

ENCOURAGING AND SUPPORTING MORE WOMEN ON CORPORATE BOARDS

Issue

Canada as a whole, and BC in specific, continues to lag the rest of the developed world in terms of gender diversity in our corporate boardrooms.¹

In BC, while women now make up 49% of *public* boards, only 1 in 5 members of corporate boards are women.² The most recent review by the Canadian Securities Administrators shows that overall representation of women on boards stands at 15%³, and recently released Statistics Canada data show that a majority of companies have one or fewer female directors.⁴ However, while the business case may be clear, and while most Canadian firms have made progress in welcoming more women into these positions, the change continues to be slow.

There are policy solutions which could help facilitate this needed change, and the Burnaby Board of trade urges the Government of BC to explore ways to advance gender diversity on corporate boards.

Background

The predominance of research regarding this issue suggests that companies which have more female board directors perform better, with greater gender diversity on boards being linked to everything from better returns on equity, higher stock prices, to overall better financial returns.^{5,6} The business case for having women on corporate boards is clear and their continued under-representation is likely costing us economically; it should be a priority to encourage and support more women to serve on corporate boards.

In its review of gender diversity metrics, the Canadian Securities Administrators found that while progress is being made, it is slow. Two-thirds of companies have women on their boards (up from 49%), women occupy 15% of all seats (up from 11%), and the number of companies with three or more women directors (often seen as a critical mass) has risen to 13% (up from 8%).⁷ While comply-or-explain regulations enacted by most of Canada's securities regulators have had positive impacts and have driven corporate behavior in the right direction, there is still much work to be done, and further regulatory changes could drive this change.

Supporting Regulatory Solutions

One major reason for the lack of women on boards that has been posited is the recruitment process itself; male board members and male executives search their often male-dominated networks for potential

¹ Catalyst, *Gender Diversity on Boards in Canada*, (Ontario, Canada: Queen's Printer for Ontario)

² Government of British Columbia, News Release: Women now nearly half of public board members in B.C., May 31, 2019. Accessed online: https://archive.news.gov.bc.ca/releases/news_releases_2017-2021/2019FIN0058-001130.htm

³ CSA Multilateral Staff Notice 58-310, Report on Fourth Staff Review of Disclosure regarding Women on Boards and in Executive Officer Positions, (September 28, 2018)

⁴ "Women hold less than 20% of positions on corporate boards, StatsCan finds", Melissa Bennardo, CBC News, May 7, 2019. Accessed online: <https://www.cbc.ca/news/business/statistics-canada-women-corporate-boards-1.5125995>

⁵ Credit Suisse Research Institute, *The CS Gender 3000: Women in Senior Management* (Zurich, Switzerland: Credit Suisse Research Institute);

⁶ McKinsey & Company, *Delivering Through Diversity*, (January 2018)

⁷ CSA Multilateral Staff Notice 58-310, Report on Fourth Staff Review of Disclosure regarding Women on Boards and in Executive Officer Positions, (September 28, 2018)

candidates, potentially perpetuating the gender gap. A requirement that large, publicly-traded companies⁸ actively consider women for board vacancies would lead to these companies broadening their searches, getting creative in their recruitment efforts, and going beyond traditional networks to find candidates. Requiring women be included in the consideration and interview stage of board nominations at these large, publicly-traded companies would ensure that women are being considered fairly while *still requiring they demonstrate the skill and merit* necessary to receive a directorship. This targeted action would help achieve better gender diversity results without the potential negative impacts of actual gender quotas placed on board appointments/elections.

The provincial government should support the requirement that large, publicly-traded companies have a policy regarding the representation of women in the director identification and selection process, and require such policies mandate that at least one qualified woman is fully considered for all board vacancies. Such consideration should be required to be meaningful, conducted in good faith, and include any requisite interview or assessment process.

Regulations such as this would have the benefit of forcing a change in mindset in boardrooms and would be a catalyst for progressive changes in corporate governance rules and in greater gender diversity outcomes. Through such regulations companies would also be encouraged to reflect on their own hiring/advancement policies and potentially identify barriers to women's advancement which prevent them from being considered for board positions currently.

Providing Tools and Resources

In addition to regulations, tools and resources exist that could be better supported and shared with the business community and with women professionals. The provincial government could play a continued leadership role in supporting women in business by finding and promoting these tools and resources to the broader business community.

In particular, increasing provincial government support of mentorship programs and leadership training for women in business delivered by business groups such as chambers of commerce or boards of trade, or dedicated non-profit organizations such as Minerva BC, would be a meaningful way of encouraging and empowering more women to take on board and leadership roles. In addition, business associations like chambers of commerce and boards of trade are well positioned to share research, resources and best practices on gender diversity with the business community. The provincial government should investigate ways it could support these groups in developing and delivering these gender diversity resources to BC business community as a way of encouraging ongoing and systemic diversity and inclusion in our economy.

Recommendations

That the provincial government:

- 1) Work with the federal government, the federal Ministry of Innovation, Science and Industry, BC Securities Commission and other provincial securities regulators, and the business community to develop and implement tools, resources and regulations to ensure greater gender diversity on boards.

⁸ "Large, publicly traded companies" is used as a stand-in term for "reporting non-venture issuers." A "reporting issuer" means a company whose securities are publicly-traded and has issued securities/stocks/shares. A "non-venture issuer" is a reporting issuer that has its securities listed/quoted on any of the Toronto Stock Exchanges, a US marketplace or any marketplace outside of Canada/US. In Canada, "venture issuers" tend to be junior companies listed instead on the TSX Venture Exchange or the Canadian Stock Exchange.