



**WomenCorporateDirectors**  
*A Foundation Inspiring Visionary Boards Worldwide*

## ***WCD Convenes Thought Leaders to Drive Change in the Boardroom***

WomenCorporateDirectors (WCD) launched a Nominating & Governance (N&G) Committee Chair Roundtable<sup>1</sup> that consisted of U.S. based male and female directors of large public companies, for the purpose of exploring how to leverage the N&G community to move the needle on board diversity and address how to integrate new diverse directors effectively. One of many outcomes was to convene periodic N&G peer exchanges to continue the dialogue and radiate the resulting knowledge to a broader board community

A peer exchange was therefore held in October, 2018 for the purpose of expanding upon the initial discussions and receiving updates from working groups that were formed to delve into specific topics, the most significant outcomes of this session can be found below.

### **The Effectiveness of Legislatively Mandated Board Diversity**

The N&G peer exchange participants discussed the implications of mandates/quotas for achieving greater diversity on boards. This topic is particularly relevant given recent legislation passed in the state of California and in discussion in other U.S. states requiring more women or other ethnic representation on boards. These quotas are believed to have driven short term change outside the U.S. The N&G chairs believed that there were other initiatives that should be considered such as adopting the Rooney rule<sup>2</sup>, enhancing connectivity with existing and emerging diversity networks<sup>3</sup> and seeking diverse skill sets resident in relevant trade organizations<sup>4</sup>. Learning from jurisdictions with successful legislative mandates and following the implications of sunset provisions, such as the mandate set by Italy<sup>5</sup> was also discussed and will be explored through interviews with directors in relevant jurisdictions.

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<sup>1</sup> The Roundtable was sponsored by KPMG, LLP and the recommendations are outlined on the [summary](#).

<sup>2</sup> Adopted from the National Football League, the Rooney Rule is a directive that companies include diverse nominees in every candidate pool for an open board seat.

<sup>3</sup> Latino Corporate Directors Association, ASCEND Pinnacle, Black Corporate Directors, Quorum, 30% Club, Catalyst, 20/20 Women on Board, etc. are focused on aspects of board diversity, especially the existing board candidate pool and future pipeline.

<sup>4</sup> One example is the Executive Women's Forum focused on executives with risk management and various technology skills

<sup>5</sup> The Golfo-Mosca law, which was implemented in 2012, mandates that either gender should be represented at 1/5 for the first election, and 1/3 for the following two board elections. The measure is in place for three consecutive board elections (9 years for each company).

The U.S. peer exchange participants were generally in favor of tenure limits (in conjunction with performance assessments) versus mandated age or term limits, given the value of current board members with institutional knowledge or those board members who continue to stay effective at ages over the current age limits.

### **Individual Director Assessments as a Refreshment Tool**

The group believed that the changing business landscape requires refreshing board skills and matrices aligned to a company's strategy. To that end, individual board member assessments were deemed effective as a refreshment tool by the U.S. peer group and the majority of companies in attendance are using them although it was not viewed as common outside the U.S. The most preferred method of assessment was the periodic use of interviews with a third party followed by an effective implementation strategy based on the findings.

The working group established by this initiative is continuing to compile best practices and radiate this knowledge to the broader N&G community.

### **Stakeholder Pressure as a Driver of Change**

In the U.S., institutional investors and proxy advisory firms are expressing their views on board diversity with increasing frequency and specificity. These communications are expressed through a variety of channels including one on one dialogue with N&G chairs. The U.S. peer exchanges thought that this investor pressure has proven to be an effective driver of intentional board diversity and a working group has been established to discuss how to increase the dialogue between the board ecosystem and investors.

In the U.S., the group discussed the increased use of search firms to access a broader pipeline of diverse candidates in part due to the pressure from stakeholders. Specificity in search firm engagement letters requiring diverse slates and use of diverse search professionals were identified as best practices. One search firm has had success in providing their board clients with entirely diverse slates to start the search process.

Employees and labor unions are also starting to increase their pressure on boards, but currently evaluating anything other than gender diversity using proxy disclosures has not been effective given the lack of standardized diversity disclosures.

Establishing a standardized diversity disclosure to allow for peer comparisons and provide stakeholders with transparency was also deemed a critical driver and a new working group has been established along with other diversity networks<sup>6</sup> to develop

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<sup>6</sup> Groups such as the diverse corporate director's coalition. <http://latinocorporatedirectors.org/wp-content/uploads/2018/10/DCDC-About-the-Coalition-8-14-18.pdf>

such a disclosure. Outside the U.S., the N&G process varies and the definitions of diversity beyond gender are complex and will be evaluated separately.

### **As Boards Diversify, Integration of New Directors is a Key Success Factor**

As boards diversify and look for specific skills for the changing business and technology environment, the U.S. is seeing an increase in first time directors or those outside traditional C-suite roles, which requires a different type of onboarding and integration process.

The U.S. peer groups believe that more strategic onboarding and periodic touch points through a director mentoring process can help ensure that these first time directors are successful and do not become an obstacle to sustaining diversity initiatives. The group has considered the need to establish a working group around onboarding and integration practices.

### **Next Steps**

WCD recognizes that convening the N&G community and its resulting working groups is just one step on an important journey. This critical conversation will continue in several forms over the next few months. During the WCD Global Institute on May 21, 2019 from 1:40 p.m. to 2:40 p.m., a facilitated discussion featuring N&G roundtable participants will review key findings, successes and other output from the N&G roundtable and peer exchanges to date, and solicit feedback from a larger complement of global corporate directors.

WCD will also pursue perspectives from internationally-based corporate directors through a series of interviews to capture the differences and/or similarities in approaches to building board diversity between the U.S., (public and private company directors) and the rest of the world.

WCD's annual Thought Leadership Commission Report, co-authored and sponsored by KPMG, will be released on May 19 at the Global Institute. This new report will showcase some of the findings from the N&G roundtable, and also weave in global perspectives on the value of board diversity and its impact on items such as pay equity, supplier diversity and corporate culture.

## ***N&G Roundtable and Peer Exchange Participants***

*\*Indicates participant in the N&G Roundtable, March 2018*

*#Indicates participant in the Peer Exchange, October 2018*

**Fernando Aguirre**, Nominating and Audit Committee, CVS Health Corp., Nominating Committee, Barry Callebaut, former Chairman, President and CEO, Chiquita Brands International (\*)

**Catherine Allen**, Founder, Chairman, and CEO, The Santa Fe Group; Director, Analytics Pro, Nominating Committee and Public Policy Committee, El Paso Electric Company and Corporate Governance and Nominating Committee, Synovus Financial Corp (\*)

**Kapila Anand**, Audit Committee Chair and Nominating Committee, ESH Hospitality; Compensation Committee Chair, Extended Stay America; Audit Committee Chair, Elanco Animal Health; Audit Committee, Omega Healthcare Investors; Lead Director, WCD Foundation (\*, #)

**Susan Angele**, Senior Advisor, KPMG Board Leadership Center (#)

**Nancy Calderon**, Global Lead Partner, KPMG LLP; Director, Global Delivery Center, Ltd., KPMG India; Director, WCD Foundation (\*, #)

**Phyllis J. Campbell**, Chairman, Pacific Northwest Region, JPMorgan Chase & Co.; Governance and Nominating Committee Chair, Alaska Air Group (\*)

**Diana Fine Cantor**, Partner, Alternative Investment Management LLC; Audit Committee and Nominating Committee, Domino's Pizza; Nominating Committee and Compensation Committee, Universal Corp.; Audit Committee and Nominating Committee, Vici Properties and Director, Virginia Retirement System (#)

**Julie Hembrock Daum**, North American Board Practice Leader, Spencer Stuart; Governance and Compensation Committee, Seacoast Banking Corp (\*)

**Candace "Candy" Duncan**, Nominating and Audit Committee, Discover Financial Services; Audit Committee, FTD; Audit Committee Chair, Teleflex and Retired Partner, KPMG LLP (#)

**Christine Edwards**, Capital Partner and Chair, Bank Regulatory Practice, Winston & Strawn; Governance and Nominating Committee Chair, Bank of Montreal (\*)

**Margaret "Peggy" Foran**, Chief Governance Officer, Vice President and Corporate Secretary, Prudential Financial; Executive Compensation Committee Chair and Nominating Committee, Occidental Petroleum Corp. (#)

**Matt Fust**, Audit Committee Chair and Compensation Committee, Crinetics Pharmaceuticals; Nominating and Audit Committee Chair, Ultragenyx; Audit Committee Chair and Nominating Committee, Atara Biotherapeutics; Audit Committee Chair and Compensation Committee, Dermira and Compensation Committee Chair and Audit Committee, MacroGenics (#)

**Rajiv L. Gupta**, Chairman of the Board and Nominating Committee Chair, Aptiv PLC; Nominating Committee, Arconic; Chairman of the Board, Avantor; Senior Advisor, New Mountain Capital (\*)

**Nancy Karch**, Senior Advisor, Centerview Capital Holdings; Nominating Committee Chair, Kimberly-Clark Corp and Nominating Committee Chair, Mastercard (#)

**Susan C. Keating**, CEO, WomenCorporateDirectors Foundation (\*, #)

**Beth Lowery**, Senior Advisor, Environment and Sustainability, TPG Capital (\*, #)

**Edward Ludwig**, Former Chairman, Becton, Dickinson and Co; Audit Committee and Investment & finance committee, CVS Health Corporation; Lead Director, Executive Committee and Audit Committee, POCARED Diagnostics Ltd. (#)

**Kris Manos**, Audit Committee, KeyCorp; Nominating Committee Chair, Columbia Forest Products; Director, CHI Overhead Doors and Director, Dexter Apache Holdings (\*, #)

**Keith Meyer**, Global Practice Leader, CEO and Board Practice, Allegis Partners (#)

**Patricia Salas Pineda**, Founder and Chair, Latino Corporate Directors Association; Nominating Committee, Levi Strauss & Co. and Director, Frontier Airlines (\*, #)

**Dr. Joyce M. Roche**, Nominating Committee Chair and Audit Committee, Macy's and Nominating Committee and Compensation Committee, Tupperware Brands Corp.

**John W. Rogers, Jr.**, Chairman and CEO, Ariel Investments; Governance and Compensation Committee, McDonald's Corp.; Compensation Committee, The New York Times Co and Director, Nike (\*, #)

**Matthew K. Rose**, Lead Director and Nominating Committee Chair, AT&T; Audit Committee and Compensation Committee, Fluor Corp. and former Chairman of the Board, Burlington Northern Santa Fe, LLC (\*)

**Jana Schreuder**, Director, Entrust Datacard Corp.

**Arthur Sulzberger, Jr.**, Chairman, The New York Times Company (\*, #)

**Gabrielle "Gaby" Sulzberger**, General Partner, Rustic Canyon/Fontis Partners; Nominating Committee Chair and Audit Committee, Brixmor Property Group, Nominating Committee, Mastercard (\*, #)

**Janet Wong**, Lead Executive Advisor, Ascend Pinnacle; Independent Director, Enviva Partners, Retired Partner, KPMG LLP (#)