Nasdaq-Listed Companies Moving the Needle on Diversity in the Boardroom

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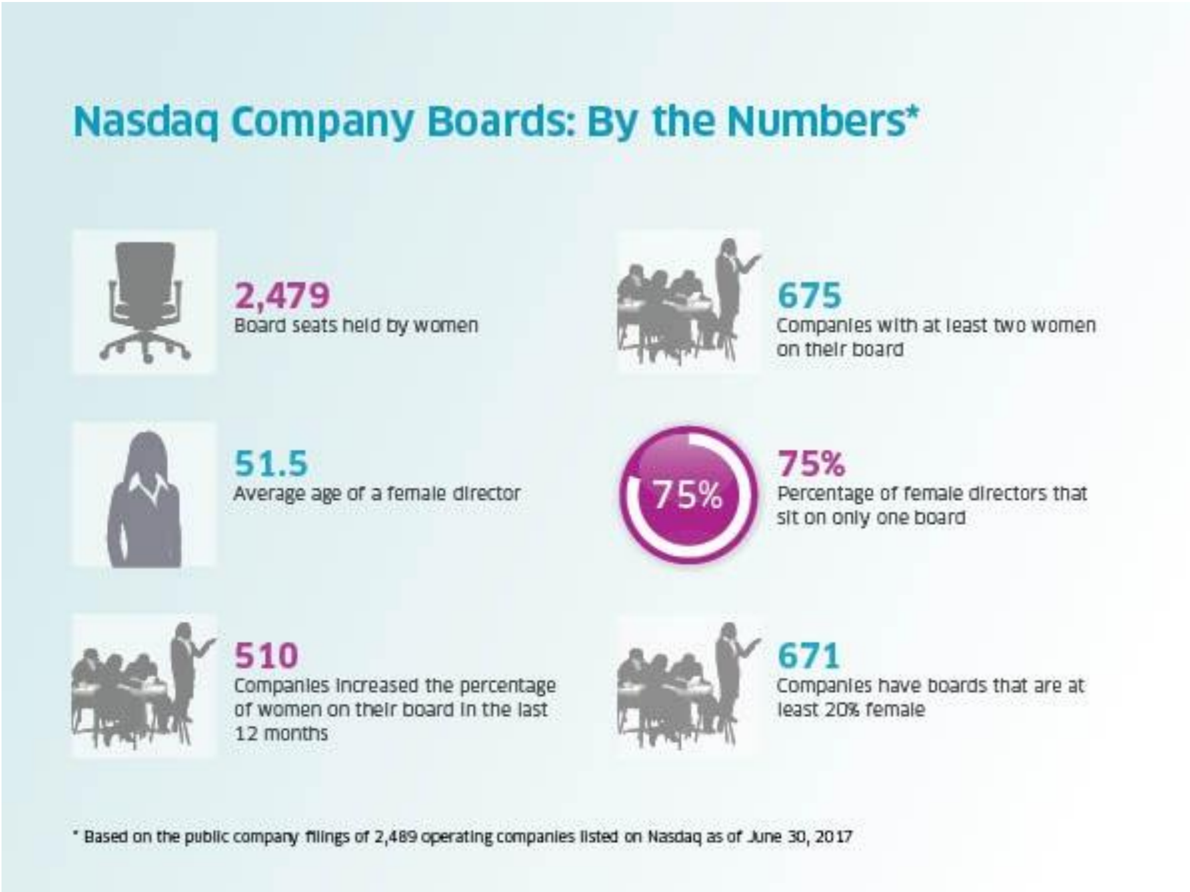
The discussion on gender parity in the boardroom is evolving beyond equality as gender diversity is increasingly correlated with higher profitability—and Wall Street is taking notice. As Janice Ellig notes in her recent article "Fearless Girl—SHE is the future and the future is NOW," a number of index funds have launched that focus on corporations with gender diverse C-suites and boardrooms. These include State Street Global Advisors Gender Diversity Index ETF, Barclays Women in Leadership Total Return Index and Bloomberg's Gender-Equality Equity Index. These funds may offer further tangible evidence that companies with diverse boards outperform their peers.

Despite correlations between gender diversity and profitability, studies such as those commissioned by Equilar, Deloitte and McKinsey continue to indicate that gender diversity in the boardroom is improving only incrementally. Some institutional investors are losing patience with the slow progress and plan to use their proxy vote to spur corrective action: State Street Global Advisors (SSGA) and BlackRock both recently announced they are prepared to vote against directors of boards composed solely of men. While proxy advisory firms Glass Lewis and ISS don't currently make gender diversity a determining factor in voting recommendations, there are signs these firms may soon follow the lead of SSGA and BlackRock. ISS' annual Governance Principals Survey—which can foreshadow upcoming changes to voting polices—includes a question this year about gender diversity on boards and whether organizations should vote against directors of public company boards with no female representation.

We began tracking gender diversity statistics of Nasdaq-listed company boards last year to gauge their progress against the datasets included in the studies mentioned above, as smaller, newer corporations are often not included in studies. We continue to find evidence that there are many Nasdaq-listed companies moving the needle towards gender parity in the boardroom. In fact, Nasdaq currently boasts 46 companies with boards that are at least 40% female. These companies represent many different sectors of the market and a wide range of market capitalizations. By shifting the spotlight towards these companies instead of overall statistics, we can begin to fully appreciate the progress that Nasdaq companies have made.

Many other Nasdaq companies made progress toward gender parity over the past year, including 24 companies that improved boardroom gender diversity by at least 20%, and 33 Nasdaq companies added two or more new women to their boards. In fact, Nasdaq added two women to its own board in 2017, which now includes three women out of nine members.



Overall, smaller and newer publicly-traded companies continue to have less diverse boards than larger, more established companies. However, not all companies follow this trend: **Mersana Therapeutics, Inc.** (Nasdaq: MRSN), a $350 million biopharmaceutical company that started trading on Nasdaq less than two months ago, is a shining outlier with four women sitting on a six-seat board.

When considering progress in board diversity, it is also important to remember that gender diversity is not the only type of diversity. While gender is one of the easier categories to measure, diversity in ethnicity, age, background and geography are also critical when viewing board diversity from a holistic perspective. **State Auto Financial Corporation** (Nasdaq: STFC) does a great job of stressing both the gender and ethnic diversity of its board. State Auto Financial used their most recent proxy statement to celebrate a ten person board comprised of 50% female or ethnically diverse members, three women and two African Americans.

Age diversity in the boardroom is also important and although we hear less about it, diversity in any form can positively change the dynamics in the boardroom. While our data showed that the average age of a board member is 58.5 years and has not moved much in the past year, there are companies that boast age diverse boards, such as **Famous Dave's of America, Inc**. (Nasdaq: DAVE), with six out of eight board members under the age of 50, and **TripAdvisor, Inc.** (Nasdaq: TRIP), with 50% of board members under the age of 50.

Progress does not stop with adding one or two women to a corporate board. "The business case for gender parity has been made, and further progress toward that goal is going to depend on tone at the top," said Ellig. "The CEO, the board chair, and the nominating/governance chair at a company have to be intentional about adding women to boards, and intentional about opening the pool of candidates beyond the usual names and beyond the CEO position to find highly qualified women for board seats."

To recognize public companies that are leading the way in reaching gender parity, in November, Ellig and The Women's Forum of New York will hold their fourth biennial Breakfast of Corporate Champions, saluting F1000 and S&P 500 companies that have reached the 25%, 30%, and 40% mark and those that have already reached gender parity on their boards.

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