

HEIDRICK & STRUGGLES

As Seismic Global Events Persist, Fortune 500 Boards Focus Increasingly on the Future by Infusing Their Boards with Fresh Perspectives and Diverse Backgrounds

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- *First-time public board directors rise to record 43% of 2021 appointees as boards seek fresh perspectives and active executives*
- *New women directors account for a record 45% of board appointments, although new Latinx, Asian and Asian American women continue to be underrepresented*
- *Strengthening their response to growing risks and regulatory requirements, boards tap more directors with sustainability, cybersecurity experience.*

CHICAGO, May 4, 2022 /PRNewswire/ -- Fortune 500 Boards appoint record share of women and first-time directors in 2021, according to the [2022 Board Monitor](#) report from [Heidrick & Struggles](#) (NASDAQ: HSII), a premier provider of global leadership advisory and on-demand talent solutions.

Global events like the pandemic, climate change, increased calls for racial and social justice, and now the war in Ukraine have prompted corporations to focus more attention on organizational purpose. In response, Fortune 500 boards of directors notably shifted to bringing in a wider range of experience, including more directors who are women, diverse and serving for the first time in the boardroom.

In 2021, 449 board seats were filled with a record percentage of first-time public board directors, at 43%, up from 38% in 2020, and women directors, at 45%, up from 41% the previous year. Forty-one percent of directors appointed last year were racially or ethnically diverse, on par with 2020. And, continuing a trend for all directors, a growing share are active (62%) rather than retired executives (38%).

"The unprecedented events of the past two years have significantly altered the nature of corporations' license to operate – the fundamental contract is changing between organizations, their stakeholders and the communities in which they do business," said Bonnie Gwin, Vice Chair and Co-Managing Partner of the firm's global CEO & Board of Directors Practice. "Boards continue to seek fresh thinking as evidenced by the appointment of directors with more diverse backgrounds. And the truly cutting-edge boards are taking a strategic, holistic approach to board succession by continuously monitoring refreshment opportunities to meet today's challenges and respond with resilience when the unexpected occurs."

Sustained Progress for Diverse Representation as some Key Gains from Past Years Remain

When looking more closely at the racial and ethnic diversity of appointments, the share of seats filled by Black directors held relatively steady at 26%, following a sharp rise to 28% in 2020. Additionally, of all directors now sitting on Fortune 500 boards, the share of women has climbed steadily, to 29% from 19% in 2015, as overall board size hasn't changed much. But both Asian or Asian American and Hispanic or Latinx directors continue to be underrepresented at 9% and 6%, respectively—percentages that have not risen in recent years.

"We are encouraged to see the trend toward more equitable representation on boards," said Lyndon Taylor, Regional Managing Partner of Heidrick & Struggles' North American CEO & Board of Directors Practice. "We expect that more progress will be made on DE&I when diverse directors hold more influential board positions, especially as board chair or chair of the nominating and governance committee, but this will require that boards take a comprehensive perspective on diversity from gender to experience to continued pursuit of aspiring directors that are racially and ethnically diverse."

Notably, while two-in-five new directors in 2021 were racially and ethnically diverse, a month-by-month analysis of appointments shows that the percentage of diverse appointments peaked in March when 54% were diverse, spiked again to 51% in May, then dropped substantially in the second half, averaging less than 30%. This trend could signal a decline in diverse board appointments – a metric that will be important to monitor in the first and second quarters of 2022.

Since 2018, when Heidrick & Struggles pledged that on an annual basis at least half of the cumulative slate of initial board candidates presented globally to clients would be diverse, the firm has exceeded that goal. In addition, in 2021, 73% of the firm's board placements in the U.S. were diverse.

The firm's 13th annual analysis of trends in non-executive director appointments at U.S. Fortune 500 companies also found:

- While current or former CEOs and CFOs continue to fill the majority of appointments, that experience has been on a gradual decline. In 2021, 40% of appointees were current or former CEOs, down significantly from the high of 60% in 2018. Current or former CFOs made up 14% of appointments in 2021, down from a high of 21% in 2020. Notably this year, 16% of newly appointed women directors have CFO experience compared to 11% of men.
- New appointees continue to broaden boards' experience in digital, financial risk and compliance, cybersecurity, and sustainability to strengthen resilience given higher levels of uncertainty. Seats going to directors with cybersecurity experience jumped to 17% from 8% in 2020. Those with sustainability backgrounds rose to 14% from 6%, and most have had previous international experience.
- The average age of new board members continues, for the sixth year, to hold steady at around 57, with 64% of the seats

in 2021 going to people 55 and older and only 6% to those under 45.

- There is still more progress to be made for diverse women. The appointment of Asian or Asian American women and Hispanic or Latinx women lag considerably. Only 31% of Hispanic or Latinx appointments and 33% of Asian or Asian American appointees are women compared to the higher gender diversity among Black (43%) and white (49%) appointees.

Best-in-Class Boards Illuminate Latest Appointment Trends

"Boards are looking for new members who can take a leadership role as a chair, senior independent director, or committee leader and are prioritizing nontraditional leadership capabilities," noted Jeff Sanders, Vice Chair and Co-Managing Partner of the firm's global CEO & Board of Directors Practice. "Increasingly companies are looking for members who can connect with the organizational purpose and those who understand and can advise when a company should take a stand on social or political issues."

While no single prescription exists for board composition since each company is unique, Heidrick & Struggles is seeing best-in-class Fortune 500 boards generally pursue similar approaches in selecting directors, according to this year's report:

1. As boards take a more holistic approach to diversity, part of their focus includes efforts to bolster representation of two key demographics. Best-in-class directors are expanding their Asian and Asian American and Hispanic and Latinx networks and improving their outreach to potential directors from those backgrounds. They understand how the links between their company's business strategy and DE&I strategy are changing and recognize the importance of enhancing the board's thinking about their own role in DE&I efforts.
2. Boards actively seek directors with a mix of traditional backgrounds, such as CEO or CFO, and a knowledge of areas relatively new to board expertise, such as sustainability or cybersecurity, or from different industries. This trend puts a spotlight on the advantage of perspectives from executives in earlier stages of their careers and, often, are closer to new issues such as climate change that boards must increasingly address.
3. More boards are considering board succession planning an ongoing, strategic exercise. They cultivate potential board members who could meet needs anticipated across different time horizons and strategic scenarios and regularly assess their board's and its members' performance to ensure they have the most effective team in the boardroom.

Information about executives is gathered from publicly available sources, global data company BoardEx, and Heidrick & Struggles' proprietary database.

About Heidrick & Struggles

Heidrick & Struggles (Nasdaq: HSII) is a premier provider of global leadership advisory and on-demand talent solutions, serving the senior-level talent and consulting needs of the world's top organizations. In our role as trusted leadership advisors, we partner with our clients to develop future-ready leaders and organizations, bringing together our services and offerings in executive search, diversity and inclusion, leadership assessment and development, organization and team acceleration, culture shaping and on-demand, independent talent solutions. Heidrick & Struggles pioneered the profession of executive search more than 65 years ago. Today, the firm provides integrated talent and human capital solutions to help our clients change the world, one leadership team at a time. © www.heidrick.com

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