PRESS RELEASE

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Average board diversity is about ten percentage points higher for companies with women in board and executive leadership roles

Ernst & Young LLP report shows 42 percent of boards have two or more female directors, demonstrating that diverse boards recognize the value of diversity, and revealing an opportunity for boards to continue to diversify given expected turnover in coming years.

NEW YORK, 3 DECEMBER 2013 – A new Ernst & Young LLP report shows that companies that have female CEOs, female independent chairs or lead directors, or female nominating committee chairs are more likely to have higher levels of gender diversity on the board and to have added new directors in recent years. The report – *Diversity drives diversity* – reveals that diverse boards are increasing their diversity, and that the historically slow pace of board turnover may be poised to accelerate as a result of expected turnover in board seats in coming years. This refreshment is an opportunity to fill vacated seats with diverse candidates and increase board seats held by women.

"Effective corporate governance demands a diverse mix of talent and experience in the boardroom," said Allie Rutherford, Director of the Corporate Governance Center at Ernst & Young LLP. "Boards can use a time of renewal to ensure an appropriate mix of talent, experience and attributes in the boardroom so companies will be poised to address tomorrow's most complex business challenges. A thoughtful and robust board evaluation process can help ensure that individual director competencies are fully understood, recognized, utilized and valued."

Key findings include:

Gender diversity accelerates board renewal and diversification. Companies with women on the board are more likely to have added new directors, including more women, to the board.

- The portion of companies with just one female director has stayed constant at 36% over the past seven years, however the portion of companies with two or more female directors has increased to 42% and the number of all-male boards has dropped to 22%.

Progress toward gender diversity on boards continues, while gender diversity by industry varies greatly.

- More women are being appointed to boards and to board and executive leadership positions, though change continues to be gradual. However, women still account for only 15% of board seats, which is less than the proportion of seats held by directors named John, Robert, William and James.
- The presence of women on boards varies depending on the industry. For example, companies in the power and utilities (20% female directors), consumer products and media and entertainment industries (each 19% female directors) have the highest levels of gender diversity. In contrast, construction and oil and gas companies have the lowest levels of gender diversity (each 10% female directors), and nearly 40% of technology companies do not have any women on their boards. Other industries most likely to have all-male boards include oil and gas, diversified industrial products, and real estate.

More women are joining public company boards for the first time. Industry experience is the top qualification cited by companies for newly appointed female board members.

- 49% of female directors appointed to boards in the past two years are first-time public company directors, up from previous years.
- The six most common qualifications cited by companies for women joining boards in 2012-2013 include:
    1. Industry experience
    2. Financial / accounting
    3. Executive leadership
    4. Experience serving on other public company boards
    5. Operational leadership
    6. Strategic planning
- More than two-thirds of women joining boards in the past two years are current or former public company executives, though an increasing portion are at the vice president and managing director ranks.

Companies with female leaders have more women in executive positions, helping to build the pool of female board candidates.

- Companies that have female CEOs, female independent chairs or lead directors, or female compensation committee chairs are more likely to women in named executive officer positions (excluding CEO).

Composition of US boards is poised for change, as a substantial portion of directors are long-tenured or approaching retirement.

- 45% of board seats are held by individuals with a tenure of 10 years or longer, and 88% of these are men.

- Around 27% of current board seats could turn over in the next five years. Men account for 94% of board seats held by directors age 68 and older.

The slow pace of change in gender diversity, lack of board turnover and lengthy tenures of some individual directors are raising concerns among investors around compromised board independence, group-think stifling boardroom debate and a lack of fresh perspectives and insights. Investors are more closely evaluating individual director tenure and are encouraging boards to engage in proactive director succession planning so companies have the diverse talent that can successfully address an increasingly competitive business environment.

For more information and to access to *Diversity drives diversity* and other reports, visit http://www.ey.com/US/en/Issues/Governance-and-reporting.

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