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Majority of directors support 'comply or explain' policies: report

By Dan Ovsey

A new report shows more than half of Canada's board directors would support "comply or explain" policies currently being considered by the OSC to...

More than half of Canada's board directors say they are willing to accept "comply or explain" gender-diversity policies that would force them to publicly explain why they have a low representation of women on their corporate boards and how they intend to bridge the gap.

That's the message coming out of a report¹ released this morning by the Canadian Board Diversity Council (CBDC)², which shows 54% of directors say they are willing to support "comply or explain" policies while 23% believe there should be no change with respect to regulatory policy. In addition, 8% supported the implementation of gender quotas to hasten the pace of board gender diversity.

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The sentiment in favour of "comply or explain" was most pronounced in the retail/trade sector as well as the financial services and utilities sectors. However, even in the the mining/oil & gas sectors where the lack of women on corporate boards has been particularly acute, 49% of directors say they support "comply or explain" regulation.

Highlights of the CBDC 2013 Report Card³

- 54% of directors would support "comply or explain" policies while 23% say the status quo shouldn't change
- Women make up 23% of directors in the finance and insurance sector but only 9% in mining/oil/gas
- 21% of FP500 boards currently have a written diversity policy
- 61% of directors are opposed to the establishment of a voluntary written diversity policy
- 76% of directors believe their board is diverse, but 73% of TSX60 board directors are able-bodied white males
- 90% of directors their boards search for new members using their own personal networks versus 61% who use search firms
- The number of board members who are visible minorities has gone down from 5.3% in 2010 to 3.4% in 2013

CBDC founder Pamela Jeffery says she had expected a much higher number of directors to be opposed to any form of regulatory policy shift, and believes the numbers show a shift it taking place on Bay Street.

"Because they responded in this way, we are hopeful that with the federal government looking at this and the Ontario government about to receive recommendations from the [Ontario Securities Commission]... we're hoping we're going to see in 2014 a nice round of appointments."

However, the CBDC's 2013 Report Card also reveals contradictory sentiment among board members with respect to diversity. While 93% of FP500 directors say diversity is important to them, 61% are opposed to voluntarily establishing formal diversity policies.

In addition, while 76% of directors believe their boards to be diverse, white males still make up 73% of TSX60 directors and women make up only 15.6% of FP500 directors.

The CBDC report - which will be delivered to every corporate board chair - comes as the OSC considers responses regarding the implementation of "comply or explain" policies - an issue that has stirred debate on Bay Street.

Some believe "comply or explain" policies are overly onerous and unfairly ostracize those who are non-compliant⁴, while others espouse the view such policies don't go far enough. Last month, the Ontario Teachers' Pension Plan⁵ said it believed "comply or explain" policies should have specific timelines attached to them so that boards that do not have at least three women as directors by 2020 should be de-listed from the TSX.

Ms. Jeffery believes boards can no longer be left to their own devices when it comes to the advancement of gender diversity, and that the introduction of new regulatory policies is critical to shifting traditional board composition.

"In the absence of measurable objectives and in the absence of the OSC mandating disclosure, we don't think we're going to see the kinds of changes that are going to be in the best interest of shareholders," she says.

The CBDC report noted that if the current pace of board diversity is maintained, gender parity on Canadian boards will not be achieved until 2097.

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