

DIVERSITY OF HOSPITALITY INDUSTRY PUBLIC COMPANY BOARDS



CASTELL
AN AHLA FOUNDATION PROJECT



2022



Our vision is to build an industry as diverse as the guests we serve.

AHLA Foundation

June 2022

Diversity, Equity & Inclusion (DE&I) is the most cited area impacting stakeholder trust in organizations across industries, named by 41 percent of CEOs reporting to Deloitte.¹ It is particularly relevant in the hospitality industry where 57 percent of employees are women⁷ and a large majority of purchase decisions that benefit the industry are made by women. The industry also employs more people of color than their proportionate share of the population.⁷

Recognizing the importance of DE&I to the industry's future, the AHLA Foundation made a \$5 million commitment to advance DE&I. Its 5-year plan includes leadership development and training programs, defining and measuring metrics, creating a mentorship program, unveiling new research, and providing ongoing tools and resources. In addition, Castell Project recently merged with the Foundation, bringing Castell's initiatives such as leadership development and research under one umbrella.

Castell's research benchmarks the industry's progress towards its mission to see women in more than one of every three seats at all levels of hospitality industry leadership. This report presents data about hospitality industry public company boards. Some key takeaways from the data:

- Hospitality public company boards were 22.5 percent women in 2021, down fractionally. The Russell 3000 averaged 25.6 percent women board members in 2021 and will reach 27 percent in 2022.⁴
- The share of female hospitality board members reached 23.2 percent in 2020 and dropped to 22.5 percent in 2021.
- Two hospitality public companies have no women on their board.



Companies with 30 percent or more board seats filled by non-white directors performed better than their less-diverse counterparts.²

- 7.6 percent of hospitality public company board members were Black, up from 6.3 percent in 2020, and equivalent to 2019. In comparison, the US population is 13.4 percent Black. Hospitality industry employment is 13.6 percent Black, down from 18.8 percent.⁷
- Only 13 of 30 hospitality public boards have Black representation.
- There are three Black board chairs, one of whom is a woman. Daphne Dufresne, chair of Condor Hospitality Trust, is an outside member while Thomas Baltimore at Park Hotels & Resorts and Robert Johnson at RLJ Lodging Trust are founders.
- Hospitality public companies lag both the Russell 3000 and the S&P 500 in terms of board diversity.

It will be easier for Boards to be gender diverse than racially diverse. Women are 51 percent of the US population while Black people are 13 percent. However, over 40 percent of the US population identifies as other-than white and the ratio is growing. As a result, pressure to diversify boards in terms of race and gender is unlikely to diminish. Although social consciousness may play a role, the compelling case is to align the makeup of corporate boards with the industry's diverse marketplace and talent pool.

Methodology

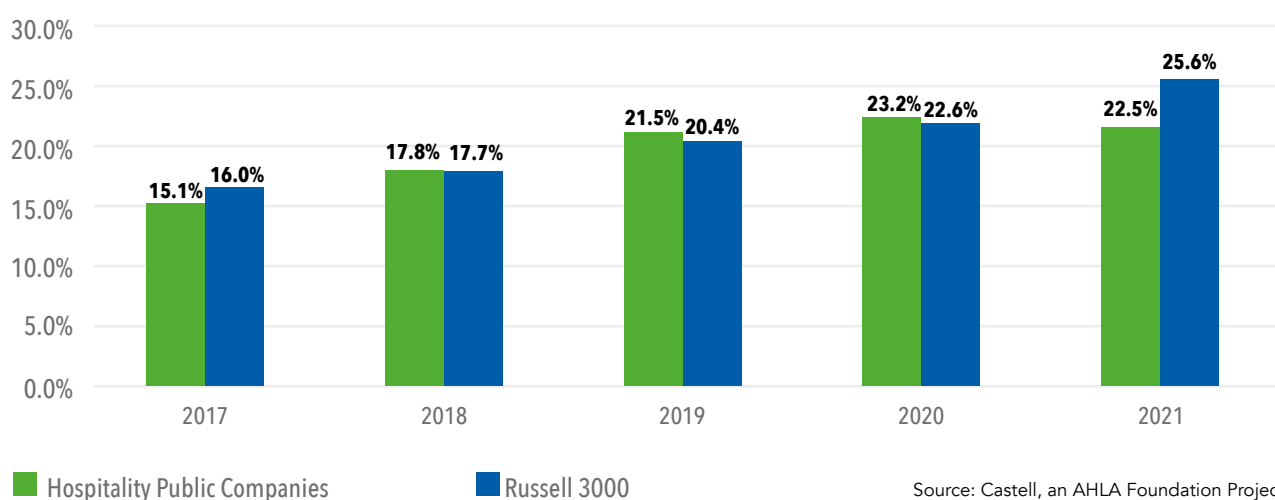
To benchmark the hospitality industry's status, Castell classified members of hospitality public company boards by race and gender. Data is sourced from 10-K filings and Internet searches of individual board members and executives. The 2021 data set covers:

- 30 companies
- 262 board members
- Six years – 2016 through 2021

Women on Hospitality Public Company Boards

Hospitality public companies average 22.5 percent women board members, below the Russell 3000. Women increased from 15.1 percent of positions on hospitality public company boards from 2017 while the Russell 3000 went from 16 to 25.6 percent and should reach 27 percent by year-end 2022.

Women on Corporate Boards: Comparison of Hotel Companies to the Russell 3000

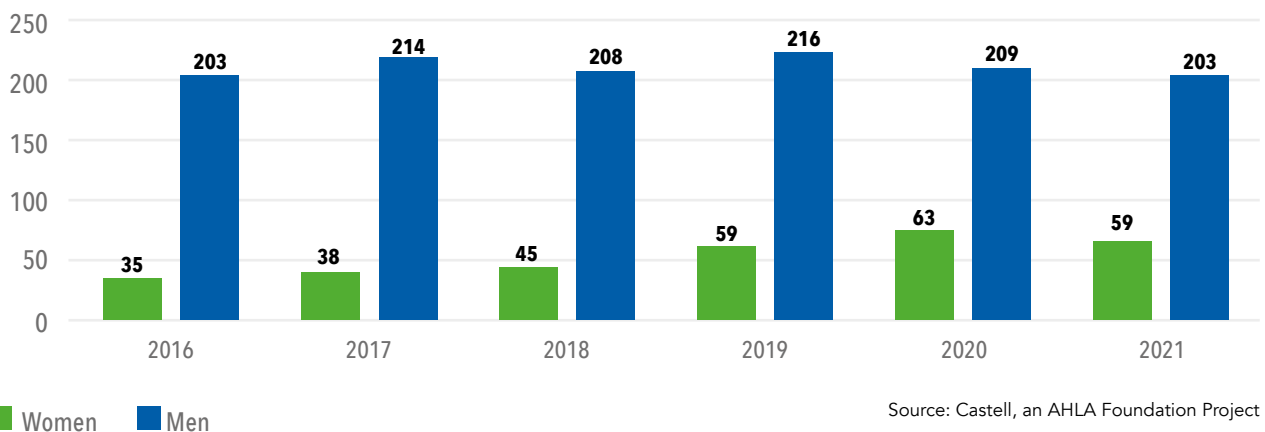


While the Russell 3000 as a whole remains just over halfway to gender parity, the makeup of newly appointed directors paints a more hopeful picture. During Q4 2021, 47.7 percent of open board seats were filled by women.⁴

- Women on Boards (2021 WOB) qualifies companies with 20 percent or more board seats held by women as **W** companies. Within the Russell 3000, 61 percent of companies qualify while among hospitality public companies, 57 percent are **W companies**.
- Of 262 hospitality public company board members in 2021, 59 are women (22.5 percent). This reflects a decrease from 63 women in 2020 (23.2 percent).
- Of the women on boards, 92 percent are outside members.
- Within hospitality public boards, one woman is treasurer, one is secretary, and one is the chair (10 percent of these positions collectively). This is unchanged from 2020.
- In the hospitality sector, Hilton, Marriott and Membership Collective Group each have 4 female board members. Women are not a majority on any hospitality public company boards. Two companies have no women on their boards.



Number of Men and Women on Boards of Hospitality Public Companies

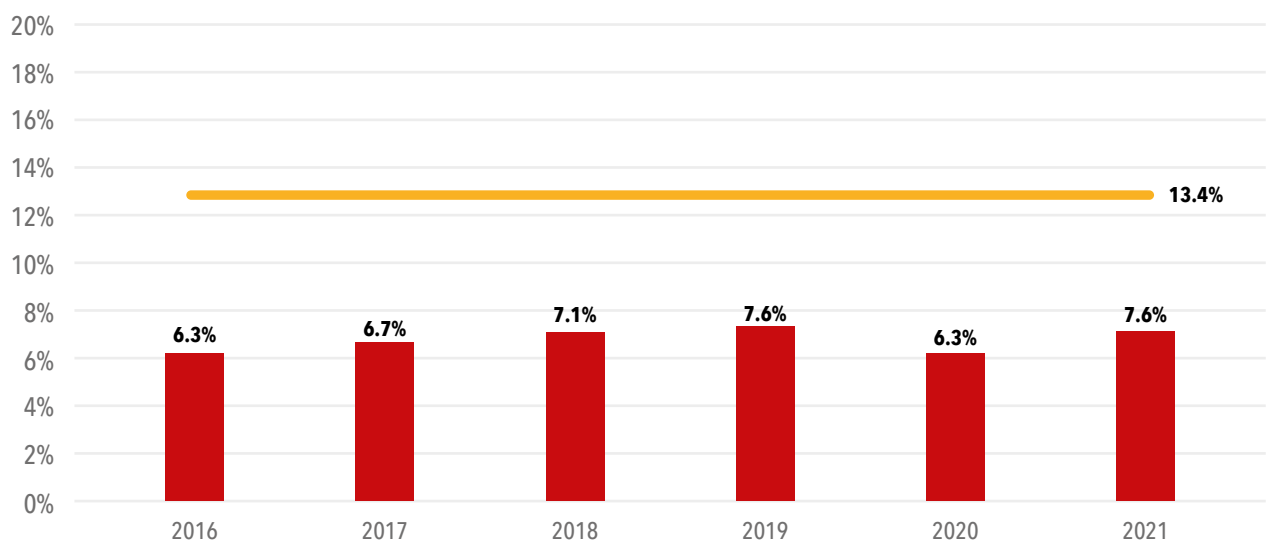


Black Representation on Public Hospitality Boards

- RLJ has a majority Black board while Marriott, Braemar and Membership Collective Group have two Black members. Seventeen hospitality public companies have no Black board representation.
- Black participation rose from 6.3 to 7.6 percent from 2016 to 2021.
- Among 262 hospitality public company board members in 2021, 20 are Black (7.6 percent) This reflects an increase from 17 in 2020 (6.3 percent).
- Of the Black board members, 85 percent are outside directors.



Black Representation on Hospitality Public Company Boards



■ % Black Board Representation

■ % Black US Population

Source: Castell, an AHLA Foundation Project

Diversity in the C-Suite

Hotel corporate leadership included in 10-K filings has gotten more diverse.

- The percent of executives listed in 10-K filings who are women increased from 8.6 to 21.7 percent between 2016 and 2021, including inside members of the board.
- Most of the women listed in 10-K filings are in the C-suite (70 percent) while a few are presidents, CEOs, EVP/SVPs, etc.
- Excluding CEOs, 70.8 percent of C-suite occupants listed in 10-Ks are white men in 2021. This is a change from 2016 when 88.3 percent were white men.
- Black executives listed in 10-K filings, including inside members of the board, have remained at 3 percent for 5 years.



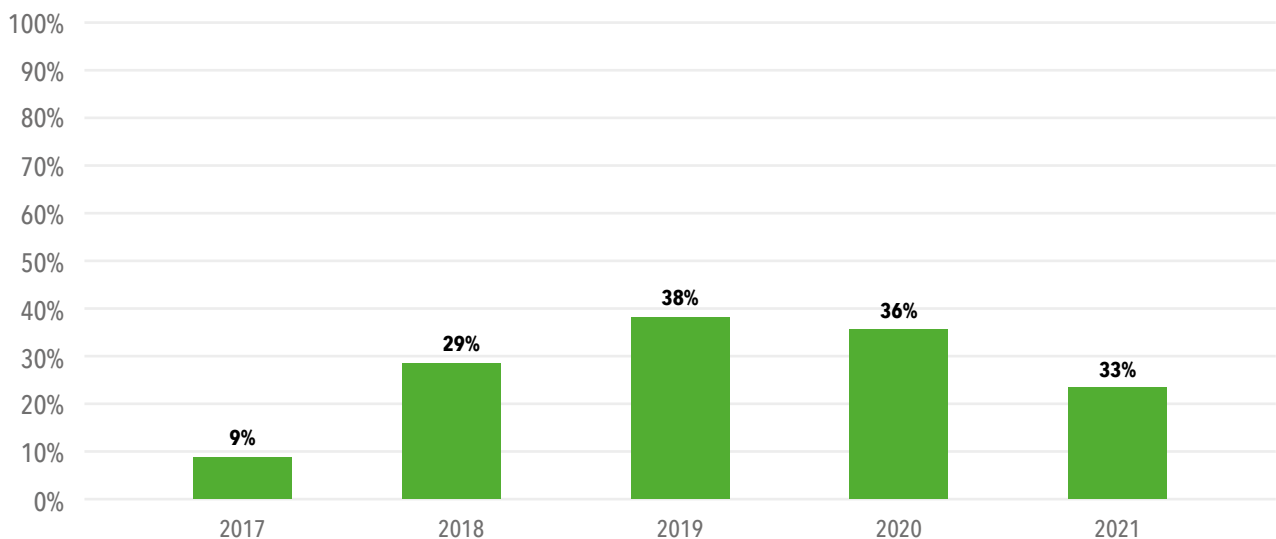
Board Turnover

More women and minorities are being brought in. Profiling the broad spectrum of public companies by other organizations indicates that more women and minorities are being brought onto boards across all industries:

- Equilar: White men still are selected for a majority of board seats when new board members are brought into companies in the Russell 3000.⁴
- New York Times: Under pressure to achieve more diversity in senior ranks – companies appear to be discovering that a big talent pool of nonwhite people and women for board seats does, in fact, exist.³
- Spencer Stuart: Nearly half — 47% — of new directors are Black/African American, Asian, Hispanic/Latino/a, American Indian/Alaska native or multiracial in 2021 compared to 22 percent in 2020 and 21 percent of all S&P 500 directors.⁵
- Spencer Stuart: 43 percent of new directors are women in 2021 compared to 47 percent in 2020. Now 30 percent of S&P 500 directors are women compared to 28 percent in 2020.⁵
- Spencer Stuart: Gender diversity as a recruiting profile fell from 3rd place in 2020 to 10th in 2021 (survey of S&P 500 companies).⁵

In the hospitality industry, white men have been the majority of people selected for board positions every year, including years when women and Black people have made the greatest gains. Hospitality public companies lag both the Russell 3000 and the S&P 500 in terms of board diversity as reflected in the statistics above.

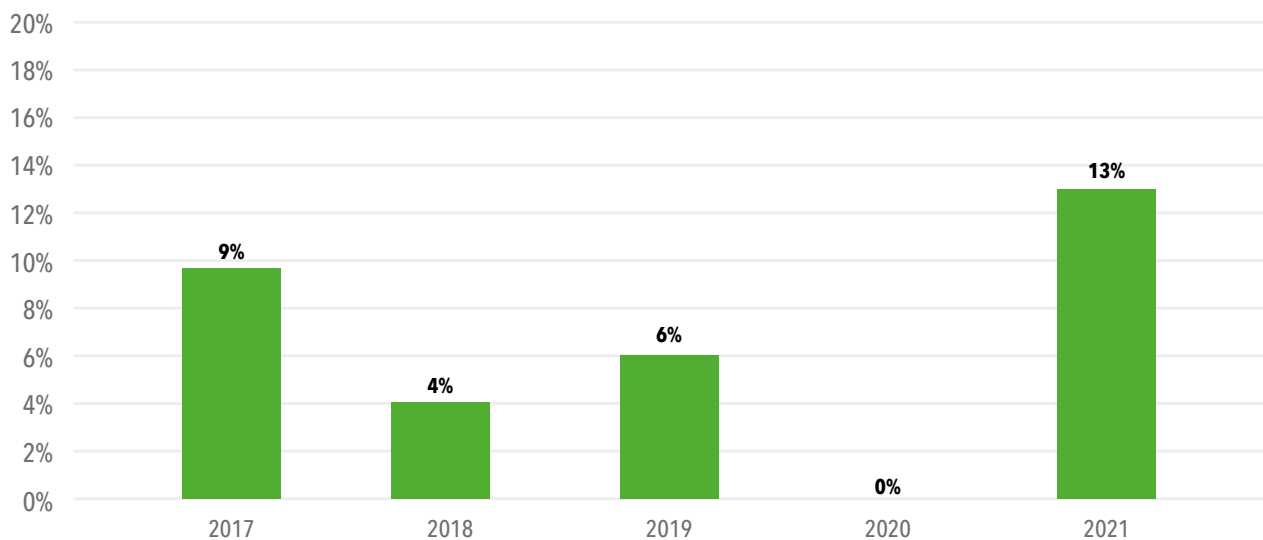
Percent of First Year Hospitality Public Company Board Members Who Are Women



Source: Castell, an AHLA Foundation Project



Percent of First Year Hospitality Public Company Board Members Who Are Black



Source: Castell, an AHLA Foundation Project



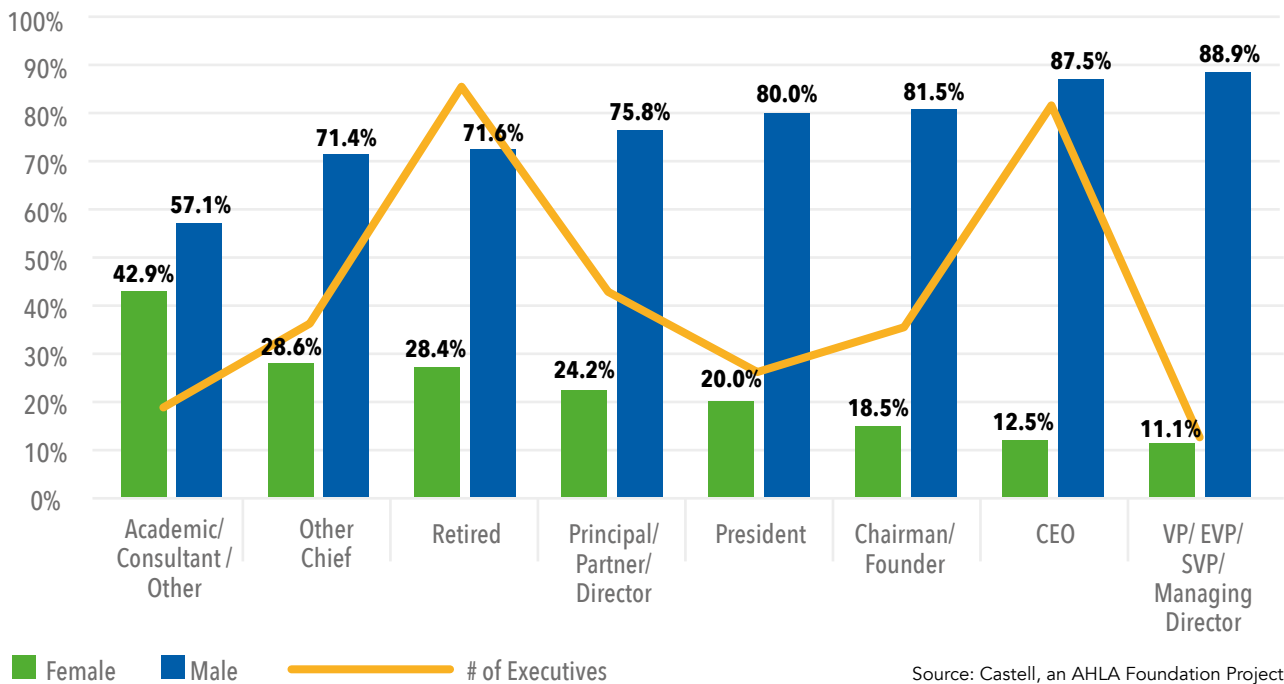
Boards are less frequently insisting on recruiting only from the ranks of CEOs and CFOs and instead are building boards with diverse sets of experiences to bring new lenses to the boardroom discussion, such as technology, culture, ESG, talent, crisis leadership, and public policy expertise, among others. ⁴

Characteristics of Public Company Board Members

Hospitality public companies are drawing from outside of the traditional pool of backgrounds to diversify their boards to a limited degree.

- CEOs are 24.4 percent of corporate board members in 2021 compared to 25.6 percent in 2016 and moved to the second largest category, behind VP/EVP/SVP/Managing Director. Of these CEOs, 87.5 percent are male.
- Retirees are 25.6 percent of board members compared to 24.4 percent in 2016. Of retired board members, 71.6 percent are male. Retirees are the largest source of women on these boards – 32.2 percent of women on boards are retired compared to 23.6 percent of men.
- Female board members are more likely to work outside the company; 8.5 percent of female board members are employed by the company compared to 20.8 percent of male board members.

Corporate Titles of Board Members



Companies with 30% or more board seats filled by non-white directors performed better than their less-diverse counterparts. ²

Nominating / Governance Committee Priorities

Spencer Stuart released its "*Nominating / Governance Chair Survey 2021*" and reports that "enhancing racial/ethnic diversity is second among NOM/GOV Committee priorities over the next three years, while gender diversity as a recruiting profile fell from third to tenth place."





Sources:

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3. *Board Diversity Increased in 2021. Some Ask What Took So Long. New York Times* www.nytimes.com/2022/01/03/business/corporate-board-diversity.html January 3, 2022
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6. AHFA Foundation DE&I Best Practices Guide www.ahla-foundation.org/sites/default/files/2022-04/AHFA%20Foundation%20DEI%20Best%20Practices%20Guide.pdf Spring 2022
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Our mission is to see women in more than one of every three positions at all levels of hospitality industry leadership and ownership



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