



Women on San Diego corporate boards





Introduction

The WomenCorporateDirectors Foundation and KPMG are committed to increasing opportunities for women to serve on corporate boards. Therefore, we are pleased to present this study on the gender diversity of the boards of public companies headquartered in San Diego.

As the eighth largest city in the United States,¹ San Diego plays an important role in the national and global economies. Companies headquartered in San Diego are known for their innovation² and important contributions to society. Now more than ever, it is vital that San Diego companies are governed by boards of directors who hold management accountable for leading productive, diverse, and responsible organizations. Numerous studies have found that gender-diverse boards are more likely to deliver on these essential goals.

With the signing of Senate Bill 826 in 2018, California became the first state in the nation to require that public companies headquartered in the state have women in the boardroom. The first deadline under the law required that these companies include at least one woman on their boards by December 31, 2019, and one, two, or three women by December 31, 2021, depending on the size of the board.

While San Diego public companies have responded, there is still more work to do to help ensure that local companies benefit from having qualified women in the boardroom, our economy benefits from the continued success of companies headquartered here, and women are provided equal opportunity to share their expertise and experience with San Diego companies.

Annalisa Barrett

Senior Advisor
KPMG Board Leadership Center

Jennifer Belezuoli

Partner, KPMG
Cochair, San Diego Chapter
WomenCorporateDirectors
Foundation

Kristina Peterson

Cochair, San Diego Chapter
WomenCorporateDirectors
Foundation

¹ City of San Diego website

² Mike Freeman, "San Diego among nation's innovation hotbeds," *The San Diego Union-Tribune*, December 10, 2019.

What the research shows

Numerous studies have found that companies with women in the boardroom have a higher level of performance.

- An MSCI study found that over a five-year period, U.S. companies with three or more female directors reported earnings per share 45 percent higher than those companies with no female directors.³
- Credit Suisse Research Institute found that “companies with women board members outperformed those without women board members by 26 [percent] over the past six years” for large-cap companies; for small- and mid-cap companies, the outperformance was 17 percent.⁴
- A 2019 study by FCLTGlobal identified board gender diversity as one of the factors contributing to long-term value creation, stating that “[h]aving a diverse board—including a mix of genders and ages—is also connected to strong returns.”⁵

Other studies have found that gender diversity in the boardroom may have a positive impact on the company’s employees, society, and the environment. For example:

- A 2019 study by FP Analytics found a “positive correlation between gender diversity on corporate boards and companies’ performances with regard to social responsibility,” and that “companies with greater gender diversity on boards were found to have better environmental performance.”⁶
- A 2018 study by MSCI ESG Research found that companies with three or more female directors were more likely to have strong human capital management practices, such as “annual engagement surveys, comprehensive succession planning and development programs at multiple levels, quantitative diversity targets in the recruitment process, reporting annual training hours per employee, and/or ... offering support for degree programs and certifications to employees.”⁷
- A UC Berkeley study found that gender-diverse boards are more likely to “create a sustainable future” by, among other things, instituting strong governance structures with a high level of transparency.⁸

Key findings

— **Women hold less than one-quarter (23 percent) of the board seats of San Diego public companies.**

— **Half of the public companies headquartered in San Diego have more than one female director.**

— **More than 100 board seats of San Diego public companies will need to be filled by women for all companies to be in compliance with the December 31, 2021, deadline under SB 826.**

— **The majority (53 percent) of the female directors serving on San Diego boards are under the age of 60.**

— **Forty-two percent of San Diego boards have women chairing at least one of the key board committees.**

— **Most (62 percent) of the women serving on San Diego boards are actively employed in addition to their board service.**

³ Meggin Thwing Eastman, Damion Rallis, and Gaia Mazzucchelli, The Tipping Point: Women on Boards and Financial Performance: Women on Boards Report 2016, December 2016.

⁴ Mary Curtis, Christine Schmid, and Marion Struber, Gender diversity and corporate performance, Credit Suisse Research Institute, August 2012.

⁵ Bhakti Mirchandani et al., Predicting Long-term Success for Corporations and Investors Worldwide, FCLTGlobal, September 2019.

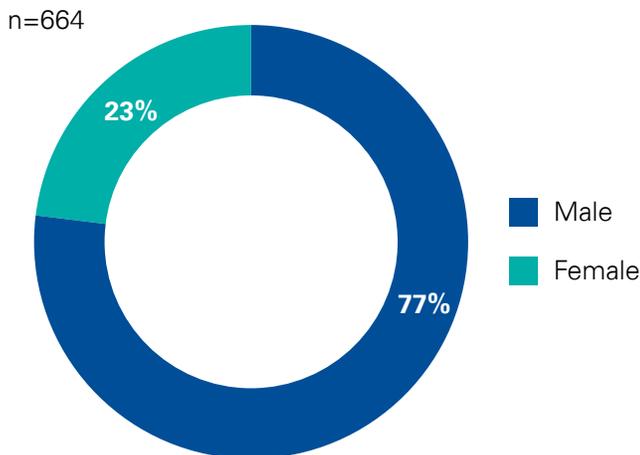
⁶ FP Analytics, Women as levers of change (2019).

⁷ Meggin Thwing Eastman and Panos Seretis, Women on Boards and the Human Capital Connection, MSCI ESG Research, 2018.

⁸ Kellie McElhane and Sanaz Mobasseri, Women Create A Sustainable Future, UC Berkeley Haas School of Business, October 2012.

Gender of San Diego company directors

In order to understand the current state of gender diversity in San Diego boardrooms, this study examines the gender diversity of the boards of 88 publicly held companies headquartered there (“San Diego companies”). Among the 664 board seats at these companies, 23 percent are held by women.



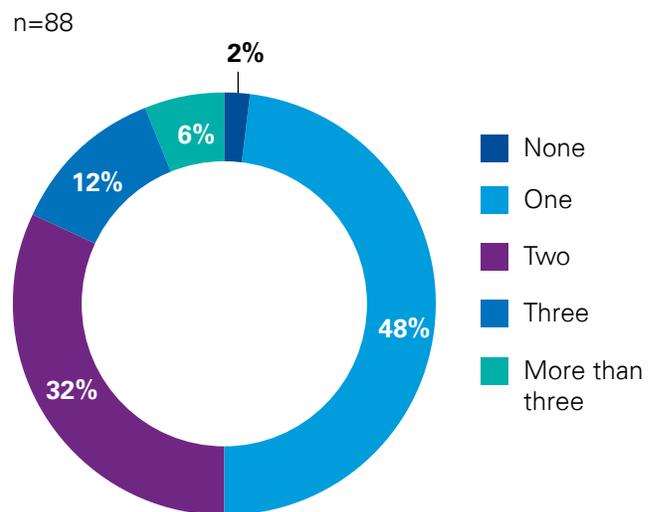
Number of women on each board

December 31, 2019, marked the first deadline under SB 826, the California law requiring gender diversity on the boards of publicly held companies headquartered in the state, with potential fines for companies with all-male boards as of that date. For insights on the early impact of SB 826, read the KPMG Board Leadership Center (BLC) report, *The women changing California boardrooms*.

Only four San Diego companies did not meet the law’s diversity mandate by the first deadline. Two of these companies have since added a female director and a third merged with another company and is no longer based in San Diego. One of the companies that had a woman on its board as of the December 31, 2019, deadline now has an all-male board because the female director stepped down. We identified two San Diego public companies that did not have at least one female director as of May 2020.

Nearly half (48 percent) of San Diego companies have only one female director serving on the board. While having one woman in the boardroom is progress toward board diversity, research has shown that companies with three or more female directors have better financial performance.⁹ Nearly one in five San Diego companies have three or more women on the board.

Number of women on San Diego boards



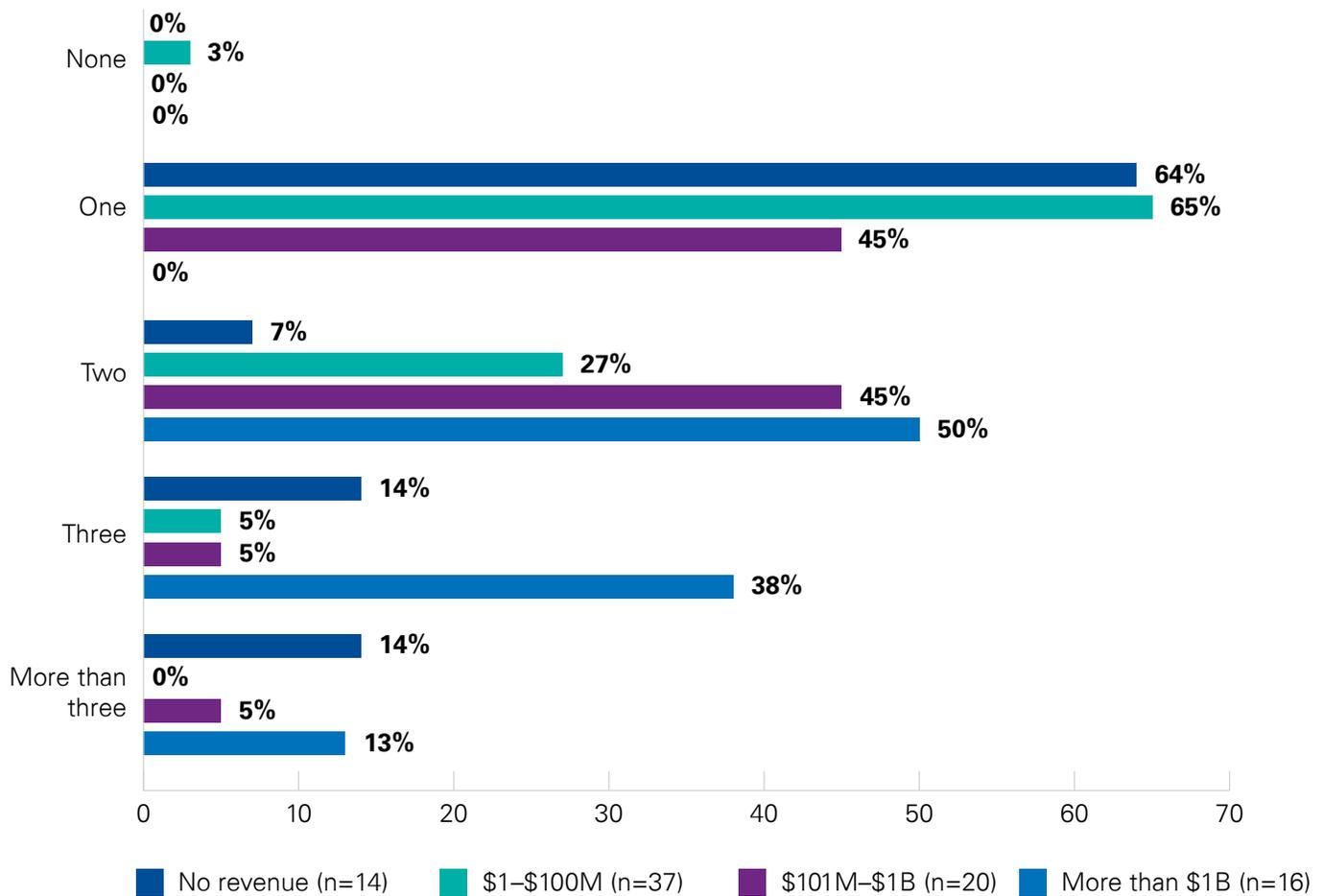
⁹ Meggin Thwing Eastman, Damion Rallis, and Gaia Mazzucchelli, *The Tipping Point: Women on Boards and Financial Performance: Women on Boards Report 2016*, December 2016.

Comparisons by company size

San Diego public companies generally follow the national trend that larger companies are more likely to have more women on their boards. All of the San Diego companies that reported more than \$1 billion in revenue in 2019 have at least two female directors. Notably, however, two pre-revenue San Diego companies have more than three female directors.

Number of female directors

Comparison by 2019 revenue



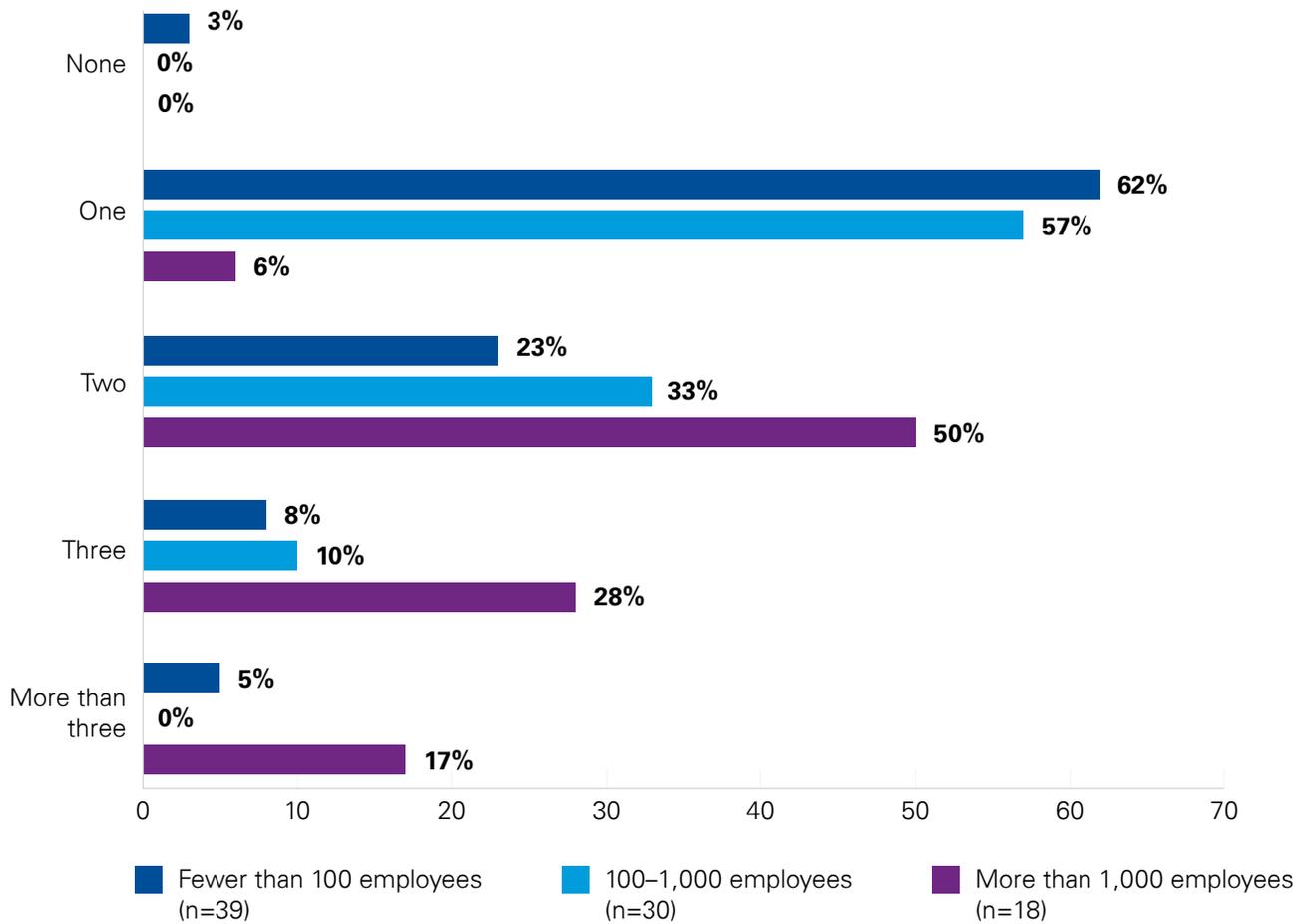
Percentages do not total 100 percent due to rounding.

When company size is measured by the number of employees, the pattern is similar. Nearly all San Diego companies with more than 1,000 employees have at least two female directors.

Although nearly two-thirds of the smaller companies with fewer than 100 employees have zero or one female director, it is notable that 13 percent have three or more women on their boards.

Number of female directors

Comparison by number of employees



Percentages do not total 100 percent due to rounding.

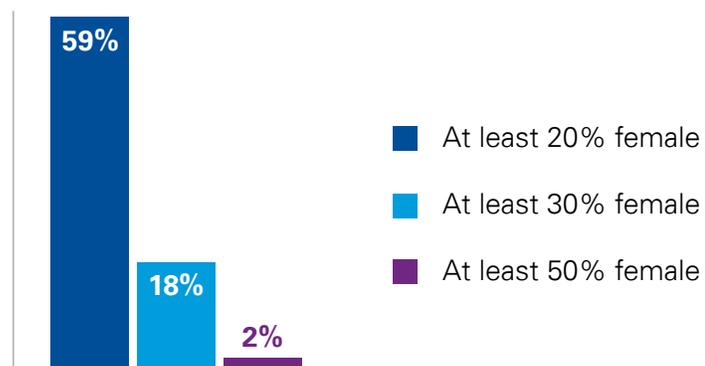


Percentage of female board members

Board size varies by company, so it is also informative to examine the percentage of female directors serving on each board. Some advocates for board diversity have set targets calling for 20 percent¹⁰ and 30 percent¹¹ of directors to be female, while others suggest that gender parity (i.e., 50 percent) should be the goal. The majority (59 percent) of San Diego companies are composed of at least 20 percent female directors. However, less than one in five San Diego companies have boards with at least 30 percent women. Only two San Diego companies have reached gender parity in the boardroom.

Percentage of San Diego public company boards achieving gender diversity goals

n=88



Readiness for the second deadline of SB 826

The second phase of SB 826 requires that, by December 31, 2021, publicly held companies headquartered in California have:

- Three or more female directors if the board has six or more members
- Two female directors if the board has five members
- One female director if the board has four or fewer members.

As of May 2020, 19 percent of San Diego companies already had the required number of female directors needed for the second deadline, based on their current board size. For all of the companies currently headquartered in San Diego to meet the requirement, 105 of the existing board seats would need to be filled by women by the end of 2021, assuming that the female directors added replace departing male directors and the board size does not change. If those companies were to instead meet the second deadline by increasing their board size to add female directors, 115 board seats would need to be filled by women by the end of 2021.

¹⁰ 2020 Women on Boards' mission is "[t]o increase the percentage of women on U.S. company boards to 20% or greater by the year 2020."

¹¹ The 30% Coalition "is committed to the goal of women, including women of color, holding 30% or more of board seats across public companies."

Women serving on San Diego boards

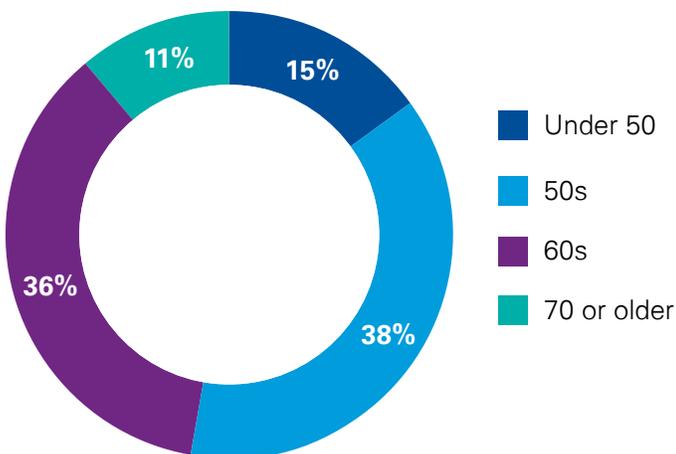
Who are the women serving on the boards of publicly held San Diego companies? Of the 664 board seats at these companies, 153 are held by women. Twelve women serve on two San Diego boards. These 141 female directors bring their diverse experiences and international backgrounds to San Diego boards.

Director age

Corporate directors are most commonly in their 50s, 60s, or 70s. Traditionally, director service was reserved for sitting CEOs or retired executives. However, more recently, boards have sought the expertise that younger professionals may bring to the boardroom (e.g., technology, innovation). The women serving on San Diego boards range in age from 39 to 82 years old. The average age is 58.8 and the median age is 58. The majority of the female directors serving on San Diego boards are under the age of 60, and 15 percent are under age 50.

Age of female San Diego directors

n=139



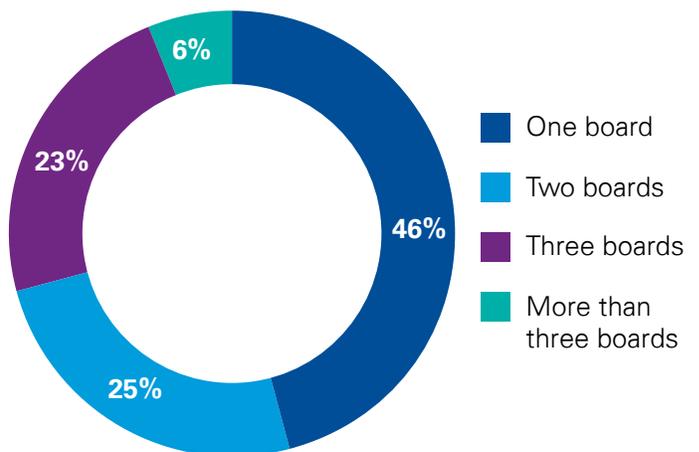
The ages of two directors were not available.

Corporate board service

Directors who serve on more than one corporate board can share their experiences and effective governance practices with each board they serve. Leading practice dictates that the number of boards be managed so that the director can devote sufficient time and attention to each. Nearly three-quarters (71 percent) of the San Diego female directors serve on one or two boards, and only 6 percent serve on more than three boards, including those of companies headquartered outside of San Diego.

Board service of female San Diego directors

n=141



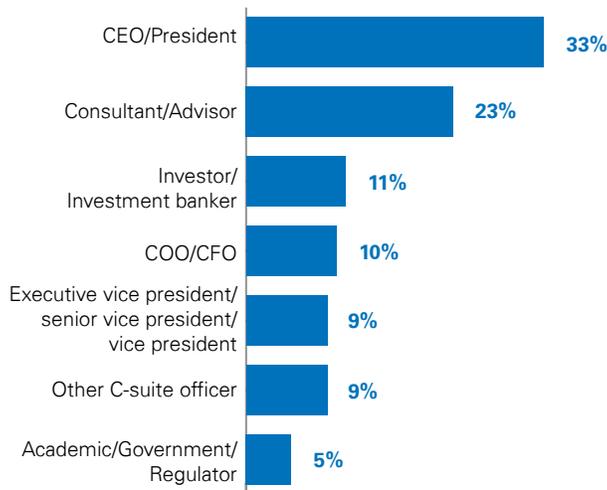
Work experience

The majority (62 percent) of the women serving on San Diego boards are actively employed in addition to their board service, including those women who hold board seats through their executive positions (e.g., CEOs serving on their own boards). One-third (33 percent) of these women currently hold the title of CEO and/or president, including a number who serve as CEOs of private companies. Nearly one-quarter (23 percent) of the female San Diego directors who are employed full time hold leading roles in consulting or advisory firms.

Among the women serving on San Diego boards who are not actively employed in addition to their board service, nearly two-thirds (63 percent) previously served as a CEO or other C-suite officer.

Titles held by actively employed female San Diego directors

n=88

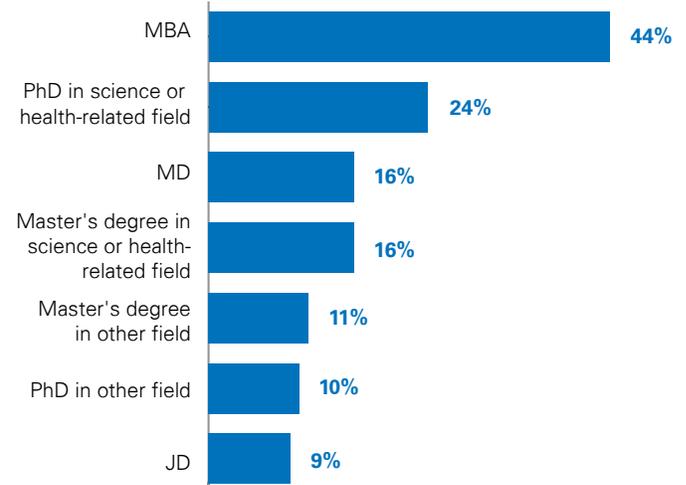


Educational background

More than three-quarters (76 percent) of the 116 female San Diego directors for whom educational information was available have at least one graduate degree, 23 percent of whom have two or more advanced degrees. The master of business administration (MBA) is the most common, held by 44 percent of those who hold an 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 San Diego companies are in the pharmaceutical, biotechnology, and health industries.

Advanced degrees held by female San Diego directors

n=88, multiple degrees possible

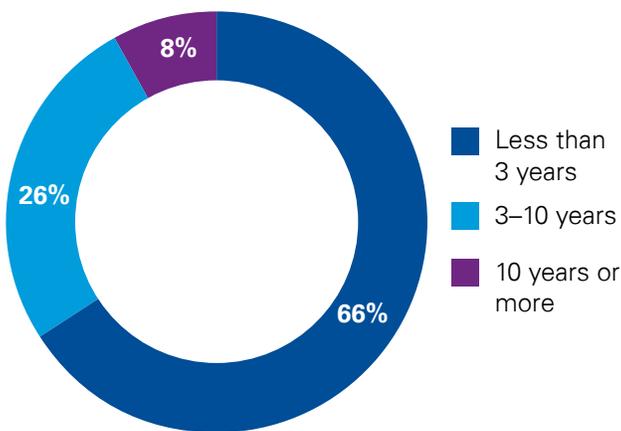


Director tenure

Ideally, boards regularly bring on new directors as new skills are needed to guide the company. Two-thirds (66 percent) of the women joined their San Diego boards within the last three years. In fact, more than one-third (35 percent) have served on the board for less than one year. This is likely due, in part, to the large number of women who were added to the boards of companies headquartered in California during the first year of SB 826.

Tenure of female San Diego directors

n=153

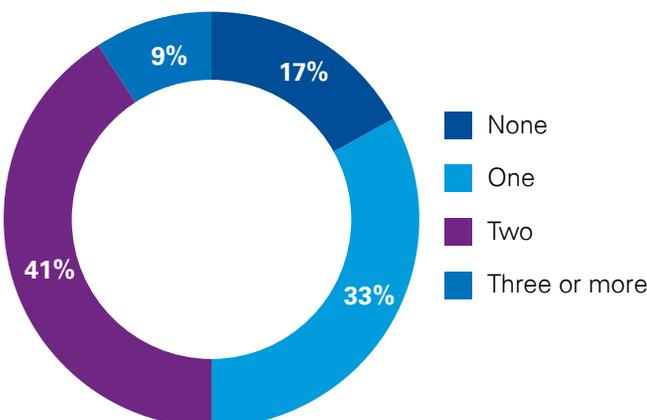


Committee service

Serving on board committees allows directors to contribute further to the work of the board. The three key board committees are the audit, compensation, and nominating/governance committees. Some San Diego boards have additional committees that focus on topics such as science and/or research development, finance, and technology. The vast majority (83 percent) of the female directors of San Diego companies serve on at least one committee.

Number of committees on which female San Diego directors serve

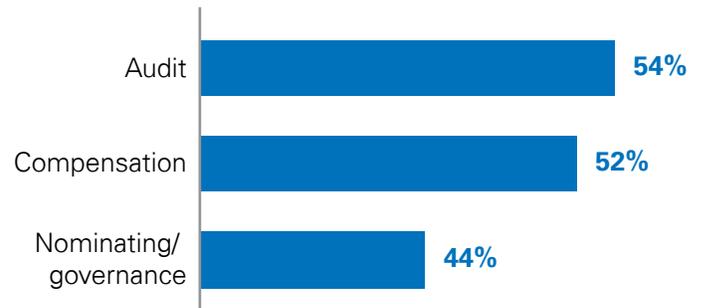
n=153



The female San Diego directors who serve on key board committees most commonly serve on the audit committee and compensation committee. In addition to serving on the audit committee, 18 percent of the female San Diego directors studied are designated as “audit committee financial experts.”

Key committees on which female San Diego directors serve

n=127, multiple committee memberships possible



Committee chairs play an important role in the leadership of the board and serve as liaisons to external advisors and stakeholders. Forty-two percent of San Diego boards have women chairing at least one of the key board committees. These female committee chairs are most likely to be found on the audit committee, with 18 percent of San Diego companies having a female audit committee chair.

Percentage of San Diego boards with female committee chairs

n=88



Leadership roles

Female leadership is still relatively rare in corporate America. In San Diego, 6 of the 88 companies studied are led by female CEOs. Although none of these female CEOs also hold the title of chair of the board, five other San Diego companies do have a female board chair. In addition, one San Diego board is led by a female lead director.



Methodology

This study examines the gender diversity of the boards of 88 publicly held companies headquartered in San Diego (“San Diego companies”) and traded on the NYSE or Nasdaq stock exchanges as of May 2020. Of the 664 board seats at these San Diego companies, 153 are held by women. Twelve women serve on two San Diego boards, so the study includes 141 female directors.

Information regarding the boards of San Diego companies and their female directors is based on publicly available data provided in the company’s regulatory filings submitted to the U.S. Securities and Exchange Commission (e.g., proxy statements, Form 8-K) and company websites. Unless otherwise noted, data for companies included in the 2019 Russell 3000 index were provided by Equilar, a compensation and governance data firm. For all companies studied, 2019 revenue and the number of employees were collected by the KPMG BLC from the company’s most recent Form 10-K. One company had not filed a Form 10-K reporting 2019 results as of June 2020. Assessment of employment and educational background for all directors was determined by the KPMG BLC based on the director biographies provided in the companies’ 2019 regulatory filings. All data for the boards and directors of the San Diego companies not included in the 2019 Russell 3000 index were collected by the KPMG BLC.



About the author

Annalisa Barrett is a respected thought leader in corporate governance, specializing in research on board practices, composition, and diversity. As a senior advisor in the KPMG Board Leadership Center based in San Diego, she plays a key role in the development of research and publications and advises directors on emerging trends in corporate governance.

About the contributors

Jennifer Belezuoli is cochair, WomenCorporateDirectors Foundation, San Diego Chapter. She is a tax partner in the San Diego office of KPMG with more than 31 years of experience providing federal and state tax compliance, consulting, and tax provision services to large public companies and start-up companies in the private and public sector. She is part of the KPMG national resource network for tax accounting and financial reporting and its Lead Tax Partner Academy.

Kristina Peterson is cochair, WomenCorporateDirectors Foundation, San Diego Chapter. She is an experienced board director having served on a number of energy sector private company and nonprofit boards. In addition, she has held CEO, CFO, and other senior leadership roles at companies in the power generation and renewables industries and has led various solar energy investment companies.

About the KPMG Board Leadership Center

The KPMG Board Leadership Center (BLC) champions outstanding governance to help drive long-term corporate value and enhance investor confidence. Through an array of programs and perspectives—including the KPMG Audit Committee Institute, the WomenCorporateDirectors Foundation, and more—the BLC engages with directors and business leaders to help articulate their challenges and promote continuous improvement of public- and private-company governance. Drawing on insights from KPMG professionals and governance experts worldwide, the BLC delivers practical thought leadership—on risk and strategy, talent and technology, globalization and compliance, financial reporting and audit quality, and more—all through a board lens. Learn more at kpmg.com/us/blc.

About WomenCorporateDirectors Education and Development Foundation, Inc.

The WomenCorporateDirectors Education and Development Foundation, Inc. (WCD) is the only global membership organization and community of women corporate directors. A 501(c)(3) not-for-profit organization, WCD has 76 chapters around the world. The aggregate market capitalization of public companies on whose boards WCD members serve is over \$8 trillion. In addition, WCD members serve on numerous boards of large private and family-run companies globally. For more information, visit www.womencorporatedirectors.org or follow us on Twitter [@WomenCorpDirs](https://twitter.com/WomenCorpDirs).

Contact us

kpmg.com/us/blc

T: 800-808-5764

E: us-kpmgmktblc@kpmg.com

kpmg.com/socialmedia



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