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OPINION

## Why is gender diversity in the boardroom still such a hurdle?



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New statistics on the number of women on boards of directors show Corporate Canada just can't seem to shake its old ways.

Years of regulatory guidance, pressure from investors, education on governance best practices and speeches from experts about how companies benefit from diversity of experience and background have failed to achieve anything close to gender parity.

Numbers from Women Get on Board Inc. (WGOB) and investor relations company IR Labs Inc. show that, of the 237 new listings on the Toronto Stock Exchange and TSX Venture exchange in 2021, just 15.8 per cent of the 1,421 board seats were filled by women. Nearly four companies in 10 had no female directors.

So in a world where environmental, social and governance issues are said to be growing priorities, and crucial to maintaining access to capital, what's it going to take?

For Deborah Rosati, founder and chief executive officer of WGOB, a member-based company seeking to improve boardroom diversity, exasperation is setting in.

"I'm disappointed and surprised," Ms. Rosati said. "There's so much awareness out there. Institutional investors, retail investors focus on ESG. They'll withhold their votes [in board elections] if they don't see progress."

She has been vocal about the need for companies to expand their networks to ensure women are on slates of potential directors, to bolster experience and skills and to avoid group-think. She's even got hundreds of qualified candidates. In the absence of regulations mandating gender diversity, companies must be "intentional" about seeking out directors and consider term limits to promote a better mix.

"I would hope there are some very intelligent people around the table asking the question: 'Did we look hard enough? Did we go out beyond our networks? Do we have a board diversity policy? Do we have targets we want to get to?'" she said.

Newly listed Canadian companies need to lift their games on gender diversity

WGOB and IR Labs released preliminary statistics last summer for newly listed TSX companies, both initial public offerings and graduations from one exchange to the other, that pointed to similar results. The expanded full-year figures add the Venture Exchange numbers. They show the need for improvement, seven years after the Ontario Securities Commission required companies to disclose a policy for female representation in senior management and on boards, or explain why they don't have one.

Results were better for TSX-listed companies, with women filling 19.6 per cent of board seats. They represented 12.8 per cent of directors at new TSX Venture listings. Dozens of boards had no female representation. This is likely, at least partly, because of the fact that many of these companies are in their early stages, having been put together by male entrepreneurs and their initial funders.

From a sector standpoint, the booming technology industry accounted for the highest number of new TSX listings, with 29. Just more than 17 per cent of the board seats were filled by women. Seven of those companies had no female directors. The best TSX showings were in health and wellness, and communications and media, where women held a third of the board seats, although statistics were skewed by a small number of new listings. Life sciences scored the lowest, at 11.8 per cent.

In cleantech, which accounted for 13 new TSX listings, the results beat the average, with 25.6 per cent of seats filled by women.

Leaving aside for a moment the obvious benefits of a diverse board, the research shows some boards are ignoring what institutional investors are demanding of them. That is, metrics on diversity and inclusion that help them satisfy their own investors on environmental, social and governance issues.

This is not to say there has been no progress, or policies among individual companies to improve. Late last year, Canadian Securities Administrators (CSA), the umbrella group for the country's securities commissions, reported female board representation has increased by 11 per cent over the past six years. However, that is still just 22 per cent of total board seats at 599 non-venture companies.

It said 60 per cent have policies related to women on their boards. Last year, the CSA started consultations to gather views on how to broaden diversity initiatives.

Among the TSX 60 large companies, women make up a third of the directors, according to the law firm Osler, Hoskin & Harcourt LLP.

The market is starting to enforce its own standards. This year, proxy advisers are recommending shareholders withhold votes for chairs of nominating committees if they do not meet a threshold for female directors or have formal gender diversity policies.

The research on newly listed companies provides a window into what the next generation has to offer on this front, and how culture and governance need to change as new ones go public, Ms. Rosati said.

“It doesn't happen because you're filing your prospectus in six weeks, and all of a sudden you need to have a diverse board. You need to be thinking about it as part of your overall corporate strategy.”

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