Black Corporate Directors Study | 2023

Executive Summary

In 2002, Ariel Investments founded the Black Corporate Directors Conference with Russell Reynolds to develop best practices, foster corporate diversity and inclusion, and encourage Black Fortune 500 directors to promote the civil rights agenda within their respective boardrooms. Over 20 years later, the conference is highly attended by Black, Latino and Latina Fortune 500 corporate board members, made possible by a partnership between Ariel Investments, Russell Reynolds and Deloitte.

From August to October 2023, Ariel commissioned the second survey of 165 Black, Latino and Latina Fortune 500 corporate directors who attended the Black Corporate Directors Conference.

Survey hosting and data collection was conducted by Momentive (formerly SurveyMonkey). Analysis and reporting was conducted by Helical Research, Inc.

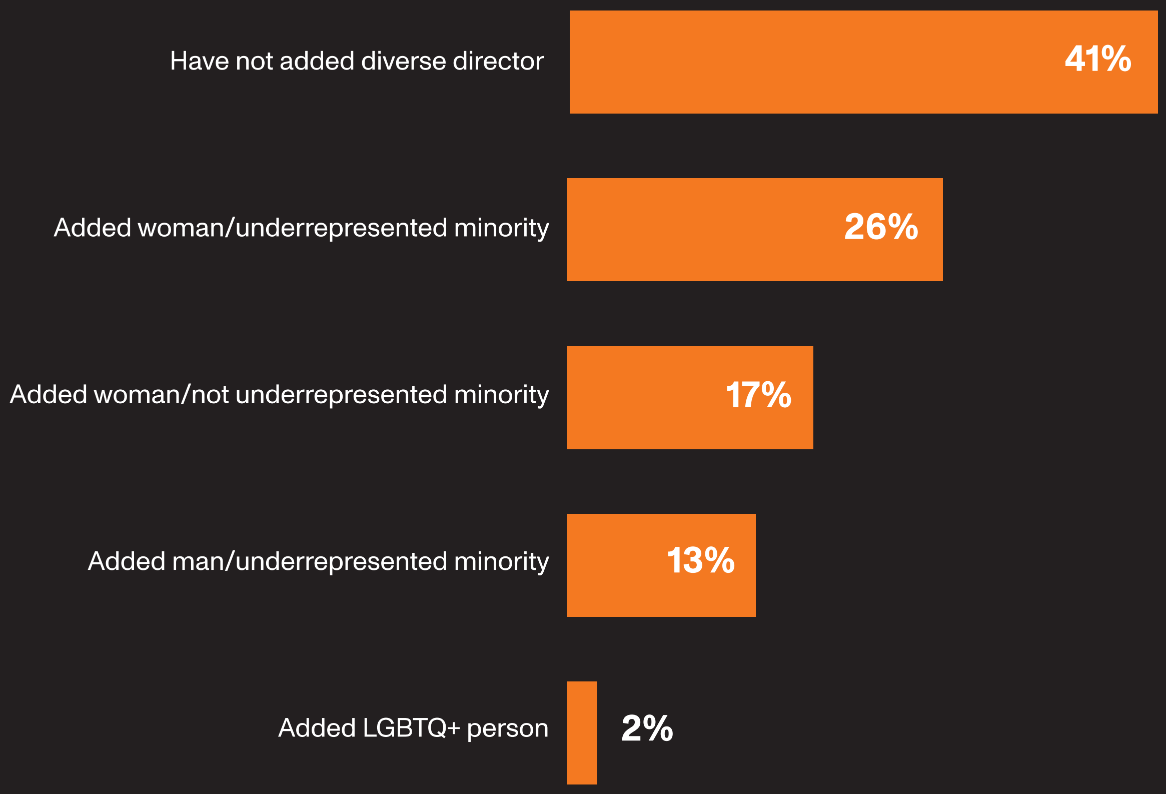
For some survey questions, Helical also polled a national sample of 2,909 average U.S. workers employed full- or part-time across races for direct comparison to the corporate director group.

Racial diversity on boards today

The percentage of directors who view their boards as diverse has declined from two years ago

Directors surveyed perceive the recruitment of directors from diverse backgrounds to be progressing, albeit slowly

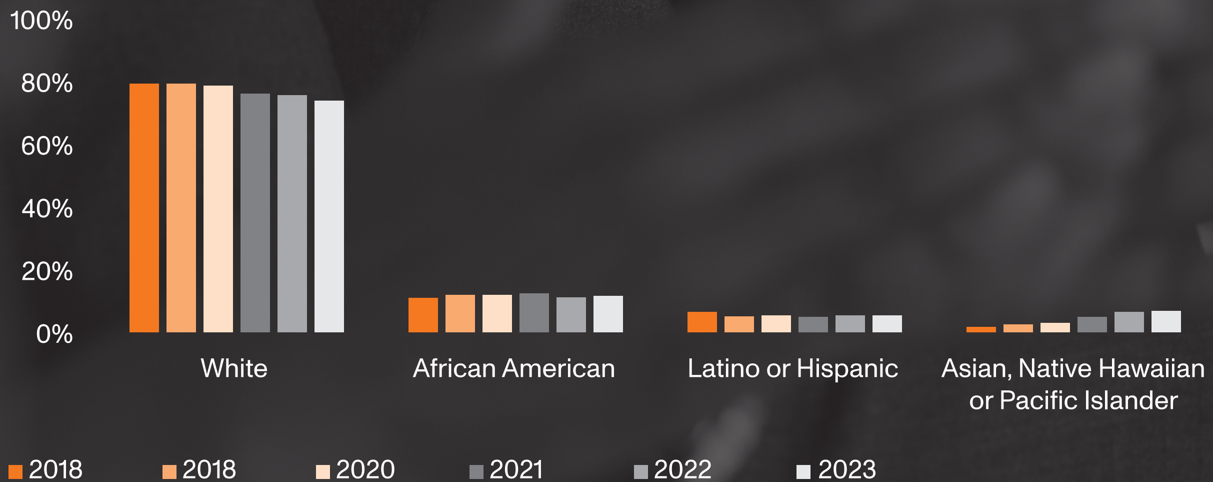
When asked if their board added directors from diverse backgrounds in the past year as a result of recent board diversity rules, such as Nasdaq's Board Diversity Rule, four in ten respondents say their board has not added any diverse directors. Approximately one-quarter say they have added a women identifying as an underrepresented minority and close to one-fifth report adding a woman who is not part of an underrepresented minority.



While S&P 500 data shows regression in the short term, board diversity progress has increased since 2018

- **The share of new non-white directors fell from 45% in 2022 to 36% in 2023**
- **The share of new directors who are female decreased from 43% in 2022 to 38% in 2023**
- **Since 2018, the percentage of reported racially/ethnically diverse directors has increased by 5% to 25%**
- **The share of female directors grew from 23% in 2018 to 32% in 2023**

Director Race/Ethnicity (S&P 500)



Source: The Conference Board/ESGUAGE, 2023

DEI is a primary agenda item for almost all boardrooms, but directors surveyed do not feel attention is appropriately focused

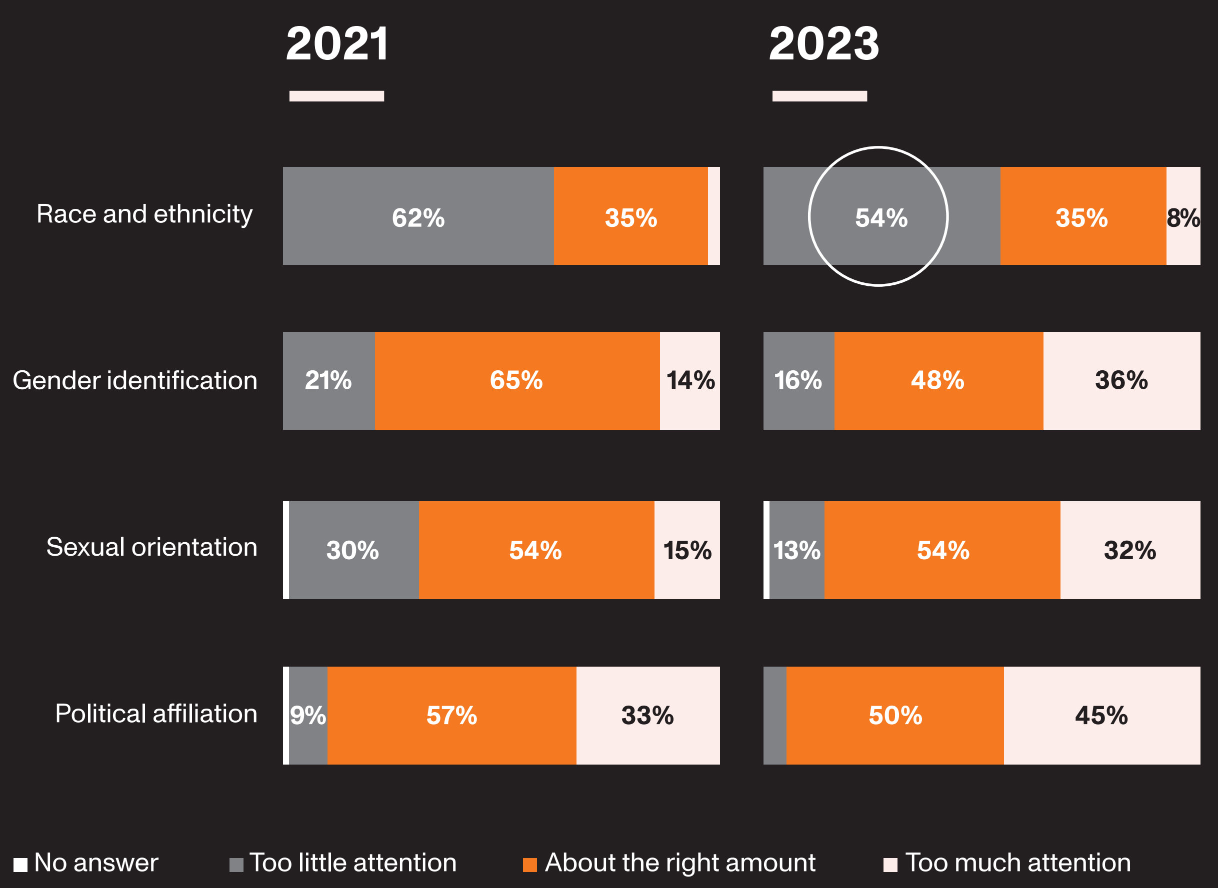
Directors report their board conversations about DEI are less thoughtful, balanced and intentional than two years ago (84% in 2021 vs. 78% in 2023).

59%
of board of directors added DEI principles as primary agenda items several years ago

2%
reported they are not primary agenda items now

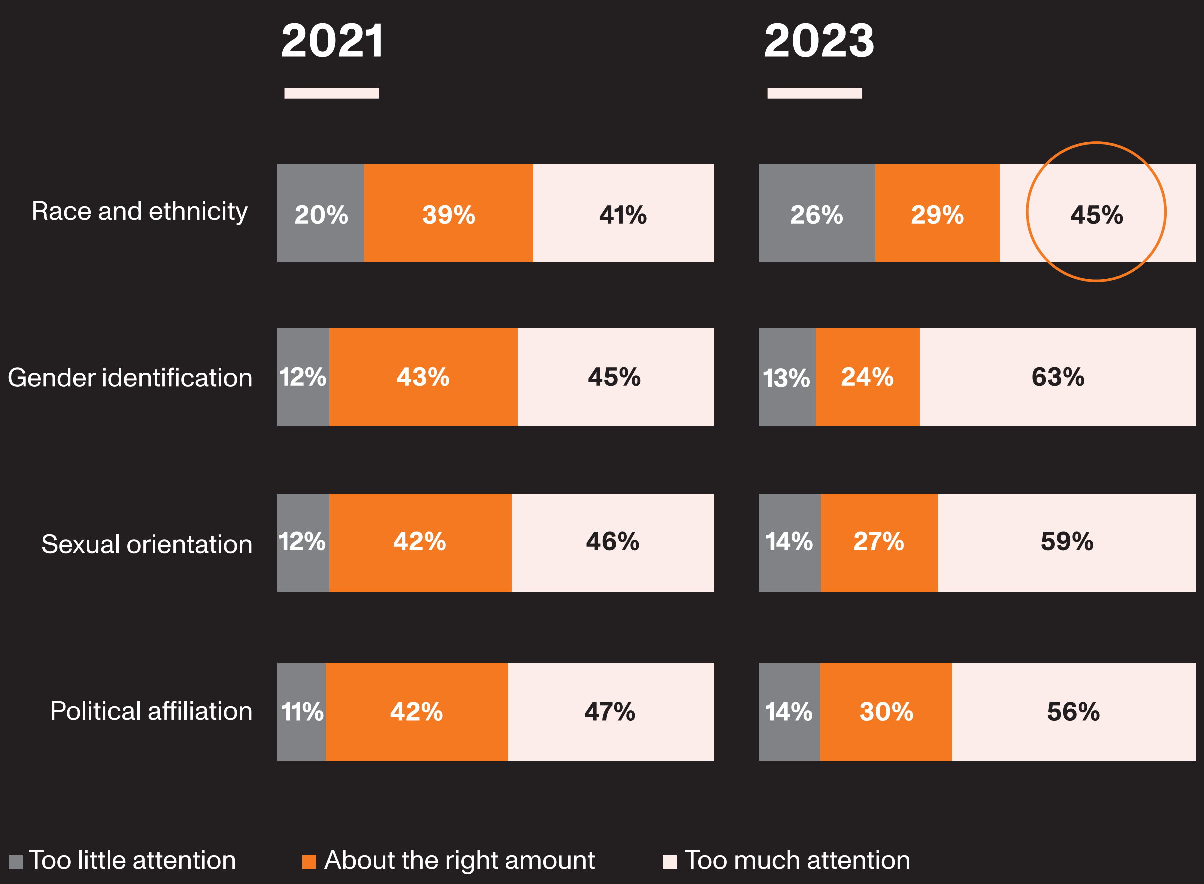
Diverse director sentiment about the corporate boardroom's focus on race and ethnicity compared to other DEI topics is misaligned with perspectives of the average worker

Most directors continue to feel their corporate boardroom does not focus enough attention on race and ethnicity compared to other facets of diversity.



Conversely, most workers feel too much attention is placed on race and ethnicity. White male workers feel the strongest at 54%. White women and Hispanic men closely follow at 46% and 44%, respectively—consistent with the 2021 inaugural report.

Average worker responses across racial groups:



Results indicate fewer companies are investing capital to support their racial equity and diversity goals; when they are, the capital is less sufficient

Three-fourths of directors report their boards' companies are investing capital to support their racial equity and diversity goals—down by 7% from the inaugural report.

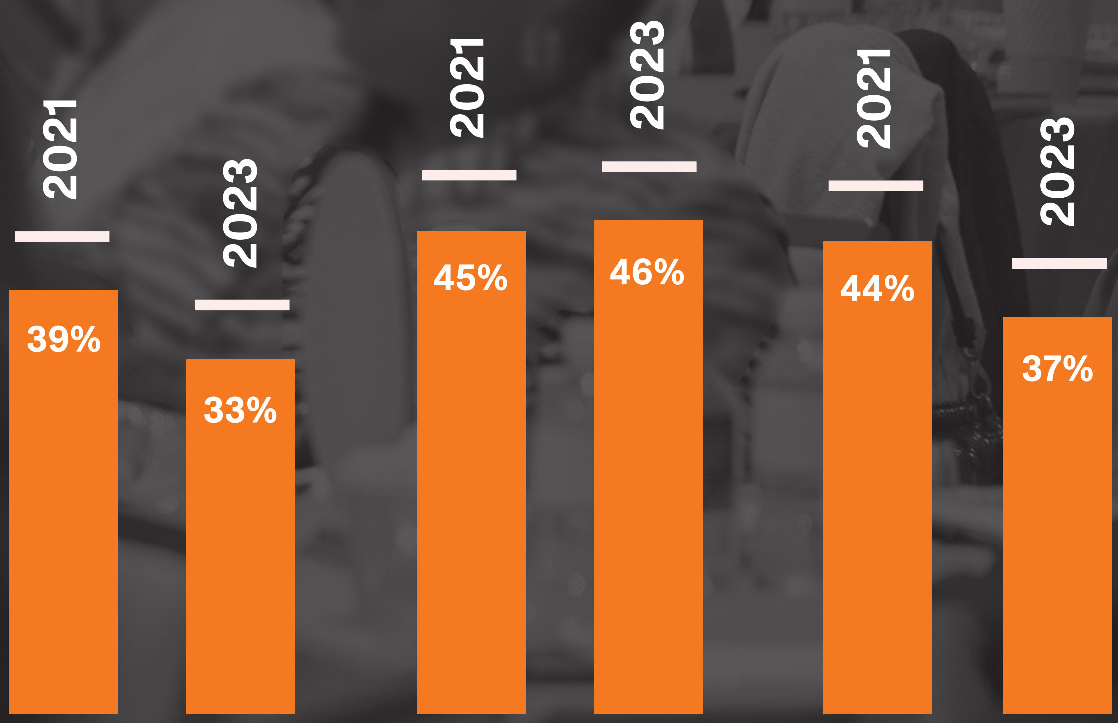
Over half of directors feel there is sufficient capital to support DEI goals—down 8% from the inaugural report.

Many board members surveyed still feel their companies struggle to operationalize DEI goals effectively—with stagnation or modest improvement from two years ago

Fewer directors say their board does not regularly oversee the risks and opportunities related to potential impacts on communities of color.

Less than half continue to strongly agree diverse board members have oversight of DEI through service on the Nominating and Governance committees or other relevant committees.

More than a third still do not agree their board prepares organizational leaders for effective oversight of DEI through a structured process.



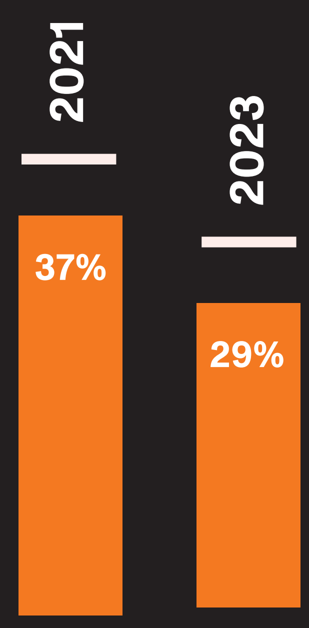
Diverse corporate directors and average employees have very different understandings of why corporations focus on DEI

Despite DEI being a primary agenda item for directors, workers do not see the efforts being made at the top of their corporations.

Today, fewer directors believe their company leadership is out of touch with the actual experiences of their diverse employees (37% in 2021 vs 29% in 2023).

63%
of **directors** feel DEI is very important to company leadership

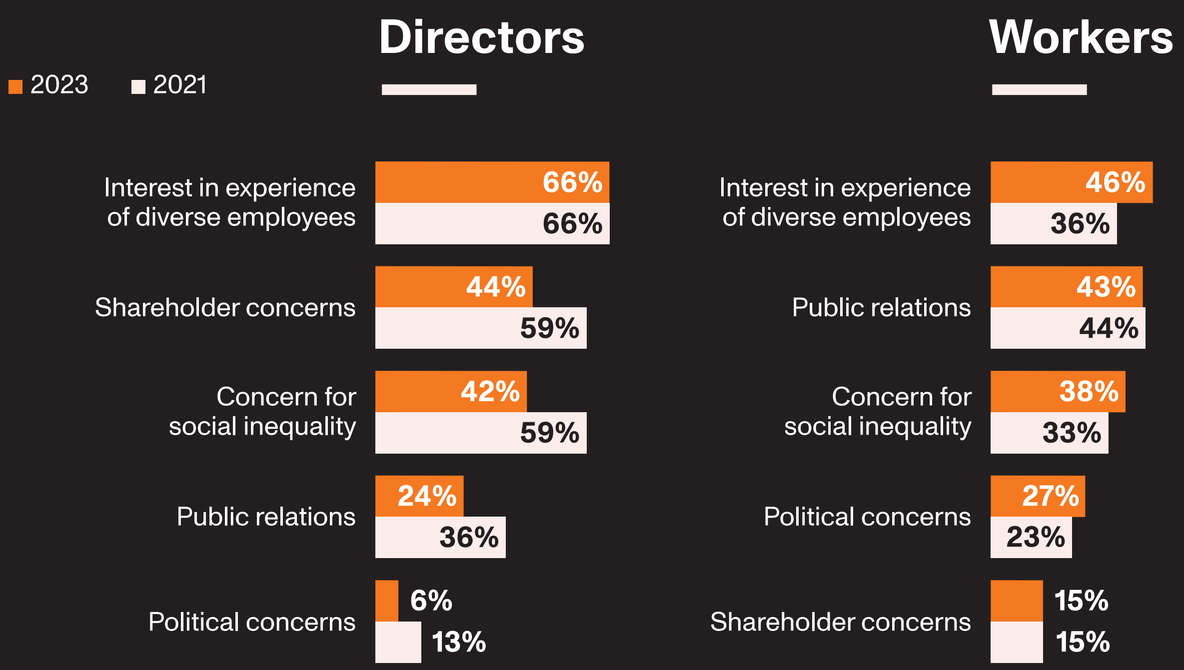
42%
of **workers** feel DEI is very important to company leadership



While directors surveyed note various alpha-generating reasons why DEI is a priority for their companies, this is not resonating with workers

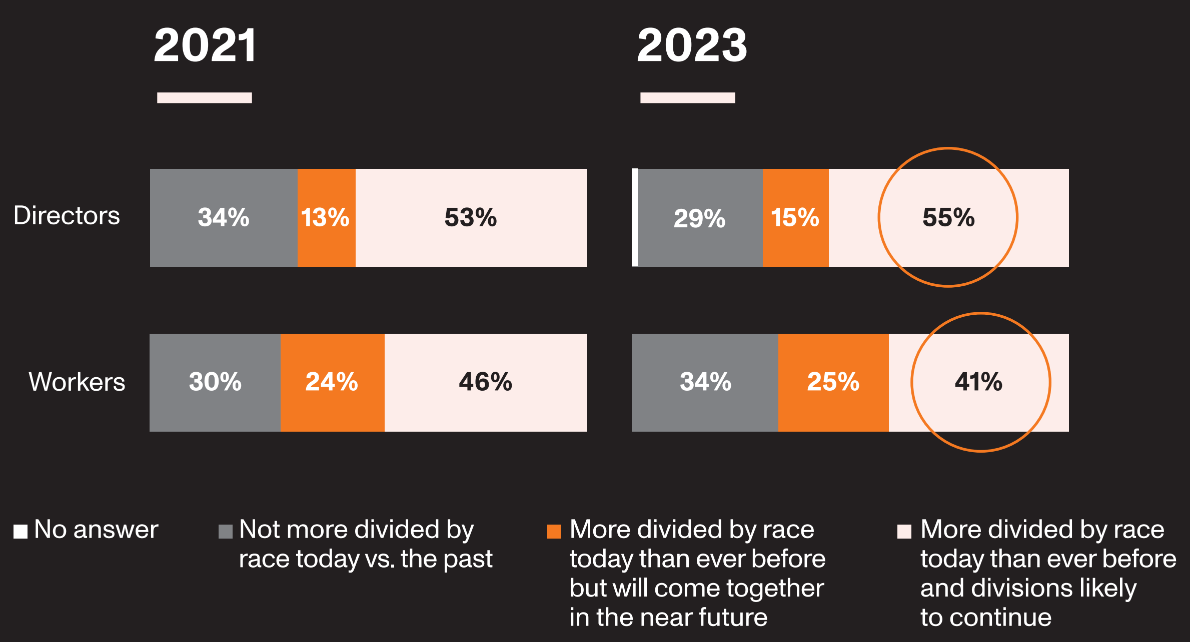
Workers are far more skeptical, believing their leaders are acting out of concern for public perception rather than genuine interest

Main reasons directors and workers report their company/employer's leadership spends time on DEI issues:



This disconnect between employees and leadership teams may also reflect broader societal divisions

Fifty-five percent (55%) of directors surveyed believe America is more divided by race than ever before, and these divisions are likely to continue far into the future. In contrast, only 41% of workers hold this perception.



Current affairs may dampen diverse directors' willingness to champion DEI efforts in the boardroom

Compared to 93% in 2021, the percentage of directors who feel responsibility to speak out publicly on social justice or civil rights issues today has dropped.

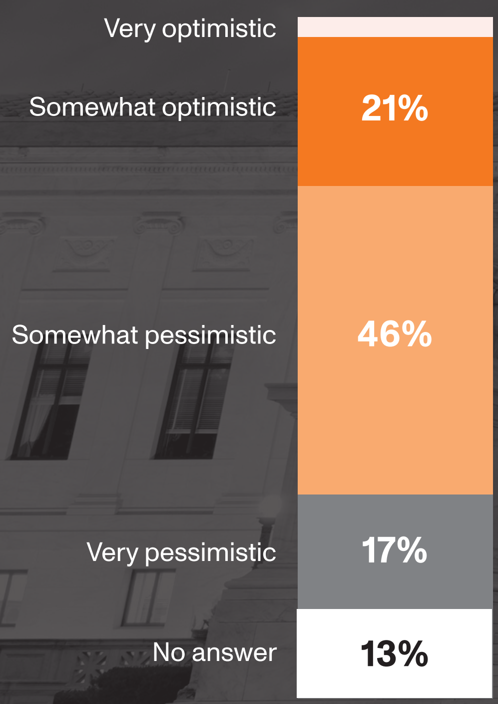
Just under half of workers in leadership feel this same responsibility. However, this rises substantially among Gen Z (70%), Black men (70%), Black women (63%), LGBTQ+ (63%) and Democrats (58%).

77%
of **directors** feel responsible

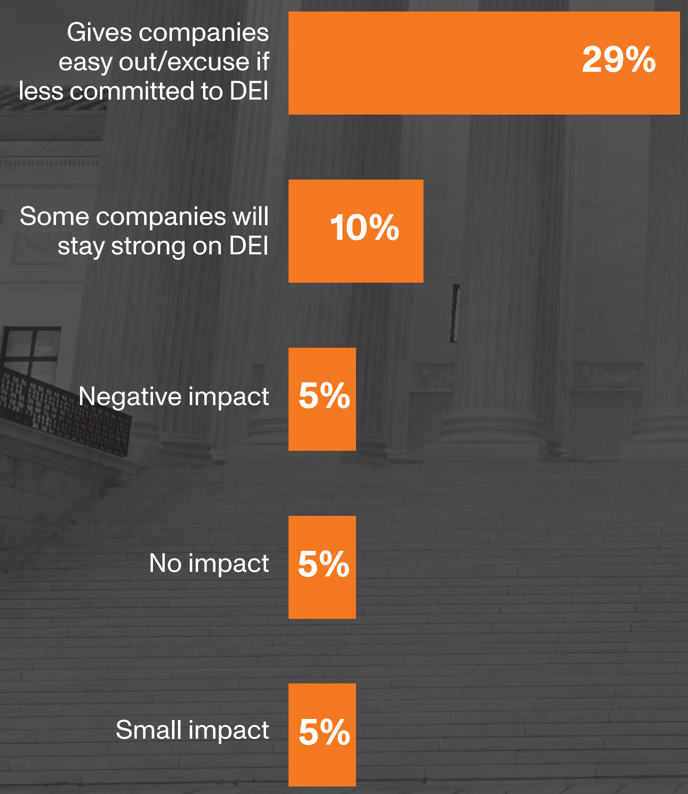
46%
of **workers** in leadership feel responsible

The Supreme Court's decision regarding Affirmative Action in higher education has caused most directors surveyed to be pessimistic about DEI progress

Diverse directors



Expected impact



Directors responded qualitatively to: “How do you expect the Supreme Court’s recent ruling on Affirmative Action to impact corporate America?”

Sample responses are as follows:

Negative

“Leaders will use this as a reason to back away from prior commitments.”

“Companies will use the ruling as a reason for decreased focus and attention.”

“For those corporations who are indifferent or secretly unsupportive of DEI, this ruling will give them cover or an excuse to water down or eliminate their efforts.”

“[The ruling] gives corporate America an excuse to deprioritize DEI for Black Americans—to which they were never really committed.”

“It will give those who are not believers in DEI the confidence to thwart DEI efforts.”

“Some will maintain their commitments and do more. Other corporations will use this as an opportunity to backtrack.”

Positive

“Corporations will remain focused on DEI issues because their employees, institutional shareholders and customers will demand it.”

”For corporate America serious about DEI, there should be no impact.”

“Corporate America will still thoughtfully move diversity forward.”

“I think corporate America is beginning to recognize the intrinsic economic value of diversity. The train has left the station.”

Calls-to-Action for Corporate America

What gets measured, gets done:
When developing DEI goals, ensure commitments are measurable by including key dates, deadlines and targets.

Create accountability:
Do not only incentivize leadership teams to be successful—also hold them financially accountable for lack of progress.

Capital counts:
When goals are set, ensure specific budget line items are allocated to achieve them, with finite dates and deadlines, and reassess annually.

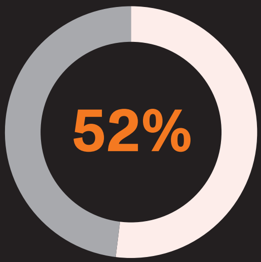
Transparency translates:
Update all stakeholders on a regular basis (e.g., quarterly) on DEI progress, and be honest about challenges.

Educate employees:
Educate all employees—from the rank-and-file to the C-Suite—using data on why diversity is good for corporate results. Link business objectives to DEI goals using evidence on the revenue-driving benefits of diversity.

Empower representation in the right places:
Ensure when diverse directors join boards, they are well-positioned to advance DEI goals by serving on Nominating and Governance committees, in addition to other committees. Also, recruit directors of all races who value and have a proven track record in confronting DEI issues.

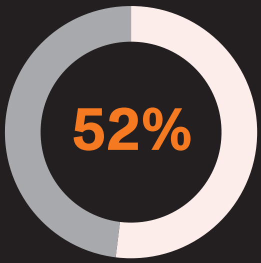
Keep DEI on the agenda, indefinitely:
Foster a board culture that empowers directors to speak up by regularly including the company's racial justice agenda in board meetings and actively soliciting input from diverse directors.

Getting to know the Black Corporate Directors Conference attendees

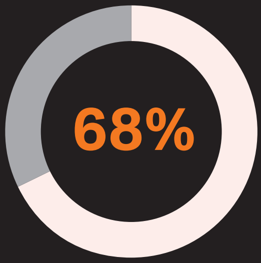


52% accepted their first public company board seat before the age of 50

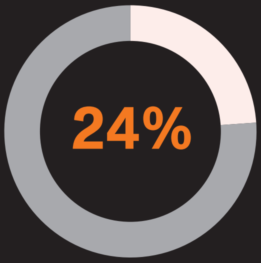
The average age of an S&P 500 independent board director is 63



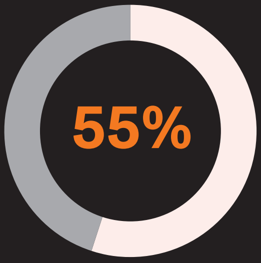
52% of respondents' first board seat was with a nonprofit organization



68% have a post-graduate degree, compared to 14% of the general population**



24% are currently serving in a board chair role



55% are currently serving in a committee chair role

* 2023 U.S. Spencer Stuart Board Index

** Census Bureau New Educational Attainment Data