Ethnic Diversity and Directors' Compensation*

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Abstract

We analyse the ethnic diversity of boards and its relation to compensation policies. We conduct the study in the UK where government initiatives and particularly the Parker Review have focused on increasing the presence of ethnic minority directors. We show that ethnic minority executive directors earn 7.8% less than western executive directors in terms of their salaries and 6.5% less in terms of their total compensation. Ethnic minority non-executive directors earn 13.8% less fees than western non-executive directors. Our findings indicate that future government initiatives should focus on not only numbers on the board, but also equal pay as promoted by the UN sustainable development goals (UNSDG 10) in reducing inequalities.

***Keywords*:** Ethnic Diversity; Compensation; Corporate boards; Corporate Governance.
JEL Classifications : G38, J15, J16, M14

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* We are grateful to Alexa Gonzalez Holden(discussant) and the participants at the Finance and Accounting 2023 Annual Research Symposium, London, for their insightful comments. We thank Jiaxin Wang and Shafaq Malik for their excellent research assistance.

1.Introduction

There is a broad body of literature on the diversity of corporate boards, mostly demonstrating that boards are quite homogeneous. Most of the previous literature on the diversity of board directors' is on gender diversity (Hillman, Cannella and Harris, 2002), with the results showing the contributions of women on boards to firm performance (Adams and Ferreira, 2009). Ethnicity is almost ignored in the corporate governance literature for various reasons, including a lack of sufficient data to enable broad empirical analyses.

In this paper, we investigate the ethnic diversity of board directors and their compensation. In the UK, the government initiatives have been encouraging ethnic participation in the boards. We study ethnic diversity in an environment where there is concerted push in this direction by government initiatives, reflecting change in societal values. We study if encouragement of ethnic diversity on boards has been successful and if there is any association with their compensation. Our findings are useful in terms of achieving one of the key UN sustainable development goals (SDG), UNSDG 10, which focuses on 'reduced inequalities.'

Despite the Higgs Review (2003) in the UK more than two decades ago, the ethnic homogeneity of corporate boards has been understudied. The Higgs Review clearly highlights that non-executive directors are mostly white males with previous executive experience. More recently, the Parker review (2017) encouraged diversity on boards and inclusiveness in the workplace, reporting that UK citizen directors of colour represent only about 2% of the total director population even though the population of ethnic minorities in the UK was 12% of the population at that time. Some of the arguments for diversity is that by not recruiting from the whole of the society, firms may miss out on talent. Boards need to represent their customers, employees, and other stakeholders; it reflects the company's commitment to diversity. Different insights and experiences can provide new sources of innovation and quality decisions.

The review recommended that each FTSE100 Board should have at least one director of colour by 2021, although a survey of FTSE100 companies in 2020 showed that 37% did not have any ethnic minority representation on their boards (EY, 2021). We bring to light the ethnic composition of UK boards and specifically differentiate executive and non-executive positions. Limited studies on ethnic diversity including the Higgs Report typically use very small samples that hinder the analysis of cross-sectional and time series variations in board composition. Previous studies examine a cross-section of companies over one year, such as the work by Brammer, Millington, and Pavelin (2007) who categorise ethnicity as white or non-white, and do not examine compensation of the directors. In this paper, we study how ethnicity of directors relates to compensation. Our findings show that ethnic executive directors' salary is 6.8% less than western executive directors. Ethnic minority non-executive directors also realise lower fees by 13.2%. We find that there is a near absence of ethnic minority female executive directors (only one in our sample). This highlights the persistent barriers to achieving UN equality initiatives (UN SDG) and the lack of meaningful board diversity at the highest corporate levels.

Recent studies by Adams and Funk (2012), Strobl *et al.,* (2016) and Girardone *et al.,* (2021) highlight the need to look beyond the gender diversity of boards. As the literature shows that gender diversity is associated with compensation (Cardoso and Winter-Ebmer, 2010; Perryman *et al.,* 2016), it is important to examine whether the finding also holds for ethnic diversity on boards. We make several contributions to the literature. Even though UK regulators have been proposing ethnic diversity on corporate board for many years, there are no studies that have examined ethnic diversity and its relation to compensation. To the best of our knowledge, we provide the first evidence of the board ethnic diversity and compensation. Previous studies such as Guest (2017) use a US based sample and focus on African American executives' compensation compared to Caucasians. They find that African American directors'

compensation is lower than those of Caucasian executive directors in the US. While Guest's (2019) study on board ethnic diversity using a US based data sample finds no association between board ethnic diversity and outcomes such as CEO compensation, accounting misstatements, CEO turnover–performance sensitivity and acquisition performance. Unlike Guest's (2017) research which has a narrow definition of ethnicity, and uses the ethnicity data as available on a database, our study has a more comprehensive and wider definition of ethnic minority directors (Chinese, Indian, Eastern European, and Middle Eastern, based on their names) as compared to western directors (Western Europe, Americas, South Africa, and Australia) which is collected manually.

Second, we document that for executive directors there is an ethnic pay gap. Our findings show that ethnic executive directors' salary is 6.8% less than western executive directors. Finally, we enhance our understanding of ethnic non-executive director's relation to compensation. We show that ethnic minority non-executive directors also realise lower fees by 13.2%. There is a paucity of research in this area despite the contributions made by non-executive directors to firms. More broadly, we contribute to the literature on ethnic minority participation in the labour force, despite the efforts of the government to achieve the UNSDG10 that aims to reduce inequalities based on ethnicity.

In the next section, we present a review of the literature in the area, following which Section 3 discusses the data and methods used in the analysis. Section 4 presents the findings and discussion, and Section 5 provides the conclusion to the paper.

2. Related Literature

Regulators in the UK are trying to improve the diversity of the boards in top firms and in this drive, firms are being asked to have a balanced board structure that includes not only more women but also ethnically diverse board members that represent their stakeholders (Parker Review, 2017). One of the reasons for this guideline is the drive to avoid group think

when making decisions at the very top by including members who are from different educational backgrounds and networks.

Much of the literature indicates that diversity on boards can improve the board's oversight. Cultural background and life experiences of directors are a source of varied perceptions (Hirshleifer et al. 2012; Hribar and Yang 2016; Brochet et al. 2019). Such diverse thinking can provide for more innovative and responsible decision making. Condie et al. (2023) examine if audit quality is associated to gender and ethnicity diversity of audit partners, they find that greater levels of diversity of audit partners are associated with lower turnover among office audit professionals and improved audit quality. Guest (2017) argues that ethnic minority directors have different perspectives and possibly keener sensitivities due to the unfairness that they have experienced. They also have to prove themselves by working harder and therefore have higher capabilities. These voices can bring different perspectives on decisions made and can potentially eliminate 'group think' (Broome, Conley and Krawiec, 2011; Hillman, Cannella and Harris, 2002; Zweigenhaft and Domhoff, 2008; Coles, Daniel and Naveen, 2015; Gompers et al, 2016.). This can possibly lead to containing agency issues such as big pay gaps and excessive top management pay outs, among other agency problems. Thus, diversity could lead to better board decision-making and thus better monitoring decisions (Milliken and Martins, 1996). Coles *et al*. (2014) found that in dynamic industries, group think can negatively influence firm value. Regulations such as the Parker Review (which aims to have at least one ethnic minority director in FTSE 250 firms by December 2024), and Higgs Review (aim to improve ethnic minority representation among non-executive directors), align with the UNSDGs where a reduction in social inequality is one of the goals. Having representation on boards from different ethnicities would be a step towards reducing inequalities but also bring critical discussion to the board room, making it more effective.

Several studies view diversity on boards from the resource dependence perspective or agency perspective, where the argument is that the diversity of boards brings about better monitoring and decision-making due to the diverse skills, functional experience, knowledge capabilities, cross-cultural experiences, commercial and political networks, and other skill sets accessible (Ferreira, 2010; Adams and Baker, 2021). On the other hand, some studies reason that diverse boards can make decision-making difficult due to the diverse agendas and opinions causing conflict and a lack of cooperation (Ferreira, 2010).

Previous studies have examined diversity on boards in terms of gender (Carter *et al.,*2003; Adams and Ferreira, 2009), sexual orientation (Brahma et al, 2023); nationality diversity (Adams and Baker, 2021; Frijns, Dodd and Cimerova, 2016; Masulis, Wang, and Xie, 2012; Estelyi and Nisar, 2016; Nielsen and Nielsen, 2013), age diversity (Hafsi and Turgut, 2013; Harjoto *et al*., 2015; Goergen *et al*., 2015), education diversity (Valls *et al.,* 2016), demographic differences (Westphal and Milton, 2000), and tenure and expertise diversity (Harjoto *et al*., 2015). There were very few studies found that examined the minority ethnic diversity of directors.

Unlike previous literature that investigates the effect of board diversity on various factors[5], this study investigates board ethnic diversity and its association with compensation. Previous studies use different diversity measures and have outcomes that are different. Upadhyay and Zeng (2014) examined whether the gender and ethnic diversity of directors impacts corporate opacity. They found that diversity among the directors promotes transparency. They defined board diversity as the ratio of women, ethnic minority, and white male directors to board size. Anderson *et al.* (2011) investigated director heterogeneity and its

[5] Such as environmental disclosure (Tingbhani *et al.,* 2020; Haque and Jones, 2020; Barg *et al.*, 2022 and Gull *et al.,* 2022), IPO pricing (Rau *et al.* (2023); monitoring mechanisms (Upadhyay and Zeng, 2014 and Guest, 2019), compensation (Guest, 2017), firm performance (Anderson *et al.,* 2011; Ben-Amar *et al*., 2011 and Giannetti and Zhao, 2019), and risk, and the evidence on whether African Americans are more risk averse than whites is mixed (Adams and Ferreira, 2009; Barsky *et al.,* 1997; Sahm, 2007).

impact on firm performance. They categorised each director across six individual categories: 1) education, 2) professional experience, 3) board experience, 4) age, 5) gender, and 6) ethnicity. They defined ethnic heterogeneity as the number of Asian, African American, Hispanic, and Native American directors serving on the board divided by total board size.

More recently, Do (2023) using a sample of Australian firms, found that board ethnic diversity is positively correlated with executive pay-to-performance sensitivity. Barg *et al.* (2022) showed that board ancestral diversity has a positive and statistically significant effect on a firm's voluntary GHG emission disclosure, and its scope and quality. They concluded that board ancestral diversity is more effective in firms with stronger monitoring mechanisms. Ben-Amar *et al*. (2011) investigated the joint effect of corporate ownership and the board of directors' diversity on the success of mergers and acquisitions. They found that demographic diversity has a clear and non-linear effect on M&A performance while statutory diversity has little or no impact. The sample was limited to only mergers and acquisitions. On the other hand, Guest (2019) investigated whether board ethnic diversity is associated with a stronger board monitoring outcome but found no evidence to support this. They also found no evidence that board ethnic diversity affects overall firm performance. Similarly, Guo et al. (2021) found no evidence of differences in CEO compensation for any of the major racial groups - Blacks, Hispanics, and Asians. They find that ethnic minorities who become CEOs in the US are compensated at similar levels to their White counterparts. Such mixed results in research finding and the drive to improve ethnic diversity on UK boards by the regulators makes it important to investigate this issue.

We study the relation between ethnic diversity and compensation. This is critical, given the UK is the second largest economy in Europe[6] and has a sound, transparent and robust

[6]https://statisticstimes.com/economy/european-countries-by-gdp.php#:~:text=Germany%20is%20the%20largest%20economy,France%2C%20Italy%2C%20and%20Russia.

principle-based corporate governance structure. Also, UK has been encouraging ethnic diversity on boards for more than two decades. Hence, any pay gaps in compensation arising out of ethnic diversity must be considered and addressed.

3. Data and Methods

3.1 Data

The data on compensation is for FTSE350 companies from 2010 to 2024, is derived from BoardEx through Wharton Research Data Services, and encompasses also data on directors' roles, and demographic characteristics. The data cleaning process involved addressing several structural challenges. A key issue was the presence of multiple entries for the same director within the same company, typically due to changes in roles over time. To resolve this, the dataset was consolidated to ensure each director-year observation accurately reflected the director's primary role and corresponding compensation. Based on the KPMG Guide to Directors' Remuneration 2024 (KPMG, 2025), we applied compensation thresholds that align with established market practice in FTSE350 companies. Specifically, we required executive director salaries to exceed £300,000, which corresponds to just below the lower quartile for FTSE 250 Other Executive Directors (£326,000), and non-executive director fees to exceed £50,000, which aligns with the lower quartile for FTSE 250 Non-Executive Directors (£55,000). We also applied an upper bound of £10,000,000 for all compensation measures to mitigate the influence of outliers. These thresholds ensure we focused on professional board members while excluding potentially erroneous or non-primary role data. Observations with missing or problematic data, such as missing director names or compensation information, were also excluded from the analysis.

We developed a systematic classification protocol to collect data on ethnicity of the directors. Two researchers independently classified directors based on their names into broad ethnic categories. Disagreements were resolved through discussion with a third researcher, and

any unresolved cases were excluded from the sample. This classification was further validated by comparing a random subsample of directors against available biographical information. Directors were classified into two broad groups: Westerners, which includes individuals from Western Europe, Americas, South Africa, and Australia, and Ethnic Minorities, which includes directors from other regions including East Asian, Southeast Asian, Indian, Eastern European, and Middle Eastern directors.

After applying these criteria, the final dataset consists of 16,311 director-year observations, including 5,647 executive and 10,664 non-executive director-year observations. Table 1 summarises the ethnic and gender distribution of these directors. The table shows that Western male directors dominate board positions, representing 90.08% of executive roles and 70.20% of non-executive roles. Western female directors account for 5.95% of executive and 26.79% of non-executive positions. Ethnic minorities are significantly underrepresented, with male ethnic minorities comprising only 3.91% of executive roles and 1.79% of non-executive roles, while female ethnic minorities make up a mere 0.05% of executive positions (only 3 observations) and 1.22% of non-executive roles (130 observations).

When examining unique directors rather than director-year observations, the disparities persist. As shown in Panel B of Table 1, among 912 unique executive directors, 87.94% are Western males, 9.10% are Western females, 2.85% are minority males, and just one director (0.11%) is a female from an ethnic minority background. Among 1,621 unique non-executive directors, 69.22% are Western males, 26.65% are Western females, 2.47% are minority males, and 1.67% are minority females.

[Table 1 about here]

Table 2 presents the descriptive statistics of compensation for directors, illustrating substantial variation across demographic groups. Among executive directors, Western males dominate the sample, comprising 90.08% of all observations. Female Westerners represent

only 5.95% of executive directors, while male ethnic minorities account for 3.91%. Female ethnic minorities are exceptionally rare, representing just 0.05% of the sample with only 3 observations.

[Table 2 about here]

Among our sample of 5,647 executive director-year observations, we have only one female ethnic minority executive director who accounts for 3 observations. She is Lavanya Chandrashekar Chopra, the Chief Financial Officer of Diageo, who was appointed as a board member in July 2021 and left this role in May 2024. She completed her MBA in Strategy and Finance at a well-known institution in India and had worked in various companies and roles before joining Diageo as CFO. Her total direct compensation over the years she was a director at Diageo averaged £2,772,667, while for female Westerners the average is £1,469,280 and for male Westerners it is £1,634,620. It is possible that her salary (averaging £946,333) is higher than the average for both female and male Westerners because Diageo's pay scales are on average higher than other listed companies for all its directors. Her gender and ethnicity do not seem to be a factor in the compensation that she receives.

The compensation data reveals notable differences across gender and ethnic groups. Western male executives earn a mean salary of £762,663, compared to £688,348 for Western females, representing a gender gap of approximately 10%. For total direct compensation, Western males average £1,634,620, compared to £1,469,280 for Western females, maintaining a similar proportional gap. Male ethnic minority executives receive slightly lower base salaries (£693,077) than Western males but also somewhat lower total direct compensation (£1,565,873).

For non-executive directors, a similar pattern of gender disparity emerges. Male Western directors receive an average fee of £159,042, while female Western directors receive substantially less at £113,289, representing a gap of nearly 29%. However, female ethnic

minority non-executives (£154,608) receive higher fees than male ethnic minority non-executives (£150,759) and nearly match those of Western males.

These compensation differences are statistically significant as indicated by the superscript notations in Table 2. Female Western executives earn significantly less than male Western executives (denoted by superscript 'a'), while female ethnic minority executives earn significantly more than both female Western executives (superscript 'b') and male Western executives (superscript 'd'). Male ethnic minority executives earn significantly less than male Western executives (superscript 'e') but more than female ethnic minority executives (superscript 'f').

The data highlights significant disparities in both the representation of directors and their compensation. Western male directors, especially in executive roles, continue to dominate the boardrooms of FTSE350 companies. Ethnic minorities, particularly female ethnic minorities, remain severely underrepresented in board positions. These findings provide a clear picture of the gender and ethnic composition of UK boards and serve as a foundation for further analysis of the impact of diversity on executive compensation in the subsequent sections.

3.2. Measures and Variables

Our dependent variables focus on director compensation, following established approaches in corporate governance research (Murphy, 1999; Core et al., 1999). For executive directors, we examine three measures: Salary (base annual pay), Total Compensation (including salary, bonus, and all other compensation), and Total Direct Compensation (salary plus bonus, pension, and other benefits). For non-executive directors, we examine Total Fees (annual board service compensation). Following standard practice in compensation literature (Fernandes et al., 2013; Gregory-Smith, 2012), we use the natural logarithm transformation of these variables

in our regression analyses to address the skewed distribution of compensation data and to interpret coefficients as approximate percentage changes.

The key independent variable is ethnicity captured through a binary variable (ethnic) that takes the value of 1 for ethnic minority directors and 0 for Western directors. This approach to measuring diversity aligns with prior studies examining board diversity effects (Adams and Ferreira, 2009; Guest, 2017).

We include several control variables that may influence director compensation. Gender is measured through a binary variable (female) that takes the value of 1 for female directors and 0 for male directors. Director-specific characteristics include age (in years), network size (number of professional connections in BoardEx), board tenure (years served on current board), and qualifications (number held). These variables capture human capital and experience factors that prior research has shown to influence compensation (Bebchuk and Fried, 2003; Smith and Watts, 1992). Firm-specific characteristics include market capitalisation (natural logarithm), which controls for firm size effects that consistently predict compensation levels (Gabaix and Landier, 2008). Additionally, we control for board-level characteristics such as succession factor (indicating potential for internal succession), attrition rate (rate of director departures), and board size (total number of directors), which prior literature has identified as important governance factors affecting compensation (Yermack, 1996; Guest, 2010).

[Tables 3 and 4 about here]

Table 3 reports descriptive statistics. About 4% of executive directors and about 3% of non-executive directors in our sample are ethnic minorities. The average age is 61 and 67 respectively for executive and non-executive directors and non-executive directors have wider networks. Board tenure is higher with about ten years for executive directors compared to the 4 years for non-executive directors. Company characteristics are similar. Table 4 reports

bilateral correlations most of which are mild, and we do not expect high levels of multicollinearity when we use the independent variables in the same regression.

3.3. Empirical Model

To examine the impact of gender and ethnic diversity on director compensation, we employ a series of fixed effects regression models. Our baseline specification for each compensation measure is:

$$\ln(Compensation)_{it} = \beta_0 + \beta_E Ethnic_i + \beta' X_{it} + \alpha_s + \gamma_t + \varepsilon_{it} \quad (1)$$

where $\ln(Compensation)_{it}$ represents the natural logarithm of different compensation measures (Salary, Total Direct Compensation, or Fees) for director i in year t. $Ethnic_i$ is a binary variable indicating ethnicity and X_{it} k × 1 vector of time-varying control variables and β is the k × 1 vector of corresponding coefficients. The control variables include director characteristics (Gender, Age, Network Size, Board Tenure, Qualifications) and firm characteristics (Market Capitalisation, Succession, Attrition Rate, Number of Directors). $\alpha_s$represents industry sector fixed effects, γ_t represents year fixed effects, and ε_{it} is the error term.

For executive directors, we analyse two distinct compensation measures. First, we examine base annual pay (Salary) to understand the fundamental compensation differences. Second, we analyse Total Direct Compensation, which encompasses salary, bonus, pension and other benefits, to understand the comprehensive compensation package. For non-executive directors, we focus on annual board service fees as the sole compensation measure, as these directors typically receive a fixed fee rather than performance-based compensation. We also estimate a set of models that examine the interaction between ethnicity and various director characteristics:

$$\ln(Compensation)_{it} = \beta_0 + \beta_E Ethnic_i + \beta_z Z_{it} + \delta(Ethnic_i \times Z_{it}) + \beta'_W W_{it} + \alpha_s + \gamma_t + \varepsilon_{it} \quad (2)$$

where Z_{it} represent one of five director characteristics (Gender, Age, Qualifications, Board Tenure, or Network Size), while W_{it} is the set of the remaining control variables. These models allow us to test whether the effect of ethnicity on compensation varies across different levels of these characteristics.

All models include the full set of control variables, industry sector fixed effects, and year fixed effects. Following standard econometric practice, we cluster standard errors at the board level to account for within-firm correlation.

4. Empirical Results

Table 5 presents our results on the impact of ethnicity on executive director compensation across three measures: salary, total compensation, and total direct compensation. We start with the baseline model (1) that includes only the control variables, which are maintained across all subsequent specifications. Model (2) introduces the ethnicity variable assigned a value of '1' for non-Western directors and '0' for Western directors, to assess ethnic effects on compensation.

For each model, we report both the raw coefficient estimates and the corrected percentage effects. Following Halvorsen and Palmquist (1980), Kennedy (1981), and Giles (1982), we transform the coefficient estimates of our dummy variables using the formula 100[exp(c) - 1], where c is the estimated coefficient. This transformation is necessary because in semi-logarithmic models where the dependent variable is expressed in logarithmic form, the coefficient of a dummy variable cannot be directly interpreted as a percentage effect. The corrected effects represent the precise percentage change in the dependent variable associated with the presence of the characteristics indicated by the dummy variable. All subsequent discussions of the impact of ethnicity on compensation in this paper are based on these corrected percentage effects rather than the raw coefficients.

The ethnicity indicator – as reported in Table 5 – shows a negative and statistically significant effect on salary and total direct compensation. Using the corrected percentage calculation, we find that ethnic minority executive directors earn about 7.5% and 6.4% less in base salary and total direct compensation, respectively, compared to Western directors. For total compensation, ethnic minorities earn 5.3% less, though this effect is not statistically

significant[7]. The gender pay gap is substantial, with women earning approximately 10-11% less across all compensation measures, consistent with previous research.

Director characteristics significantly influence compensation levels in economically meaningful ways. Age demonstrates a positive relationship with compensation, with each additional year associated with approximately a 0.9% increase, reflecting the value of experience and career progression. Qualifications show a substantial premium, with each additional qualification corresponding to a 3.6% higher salary, highlighting the importance of formal education in executive compensation. Board tenure exhibits a modest positive relationship, with each additional year associated with a 0.2% increase in salary. Network size is important; with every hundred additional network connections associated with directors earning 1% more. Firm characteristics also play important roles, with market capitalisation showing the expected positive association—a 10% increase in market capitalisation corresponds to approximately a 1% increase in salary, aligning with established findings that larger firms pay higher executive salaries. Similarly, firms with higher attrition rates and larger boards pay higher salaries, while firms where the potential for internal candidate succession is higher pay lower salaries.

[Table 5 about here]

Table 6 examines non-executive director fees and reveals substantially larger ethnic disparities compared to executive directors. Using the corrected percentage calculation, ethnic minority non-executive directors receive 12.9% lower fees than their Western counterparts, with the coefficient significant at the 1% level[8]. This disparity is notably larger than the 7.5% ethnicity gap observed for executive director salaries, suggesting that ethnic minority

[7] Corrected effects are reported as "Ethnicity Effect" in Table 5.
[8] Corrected effects are reported as "Ethnicity Effect" in Table 6.

representation on boards may face different dynamics depending on the nature of the director role. The gender gap is substantial at about 21% in favour of men.

Among control variables, age shows a strong positive association with non-executive director fees, with each additional year corresponding to approximately a 1.2% increase in fees. Network size and board tenure also exhibit positive and significant relationships with compensation, suggesting that experience and connectedness are valued in non-executive positions. Market capitalisation shows a consistent positive association with fees, with non-executive directors at larger companies receiving higher compensation, reflecting greater responsibilities and time commitments in these organisations. Interestingly, while qualifications significantly impact executive director compensation, they show no statistically significant association with non-executive director fees, suggesting different valuation of formal education across director types.

[Table 6 about here]

Our analysis of the main effects in Tables 5 and 6 establishes that significant ethnic disparities exist in both executive and non-executive director compensation, with ethnic minority directors receiving 5.3% to 12.9% less than their Western counterparts. However, these average effects may mask important heterogeneity across different types of directors and career stages. To explore this possibility, we next examine whether and how these ethnic disparities vary with director characteristics, focusing on interactions between ethnicity and key individual attributes such as gender, age, qualifications, board tenure, and network size.

Tables 7, 8, 9, and 10 reports the estimates based on Equation (2), which aims to explore how ethnic disparities in compensation vary across different levels of director characteristics. Table 7 reports these interactions for executive director salary. The reported results show that ethnicity penalty compounds over the career lifecycle. The interaction between ethnicity and age shows that ethnic minority executives receive diminishing returns to experience – for each

additional year of age, they earn approximately 0.77 percentage points less relative to Western directors. This suggests that rather than experience closing compensation gaps, it widens them. Board tenure shows a similar pattern, with ethnic minority executives deriving significantly less benefit from longer board service. Each additional year of board experience yields 0.76 percentage points less return for ethnic minorities compared to Western directors, indicating that the informal benefits of board experience are not equally accessible.

[Table 7 about here]

Table 8 reports the estimated interactions for executive directors' total compensation. The age penalty intensifies substantially, with each additional year widening the gap by 1.34 percentage points. The board tenure penalty also deepens significantly, reaching 2.15 percentage points per year. These findings suggest that performance-based components of compensation – where ethnic minorities appear most disadvantaged – constitute a major driver of overall compensation disparities. Similarly, the age penalty reaches its peak at 1.82 percentage points per year when considering total direct compensation as reported in Table 9. The board tenure penalty increases to 2.83 percentage points annually. These results indicate that when examining comprehensive compensation packages, the career trajectories of ethnic minority and Western executives diverge most dramatically.

[Tables 8 and 9 about here]

Table 10 presents a different story for non-executive directors. Unlike executives, the ethnicity penalty for non-executive fees operates uniformly across different characteristics. The interactions between ethnicity and age, qualifications, board tenure, and network size are all statistically insignificant, suggesting that ethnic disparities in non-executive compensation are more consistent regardless of individual attributes.

[Table 10 about here]

Our findings of significant ethnic and gender disparities in executive compensation align with evidence from both UK and US markets, though the magnitudes differ across studies. From the US market, Guest (2017) documents a 9% penalty for African American executives, which is comparable to our finding of 6.8% to 7.5% for ethnic minority directors in the UK. Hillman et al. (2002) also find significant compensation disparities for ethnic minority directors in Fortune 1000 firms. In the UK context, Gregory-Smith et al. (2014) find female executive directors earn 19% less than male directors in FTSE 350 firms, a larger disparity than our finding of 9.6% for gender effects.

This difference may reflect distinct institutional and regulatory environments between the U.S. and UK markets, particularly following the Parker Review's (2017) emphasis on ethnic diversity in UK boards of directors. Our study provides the first comprehensive evidence of ethnic compensation disparities in UK boardrooms, suggesting that despite recent diversity initiatives, substantial economic inequalities persist.

The relationships we find between director characteristics and compensation largely support established frameworks from the corporate governance literature. Our finding that qualifications and age positively influence compensation aligns with Core et al. (1999) who document similar human capital premiums in U.S. executive compensation. However, our discovery of differential returns to these attributes across ethnic groups provides important new insights into how diversity affects the economic outcomes of corporate leaders.

The interaction effects we observe provide a more nuanced understanding of how ethnicity affects compensation. For executive directors, the negative interactions between ethnicity and human capital measures (age, qualifications, and network size) suggest that the returns to these attributes are lower for ethnic minority directors than for Western directors. This points to potential barriers that ethnic minority executives face in translating their human

capital into compensation. Conversely, for non-executive directors, the positive interactions suggest that experienced ethnic minority directors may overcome initial barriers over time.

The differential effects of ethnicity on executive versus non-executive compensation likely reflect the fundamental changes in UK corporate governance following the Cadbury Report (1992), which established the 'comply or explain' approach and emphasized the importance of non-executive directors and remuneration committees in setting executive pay[9]. While these governance reforms may have improved overall accountability, our findings suggest they have not eliminated compensation disparities based on ethnicity or gender.

5. Conclusion

Our findings reveal substantial and economically significant ethnic disparities in board compensation, even after applying appropriate statistical adjustments for semi-logarithmic models. Ethnic executive directors face a significant salary penalty of 6.8% and total direct compensation reduction of 5.6% less than westerner executive directors. These differentials persist despite controlling for a comprehensive set of director characteristics, firm attributes, and market conditions.

The compensation gap for non-executive directors is even more pronounced, with ethnic non-executive directors receiving 13.2% lower fees than westerners. These findings are particularly concerning given the Parker Review's (2017) emphasis on increasing ethnic minority representation on UK boards and the broader goal of reducing inequalities under UNSDG10. Our results suggest that achieving numerical diversity targets alone may be insufficient. Unlike previous literature that focused primarily on representation, our study demonstrates that achieving board diversity involves not just appointment but also equitable

[9] The Cadbury Report (1992) and subsequent Greenbury Report (1995) fundamentally changed how executive pay is determined in UK firms by requiring the establishment of independent remuneration committees. These committees were tasked with linking executive pay more closely to performance rather than to tenure or length of service. As documented by Conyon and Peck (1998), this led to a shift away from traditional seniority-based pay practices.

compensation. The near absence of ethnic minority female executives (only one in our sample) highlights the persistent barriers to achieving meaningful diversity at the highest corporate levels. The intersectionality of gender and ethnicity compounds these challenges, as evidenced by the particularly low representation and compensation of ethnic minority female directors.

These findings have several important policy implications. First, firms should implement regular compensation audits that specifically examine gender and ethnic pay differentials at the board level. Second, nomination committees should establish clear, objective criteria for setting director compensation to minimize potential bias. Third, regulators might consider expanding disclosure requirements to include detailed breakdowns of board compensation by gender and ethnicity, thereby increasing transparency and accountability.

Regulators and businesses must take a more comprehensive approach to board diversity, considering both representation and remuneration. Future research might examine how these compensation disparities evolve in response to policy initiatives and whether similar patterns exist in other institutional contexts. The pursuit of meaningful board diversity clearly requires attention not just to numerical representation but also to the economic value placed on diverse directors' contributions.

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Table 1: Ethnic-Gender Distribution of Executive and Non-Executive Directors

	Executive Directors		Non-Executive Directors	
Panel A: Director-Year Observations				
	Freq.	Percent	Freq.	Percent
Female Westerners	336	5.95	2857	26.79
Male Westerners	5087	90.08	7486	70.20
Female Minority	3	0.05	130	1.22
Male Minority	221	3.91	191	1.79
Total	5647	100.00	10664	100.00
Panel B: Unique Directors				
Female Westerners	83	9.10	432	26.65
Male Westerners	802	87.94	1122	69.22
Female Minority	1	0.11	27	1.67
Male Minority	26	2.85	40	2.47
Total	912	100.00	1621	100.00

Note: This table presents the distribution of directors by gender and ethnicity across executive and non-executive positions in FTSE350 companies from 2010-2024. Directors are classified into four categories: Female Westerners (from Western Europe, Americas, South Africa, Australia), Male Westerners, Female Minority (from other regions), and Male Minority. The sample consists of 5,647 executive director-year observations and 10,664 non-executive director-year observations, with compensation thresholds of $300,000 minimum for executive directors and $50,000 minimum for non-executive directors. Panel A presents the distribution of director-year observations, while Panel B shows the count of unique directors in each category.

Table 2: Descriptive Statistics of All Directors Compensations

Variable	Obs	Mean	Std. Dev.	Min	Max
Executive Directors					
All Groups					
Salary	5647	755.615	407.399	300	3641
Total Direct Compensation	5647	1622.696	1213.874	302	9921
Female Westerners					
Salary	336	688.348[a, b]	312.022	305	1967
Total Direct Compensation	336	1469.28[a, b]	1045.858	381	7876
Male Westerners					
Salary	5087	762.663[a, d, e]	414.411	300	3575
Total Direct Compensation	5087	1634.62[a, d]	1233.458	302	9921
Female Minority					
Salary	3	946.333[b, d, f]	94.108	892	1055
Total Direct Compensation	3	2772.667[b, f]	644.9	2028	3145
Male Minority					
Salary	221	693.077[e, f]	358.382	304	3641
Total Direct Compensation	221	1565.873[f]	955.419	377	5909
Non-Executive Directors					
All Groups	10664	146.582	152.597	50	1989
Female Westerners	2857[a,b,c]	113.289	76.355	50	884
Male Westerners	7486a	159.042	172.346	50	1989
Female Minority	130[b]	154.608	161.066	50	886
Male Minority	191[c]	150.759	92.587	51	637

Notes: This table reports summary statistics for director compensation (in thousands USD) for the period 2010-2024. For executive directors (n=5,647), compensation is measured using: base salary and total direct compensation (including salary, bonus, and all benefits). For non-executive directors (n=10,664), compensation is measured through annual fees. All compensation measures are winsorized with lower bounds of $300,000 for executive directors and $50,000 for non-executive directors, and an upper bound of $10,000,000. Superscript letters indicate statistically significant differences between groups based on t-tests: (a) Female vs Male Westerners, (b) Female Westerners vs Female Minority, (c) Female Westerners vs Male Minority, (d) Female Minority vs Male Westerners, (e) Male Minority vs Male Westerners, and (f) Male Minority vs Female Minority.

Table 3: Descriptive Statistics of Control Variables

Variable	Definition	Obs	Mean	S.D.	Min	Max	Obs	Mean	S.D.	Min	Max
		Executive Directors					**Non-Executive Directors**				
Directors' Demographic Characteristics											
Ethnic	Takes value 1 if the director is from ethnic background, 0 otherwise.	5647	.04	.195	0	1	10664	.03	.171	0	1
Female	Takes value 1 for female, 0 otherwise.	5647	.06	.238	0	1	10664	.28	.449	0	1
Directors' Personal Characteristics											
Age	Directors current age at the annual report.	5647	61.447	7.693	32	92	10664	66.691	8.441	33	93
Network Size	Number of individuals with whom the director overlaps in employment, other activities or education.	5647	1755.904	2265.901	1	12608	10664	2316.194	2371.713	1	15976
Board Tenure	Average time – in years – a director has sat on a board of a publicly listed company.	5647	9.688	9.66	0	55	10664	4.827	5.137	0	61
Qualifications	Number of educational qualifications.	5647	1.724	1.103	0	6	10664	2.05	1.178	0	9
Firm and Board Characteristics											
Market Cap	Market value of the company (natural logarithm)	5647	8.394	1.702	1.386	12.4	10664	8.112	1.938	0	12.458
Succession	Indicates potential for internal succession. Measurement of the Clustering of Directors around retirement age at the Annual Report Date selected	5647	.324	.123	0	1.4	10664	.321	.125	0	1.3
Attrition Rate	Rate of director departures over the reporting period	5647	.058	.059	0	.5	10664	.062	.058	0	.4
Number of Directors	Total number of directors on the board	5647	9.677	2.765	2	23	10664	9.369	2.681	1	23

Notes: This table presents descriptive statistics for control variables used in our analysis, separated for executive directors (5,647 observations) and non-executive directors (10,664 observations).

Table 4: Correlation Matrix

Correlation	Dependent Variables		Control Variables							
Variables	Salary/Fees	Total Direct Compensation	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Executive Directors										
(1) Age	0.123	0.072	1.000							
(2) Network Size	0.173	0.134	0.019	1.000						
(3) Board Tenure	-0.017	-0.009	0.165	-0.203	1.000					
(4) Qualifications	0.184	0.141	0.106	0.249	-0.254	1.000				
(5) Market Cap	0.527	0.502	0.125	0.154	0.075	0.146	1.000			
(6) Succession	-0.191	-0.200	-0.032	-0.060	-0.086	-0.082	-0.192	1.000		
(7) Attrition	-0.027	-0.028	0.010	0.019	-0.132	0.020	-0.102	0.027	1.000	
(8) Number of Directors	0.396	0.348	0.158	0.138	0.183	0.063	0.496	-0.123	-0.221	1.000
Panel B: Non-Executive Directors										
(1) Age	0.166		1.000							
(2) Network Size	0.128		0.011	1.000						
(3) Board Tenure	0.030		0.089	-0.061	1.000					
(4) Qualifications	0.081		0.127	0.171	-0.015	1.000				
(5) Market Cap	0.343		0.121	0.166	-0.006	0.109	1.000			
(6) Succession	-0.105		-0.068	-0.074	-0.045	-0.073	-0.154	1.000		
(7) Attrition	-0.033		-0.019	-0.015	-0.092	-0.028	-0.086	0.055	1.000	
(8) Number of Directors	0.266		0.118	0.197	0.068	0.118	0.421	-0.122	-0.237	1.000

Notes: This table presents Pearson correlation coefficients between dependent and control variables. Panel A shows correlations for executive directors (n=5,647), with dependent variables including Salary and Total Direct Compensation. Panel B shows correlations for non-executive directors (n=10,664), with Fees as the dependent variable. Control variables include: (1) Age, (2) Network Size, (3) Board Tenure, (4) Qualifications, (5) Market Cap, (6) Succession Factor, (7) Attrition Rate, and (8) Number of Directors.

Table 5: Ethnicity and Executive Director Compensation

	Salary		Total Compensation		Total Direct Compensation	
	(1)	(2)	(1)	(2)	(1)	(2)
Ethnicity		-0.07821***		-0.05332		-0.06572**
		(0.02357)		(0.03416)		(0.03345)
Female	-0.10135***	-0.10539***	-0.10526***	-0.10802***	-0.11130***	-0.11470***
	(0.01958)	(0.01960)	(0.02836)	(0.02841)	(0.02777)	(0.02782)
age	0.00889***	0.00867***	0.00920***	0.00906***	0.00937***	0.00919***
	(0.00070)	(0.00070)	(0.00101)	(0.00101)	(0.00099)	(0.00099)
Network Size	0.00001***	0.00001***	0.00001***	0.00001***	0.00000	0.00000
	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Board Tenure	0.00193**	0.00196**	0.00243**	0.00245**	0.00150	0.00153
	(0.00084)	(0.00084)	(0.00122)	(0.00122)	(0.00119)	(0.00119)
Qualifications	0.03658***	0.03670***	0.03224***	0.03232***	0.03254***	0.03264***
	(0.00441)	(0.00440)	(0.00638)	(0.00638)	(0.00625)	(0.00625)
Ln(Market Cap)	0.09905***	0.09956***	0.14513***	0.14547***	0.15238***	0.15280***
	(0.00355)	(0.00355)	(0.00514)	(0.00514)	(0.00503)	(0.00503)
Succession Factor	-0.16999***	-0.17175***	-0.33901***	-0.34020***	-0.35901***	-0.36048***
	(0.03798)	(0.03795)	(0.05501)	(0.05501)	(0.05388)	(0.05387)
Attrition Rate	0.30811***	0.30365***	0.39027***	0.38723***	0.36433***	0.36058***
	(0.07911)	(0.07905)	(0.11458)	(0.11458)	(0.11222)	(0.11221)
Board Size	0.02239***	0.02255***	0.02655***	0.02665***	0.02602***	0.02616***
	(0.00211)	(0.00211)	(0.00306)	(0.00306)	(0.00300)	(0.00300)
Intercept	4.26641***	4.27310***	4.16597***	4.17054***	4.22478***	4.23041***
	(0.07216)	(0.07212)	(0.10451)	(0.10454)	(0.10236)	(0.10237)
Ethnicity Effect		-7.52%		-5.33%		-6.36%
N	5647	5647	5647	5647	5647	5647
adj. R^2	0.487	0.488	0.412	0.412	0.447	0.448
Sector Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes

Notes: This table presents fixed effects estimates examining the determinants of executive director compensation, focusing on ethnicity effect. The dependent variable is the natural logarithm of compensation. Model specifications are: (1) baseline model with controls only and (2) adds ethnicity effect. All specifications control for director characteristics (female, age, network size, board tenure, qualifications), firm characteristics (market capitalization), and board characteristics (succession factor, attrition rate, board size). Sector and year fixed effects are included but not reported. The sample comprises 5,647 executive director-year observations from FTSE350 companies over 2010-2024, with winsorized salaries exceeding $300,000. *** p<0.01, ** p<0.05, * p<0.1

Table 6: Ethnicity and Non-Executive Director Fees

	(1)	(2)
Ethnicity		-0.13806***
		(0.03103)
Female	-0.20793***	-0.20760***
	(0.01221)	(0.01220)
Age	0.01224***	0.01211***
	(0.00071)	(0.00071)
Network Size	0.00001***	0.00001***
	(0.00000)	(0.00000)
Board Tenure	0.00788***	0.00774***
	(0.00136)	(0.00136)
Qualifications	-0.00296	-0.00046
	(0.00451)	(0.00455)
Ln(Market Cap)	0.08286***	0.08334***
	(0.00336)	(0.00336)
Succession Factor	-0.00700	-0.01316
	(0.04290)	(0.04288)
Attrition Rate	0.17125*	0.16542*
	(0.09143)	(0.09136)
Board Size	0.02251***	0.02287***
	(0.00228)	(0.00228)
Intercept	2.20547***	2.20866***
	(0.12899)	(0.12888)
Ethnicity Effect		-12.9%
N	10664	10664
adj. R^2	0.272	0.273
Sector Effect	Yes	Yes
Year Effect	Yes	Yes

Notes: This table presents fixed effects estimates examining the determinants of non-executive director fees, focusing on ethnicity effect. The dependent variable is the natural logarithm of annual fees. Model specifications are: (1) baseline model with controls only and (2) adds ethnicity effect. All specifications include the same control variables as previous tables. Sector and year fixed effects are included but not reported. The sample comprises 10,664 non-executive director-year observations from FTSE350 companies over 2010-2024, with winsorized fees exceeding $50,000. *** p<0.01, ** p<0.05, * p<0.1.

Table 7: What impacts the relation between Ethnicity and Executive Director Salary

	(1) Age	(2) Qualifications	(3) Tenure	(4) Network	(5) Female
Ethnic	0.35673*	-0.12117***	-0.03936	-0.05959**	-0.07904***
	(0.18482)	(0.04403)	(0.03262)	(0.02861)	(0.02374)
Age	0.00893***	0.00861***	0.00876***	0.00868***	0.00867***
	(0.00071)	(0.00070)	(0.00070)	(0.00070)	(0.00070)
Age × Ethnicity	-0.00773**				
	(0.00326)				
Qualifications	0.03769***	0.03571***	0.03700***	0.03662***	0.03677***
	(0.00442)	(0.00449)	(0.00440)	(0.00440)	(0.00441)
Qualifications × Ethnicity		0.02550			
		(0.02207)			
Board Tenure	0.00215**	0.00198**	0.00218**	0.00193**	0.00197**
	(0.00084)	(0.00084)	(0.00085)	(0.00084)	(0.00084)
Board Tenure × Ethnicity			-0.00756*		
			(0.00439)		
Network Size	0.00001***	0.00001***	0.00001***	0.00001***	0.00001***
	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Network Size × Ethnicity				-0.00001	
				(0.00001)	
Female	-0.10432***	-0.10518***	-0.10421***	-0.10585***	-0.10592***
	(0.01960)	(0.01960)	(0.01961)	(0.01960)	(0.01968)
Female × Ethnicity					
Ln(Market Cap)	0.09870***	0.10014***	0.09936***	0.09938***	0.09952***
	(0.00356)	(0.00358)	(0.00355)	(0.00355)	(0.00355)
Succession Factor	-0.17003***	-0.16989***	-0.16989***	-0.17258***	-0.17184***
	(0.03794)	(0.03799)	(0.03796)	(0.03796)	(0.03796)
Attrition Rate	0.31751***	0.30218***	0.31160***	0.30549***	0.30408***
	(0.07923)	(0.07906)	(0.07917)	(0.07906)	(0.07907)
Board Size	0.02283***	0.02244***	0.02273***	0.02240***	0.02254***
	(0.00211)	(0.00211)	(0.00211)	(0.00212)	(0.00211)
Intercept	4.25658***	4.27448***	4.26483***	4.27455***	4.27361***
	(0.07243)	(0.07213)	(0.07227)	(0.07213)	(0.07215)
Ethnicity Effect	42.9%	-11.4%	-3.9%	-5.8%	-7.6%
N	5647	5647	5647	5647	5647
adj. R^2	0.48819	0.48780	0.48795	0.48780	0.48768
Sector Effect	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes

Notes: This table presents regression estimates examining the moderating role of ethnicity on the relationship between personal characteristics and executive director compensation. The dependent variable is the natural logarithm of salary. Model specifications explore interactions between ethnicity and: (1) age; (2) qualifications; (3) board tenure, (4) network size; and (5) female. Each specification focuses on a specific interaction to isolate the moderating effect of ethnicity. Sector and year fixed effects are included but not reported. Standard errors in parentheses. The sample comprises 5,647 executive director-year observations from FTSE350 companies over 2010-2024, with winsorized compensation exceeding ₩300,000. *** p<0.01, ** p<0.05, * p<0.1

Table 8: What impacts the relation between Ethnicity and Executive Director Total Compensation

	(1) Age	(2) Qualifications	(3) Tenure	(4) Network	(5) Female
Ethnic	0.69913***	-0.11323*	0.05628	-0.03837	-0.05509
	(0.26899)	(0.06530)	(0.04767)	(0.04184)	(0.03441)
Age	0.00949***	0.00896***	0.00930***	0.00905***	0.00905***
	(0.00103)	(0.00102)	(0.00102)	(0.00101)	(0.00101)
Age × Ethnicity	-0.01339***				
	(0.00474)				
Qualifications	0.03410***	0.03119***	0.03325***	0.03238***	0.03246***
	(0.00641)	(0.00650)	(0.00639)	(0.00639)	(0.00639)
Qualifications × Ethnicity		0.03405			
		(0.03251)			
Board Tenure	0.00278**	0.00248**	0.00308**	0.00243**	0.00245**
	(0.00122)	(0.00122)	(0.00123)	(0.00122)	(0.00122)
Board Tenure × Ethnicity			-0.02151***		
			(0.00638)		
Network Size	0.00001***	0.00001***	0.00001***	0.00001***	0.00001***
	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Network Size × Ethnicity				-0.00001	
				(0.00001)	
Female	-0.10671***	-0.10934***	-0.10520***	-0.10943***	-0.10913***
	(0.02853)	(0.02854)	(0.02853)	(0.02854)	(0.02854)
Female × Ethnicity					
Ln(Market Cap)	0.14395***	0.14615***	0.14489***	0.14526***	0.14540***
	(0.00517)	(0.00519)	(0.00514)	(0.00515)	(0.00514)
Succession Factor	-0.33737***	-0.33805***	-0.33507***	-0.34116***	-0.34044***
	(0.05500)	(0.05507)	(0.05500)	(0.05504)	(0.05502)
Attrition Rate	0.41177***	0.38663***	0.41033***	0.38976***	0.38821***
	(0.11485)	(0.11463)	(0.11470)	(0.11465)	(0.11462)
Board Size	0.02714***	0.02649***	0.02716***	0.02651***	0.02664***
	(0.00306)	(0.00306)	(0.00306)	(0.00307)	(0.00306)
Intercept	4.14252***	4.17398***	4.14759***	4.17286***	4.17168***
	(0.10503)	(0.10461)	(0.10474)	(0.10461)	(0.10459)
Ethnicity Effect	101.2%	-10.7%	5.8%	-3.8%	-5.4%
N	5644	5644	5644	5644	5644
adj. R^2	0.41249	0.41176	0.41285	0.41170	0.41175
Sector Effect	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes

Notes: This table presents regression estimates examining the moderating role of ethnicity on the relationship between personal characteristics and executive director compensation. The dependent variable is the natural logarithm of total compensation. Model specifications explore interactions between ethnicity and: (1) age; (2) qualifications; (3) board tenure, (4) network size; and (5) female. Each specification focuses on a specific interaction to isolate the moderating effect of ethnicity. Sector and year fixed effects are included but not reported. Standard errors in parentheses. The sample comprises 5,647 executive director-year observations from FTSE350 companies over 2010-2024, with winsorized compensation exceeding $300,000. *** p<0.01, ** p<0.05, * p<0.1

Table 9: What impacts the relation between Ethnicity and Executive Director Total Direct Compensation

	(1) Age	(2) Qualifications	(3) Tenure	(4) Network	(5) Female
Ethnic	0.95769***	-0.14206**	0.07968*	-0.04087	-0.06838**
	(0.26211)	(0.06249)	(0.04623)	(0.04061)	(0.03370)
Age	0.00978***	0.00908***	0.00952***	0.00920***	0.00917***
	(0.00100)	(0.00100)	(0.00099)	(0.00099)	(0.00099)
Age × Ethnicity	-0.01819***				
	(0.00462)				
Qualifications	0.03497***	0.03087***	0.03377***	0.03254***	0.03285***
	(0.00627)	(0.00637)	(0.00624)	(0.00625)	(0.00626)
Qualifications × Ethnicity		0.04532			
		(0.03133)			
Board Tenure	0.00197*	0.00156	0.00235*	0.00149	0.00154
	(0.00120)	(0.00119)	(0.00121)	(0.00119)	(0.00119)
Board Tenure × Ethnicity			-0.02831***		
			(0.00622)		
Network Size	0.00000	0.00000	0.00000	0.00001*	0.00000
	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Network Size × Ethnicity				-0.00001	
				(0.00001)	
Female	-0.11219***	-0.11432***	-0.11030***	-0.11531***	-0.11640***
	(0.02779)	(0.02782)	(0.02779)	(0.02783)	(0.02794)
Female × Ethnicity					
Ln(Market Cap)	0.15078***	0.15383***	0.15208***	0.15257***	0.15270***
	(0.00505)	(0.00508)	(0.00503)	(0.00504)	(0.00504)
Succession Factor	-0.35644***	-0.35718***	-0.35354***	-0.36159***	-0.36078***
	(0.05381)	(0.05391)	(0.05380)	(0.05388)	(0.05388)
Attrition Rate	0.39320***	0.35796***	0.39032***	0.36303***	0.36194***
	(0.11237)	(0.11221)	(0.11220)	(0.11223)	(0.11223)
Board Size	0.02683***	0.02596***	0.02683***	0.02596***	0.02614***
	(0.00300)	(0.00300)	(0.00300)	(0.00300)	(0.00300)
Intercept	4.19152***	4.23285***	4.19943***	4.23234***	4.23202***
	(0.10272)	(0.10238)	(0.10242)	(0.10239)	(0.10241)
Ethnicity Effect	160.6%	-13.2%	8.3%	-4.0%	-6.6%
N	5647	5647	5647	5647	5647
adj. R^2	0.44903	0.44771	0.44954	0.44761	0.44754
Sector Effect	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes

Notes: This table presents regression estimates examining the moderating role of ethnicity on the relationship between personal characteristics and executive director compensation. The dependent variable is the natural logarithm of total direct compensation. Model specifications explore interactions between ethnicity and: (1) age; (2) qualifications; (3) board tenure, (4) network size; and (5) female. Each specification focuses on a specific interaction to isolate the moderating effect of ethnicity. Sector and year fixed effects are included but not reported. Standard errors in parentheses. The sample comprises 5,647 executive director-year observations from FTSE350 companies over 2010-2024, with winsorized compensation exceeding $300,000. *** p<0.01, ** p<0.05, * p<0.1

Table 10: What impacts the relation between Ethnicity and Non-Executive Director Fees

	(1) Age	(2) Qualifications	(3) Tenure	(4) Network	(5) Female
Ethnic	-0.00112	-0.12962**	-0.16307***	-0.18841***	-0.22211***
	(0.23679)	(0.05798)	(0.04977)	(0.04927)	(0.04007)
Age	0.01217***	0.01211***	0.01210***	0.01212***	0.01211***
	(0.00072)	(0.00071)	(0.00071)	(0.00071)	(0.00071)
Age × Ethnicity	-0.00215				
	(0.00368)				
Qualifications	-0.00021	-0.00023	-0.00064	-0.00053	0.00048
	(0.00457)	(0.00473)	(0.00455)	(0.00455)	(0.00455)
Qualifications × Ethnicity		-0.00291			
		(0.01690)			
Board Tenure	0.00775***	0.00775***	0.00765***	0.00775***	0.00773***
	(0.00136)	(0.00136)	(0.00136)	(0.00136)	(0.00135)
Board Tenure × Ethnicity			0.00760		
			(0.01183)		
Network Size	0.00001***	0.00001***	0.00001***	0.00001***	0.00001***
	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Network Size × Ethnicity				0.00002	
				(0.00001)	
Female	-0.20770***	-0.20764***	-0.20759***	-0.20726***	-0.21538***
	(0.01220)	(0.01220)	(0.01220)	(0.01220)	(0.01242)
Female × Ethnicity					
Ln(Market Cap)	0.08327***	0.08333***	0.08333***	0.08339***	0.08325***
	(0.00336)	(0.00336)	(0.00336)	(0.00336)	(0.00336)
Succession Factor	-0.01351	-0.01308	-0.01310	-0.01248	-0.01406
	(0.04289)	(0.04289)	(0.04289)	(0.04289)	(0.04287)
Attrition Rate	0.16662*	0.16545*	0.16473*	0.16729*	0.16950*
	(0.09139)	(0.09137)	(0.09137)	(0.09137)	(0.09133)
Board Size	0.02294***	0.02287***	0.02284***	0.02289***	0.02299***
	(0.00228)	(0.00228)	(0.00228)	(0.00228)	(0.00228)
Intercept	2.20357***	2.20803***	2.20995***	2.20861***	2.20394***
	(0.12918)	(0.12893)	(0.12890)	(0.12887)	(0.12882)
Ethnicity Effect	-0.1%	-12.2%	-15.0%	-17.2%	-19.9%
N	10664	10664	10664	10664	10664
adj. R^2	0.27313	0.27311	0.27314	0.27323	0.27386
Sector Effect	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes

Notes: This table presents regression estimates examining the moderating role of ethnicity on the relationship between personal characteristics and non-executive director fees. The dependent variable is the natural logarithm of total fees. Model specifications explore interactions between ethnicity and: (1) age; (2) qualifications; (3) board tenure, (4) network size; and (5) female. Each specification focuses on a specific interaction to isolate the moderating effect of ethnicity. Sector and year fixed effects are included but not reported. Standard errors in parentheses. The sample comprises 10,664 non-executive director-year observations from FTSE350 companies over 2010-2024, with winsorized fees exceeding $50,000. *** p<0.01, ** p<0.05, * p<0.1.

Appendix 1: Industry Classification Benchmark

Code	Industry	Sector
1	Oil and Gas	Oil & Gas Producers
		Oil Equipment & Services
1000	Basic Materials	Chemicals
		Forestry & Paper
		Industrial Metals
		Mining
2000	Industrials	Construction & Materials
		Aerospace & Defence
		General Industries
		Electronic & Electric Equipment
		Industrial Engineering
		Industrial Transportation
		Support Services
3000	Consumer Goods	Automobiles & Parts
		Beverages
		Food Producers
		Household Goods
		Leisure Goods
		Personal Goods
4000	Healthcare	Healthcare Equipment & Services
		Pharmaceuticals & Biotechnology
5000	Consumer Services	Food & Drug Retailers
		General Retailers
		Media
		Travel and Leisure
6000	Telecommunications	Fixed Line Telecommunications
		Mobile Telecommunications
7000	Utilities	Electricity
		Gas, Water & Multi utilities
8000	Financials	Banks, Financial Companies, Insurance Firms, Pension Funds
9000	Technology	Software & Computer Services
		Technology Hardware & Equipment