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OPINION

Workplace diversity & equality

# All boards must be accountable for gender balance

## TIAA will consider voting against company directors when no progress is made

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A good board of directors should know where it has blind spots. Companies lacking the right mix of talent, experience and perspectives may miss opportunities, ignore threats and fail to hold management accountable.

Many US corporate boards today lack gender diversity. Among companies in the Russell 3000 index, just 18.5 per cent of directors are women. Even worse, one-sixth of companies have no female board members. Just 41 have reached gender parity. Incremental gains have been made, but change remains slow. This is why the Teachers Insurance and Annuity Association of America is making a concerted effort to push boards to be more gender inclusive. Our financial services firm has historically engaged with companies and board diversity has been part of the conversation for some time. Traditionally, this has taken place behind closed doors, and sometimes it still does.

But we have reached a crossroads. Investors now understand how environmental, social and governance issues can affect company performance. Our clients want to hear from us directly about what we are doing. It is 2019 and too few boardroom doors are open to women. This is a systemic issue that cuts across companies of all sizes and industries around the world.

We have been talking to boards about this issue for decades. We hope that the recent groundswell of attention will yield real change. So far institutional investors have focused on large companies, so TIAA is engaging with small and mid-cap companies to make sure they are just as aware of the need to close the gender gap.

Before this year's proxy season, we contacted roughly 500 small and mid-cap companies with no women on their board. We asked them to adopt board search guidelines requiring recruitment pools to include diverse candidates and to pledge to nominate at least one female director in the next two years.

The 120 responses we have received so far have been positive and constructive. About half of the companies said they would address gender diversity through board discussions on the topic; changes to their board policies to explicitly mention gender diversity considerations in board refreshment; and future board searches with an emphasis on gender diversity.

While this represents good progress, we aren't satisfied. We will continue to ensure promises are kept and follow up with companies that have not demonstrated a commitment to improve board diversity. We also plan to register our concern with companies that did not respond to our letter. If that engagement fails, we will consider voting against board directors responsible for gaps in gender diversity.

We will also be more critical of companies with long board tenures and insufficient refreshment. These are inextricably linked: boards with longer than average tenures tend to also have a lower proportion of women. TIAA will now consider voting against nominating and governance committee members when the average board tenure is greater than 12 years and no new members have joined in five years.

Our commitment does not stop when a woman joins a board. We ask directors to ensure that managers foster diverse and inclusive cultures. We also support proxy proposals calling for additional disclosure of diversity data and policies to support that work culture.

Companies must act now to compete for talent and get ahead of mandates from legislators and investors. As standard-bearers of corporate culture, boards should demonstrate commitment to diversity. They must identify talented people who can work to eliminate their blind spots. We intend to make sure they fulfil that responsibility.

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