



# OFFICE OF ILLINOIS STATE TREASURER

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## More U.S. Companies are Disclosing the Race, Ethnicity and Gender of Board Directors

### *Frerichs Leads National Effort Calling on Russell 3000 Companies to Disclose Board Diversity Data*

**SPRINGFIELD** – The number of U.S. public companies that disclose the race, ethnicity and gender of their corporate board directors has increased an estimated 13-fold over the last two years, Illinois State Treasurer Michael Frerichs said today.

Since 2020, Frerichs has led a coalition of investor organizations calling on companies in the Russell 3000 Index to disclose the makeup of their boards of directors – inclusive of gender, race and ethnicity – given the correlation between board diversity and long-term performance. Using 2022 data from Institutional Shareholder Services (ISS), Frerichs identified more than 2,200 companies in the Russell 3000 that disclose the board’s racial, ethnic and gender diversity in aggregate or by individual director, up from 292 companies in 2020.

“We are very pleased to see the majority of companies responding to our feedback and openly disclosing the diversity of their board directors,” Frerichs said. “While there are many outlier companies that fail to disclose, I am optimistic about the overall trend, and more importantly, it is great to see more companies recognizing that board diversity is an area that warrants more attention and can drive performance.”

“Over the past two years, there has been incredible momentum among public companies toward greater diversity and more transparent disclosures,” said Connecticut State Treasurer Shawn Wooden, co-chair of the initiative. “As an institutional investor and steward of capital, I am pleased to join Treasurer Frerichs for the third year of this important initiative to encourage more companies in the Russell 3000 index to disclose racial, ethnic, and gender data for their board of directors.”

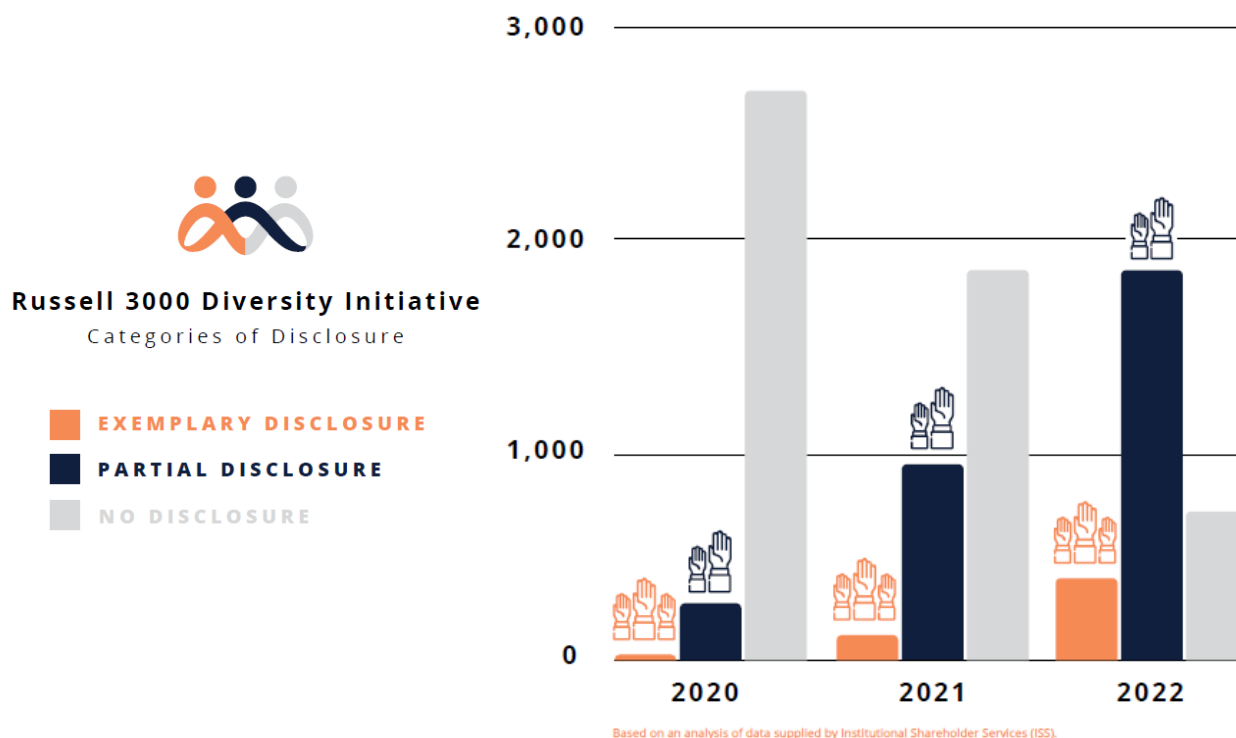
In October 2020, Treasurer Frerichs launched the [Russell 3000 Board Diversity Disclosure Initiative](#), which includes 26 investor organizations representing more than \$3 trillion in assets under management and advisement. Each year, the investor coalition sends a letter to Russell

3000 companies, asking each to report the racial, ethnic and gender composition of the board of directors in their annual proxy statement.

This year, Frerichs' annual letter to Russell 3000 companies was customized based on each company's level of disclosure, grouped into three categories:

- 386 companies (13 percent) are commended for providing exemplary disclosure, which includes reporting the race, ethnicity and gender of individual board directors, often via a "Board Matrix;"
- 1,847 companies (63 percent) are recognized for providing partial disclosure, which includes reporting the race, ethnicity and gender of board directors in aggregate or for only certain members, and as such, are encouraged to enhance their reporting; and
- 702 firms (24 percent) are urged to begin reporting as they neglect to disclose the race, ethnicity and gender of board directors in public filings.<sup>1</sup>

While Frerichs emphasized the need for continued progress, he underscored the increase in the number of Russell 3000 companies that now disclose the racial, ethnic and gender composition of their board of directors. Frerichs reported that firms with exemplary disclosure increased 16-fold from 2020, while the number of firms providing no disclosure decreased 4-fold.



<sup>1</sup> Based on data as of July 22, 2022. Note that board diversity disclosure information was not available for 65 companies in the Russell 3000 (2 percent) due to the annual rebalancing of the index.

Beyond the impact of mounting pressure from investors and investor coalitions, the notable increase in the number of U.S. public companies that provide board diversity data is attributable to several factors, including NASDAQ's Board Diversity Rule, which requires listed companies to annually disclose board diversity statistics, as well as new state laws that require disclosure, such as [Public Act 101-0589](#) in Illinois, which requires companies with their principal office in Illinois to annually report board diversity information.

Many institutional investors, including Frerichs, advocate for gender diversity on corporate boards through proxy voting policies and direct shareholder-company engagement. These actions, now broadly adopted by institutional investors across the world, have helped generate an increase in gender diversity on corporate boards. However, there is a lack of data on race and ethnicity that makes it difficult to apply the same tools and creates unnecessary barriers to investment analysis academic study. Despite the paucity of data, experts agree that persons of color are highly underrepresented in corporate boardrooms.

“Research shows that diversity is good for business,” Frerichs said. “When companies build a diverse leadership team and workforce, they better position themselves to innovate, attract talent, reach more customers, and increase productivity. That is why investors seek greater transparency on board diversity, as this information enables investors to better assess board effectiveness and maximize shareholder value.”

Joining Frerichs in this call to action are Connecticut State Treasurer Shawn Wooden (Co-Chair), Ariel Investments, Legal & General Investment Management America, Boston Trust Walden, the Chicago City Treasurer, the Delaware State Treasurer, the Illinois State Board of Investment, Impax Asset Management, JLens, JUST Capital, Marquette Associates, Meketa Investment Group, the New York City Comptroller, the Oregon State Treasurer, the Seattle City Employees' Retirement System, Segal Marco Advisors, SEIU Master Trust, SOC Investment Group, Trillium Asset Management, UAW Retiree Medical Benefits Trust, the Vermont Pension Investment Commission, the Vermont State Treasurer, and the Wisconsin State Treasurer.

These organizations recognize that board diversity – inclusive of race, ethnicity and gender – correlates with long-term outperformance and is an indicator of good governance. Many maintain or are examining policies to undersigned vote against boards with no reported racial, ethnic and gender diversity disclosure in their proxy statements. Investors are also considering strengthening voting policies on this issue and expanding more direct shareholder engagement with laggard companies in 2023.

The Russell 3000 Board Diversity Disclosure Initiative builds on the momentum of affiliate organizations such as [The Thirty Percent Coalition](#), the [Midwest Investors Diversity Initiative](#) and the [Northeast Investors Diversity Initiative](#).

For more information about this initiative, visit [www.DiversityDisclosureInitiative.com](http://www.DiversityDisclosureInitiative.com).

#### **About the Office of the Illinois State Treasurer**

As Illinois State Treasurer, Michael Frerichs (FRAIR'-iks) is the state's Chief Investment and Banking Officer and actively manages approximately \$52 billion. The portfolio includes \$26 billion in state funds, \$17 billion in retirement and college savings plans and \$9 billion on behalf

of local and state governments. Frerichs' office protects consumers by safeguarding more than \$3.5 billion in unclaimed property, encouraging savings plans for college or trade school, increasing financial education among all ages, assisting people with disabilities to save without losing government benefits, and removing barriers to a secure retirement. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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