

CCCU 63rd Annual International Convention Virtual Conference – June 21-24, 2021

“Building Resilience through Self Reliance”

Board Diversity: Getting it Right

Implications for your Revenues, ROI and Returns

Brenda Pope MBA, BSc, CISA, CMC

Managing Director, ConsultBP



C O N S U L T / B P

Agenda

- Definitions and context
- Global diversity perspectives
- Benefits of diversity
- How Caribbean FIs stack up
- “Mixtocracy” model
- Where do you go from here
- Q & A





Definitions and Context ...

Diversity is ...

- the inclusion of different types of people (such as people of different **races or cultures**) in a group or organization. *Miriam Webster*
- the inclusion of individuals representing more than one **national origin, color, religion, socioeconomic stratum, sexual orientation**, etc: *Dictionary.com*
- a feature of a mixed workforce that provides a wide range of abilities, experience, knowledge, and strengths due to its heterogeneity **in age, background, ethnicity, physical abilities, political and religious beliefs, sex, and other attributes.** *Business dictionary*

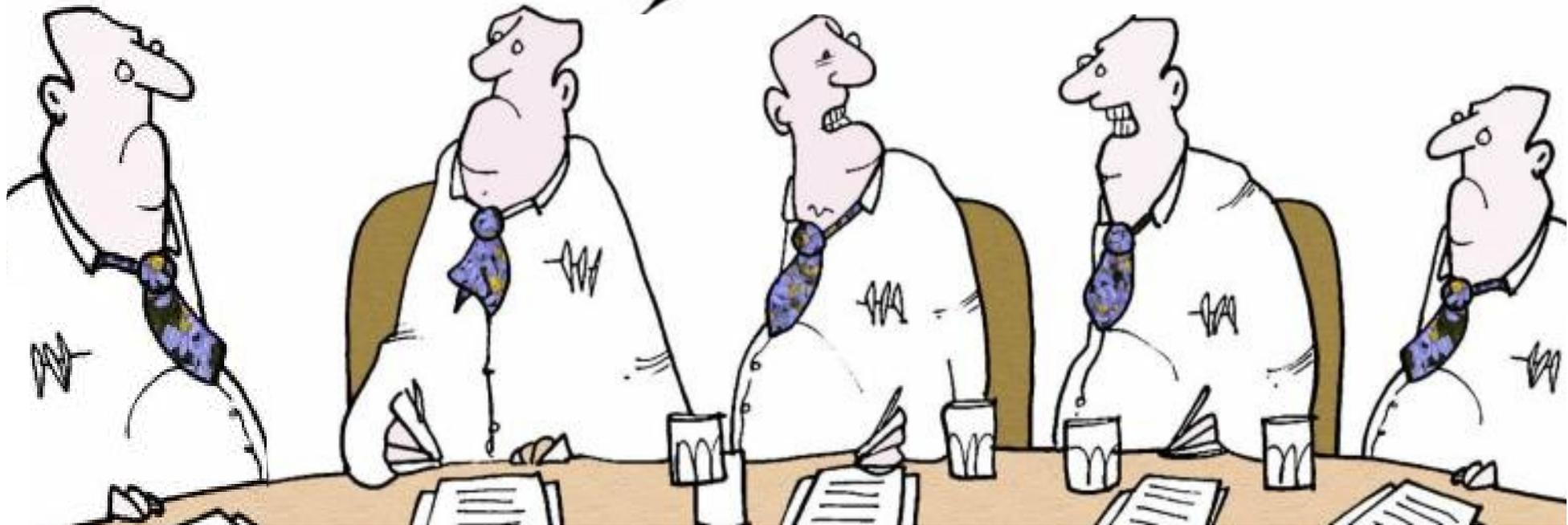
Diversity has many Components ...

- Gender
- Ethnicity
- Age
- Cultural
- Language
- Religious
- Sexual Orientation
- Educational
- Political
- Geographic Location



Why Diversity?

HR SAY WE SHOULD BE LOOKING FOR A LITTLE FRESH BLOOD
ANY IDEA WHAT THEY'RE TALKING ABOUT?



Role of the Board of Directors

- Approving corporate strategy
- Testing business models, identifying key performance metrics, and setting timetables for performance evaluation
- Identifying key risk areas, and overseeing risk management
- Approving major asset purchases
- Ensuring integrity of audited, published financial statements
- Representing the interest of members

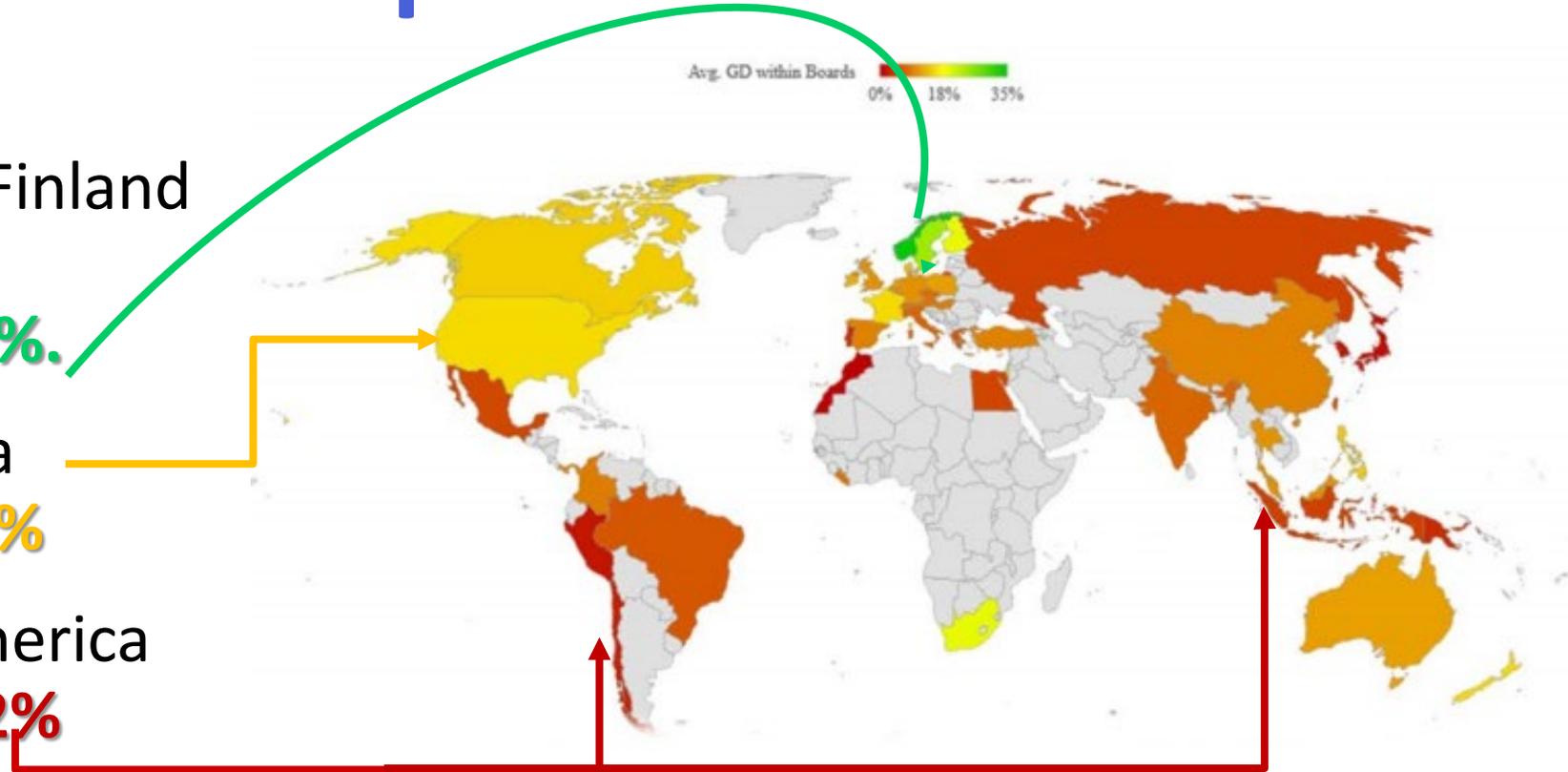




Global Diversity Perspectives ...

Global Gender Diversity within Publicly Listed Companies

- Norway, Sweden, Finland and South Africa
Average: 20% - 35%.
- EU, US and Canada
Average: 10% - 15%
- Asia and South America
Average: 1% and 2%



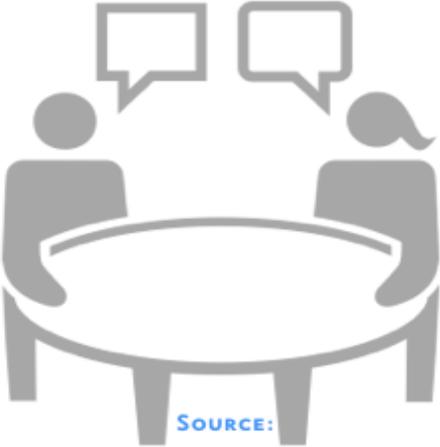
** KPMG, 2016, "Gender diversity within boards – a global view"

Gender Gap Disconnect ...

HOW DO DIRECTORS EXPLAIN THE BOARD GENDER GAP?



HE SAID:
BOARD GENDER GAP DISCREPANCY IS DUE TO A "LACK OF QUALIFIED FEMALE CANDIDATES".

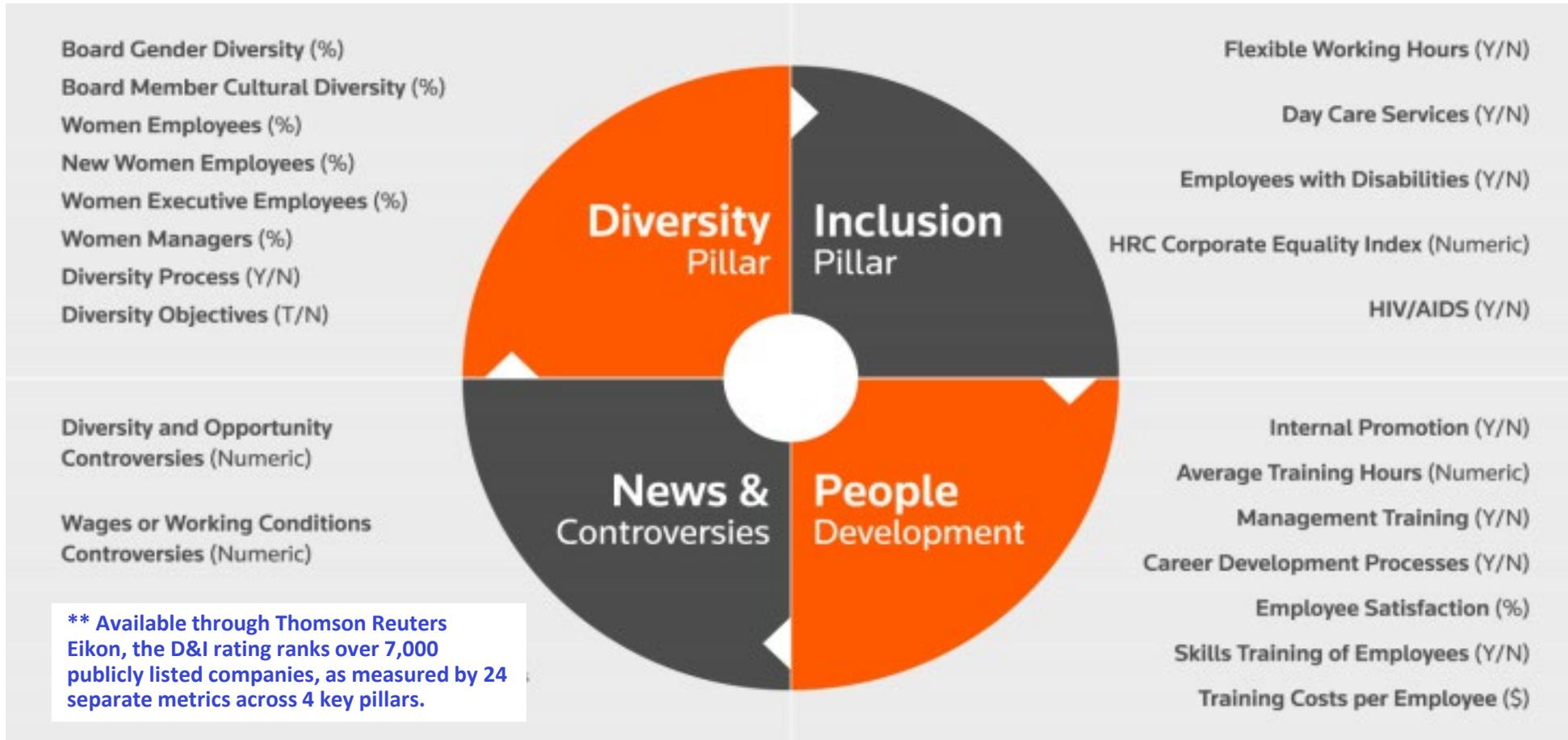


SHE SAID:
SEEMS THAT GENDER DIVERSITY IS "NOT A PRIORITY" WHEN BOARDS SEEK TO FILL A VACANCY.

SOURCE:
2016 GLOBAL BOARD OF DIRECTORS SURVEY

** Deloitte, 2016, "Board Practices Report"

Diversity and Inclusion (D&I) Index ...



**** Available through Thomson Reuters Eikon, the D&I rating ranks over 7,000 publicly listed companies, as measured by 24 separate metrics across 4 key pillars.**

D & I Index Findings

“Top 100 D&I companies have had **better ROE** (Return on Equity), over the period than the benchmark, **stronger operating profit margins** and **better dividend yields ...**”

*** Thompson Reuters, 2018, “Analysis of Board Diversity and Performance”*

D & I Index Companies Perform Better...

“ ... [researchers] compared the performance of D&I Index versus a number of indexes since July 31, 2011, with the D&I index demonstrating better returns against all of these ...”

- MSCI World
- FTSE4GOOD 100 GLOBAL
- Thomson Reuters D&I Index
- Thomson Reuters Global Developed Index



** *Thompson Reuters, 2018, "Analysis of Board Diversity and Performance"*

... On Many Fronts

D&I Top 100

	Portfolio	Benchmark	Diff.
Dividend Yield	2.92	2.56	0.37
Price/CF	14.66	13.80	0.85
Price/Book	2.56	2.00	0.56
Profit Margin – Net	10.50	5.82	4.68
Profit Margin – Operating	15.48	9.90	5.59
Return on Equity	22.59	18.06	4.52

** *Thompson Reuters, 2018, "Analysis of Board Diversity and Performance"*

Gender Diversity Index (GDI)

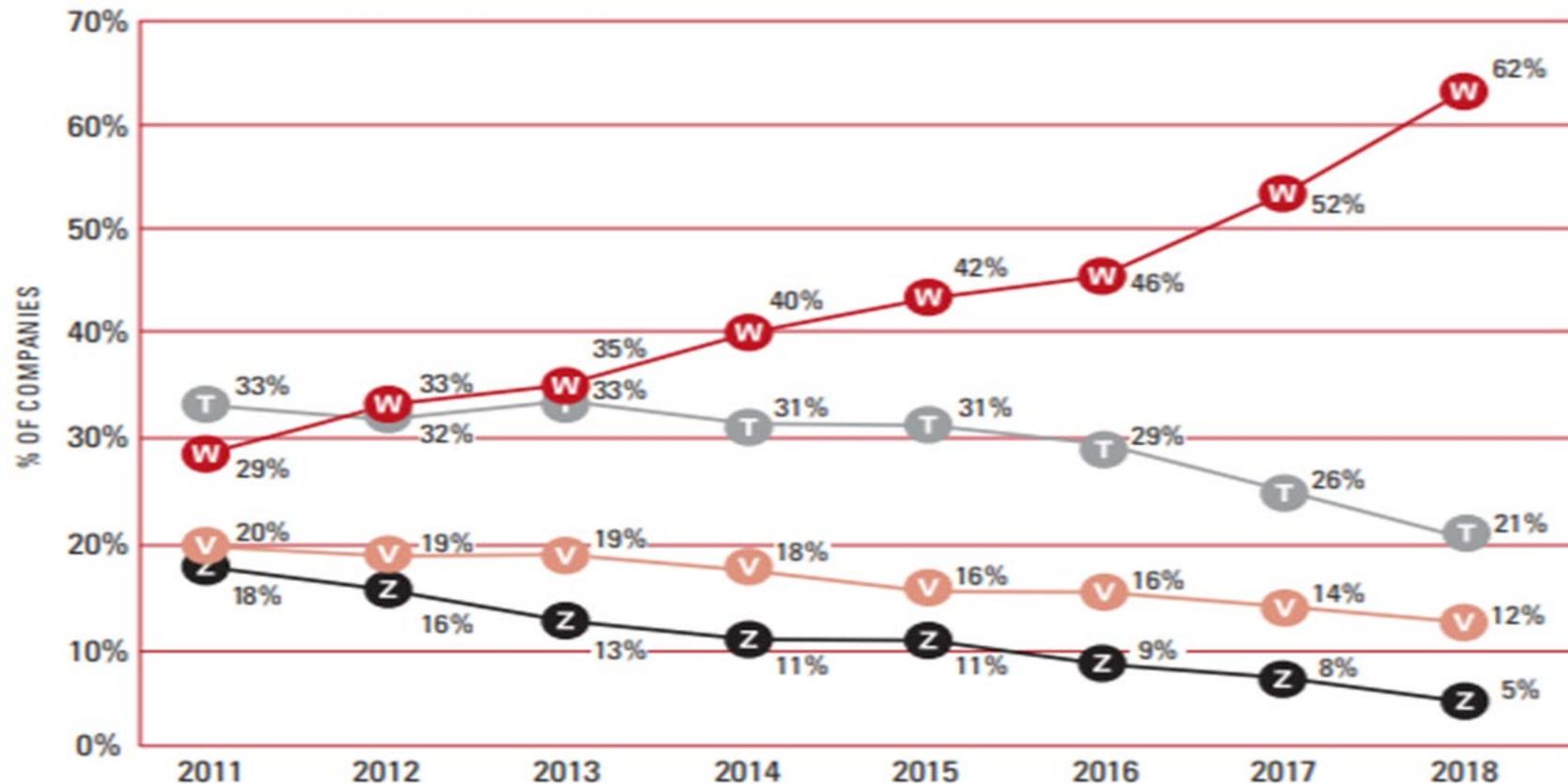
- Annual data compiled from the **2010 Fortune 1000** list is measured and progress compared for the same group of companies from one year to the next.
- Measures: **company size**, **state** and **sector**.
- Companies are grouped into one of four categories: **W**, **V**, **T**, or **Z**.

- W** WINNING
20%+ Women
- V** VERY CLOSE
11–19% Women
- T** TOKEN
1 Woman
- Z** ZERO
0 Women

Gender Diversity Index (GDI)

2011–2018 TRENDS FORTUNE 1000

- W** WINNING
20%+ Women
- V** VERY CLOSE
11–19% Women
- T** TOKEN
1 Woman
- Z** ZERO
0 Women



Age Diversity ... A Forgotten Factor

*What does it take
to achieve diversity
of thought?*

90% of
directors say
diversity of age
is important*
—beating out
gender, race
and other forms
of diversity

Age Diversity ... A Forgotten Factor

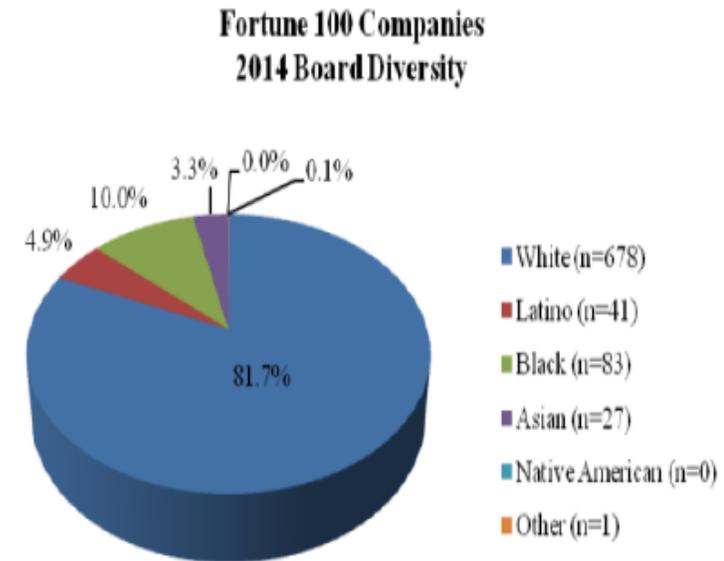
Facts about “**Younger**” Directors (those aged 50 or under)

- **60%** with CEOs < 50 versus **42%** with CEOs over 50
- One-third (**31%**) are women
- They are more likely to be found at IT and consumer products companies
- **96%** have active jobs or positions + board service
- They serve on fewer boards
- For **62%**, companies increased board size to include them vs cutting a more experienced director.

Ethnic Diversity ... A Continuing Challenge

United States

- Ethnic minorities held **14.5%** of seats on Fortune 500 companies versus **15.6%** on Fortune 100
- Most studies found a positive relationship between ethnic minority board representation and key financial indicators



United Kingdom

- Ethnic minorities held **8.1%** of FTSE 100 companies
- FTSE 100 have until 2021 to appoint one board director from an ethnic minority background

** Sappal, Saajan, 2016, "Ethnic Diversity of Boards of US Companies"

Other Diversity Characteristics

- Cultural
- Religious
- Language
- Educational
- Political
- Geographic Location





Benefits of Diversity ...

Diversity and Company Performance

“The overall findings were that **board gender diversity positively affected firm performance** and it explained **5%, 6% and 9%** of the changes in ROA, ROE and leverage respectively.”

Board Gender Diversity and Firm Performance: An Empirical Analysis of Panel Data from Companies Listed on the Lusaka Stock Exchange; November 2017

Boards, investors, regulators, public policy makers and others are increasingly focused on the **mix of directors in the boardroom**, with a particular focus on **diversity**, including gender, race, ethnicity, generation/age and thought.

Deloitte, 2016 Board Practices Report

In 2017, for the first time, more than half of the new directors on S&P 500 boards were **women and/or racial minorities**. But are boards paying enough attention to **age diversity**?

Board composition: Consider the value of younger directors on your board . PwC's Census of Directors 50 and Under , April 2018

“Companies in the top quartile for **racial and ethnic diversity are 30%** ... and in the top quartile for **gender diversity are 15%** ... more likely to have financial returns above their respective national industry medians.”

McKinsey & Company: Why Diversity Matters

“... boards with **over 30% female board composition** tend to experience higher ROA's and Tobin's Q's.
“... **10%** increase in female members results in a **0.5** percentage point increase in ROA”

Hou, Judy, 2016, “Corporate board diversity

The figure of at least **30%** women on boards was subsequently established as the benchmark for maximizing the potential of board diversity, as organizations that met or exceeded that benchmark added **6 percentage points** to their net margins.

EY: Where do women sit if all board seats are taken?
TRANSFORMATION THROUGH TECHNOLOGY

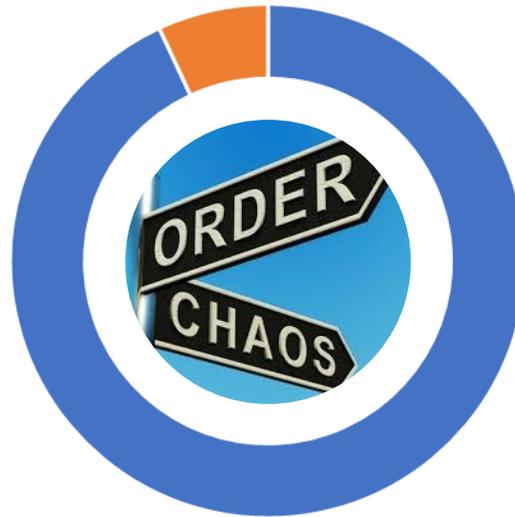
Recognise Benefits of Diversity ...

Over 90% of respondents believe that greater board diversity will enable the organisation to improve its ...

... Ability to innovate



... Ability to manage disruption



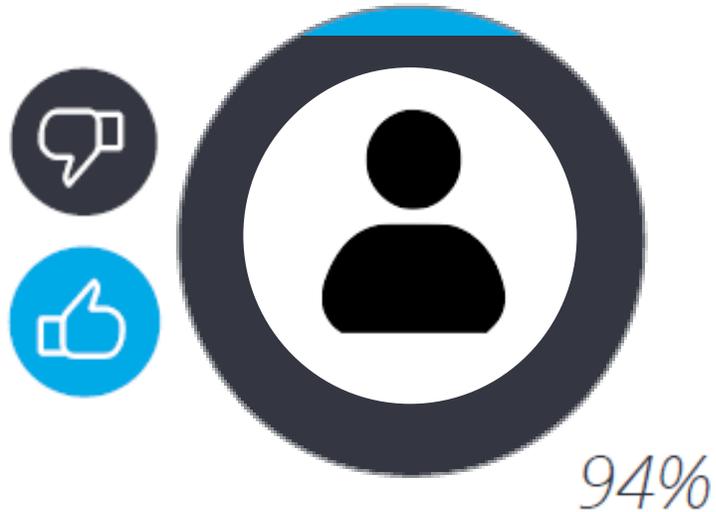
... Overall business performance



** Deloitte, 2017, "Seeing is believing: 2017 board diversity survey"

Seek Diversity of Experience ...

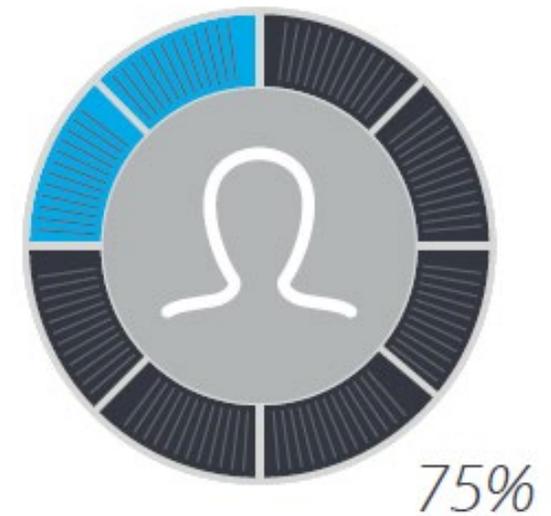
More than 90 percent of respondents would see a candidate without executive experience as unqualified



Boards also source a majority of their candidates from other boards—within their own industries



Boards rely heavily on resumes in recruitment and selection.



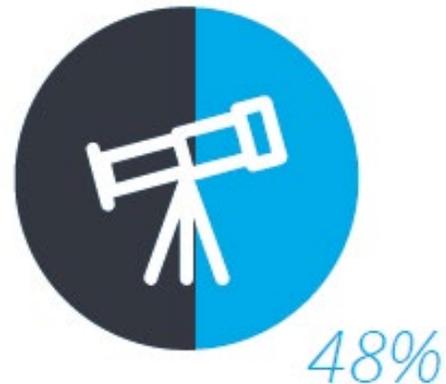
** Deloitte, 2017, "Seeing is believing: 2017 board diversity survey"

Embrace Diverse Views ...

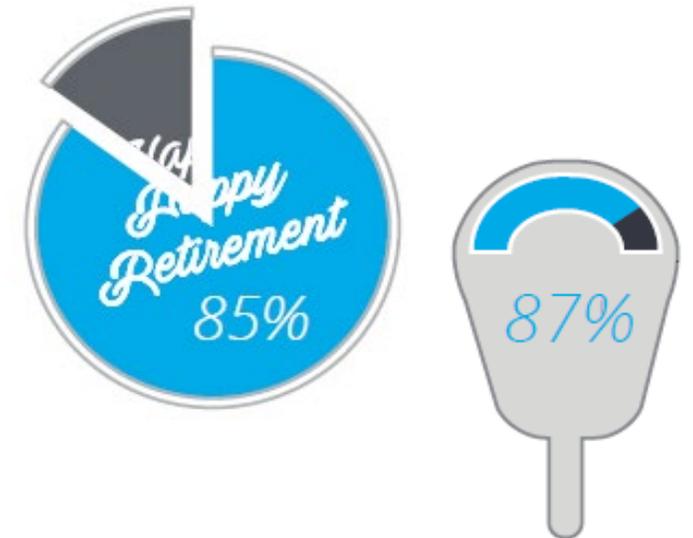
About half of organizations with succession plans do not have a specific process for recruiting candidates with diverse skills



About half of organizations with succession plans do not have a specific process for recruiting candidates who bring disruptive perspectives to their industry



Almost nine in ten leaders agree that term limits and required retirement ages would be useful



** Deloitte, 2017, "Seeing is believing: 2017 board diversity survey"

Age Diversity is Forward-facing...

Younger directors well positioned to add value to address the new challenges that change brings:

- **Industry 4.0 / Industry 5.0** are reshaping corporate opportunities ... and the workforce
- **Millennials** are now the most **powerful consumer** group
- A corporate scandal, can erupt over **social media** in hours

Boards can **truly benefit** from younger directors who have actively addressed these types of changes in the business environment.



Diversity means Better Decisions ...

“ ...a **more diverse** group will come to a **better decision** than a more experienced or better educated – but more homogenous – one” **

- A single diverse perspective in an otherwise homogenous group can shift how decisions are made, avoiding **“groupthink”**
- Presence of **new perspectives** often allows existing group to voice other opinions
- A boardroom which **looks AND thinks like its market**, can think intuitively and creatively, and innovate faster

** Kellogg School of Management Northwestern University, 2010, “Better Decisions Through Diversity”

Cognitive Diversity and your Company's Future



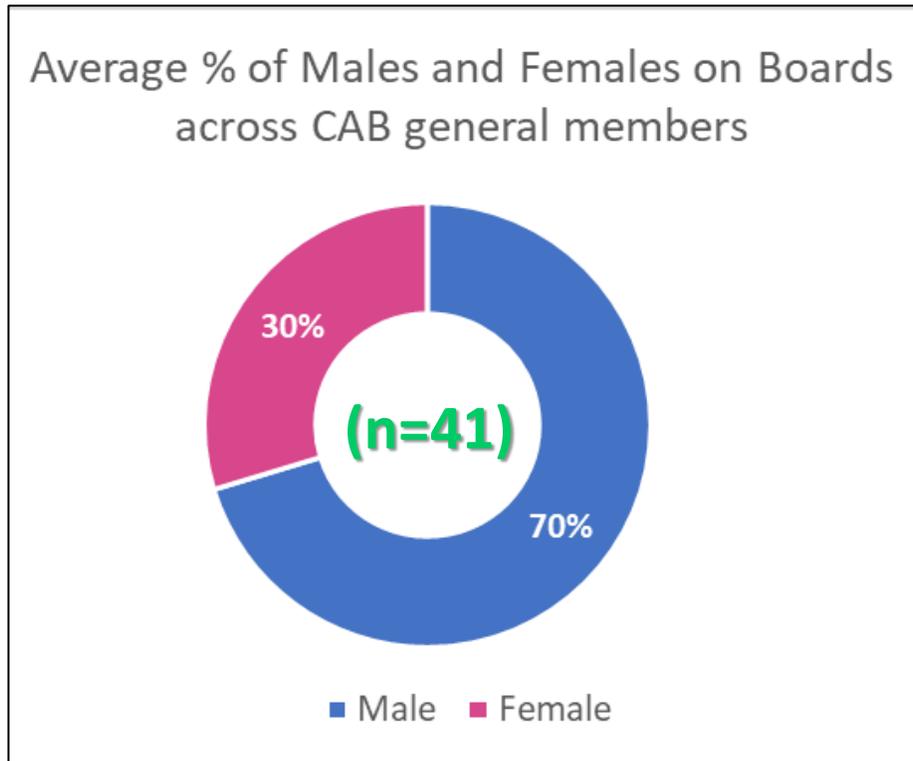
- Agile, innovative startups **are disrupting** traditional industries
- New, **diverse ways of thinking** are required
- **Targeted boardroom diversity** can quickly augment existing talent with the creative talents of the disrupters
- The **ultimate goal** of a diverse assembly is to achieve **cognitive diversity**

** EY Center for Board Matters: <https://www.ey.com/gl/en/issues/governance-and-reporting/center-for-board-matters>

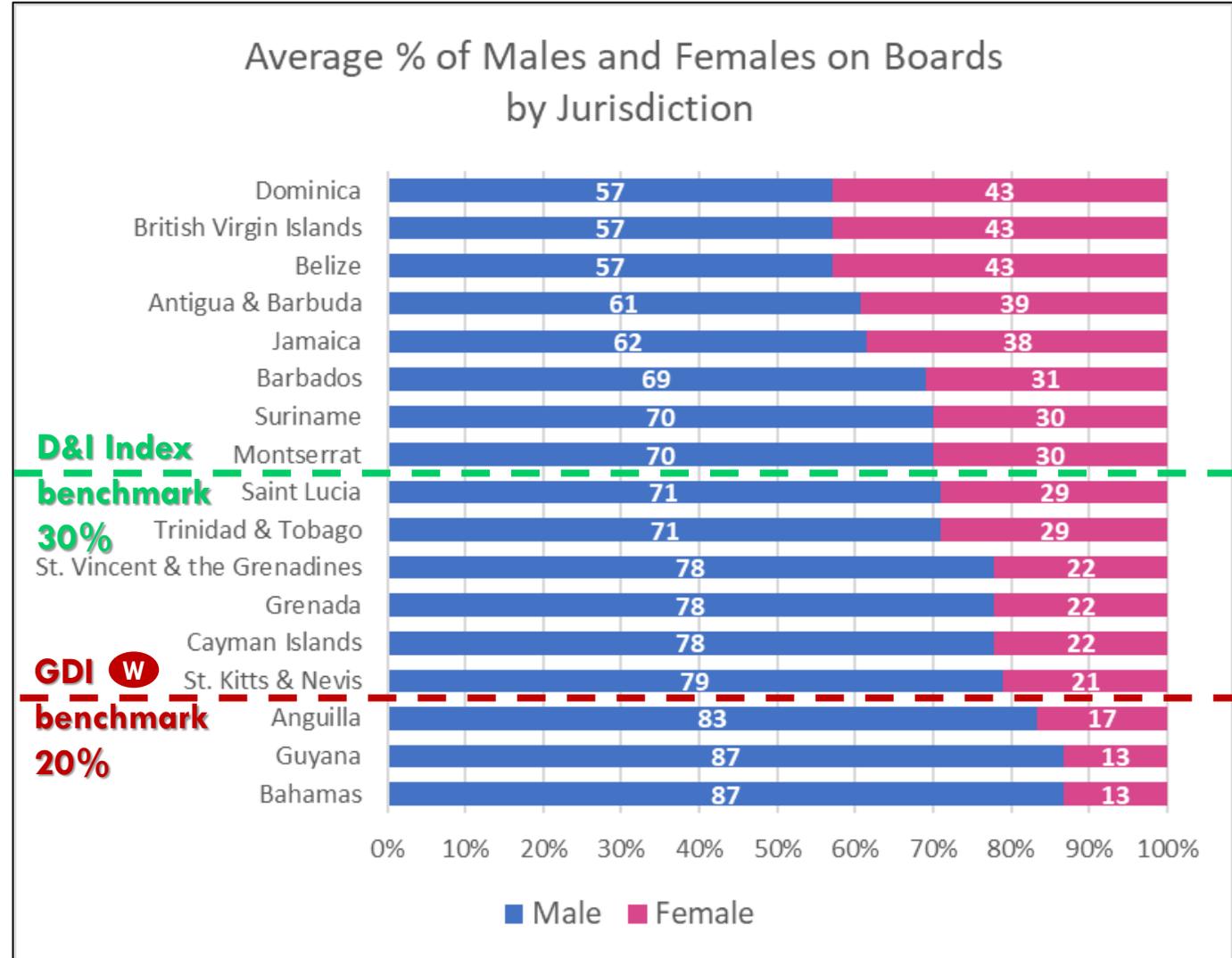


How Caribbean Companies Stack Up ...

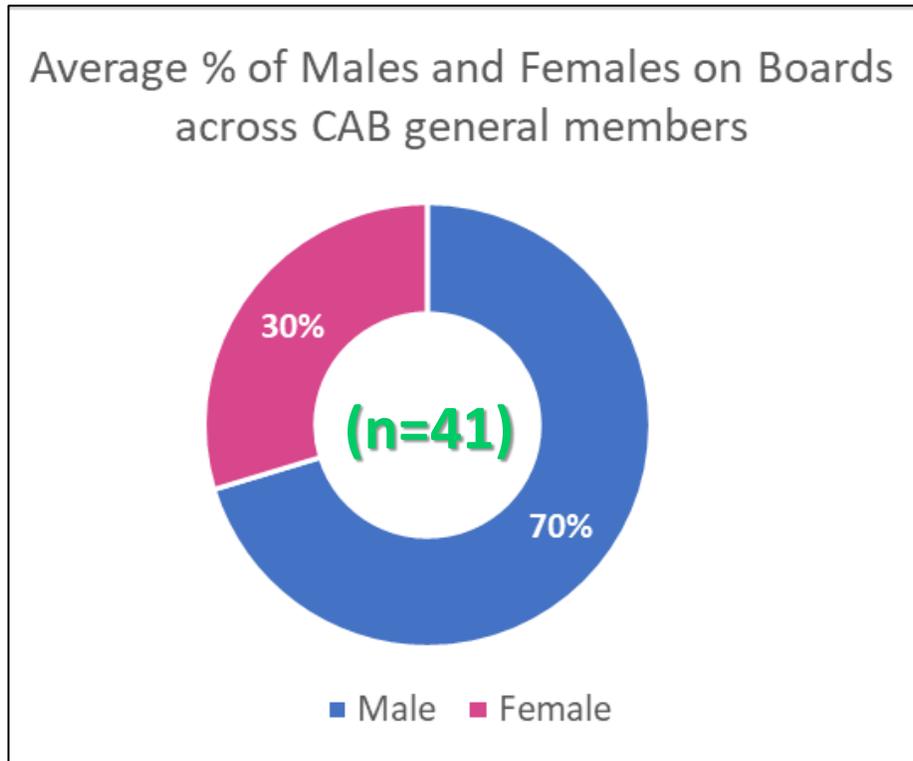
Gender Diversity in Caribbean FIs



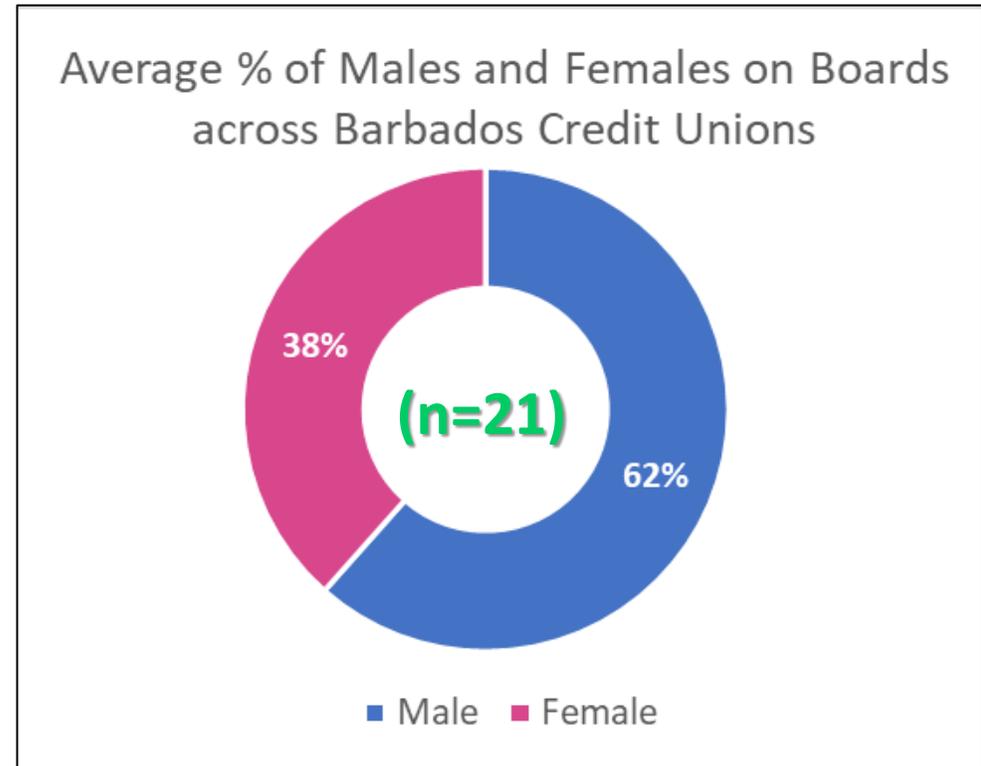
** CAB member websites and annual reports (2019)



Gender Diversity in Caribbean FIs



** CAB member websites and annual reports (2019)

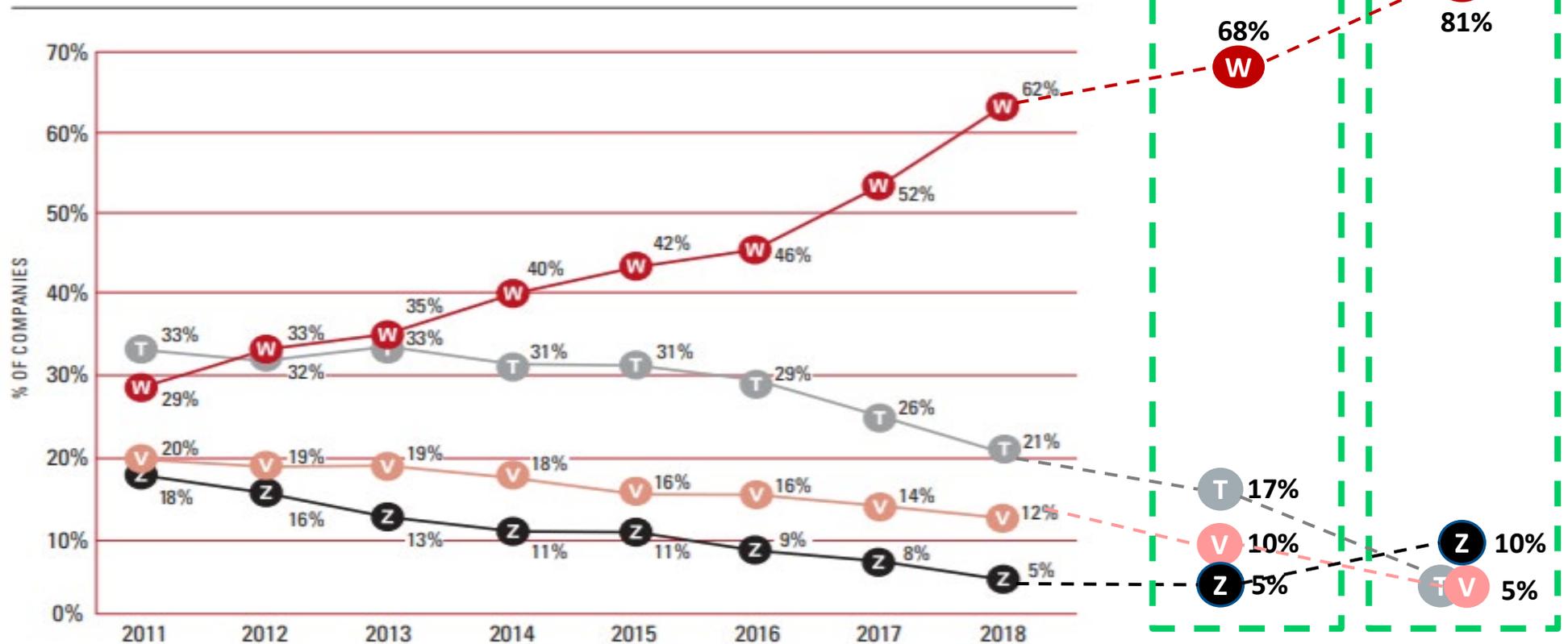


Barbados CU websites, annual reports and direct query (2021)

Caribbean FIs outperform on GDI ...

2011-2018 TRENDS FORTUNE 1000

- W** WINNING
20%+ Women
- V** VERY CLOSE
11-19% Women
- T** TOKEN
1 Woman
- Z** ZERO
0 Women



Gender Diversity in Barbados Companies

FIGURE 1

Benchmarks for Barbados and the Top 5 GDI Countries

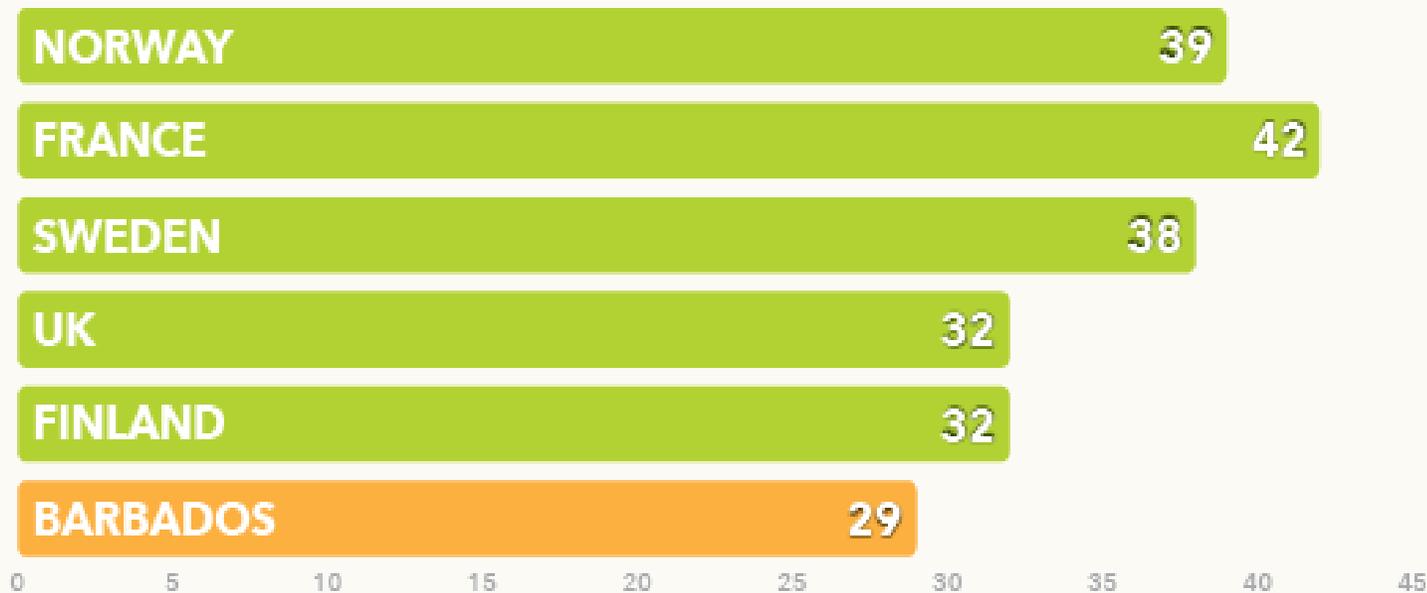
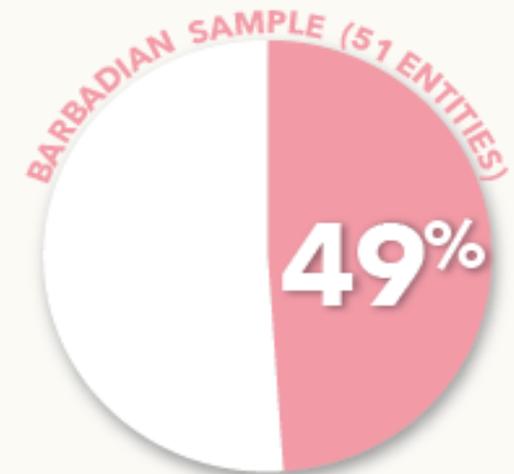


FIGURE 2

Entities with more than 30% Gender Diversity Index (% women on Boards)



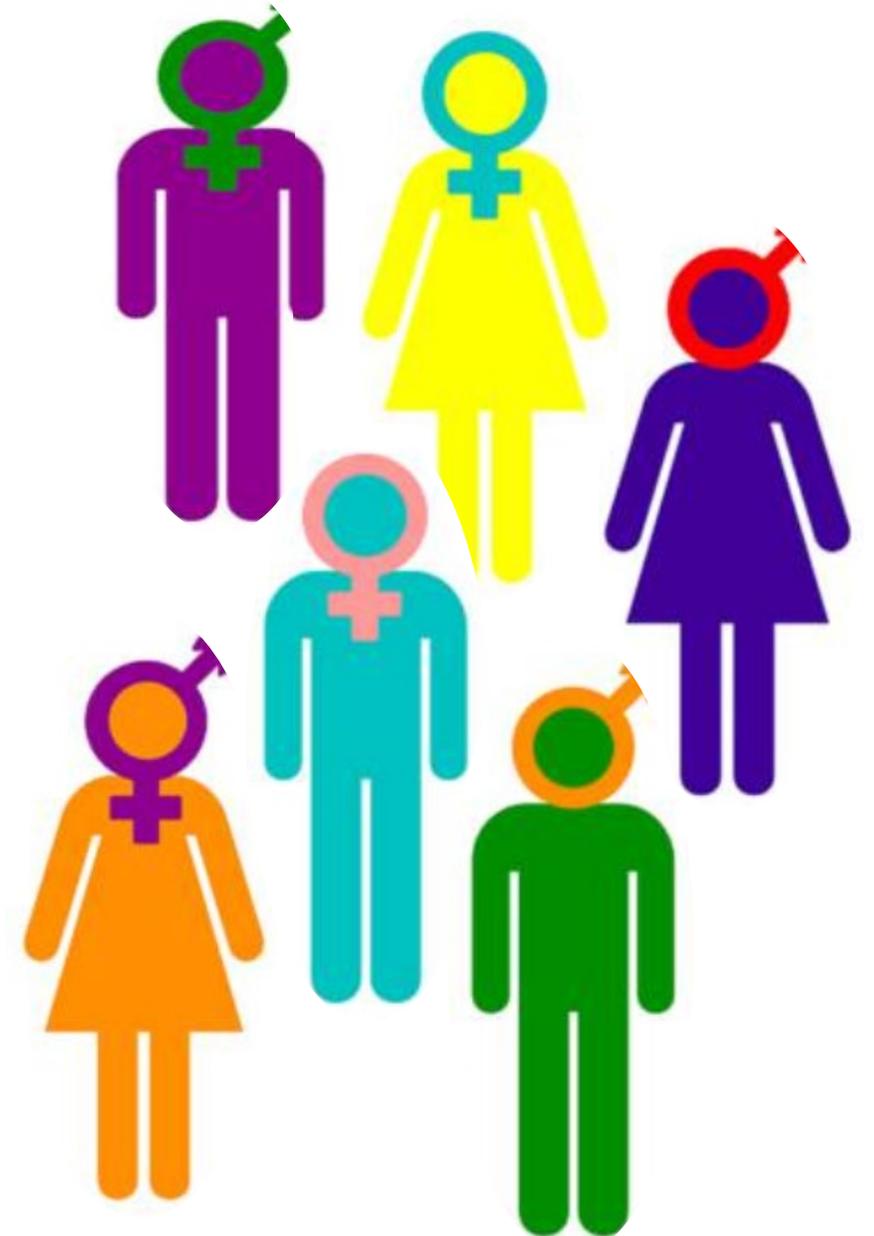


“Mixtocracy” Model: New way forward ...



Mixtocracy Model...

- Rethink Risk
- Elevate Diversity
- Retool Board Composition
- Revitalise Succession Planning



TRANSFORMATION THROUGH TECHNOLOGY



Where do you go from here?

Strategies to Enhance Diversity ...

- Engage in more **vigorous efforts** to achieve board diversity
- Adopt **broader definitions of diversity**
- Include diverse directors with **valuable skillsets** in board succession as an opportunity to **grow overall business**
- Abandon simplistic board composition tools in favor of **more sophisticated tools** and programs



Strategies to Enhance Diversity (cont'd) ...

- Include more **holistic and flexible ways of identifying** and selecting candidates
- Examine whether existing directors have the **experience and skill sets** that are still **relevant** today
- Address all identified **experience and skill gaps**
- Consider expanding board size to add the diverse perspective and **cognitive variety** needed



Final Closing Thought ...

“... a **more diverse** group will come to a **better decision** than a more experienced or better educated – but more homogenous – one”



Thank You!!

Questions?

Brenda Pope



Managing Director

ConsultBP

brenda@consultbp.com

www.consultbp.com

246-233-7905