

Diversity in Global Boardrooms: Insights from the Diligent Institute



*Ms. Lisa Edwards

In the last decade, increasing gender diversity has been a prominent issue for boardrooms and C-suites across the globe. Companies have faced calls for greater female representation at the board level from regulators, investors, and other stakeholders. Diligent Institute, Diligent's corporate governance think-tank and research arm, has been monitoring progress on this front since 2020. Our annual reports on gender and leadership in the boardroom sought to measure not only the percentage of board seats held by women, but also how quickly women joined committees and ascended to leadership positions once they entered the boardroom. Overall, our data and findings suggest slow but steady growth on both dimensions. Women now hold 29% of board seats in our global sample, up from 27% in 2021.

Are Female Directors at Risk of Overboarding?

Along with this increasing percentage of female directors in boardrooms comes the potential for these women to become overboarded. Rather than looking for new, female board-ready talent, it is possible that boards will tap the same relatively small group of women who are already serving on another board. This theory is supported by our Diligent Institute's March findings:

On our Corporate Director Podcast, 7 out of 10 guests on the show mention diversity to be a key game-changer for boards in the next decade. Diversity is here to stay with us, and boards need to get the fundamentals right.”

- Lisa Edwards
President, and COO (Diligent Corporation)

52% of women hold more than one listed board position, compared to only 36% of men.

Breaking down this phenomenon, it's important to remember that many first-time directors are appointed from the C-suite level, particularly from the CEO, CFO, or COO role. Given that current C-suite executives are more likely to be male, it's unsurprising that more male directors hold only one board seat

compared to women directors. Put another way, the relatively few women that do manage to crack into the boardroom are more likely to be tapped again compared to a board-ready female candidate, who is already more likely to be from outside the C-suite.

Recently, the United Kingdom celebrated a great milestone: The UK climbed to second in

the international rankings for women's representation at the board level. Almost 40% of UK FTSE 100 board positions are now held by women, compared with 12.5% just ten years ago. Across the FTSE 350, nearly 38% of board seats are held by women.

While this is a great achievement, our data also suggests that 63% of female directors in the FTSE 350 hold more than one board position compared to only 44% of male directors.

One actionable step to help ensure that board-ready female talent is being tapped for open seats as frequently as their male counterparts is to drive for greater gender diversity on the C-suite/executive committee level, which is the pool that directors often come from.

Diversity quotas and governance regulations: A case study from Japan

In other parts of the world such as France, the UK and Spain, we have seen how the use of gender diversity quotas has advanced gender parity in boardrooms. In France, female directors hold approximately 45% of listed board seats compared to about 40% in the United Kingdom. This progress likely would not have been achieved if not for strict boardroom gender diversity quotas in these countries. This year, the Diligent Institute partnered with a think tank in Japan known as Human Resource Governance Leaders (HRGL) to include Japanese company boardroom composition data in our sample for the first time in doing this report. The data shows that Japan currently has about 11% of female directors, which significantly trails other countries. However, we are likely to see improvement in this region as Japan recently launched a revised corporate governance code aimed at reinforcing corporate governance pillars on diversity, independence level, and climate change as it relates to environmental, social, and governance (ESG) goals.

The revised Corporate Governance Code in Japan reflects the global changes in shareholder interest, which now includes the requirement of increased diversity of boards, a higher proportion of independent directors, and transparent disclosure around sustainability. The recommendations that the updated

Corporate Governance Code defines, along with the new requirements of the Companies Act, may help companies improve their governance and competitiveness through increased diversity at the board level.

A new report on global board diversity and composition

With the success of the partnership that the Diligent Institute had with HRGL in March this year, we are working now on a new diversity report to go live in Q3 of 2022. Our previous diversity reports have been backed by Diligent's Compensation and Governance Intel, with data from thousands of international companies, but we are making efforts to make the information even more robust. Our new report aims to bring together over 20 partners around the world to look at all elements of diversity in the boardroom, including gender, skillset, age, tenure, race/ethnicity, nationality, LGBTQ+ status and more across public and private companies. Diligent Institute is proud to announce that IOD-India is one of the partners has been assembled on this project, and we are very excited to have their perspective and data represented in this endeavor. ■

**Ms. Lisa Edwards is President and Chief Operating Officer of Diligent Corporation, the leader in modern governance providing SaaS solutions across governance, risk, compliance, and ESG. She currently also serves on the Board of Directors of Colgate-Palmolive, holds a MBA from Harvard Business School and a BA from Stanford University. She has held leadership positions at various leading organisations including Salesforce and Visa, Inc.*