OSC Consultation Paper 58-401 - CanWIT Submission

Background

As Canada's leading non-profit network focused on supporting the advancement of women in technology, Canadian Women in Technology (CanWIT) is well-aware that women are significantly under-represented within Canadian technology organizations and organizations that employ technology professionals. Unfortunately, in comparison to other sectors the information technology sector has low representation of women on boards as well. According to Karen Wensley, the author of the study *Gender Diversity of Boards of Directors of Canadian ICT Companies,* the boards of the 10 largest Canadian ICT companies are 16.5 per cent female in comparison to Spencer Stuart's 2012 Board index of larger Canadian companies which average about 17 per cent. This report also indicates that Canada overall is falling behind other countries, slipping to 9th place among industrialized nations for female representation on boards. [1]

As an organization that provides programs to increase the participation of women in technology we are invested in encouraging companies to increase female representation on boards. CanWIT welcomes the opportunity to respond to the *OSC Consultation Paper 58-401* to determine what can be done to increase female representation on boards and senior management. CanWIT considers increasing the representation of women with technology skills on boards an essential step in breaking the glass ceiling and increasing the overall number of women in technology by providing a wonderful example of women contributing at senior levels. In order to achieve this, we would like to respectfully suggest the establishment of an Advisory Council where the Chair and Vice-Chair of CanWIT can actively contribute and play significant roles.

Women in Canada's Technology Sector – an Overview

Recent studies have shown that women currently make-up only 24 per cent of Canada's technology sector and the number of those in senior executive levels and on boards are even lower.[2] CanWIT believes that regulatory action is necessary to foster an impactful increase in the number of female representation on boards. CanWIT commends the initiatives of the Ontario Securities Commission (OSC) to issue a Consultation Paper on July 30, 2013 to explore disclosure requirements and to make recommendations to the province of Ontario. CanWIT and its parent organization, the Canadian Advanced Technology Alliance (CATAAlliance), recognize that the lack of female role models in Canada's technology sector drastically impacts the way in which the sector is able to attract women.

Canada is not alone in having a low percentage of women in technology roles; women make-up roughly 25 per cent of the U.S. technology workforce as well, and women make-up just 13 per cent of the United Kingdom's technology sector.[3] [4] Many of these countries with similar numbers are taking action to

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[1] Wensley, Karen. "Gender Diversity of Boards of Directors of Canadian ICT Companies." *A report for the Information Technology Association of Canada.* Web. July 2013.

[2] "Women in ICT Action Report." ICTC. Web. April 2012.

[3] "STEM Careers: the need to get more women involved from the start." *Mashable.com*. Web. 23 Sept. 2012

increase the number of senior executive level women in their technology sectors. In comparison to other sectors, the Information and Communications Technology (ICT) sector lags significantly behind Canada's five largest banks whose boards are nearly 30 per cent female.[5] Canada's largest advanced technology trade association, the Canadian Advanced Technology Alliance (CATAAlliance), also considers the attraction and retention of women in Canada's technology sector as a necessary facet to its Innovation Nation platform, which recommends ways in which Canada can increase its level of innovation on a global scale.[6]

With the ICT sector's continued growth and the realization that the majority of Canada's largest employers are in technology-intensive industries, the current under-representation of women in this sector will have a significant impact on the economy. In 2005, the Chief Economist of the Royal Bank of Canada indicated that if the gender imbalance is not corrected in science and technology, Canada's economic growth will be weakened.[7]

In a study carried out for CanWIT in 2009 by Dr. Wendy Cukier, women employed in Canada's technology sector identified a broad set of barriers to advancement, including: their own lack of self-promotion, the "old boys' network," lack of understanding on the invisible rules of an organization, and lack of mentoring and development opportunities. If companies in Canada's ICT sector do not address the number of women on boards, we believe that we will continue to see an increase in the number of women leaving the sector.[8] With technology spending recognized as one of the highest capital spends for organizations it is more imperative than ever to encourage women to join this sector.

In response to the OSC's request for input on OSC Staff Consultation Paper 58-401, CanWIT is pleased to contribute its voice to this timely and appropriate proposal.

<u>**Response to Consultation Questions**</u>

1) **What are effective policies for increasing the number of women on boards and in senior management?**

   CanWIT, in accordance with the proposed amendments outlined in the OSC Consultation Paper, believes that the four areas of focus for the Corporate Governance Disclosure Rule are effective policy initiatives to ensure an increase in the number of women on boards and in senior management. A company should:
   - implement policy regarding the representation of women on the board and in senior management,

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[4] "UK Statistics 2012: Women in Science, Technology, Engineering and Mathematics: from Classroom to Boardroom." *WISE*. Web. 2012.

[5] Wensley, Karen. "Gender Diversity of Boards of Directors of Canadian ICT Companies." *A report for the Information Technology Association of Canada.* Web. July 2013.

[6] "Recommendations for Innovation Nation and Economic Stimulus." *CATAAlliance*. Web. 2013.

[7] "Addressing the Shortage of Women in ICT." *CanWIT (Formerly CATA Women in Tech Forum).* n.p. Web. 12 July 2010.

[8] Cukier, Dr. Wendy. "Attracting, Retaining, Promoting Women: Best Practices in the Canadian Tech Sector." *CanWIT Report (Formerly CATA Women in Tech Forum).* November 2009.

- actively address the issue of how to increase the representation of women in the director selection process
- actively address the issue of how to increase the representation of women in the board evaluation process, and
- implement a metrics tool to effectively measure the representation of women in the organization and specifically on the board and in senior management.

In advance of director selection, CanWIT believes that a company should consider mentorship or sponsorship programs to champion potential female candidates for board positions and the importance of those with technology skills. In a recent report by Karen Wensley, Australia successfully implemented mentoring programs whereby experienced directors mentor potential female candidates.[9] CanWIT believes that the creation of targets within the director selection process and an effective framework or approach to attract women to boards (i.e. – using a search firm opposed to an informal network or mentorship programs to recruit future board members) are a valuable starting-point for policy recommendations.

Quotas versus Targets

Since 2008, at least nine countries – including Norway, Spain, France and Italy – have adopted some form of quota requirements for diversity on corporate boards and about 20 countries without quotas – including the United States, Britain, Australia and Germany – have adopted some form of requirement for companies to discuss board diversity in the hope that more discussion and disclosure will lead to more action (McFarland, 2012). In France, mandatory quotas will take effect in 2017, but the country has already seen an increase in female board representation with women comprising 16.6 per cent of board directors which is up from 9.1 per cent in 2009.[10]

While many are warming-up to quotas, targets appear to be an effective approach that is popular. In alignment with the Lord Davies Taskforce,[11] CanWIT suggests target-based guidelines for Ontario going forward. The size of a company should be taken into consideration with target percentages. Canada's advanced technology sector is largely comprised of Small and Medium Enterprises which may not have the network capacity to reach the same targets as larger corporations.

Women on Boards Advisory Committee

CanWIT recommends that the OSC create an advisory committee of stakeholders to actively review and monitor policy guidelines and develop measurable targets going forward that are sector specific. As the ICT sector already has a lower percentage of women compared to most, targets should ensure appropriate measures are put in place to encourage more women to enter the sector and secure a pipeline for sustainable female representation on boards going forward. CanWIT can assist in setting up a database listing women with technology backgrounds who would be qualified for board positions in small as well as large organizations

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[9] Wensley, Karen. "Gender Diversity of Boards of Directors of Canadian ICT Companies." *A report for the Information Technology Association of Canada.* Web. July 2013.

[10] McFarland, Janet. "Glacial Progress of women on Canada's boards prompts calls for reform." The Globe and Mail. Web. 26 November 2012.

[11] OSC Staff Consultation Paper 58-401. n.p. Web. 30 July 2013.

2) **What type of disclosure requirements regarding women on boards and in senior management would be most appropriate and useful?**

   CanWIT, in accordance with the proposed amendments outlined in the OSC Consultation Paper, is in agreement that the most appropriate and useful disclosure requirements include:
   - a company should be required to disclose whether or not it has a policy for advancing the participation of women in senior management roles and for the identification/nomination of female board members
   - in the absence of such a policy, a company must explain why it does not have one and identify the risks or opportunity costs associated with not having a policy
   - companies should provide a summary of its key provisions or disclose the policy
   - companies should set out how the policy is intended to advance the participation of the women on the board and in senior management of the issuer
   - companies should explain how the policy has been implemented, describe any measurable objectives that have been established under the policy, and disclose annual and cumulative progress by the issuer on achieving the objectives of the policy and where the objectives are measurable, disclose progress in quantitative terms, and describe how the board or its nominating committee measures the effectiveness of the policy

   Australia provides an excellent example in regard to the success of its new disclosure guidelines which resulted in approximately 25 per cent of new board appointments going to women, up from 8 per cent five years ago.[12] CanWIT believes that similar disclosure guidelines, as listed in the OSC Consultation Paper, would result in an increase in female board appointments. It is, however, important to note that the benefits of diversity through disclosure initiatives are also contingent on an organization's culture to be inclusive.[13] Overall corporate practices should reinforce inclusivity.

3) **Are the proposed scope and content of the model disclosure requirements described in Part 4 of this consultation paper appropriate? Are there additional or different disclosure requirements that should be considered? Please explain.**

   CanWIT is in agreement that the proposed scope and content of the model disclosure requirements are appropriate and reasonable. In particular, such disclosure will assist in ensuring greater awareness of the need to encourage increased female representation on boards and in senior management. For the ICT sector in particular, it should be highlighted that companies tend to be smaller and newer entities and, as such, may have greater challenges in the recruitment of female representation. These companies would likely require greater resources and support to recruit more female board members as female representation is typically lower in smaller ICT organizations. CanWIT still believes that the disclosure requirements would benefit all sized companies, but recognizes that targets may differ for greater female representation based on the size of the company.

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[12] OSC Staff Consultation Paper 58-401. n.p. Web. 30 July 2013.
[13] Simard, Dr. Caroline. "The Business Case for Gender Diversity." *The Grace Hopper Celebration of Women in Computing India Conference.* Web. 2010.

4) **What type of statistics, data and/or accompanying qualitative information regarding the representation of women in their organization should non-venture issuers be required to disclose? Should such disclosure be reported for the non-venture issuer only or for all of its subsidiary entities also?**

A company should be required to disclose the proportion (in percentage terms) of the overall number of women employed, the percentage of senior level executives that are women as per the definition of a senior level executive according to the OSC, and the number of women on boards. To ensure consistent messaging regarding the importance of diversity on boards, we also feel that such disclosure should be reported for the non-venture issuer as well as its subsidiary entities.

5) **What practices should we recommend for facilitating increased representation of women on boards and in senior management?**

- *For example, should we recommend that non-venture issuers have a gender diversity policy? If so, should we set out recommended content for the policy?*

- *Should non-venture issuers be required to comply with the recommended practices or explain why they have not complied (i.e. a "comply or explain" model of disclosure)?*

The ICT sector, which is currently faced with a skills-shortage, continues to have a difficult time attracting young women to the sector. The percentage of female participation has remained at nearly 25 per cent for a decade in Canada's technology sector with no signs of increase as enrolment levels in technology programs are stagnant. Women in senior level executive roles and on boards can have a significant impact as role models for women in the sector. Studies indicate that lack of role models and mentors is a significant barrier in both attracting and retaining women to Canada's technology sector. IBM's gender diversity initiative, for example, has been directly tied to the expansion of IBM services to women-owned businesses.[14]

Increasing the number of women on boards is not just a social issue, but one that significantly impacts innovation and Canada's knowledge economy. An increase in the number of women in boards will lead to a greater number of visible role models to women within or interested in entering Canada's tech sector. Studies indicate that access to role models through mentorship is the most "effective" gender-based program offered to address gender differences in advancement (Orser, 2000).[15] Mentorship programs may be an effective way to initiate a pipeline of future female board directors and a recommended practice to increase female representation on boards.

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[14] Simard, Dr. Caroline. "The Business Case for Gender Diversity." *The Grace Hopper Celebration of Women in Computing India Conference.* Web. 2010.
[15] Orser, Dr. Barbara. "Creating High-Performance Organizations: Leveraging Women's Leadership." The Conference Board of Canada. Web. June 2000.

In alignment with the Lord Davies Report to Women on Boards in the UK, companies should aim for a minimum percentage of female representation by 2 – 5 year time-lines.[16] CanWIT supports an action to set overall targets (opposed to quotas) for publicly listed companies with 2014 as the base year. To set an example for non-venture issuers, the introduction of targets for federal and provincial crown corporation boards of directors would be welcomed and applauded by CanWIT. In relation to the ICT sector, a call for a target of 20% by 2017 and 25% by 2020 would be a suitable approach to increase the participation of female representation in Canada's technology sector (although additional consultation from the technology sector may be required).

CanWIT also feels that non-venture issuers should be required to comply with the recommended practices or explain why they have not complied. Guidelines for those who have not complied should include a list of reasonable and unreasonable grounds for non-compliance.

For more information on CanWIT, a Division of CATAAlliance, please visit www.canwit.ca.

Main contact:

Emily Boucher

Executive Director, CanWIT

Email: eboucher@cata.ca

Phone: 902-817-6428

[16] OSC Staff Consultation Paper 58-401. n.p. Web. 30 July 2013.