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GAO Studies Lack of Women on Boards

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The U.S. Government Accountability Office (GAO) estimated in a **recent report** that even if equal proportions of women and men joined boards each year beginning in 2015, it could take more than 40 years for the representation of women directors to equal that of men. The report is in response to a request from Carolyn Maloney, the ranking member of the Subcommittee on Capital Markets and Government Sponsored Enterprises Committee on Financial Services in the House of Representatives.

The GAO found some progress. In 2014, women made up 16% of board seats in the S&P 1500, up from 8% in 1997. Women now make up more than 20% of new directors. But 33% of small companies and 17% of medium-sized companies have no women on their boards, compared to 4% of large companies.

According to the GAO, the factors that may hinder representation of women on boards include boards not prioritizing diversity in recruitment; fewer women in the traditional pipeline to board service such as being CEOs or already having board experience and low turnover of board seats.

In interviews the GAO conducted with a sample of 19 “stakeholders” that included nine CEOs, board directors and investors, they discussed potential strategies to encourage boards to address gender diversity. Ideas included requiring boards to have diverse slates of candidates, setting voluntary targets like the U.K., expanding board searches, expanding board sizes, adopting term or age limits and conducting more robust board evaluations.

Many of the stakeholders supported improving SEC disclosure requirements on board diversity, and believe the information companies are currently providing is not useful. An analysis of S&P 100 proxy statements found that almost all define diversity to include skills and experience, and about half report diversity as including gender, race or ethnicity.

Some of the stakeholders pointed to an existing rulemaking petition submitted in 2015 that we previously discussed **here** that asks the SEC to require disclosure of board nominees’ race, gender and ethnicity.

The SEC has told the GAO that they intend to consider the petition as part of its disclosure effectiveness initiative.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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