

TESTIMONY SUBMITTED TO THE COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

**Diversity in the Boardroom: Examining Proposals to Increase the Diversity of
America's Boards**

June 20, 2019

The Honorable Maxine Waters, Chairwoman
The Honorable Patrick McHenry, Ranking Member
U.S. House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Representatives:

Thank you for this invitation and the opportunity to provide the views of the Latino Corporate Directors Association (LCDA) on today's hearing ["Diversity in the Boardroom: Examining Proposals to Increase Diversity of America's Boards."](#) We want to thank you and the Committee for providing a forum for us to have this important conversation.

LCDA is a newer organization and the only association made up of U.S. Latinos that serve on publicly traded and large private company boards. Our mission is to support and develop Latino corporate directors and increase their numbers serving on corporate boards. Our three-part strategy to accelerate the pace of Latino placements on corporate boards includes:

- **Growing Demand:** LCDA serves as an advocate and a resource for corporate boards, search firms, private equity, institutional investors, and pension funds, as well as others who influence board placement.
- **Growing Supply:** We are committed to paving the way for the next wave of Latino directors. Our board readiness programming brings together C-suite and other board-qualified executives to prepare and position them for board service.
- **Provide Quality Programming and Raise Awareness:** With a body of original research and consumer purchasing trends, we seek to make the business case for Latino inclusion on corporate boards. Plus, LCDA's annual convening brings together directors, CEOs, and leading authorities on timely corporate governance and risk topics, as well as thought leaders, to promote board diversity.

In our role as corporate directors, as you know, our duty is to add shareholder value and promote good governance as we strive for healthy, sustainable, long-term corporate growth. An inclusive definition of board diversity is an integral component of board effectiveness and a competitive business advantage.

Based on market research, Latino consumers are driving consumption growth for all mass consumer categories. Nationwide, Latinos total nearly 59 million, or 18 percent of the U.S. population, and are projected to add, on average, 1.2 million people a year between 2017 and 2060 ([U.S. Census link](#)). The U.S. Latino gross domestic product (GDP) [represents \\$2.13 trillion](#). *Fortune* Executive Clifton Leaf noted in his 2016 *Daily* report, “How can the U.S. compete and win in the world over the next decade? U.S. Latinos are keeping America growing and competing... Their buying power is on pace to grow \$80-\$90 billion a year.”

Latinos account for the vast majority of the growth in the U.S. workforce; approximately 74 percent of the 10.5 million workers projected to be added to the U.S. labor force from 2010 to 2020 will be Latino. Latino entrepreneurs are driving job creation and economic growth. There are 4 million Latino-owned businesses that together contribute in excess of \$660 billion to the American economy (U.S. Hispanic Chamber of Commerce). The number of U.S. businesses owned by Latinos grew 46.3 percent between 2007 to 2012, compared to 2.0 percent for all U.S. firms. Sales receipts of Latino-owned firms grew by 35.1 percent in that same period, compared to an 11.7 percent increase in receipts of non-Latino firms (U.S. Census Bureau *Survey of Business Owners 2007-2012*). Latinas are leading the way in business formation. The number of companies owned by Latinas increased 87 percent between 2007 and 2012, the largest increase of any major demographic group (U.S. Department of Commerce 2016 report, *Deep Dive into Hispanic Business Ownership*).

U.S. Latinos are an economic powerhouse for America’s businesses, yet, they remain an untapped asset in the corporate boardroom. The size and economic strength of the U.S. Latino population are in stark contrast to their low level of inclusion on corporate boards. Based on data compiled by LCDA of *Fortune* 1000 company boards, 75 percent of these companies did not have a single Latino director. Based on this source, Latinos and Latinas combined occupy 3.1 percent of these seats, and only 0.9 percent are filled by Latinas. What’s more troubling is that the appointment of Latinos among new directors named in 2018 was 4 percent, down from 6 percent in 2017, according to Heidrick and Struggles’ *Board Monitor US 2019* report released last month.

Based on our analysis of new data released today on boardroom demographics, women, racial and ethnic groups continue to lag, with Latinos falling far behind. Today, we are pleased to release a comprehensive table based on data compiled by ISS Analytics on the board composition of S&P 1500 companies for June 18, 2019 and December 31, 2008, based on gender, race and ethnicity. The table is attached below [exhibit A]. Based on this compilation, the percentage of seats held by men decreased by 10.7 percentage points between 2008 and 2019. The percentage of S&P 1500 board seats held by all women reached a new high, with 23.4 percent in 2019, compared with 12.7 percent in 2008, an increase of 10.7 percentage points. Among board members whose ethnicity was identified, men and women of color combined occupied 11.88 percent of these board seats in 2019, compared with 8.76 percent ten years ago, an increase of only 3.12 percentage points (today, these groups comprise 40 percent of the U.S. population). In the same period, Latinos overall held 2.28 percent of S&P 1500 company board seats, the least representation of any major group and far below their proportion of the general population, with an increase of just 0.56 percent in the last 10 years.

Furthermore, an analysis of women corporate directors demonstrates that Latinas are not part of the drive to increase the number of women on boards. Based on the ISS Analytics data table, in 2019, Caucasian women held 19.58 percent of S&P 1500 company board seats, 2.05 percent of seats were held by African American women, 1.05 percent by Pan-Asian American women, and only 0.49 percent by Latinas. The pace of Latina representation on boards is dismal and only increased 0.17 percentage points between 2009 and 2019, the lowest rate of any gender or ethnic group. Latinas are a growing force in business, leading the way in business formation, yet remain largely untapped for corporate board service.

These low numbers persist, despite the growing body of research demonstrating the correlation between board diversity that is inclusive of gender, race, and ethnicity, and corporate financial performance. According to the 2018 McKinsey study, [Delivering Through Diversity](#), companies in the top quartile for racial and ethnic diversity are 33 percent more likely to have financial returns above their respective national industry medians. Likewise, companies ranking in the top quartile for gender diversity were 21 percent more likely to see above-average profitability than those in the bottom quartile.

As Larry Fink, Chairman and CEO of BlackRock, stated in his [2017 letter to CEOs](#) “Boards with a diverse mix of genders, ethnicity, career experience, and way of thinking have, as a result, a more diverse and aware mindset. They are less likely to miss new threats to a company’s business model and are better able to identify opportunities that promote long-term growth.” Also noted by Mary Jo White, Former SEC Chair, at LCDA’s 2017 Annual Convening, “We need to govern for growth with the future in mind. Board diversity is good for business, makes boards stronger, and reduces group-think.”

Disclosure and transparency on the board diversity composition of boards is an important step to advance board diversity that is inclusive of race and ethnicity. Currently, no mechanism exists to accurately and regularly collect and disclose data in terms of race, ethnicity, and gender. Over the last five years or so, institutional investors and pension funds have actively written letters to companies, filed shareholder resolutions, and leveraged the proxy season as part of their call for board diversity. Several institutional investors and pension funds have informed us that their efforts to achieve greater diversity have been hindered by a lack of reliable, comprehensive information on the race and ethnic composition of boardrooms. Overall, the disclosure of board demographics helps investors and shareholders make informed investment decisions, since board composition is an important component of good corporate governance.

LCDA supports a sensible, balanced approach to collecting critical data on board demographics. LCDA’s Board issued a resolution in support of S.360 and H.R. 1018 the “Improving Corporate Governance Through Diversity Act,” that promotes disclosure and transparency. This bill would require public companies to disclose data, based on self-identification, of the racial, ethnic, and gender composition of their boards of directors, nominees for their boards, and corporate officers. Disclosure of board demographics will contribute greatly to increased transparency in corporate governance. Plus, there is a growing list of broad-based supporters, including the U.S. Chamber of Commerce, the Council on Institutional Investors (CII), and civic organizations, in support of this bill. The LCDA Board looks forward to learning more about other legislative measures that address board diversity.

In summary, LCDA was established to be part of the solution. LCDA plays a pivotal leadership role as a resource to bridge the underrepresentation gap of U.S. Latinos in the boardroom with entities seeking experienced and board-qualified Latino talent. Latino talent in the boardroom is an integral component to accelerating the growth potential of U.S. companies, however:

- Latino consumers are driving consumption growth and fueling America's economy; yet, they are underrepresented on corporate boards. Latinos, and especially Latinas, remain an untapped resource in America's corporate boardrooms. The business case is clear. Based on market research, U.S. Latino consumers are driving consumption growth for all mass consumer categories. With Latinos as the youngest ethnic group in the country—on average nine years younger than the population at large—Latinos are positioned as the fastest-growing segment of current and future customers and employees. U.S. Latino directors bring business acumen and deep industry experience to the boardroom, plus a lens onto the increasingly diverse marketplace.
- While the benefits of board diversity—that is inclusive of gender, race, and ethnicity—are well established among the business and investment community, a mechanism does not exist to reliably collect this data. We support a sensible and balanced approach for needed transparency of board composition based on gender, race, and ethnicity.

In the U.S. and around the world, investors and shareholders have pushed for greater diversity on corporate boards both as a competitive business advantage and sound corporate governance. Ultimately, greater boardroom diversity that includes Latinos will lead to greater results for shareholders, for business, and for our nation. We appreciate your consideration of these views.

Sincerely,

Roel C. Campos
Chairman of the Board

Patricia Salas Pineda
Board Member and Founding Board Chair

Esther Aguilera
President & CEO

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[EXHIBIT 1] S&P 1500 Board Seats - total number and percentage

	2008**		2019**		U.S. Population 2017***	Purchasing Power §
Gender and Minority	Total	Minority	Total	Minority		
Men	11318 (87.30%)	887 (6.85%)	10907 (76.64%)	1173 (8.29%)	49.00%	
Women	1646 (12.70%)	208 (1.91%)	9632 (23.4%)	509 (3.59%)	51.00%	
Gender and Ethnicity	Total	Women	Total	Women		
Caucasian	11825 (91.21%)	1397 (10.78%)	12402 (87.66%)	2770 (19.58%)	60.70%	\$12.1T
Hispanic/Latino	222 (1.72%)	41 (0.32%)	323 (2.28%)	70 (0.49%)	18.10%	\$2.1T
Black/African- American	611 (4.71%)	160 (1.23%)	781 (5.75%)	290 (2.05%)	13.40%	\$986B
Pan Asian-American*	302 (2.33%)	47 (0.36%)	578 (4.08%)	149 (1.05%)	5.80%	\$1.2T

Source: ISS Analytics data compiled for LCDA, with 2019 data as of 6/18/19 and 2008 data dated 12/31/08

* Pan-Asian Americans includes both Asian and Indian American directors

** Directors totaled 14,231 as of June 18, 2019. Directors totaled 11,318 as of Dec. 31, 2008, excludes 972 (7.5%) of records where the gender or ethnicity is unknown

§ The Multicultural Economy 2018 (Selig Center for Economic Growth); Pew Research Center, Sept 2017 Report; 2017 report by LDC and Latino Futures; Fortune, Feb. 2018, A New Nielsen Report Puts Black Buying Power at \$1.2 Trillion; and American Consumers Nielsen report for Asian Americans, May 2018