have adopted mandatory annual disclosures on board diversity (Illinois, Maryland and New York). Others have been more prescriptive, requiring actual minimum percentages of board seats to be held by women – for example, Washington at 25%, with fines resulting for noncompliance, and an increasing number of females over multiple years (in California noncompliance warrants a fine).

The proxy advisory firms have also become directly involved to push companies to make their boards more gender diverse. ISS will generally recommend voting against the Chair of the Nominating Committee for companies that have no female board members, and with no apparent racial or ethnic minorities, starting in 2022. Likewise, Glass Lewis will also recommend a no vote for the Nominating Committee Chair for companies that have no female board members, and for companies that have seven or more directors but fewer than two female directors, starting in 2022.

The issue of public companies having a diverse board of directors has been a common goal among leading companies for a number of years. Although racial and ethnic diversity may be more of a challenge, the stock exchange listing requirements, state laws and proxy advisory firm pressure will likely continue to drive change in this important area. ●

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Approximately 5% of US public boards still do not have a single female board

Services Committee passed a bill in April 2021, which would require public



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