



The women changing California boardrooms

**A look at the early impact
of California's board
diversity mandate**







Senate Bill 826, California’s law mandating board gender diversity for public companies headquartered there, elevated the conversation about the importance of diversity in the boardroom. With the first deadline under the mandate now in effect—public companies headquartered in California and traded on the NYSE or Nasdaq were required to have at least one female director by December 31, 2019—we look at the law’s early impact by studying the women who were added to previously all-male boards of companies headquartered in the state. While it is important to note that other aspects of diversity (such as racial and ethnic background, education, work and military experience, age, and LGBTQ status) are important considerations when building a diverse board, this report focuses specifically on gender, the focus of the California mandate.

Key facts: Senate Bill 826

- Signed into law by California Governor Jerry Brown on September 30, 2018
- Requires public companies headquartered in California (as defined by the company's principal executive offices reported on Form 10-K) that are traded on the NYSE or Nasdaq to have at least one female director by **December 31, 2019**, and by **December 31, 2021**, to have:
 - At least three female directors if the board has six or more members
 - At least two female directors if the board has five members
 - At least one female director if the board has four or fewer members
- For the purposes of the law, directors will be considered female based on individual self-identification of "gender as a woman, without regard to the individual's designated sex at birth"¹
- Companies that do not report compliance to the California Secretary of State may be fined \$100,000 for the first offense and \$300,000 for further offenses

Key findings

— Nearly all (**96 percent**) public companies headquartered in California had at least one female director as of December 31, 2019.

— Nearly all of the female directors (**94 percent**) joined their boards as outside directors.

— Most of the female directors would not be considered overboarded, with **69 percent** serving on only one board.

— Overall, the women added to previously all-male California boards during 2019 bring a wealth of education and experience to their boards.

– Most (**73 percent**) are actively employed in addition to their board service, commonly in C-suite roles.

– More than three-quarters (**76 percent**) have an advanced degree, with the MBA being the most common advanced degree held.

— Nearly three-quarters (**73 percent**) served on at least one board committee by the end of 2019.

¹ California Senate Bill 826

Company response

California's board diversity mandate led to the addition of many female directors to the boards of companies headquartered in the state. On the first deadline of December 31, 2019, only 27 companies (4 percent) of California-headquartered public companies had all-male boards. This compares to 29 percent that had all-male boards as of June 30, 2018.²

Of those companies that still had all-male boards as of December 31, 2019, 74 percent were microcap companies. More than one-third (37 percent) were in the health, pharmaceutical, or biotechnology sectors.³

Unintended consequences?

A number of concerns have been raised about potential unintended consequences of the law, for instance, whether companies would add "token" directors who may be "underqualified" to serve on boards or simply name insiders to comply, and whether it would result in a large number of overboarded women directors. While only time will tell what the ultimate impact of the mandate will be, an examination of the data available after the first compliance deadline shows that, so far, these concerns do not appear to have come to fruition.

² "Women on Boards of Public Companies Headquartered in California 2018 Report," Board Governance Research LLC.

³ Market capitalization and sector information from BoardEx.



Who are the women who were added to all-male California boards?

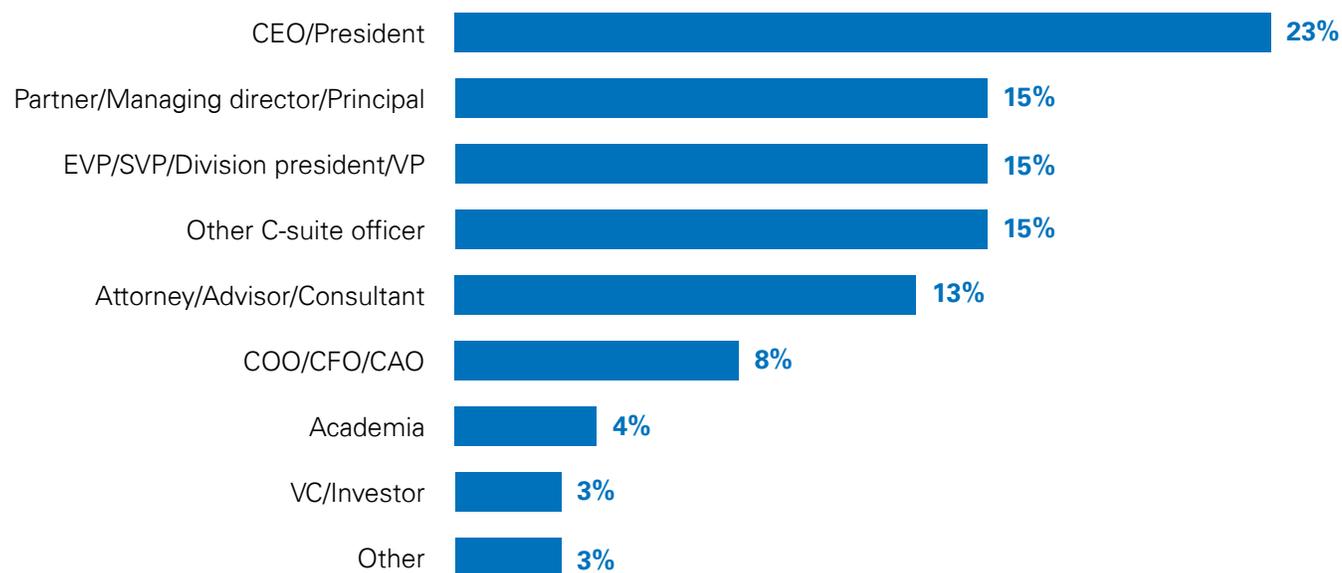
The women who joined the boards of the previously all-male California boards (referred to hereafter as “female directors”) bring a wealth of experience and expertise to their director service. Most of the female directors have advanced degrees and have served in a variety of leadership positions in their respective fields.

Work experience

Nearly three-quarters (73 percent) of the 136 female directors for which employment information was available are actively employed in addition to their board service. Among those, nearly half (46 percent) currently hold C-suite positions, including titles such as chief executive officer or president, chief finance officer, chief operating officer, or other C-suite roles, such as chief marketing officer, and chief legal officer, as well as C-suite titles common in bio-technology and pharmaceutical companies, such as chief scientific officer and chief medical officer.

Titles held by female directors

n=99



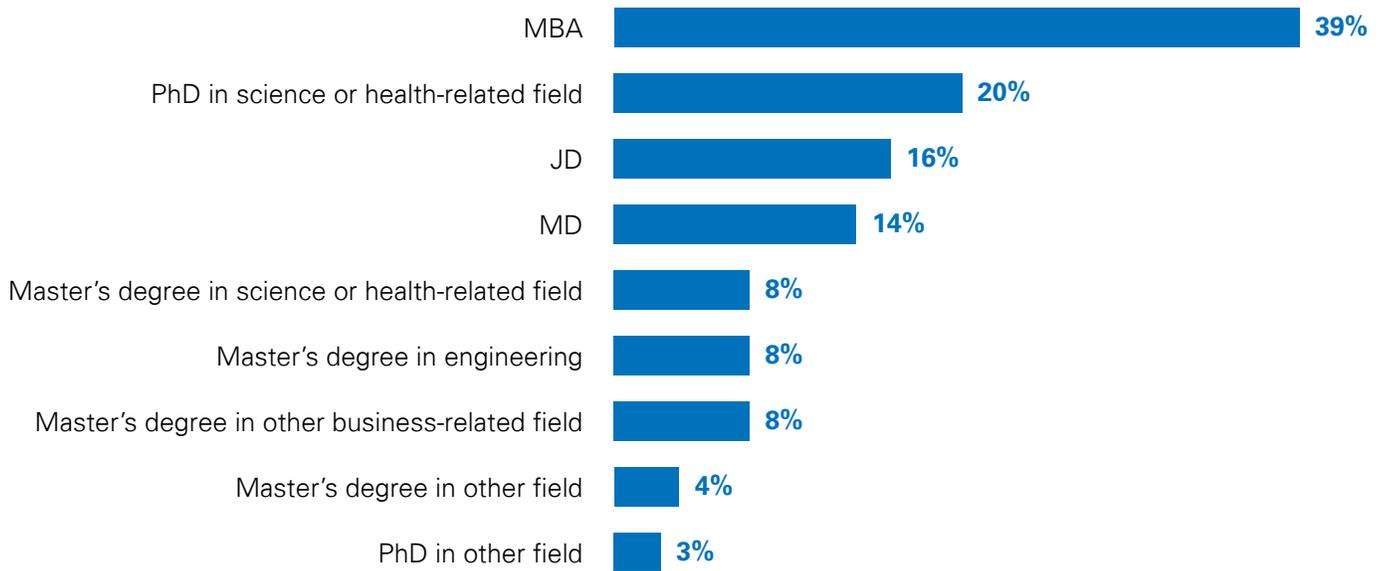
Note: Does not equal 100% due to rounding. Many of the women with the titles “Partner/Managing director/Principal” are in the finance/investment banking industry.

Educational background

More than three-quarters (76 percent) of the 131 female directors for which educational background information was available have advanced degrees, 18 percent of which have two or more advanced degrees. The master of business administration (MBA) is the most common advanced degree. PhDs in a science or health-related field and MDs are also common among this group, likely driven by the fact that so many of the companies that added women to their boards are in the pharmaceutical, biotechnology, and health sectors.

Advanced degrees held by female directors

n=99; multiple degrees possible

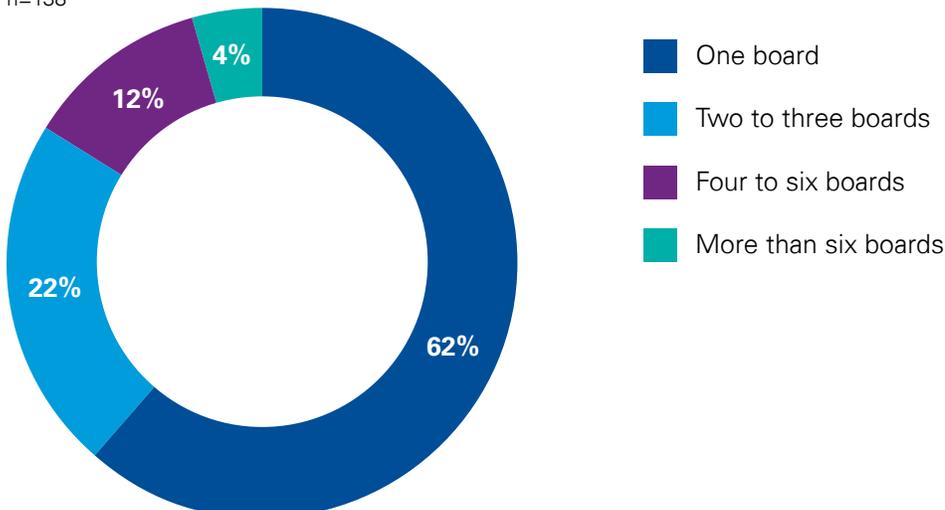


Board experience

As shown by the chart below, the majority (62 percent) of the women who joined all-male California boards during 2019 were first-time directors, suggesting that the law broadened the candidate pool for public company directors in California.

Current and past public company board seats held by female directors

n=138



Insiders or outsiders?

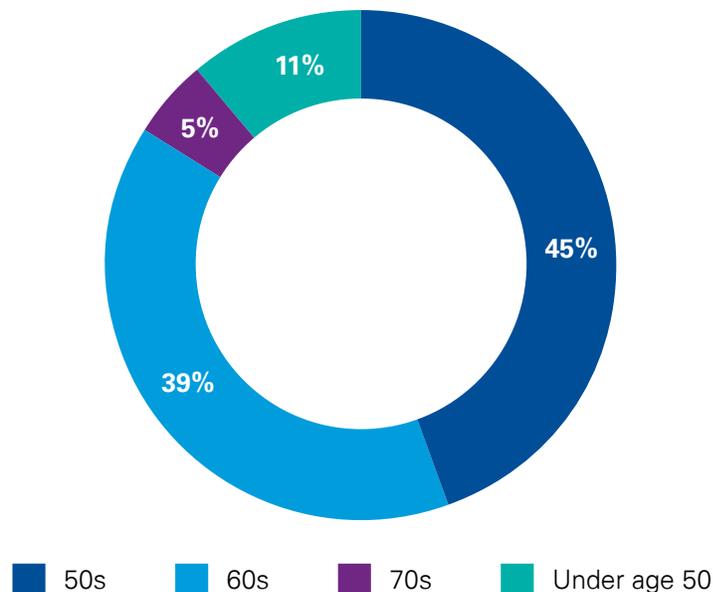
Nearly all of the female directors (94 percent) joined their boards as outside directors. Nine female executives joined the board of their own company during 2019, possibly to allow the company to comply with SB 826 without adding a new outside director. These women also serve in C-suite roles such as chief financial officer, chief human resources officer, or chief medical/scientific officer.

Director age

The 109 female directors for which age data is available ranged in age from 38 to 71 years. The average and median age of these women is 58 years. As shown in the chart to the right, 84 percent are in their fifties or sixties, similar to the ages of women serving on public company boards across the U.S.

Age of female directors

n=109



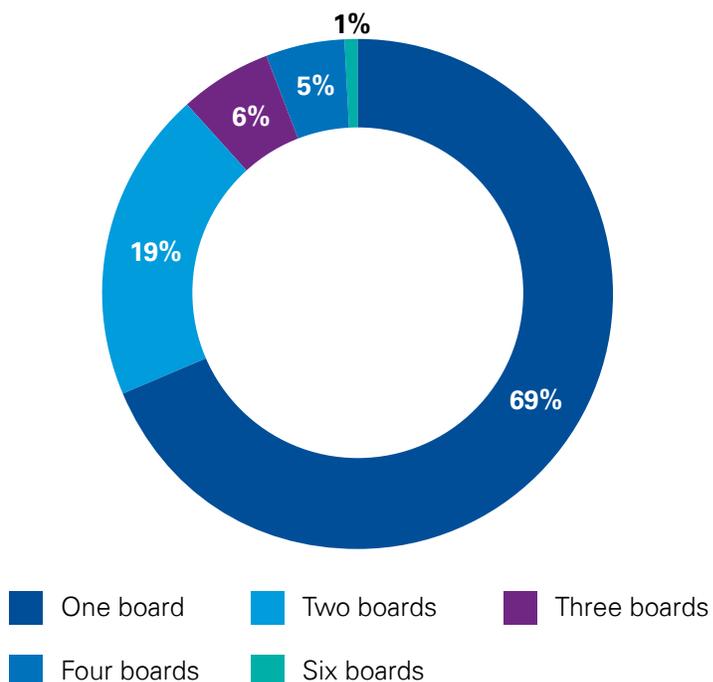
Overboarding concerns

While some critics of the law voiced concerns that the same women might be sought after by several California companies, only 4 of the 138 women studied were added to more than one all-male California board during 2019.⁴ Each of these 4 women were added to two such boards.

While proxy advisor and institutional investor policies have varying thresholds for overboarding for outside directors, by any standard, the majority of new directors added in 2019 would not be considered overboarded. More than two-thirds (69 percent) only serve on the California board that they joined in 2019. A handful serve on more than three public company boards and one female director serves on six public company boards.

Number of public boards on which female directors currently serve

n=138



⁴ Other women were added to more than one California board during 2019; however, those other boards already had at least one female director at the beginning of 2019 and therefore are not included in this study.

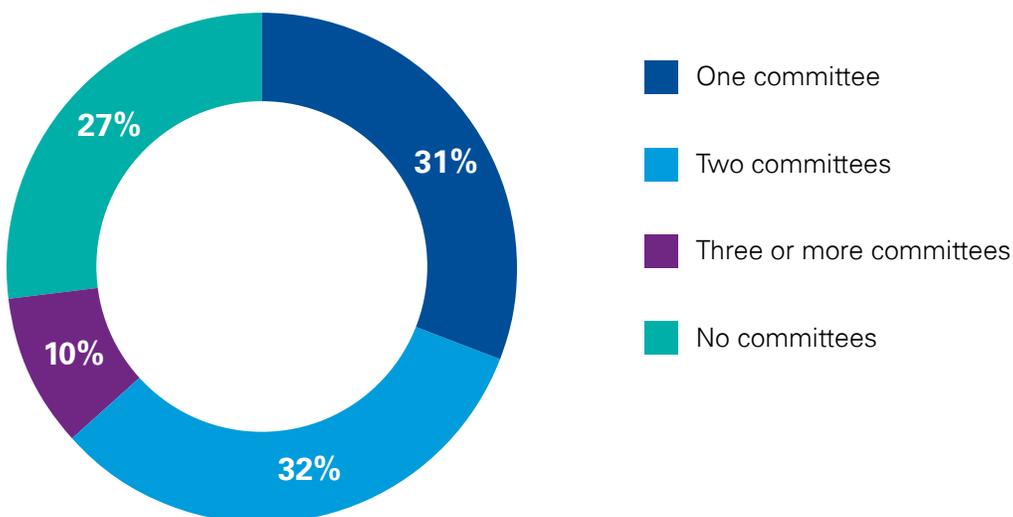
Key committee roles

Committee service is a good way for new directors to become involved in the important work of the board. Service on the three key committees—audit, compensation, and nominating/governance—provides an opportunity to contribute and to learn about the company’s risks and challenges.

Nearly three-quarters (73 percent) of the 123 female directors for which information regarding committee assignments was available served on at least one board committee by the end of 2019.

Number of board committee roles

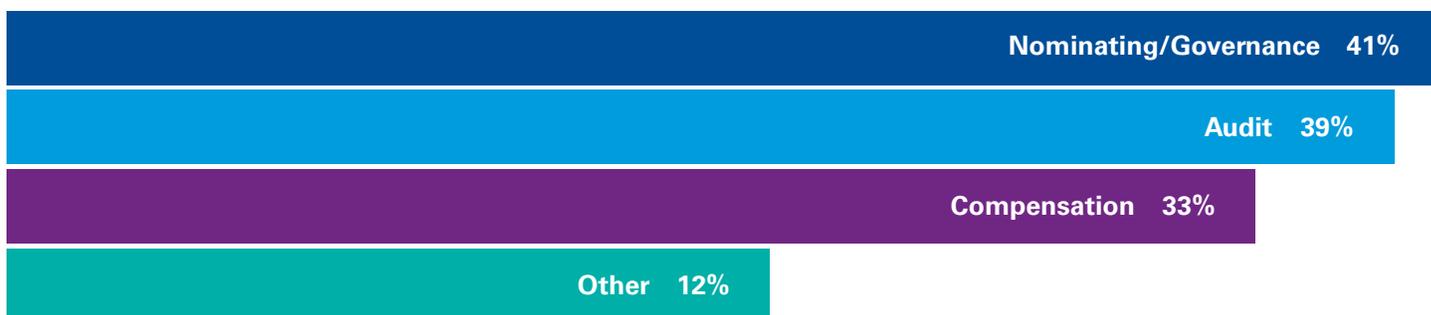
n=123



Most of the new directors serve on the nominating/governance committee or the audit committee. Twelve percent of the women were named committee chairs within their first year on the previously all-male California boards on which they serve.

Committees on which female directors serve

n=123 multiple committees possible



Methodology

This study examines the 138 women who were added to 126 public companies headquartered in California that had all-male boards as of December 31, 2018. Sixteen of the 126 companies added two women to their boards during 2019. A total of 142 board seats are included in the study because four women joined two previously all-male boards of California companies during 2019. Most of the 126 companies (52 percent) are microcap companies with less than \$300 million in market cap as of December 2019. Nearly half (44 percent) of the companies are in the pharmaceuticals, biotechnology, and health sectors.⁵

Information regarding companies' sectors, market capitalization, director ages, and number of other boards (current and past) were taken from BoardEx as of December 2019. All other data was collected from Form 8-Ks, proxy statements (DEF 14A), and company websites.

Companies were excluded from the study if:

- The "Principal Executive Offices" reported on their most recent 10-K was not in California
- They were acquired by or merged with a company not headquartered in California during 2019
- They went public during 2019 with women on their boards at the time of the IPO

Every effort was taken to identify all public companies that are headquartered in California and traded on the NYSE or Nasdaq. Any omissions are unintentional.

⁵ Market capitalization and sector information from BoardEx.

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