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2020-2021

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MONDAY, 28TH SEPTEMBER 2020

Diversity and Inclusion: A Governance Perspective

Ken Chan ICD.D MBA MFAcc

Director, Alterna Savings and Alterna Bank

Directors' Forum Executive



www.linkedin.com/in/thekenchan

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Session Agenda

- Learning objectives
- Diversity & Inclusion: what do they mean?
- The importance of diversity and inclusion for credit union boards
- Breakout session #1
- Governance best practices & emerging trends
- Breakout session #2
- Wrap up

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Learning Objectives

When you registered, we asked: “what do you want to get out of this session?”

Improved understanding of role of CU directors in D&I

How to be a diversity champion within and beyond the CU

Approaching diversity within a homogeneous CU membership

Achieving board diversity & role of nominating committees

Sharing information about D&I among CU directors

Understanding diversity in the workplace

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**“Diversity is being invited to the party.
Inclusion is being asked to dance.”**

Vernā Myers
Founder of The Vernā Myers Company
VP, Inclusion Strategy at Netflix
vernamyers.com

Source: The Verna Myers Company <https://www.vernamyers.com/>

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The Conference Board of Canada has referenced The Centre for Global Inclusion's explanation of Diversity and Inclusion:

Diversity refers to the **variety of similarities and differences among people**, including but not limited to gender, gender identity, ethnicity, race, native or Indigenous origin, age, generation, sexual orientation, culture, religion, belief system, marital status, parental status, socio-economic difference, appearance, language and accent, disability, mental health, education, geography, nationality, work style, work experience, job role and function, thinking style, and personality type.

Source: The Conference Board of Canada <https://www.conferenceboard.ca/insights/blogs/diversity-vs-inclusion-whats-the-difference>

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The Conference Board of Canada has referenced The Centre for Global Inclusion's explanation of Diversity and Inclusion:

Inclusion is a dynamic state of operating in which **diversity is leveraged to create a fair, healthy, and high-performing organization or community**. An inclusive environment ensures equitable access to resources and opportunities for all. It also enables individuals and groups to feel safe, respected, engaged, motivated, and valued, for who they are and for their contributions toward organizational and societal goals.

Source: The Conference Board of Canada <https://www.conferenceboard.ca/insights/blogs/diversity-vs-inclusion-whats-the-difference>

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The Canadian Centre for Diversity and Inclusion (CCDI)'s definitions:

Diversity is about the individual. It is about the variety of unique dimensions, qualities and characteristics we all possess.

Inclusion is about the collective. It is about creating a culture that strives for equity and embraces, respects, accepts and values difference.

Diversity and inclusion is about capturing the uniqueness of the individual; creating an environment that values and respects individuals for their talents, skills and abilities to the benefit of the collective.

Source: CCDI <https://ccdi.ca/our-story/diversity-defined/#>

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What is the research
showing us?

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DiversityLeads 2020 (Ted Rogers School of Management's Diversity Institute) analyzed the representation of women, Black people, and other racialized persons among 9,843 individuals on different types of boards across 8 cities: Toronto, Montreal, Vancouver, Calgary, Halifax, Hamilton, London, and Ottawa.

"... women are underrepresented on boards of directors. Overall, women occupy 40.8% of board positions in the cities and sectors studied."

"...While racialized people represent 28.4% of the population across the jurisdictions studied, they occupy only 10.4% of board positions overall."

"... Black leaders are deeply underrepresented on boards across Canada and are even outnumbered by other racialized groups... Black individuals hold only 3.6% of all board positions in Toronto despite comprising 7.5% of the Greater Toronto Area population. The picture of Black representation on corporate boards in particular is even bleaker, where only 0.3% of board members are Black."

Source: Ted Rogers School of Management Diversity Institute
https://www.ryerson.ca/diversity/reports/DiversityLeads_2020_Canada.pdf

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“The State of Credit Union Governance 2020: Credit Union Governance and Leadership Trends”

- The David and Sharon Johnston Centre for Corporate Governance Innovation at the Rotman School of Management, University of Toronto
- Quantum Governance, L3C
- Credit Union Executives Society (CUES)

“Board composition and renewal are among the most critical issues facing credit union leaders today. With credit union board members aging at an alarming rate and the competition for qualified board members increasing, it is critical for today’s credit union boards to attract the right candidates with the right skills to help govern the credit union effectively.”

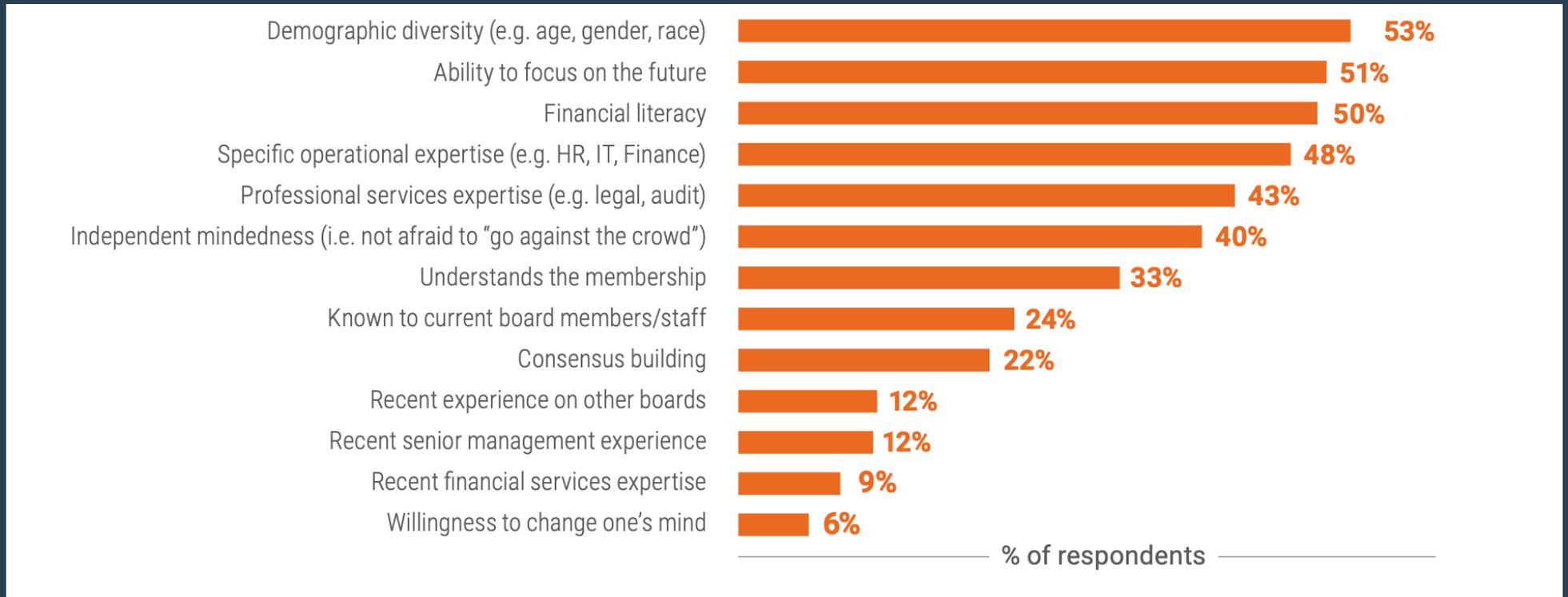
“... credit union boards are now more likely than ever before to prioritize demographic diversity.”

Source: CUES <https://www.cues.org/product-service/state-credit-union-governance-2020>

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“The State of Credit Union Governance 2020: Credit Union Governance and Leadership Trends”

□ What are the highest priorities when recruiting new board members? (n=320 directors/ ~ 170 US credit unions)



“...Demographic diversity (53%) was identified as the number one priority for credit union board recruitment.”

Source: CUES <https://www.cues.org/product-service/state-credit-union-governance-2020>

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Why should diversity and inclusion matter to you?

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“The board setting an example is important. If the board is not both diverse and inclusive, it lacks credibility with management” - director of a Fortune 500 company*

** The inclusion imperative for boards, Deloitte Insights, April 2019*

- How diverse and inclusive a board is sets the tone for the rest of the organization and sends a message to your employees, customers, vendors, regulators, community and peers.



... but why is that important to me and to my credit union?

Source: Deloitte <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/center-for-board-effectiveness/us-the-inclusion-imperative-how-boards-can-encourage-belonging.pdf>

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“The case for establishing a truly diverse workforce, at all organizational levels, grows more compelling each year. The moral argument is weighty enough, but the financial impact – as proven by multiple studies – makes this a no-brainer.”

Vijay Eswaran, economist, entrepreneur and author

The business case for diversity in the workplace is now overwhelming, www.weforum.org, April 2019

Source: World Economic Forum, <https://www.weforum.org/agenda/2019/04/business-case-for-diversity-in-the-workplace/>

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BCG's 2017 study of 171 German, Swiss and Austrian companies showed a "clear relationship between the diversity of companies' management teams and the revenues they get from innovative products and services".*

*Companies with **above-average** diversity scores reported 19% **higher** innovation revenue than companies with **below-average** diversity scores.**

** BCG diversity and innovation survey, 2017*

Source: Boston Consulting Group <https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation>

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McKinsey's *Diversity Wins* is based on datasets drawn from 15 countries and over 1,000 large companies.

McKinsey's "latest analysis reaffirms the strong business case for both gender diversity and ethnic and cultural diversity in corporate leadership—and shows that this business case continues to strengthen. The most diverse companies are now more likely than ever to outperform less diverse peers on profitability."

... and the importance of diversity and inclusion doesn't change in a crisis, it is critical as part of "business recovery, resilience and reimagination" - a follow up McKinsey report, *Diversity Still Matters*.

Source: McKinsey <https://www.mckinsey.com/featured-insights/diversity-and-inclusion>

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What's widely reported is millennials will make up 75% of the workforce by 2025.

Deloitte's research report: *The Radical Transformation of Diversity and Inclusion The Millennial Influence* "suggests that millennials view inclusion as having a culture of connectedness that facilitates teaming, collaboration, and professional growth."

" ... millennials frame diversity as a means to a business outcome, which is in stark contrast to older generations that view diversity through the lens of morality (the right thing to do), compliance, and equality."

Source: Deloitte <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/about-deloitte/us-inclus-millennial-influence-120215.pdf>

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And sometimes the regulator pays attention

The UK Financial Conduct Authority's statement in September 2020:

“Diversity of perspectives in financial services firms, and an inclusive approach to different views, lead to better decision making, and help firms to understand and meet the needs of consumers from diverse segments of society. This, in turn, leads to a reduced risk of harm to consumers and to market integrity and encourages innovation, through the development of products and services designed to meet the needs of all types of consumer.”

Source: UK Financial Conduct Authority <https://www.fca.org.uk/about/diversity-and-inclusion-why-it-matters-us/our-role-regulator-why-diversity-and-inclusion-matter-financial-services>

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The UK Financial Conduct Authority's statement in September 2020:

“We’re increasing our focus on our role in diversity and inclusion as a regulator over the coming year. We’ll do more to consider how we can better understand potential disadvantages and disparities faced by financial services users with different diversity characteristics and use those insights and analysis in our policy and culture work. This will be particularly important in the context of the coronavirus (Covid-19) crisis, which is affecting different groups in different ways – and our measures need to recognise and address that.

We’ll also do more to embed diversity and inclusion in our culture, supervisory work and other regulatory approaches, and do more to actively identify where we can support positive change.”

Soucre: UK Financial Conduct Authority <https://www.fca.org.uk/about/diversity-and-inclusion-why-it-matters-us/our-role-regulator-why-diversity-and-inclusion-matter-financial-services>

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#1 - Breakout group discussions: 5 minutes

- **How has your board approached the topic of diversity and inclusion?**
 - **What was the context of any discussions on diversity and inclusion by your board?**
 - **What led to these discussions on diversity and inclusion?**

A volunteer from your breakout group will report back to plenary.

What can I do?

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Boards can exercise their governance mandate and responsibilities to support diversity and inclusion

For example, a Deloitte governance study has suggested that boards can use five key areas of organizational oversight they own to influence inclusion:*

- *Strategy*
- *Governance*
- *Talent*
- *Integrity*
- *Performance*

** The inclusion imperative for boards, Deloitte Insights, April 2019*

Source: Deloitte <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/center-for-board-effectiveness/us-the-inclusion-imperative-how-boards-can-encourage-belonging.pdf>

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Leadership starts from the top – setting the tone and leading by example

“Change Starts with the Chair”:*

- *Championing a diverse board*
- *Making the boardroom environment inclusive*
- *Setting the tone that diversity and inclusion are important*

A pulse survey of over 2,000 executives by Russell Reynolds suggested that: “One of the most striking findings was that when senior leadership (namely, the board and executive committee) champions diversity and inclusion, key human capital outcomes improve.”

*Driving Diversity and Inclusion—the Role for Chairs and CEOs, Russell Reynolds,
Source: Harvard Law School Forum on Corporate Governance

<https://corpgov.law.harvard.edu/2019/04/03/driving-diversity-and-inclusion-the-role-for-chairs-and-ceos/>

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Some tips

- *Be aware of the unconscious bias*
- *Challenge the assumption that there are no diverse candidates*
- *Anyone can be a champion of diversity and inclusion*
- *Collect data, set targets, measure progress*
- *Expand your networks*
- *Be mentors*
- *Keep the conversation and engagement going*

#2- Breakout group discussions: 5 minutes

- What opportunities exists for your credit union in advancing diversity and inclusion?**
- Are there any barriers? How can they be overcome?**

A volunteer from your breakout group will report back to plenary.

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THANK YOU!

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