KINGSDALE Advisors

May 2023

GENDER DIVERSITY IN THE BOARDROOM

Why it Matters

KINGSDALE Advisors

- Each year we, at **Kingsdale Advisors**, review hundreds of management information circulars. We provide advice from the perspective of the proxy advisors Institutional Shareholder Services (ISS) and Glass Lewis; institutional investors with their own unique proxy voting policies; and governance experts like the Canadian Coalition for Good Governance.

- This year, we remain concerned about the pace at which gender diversity is proceeding — women holding board seats on TSX 60 companies increased by a meager 2.8% between 2021 and 2022; and only 27 out of 245 CBCA corporations had 50% women in director positions in 2022. While the temptation will be for corporate Canada to pat itself on the back, we take a different view: at the current rate of progress, it will still take 151 years to close the global economic gender gap. So, we need to start acting differently now.

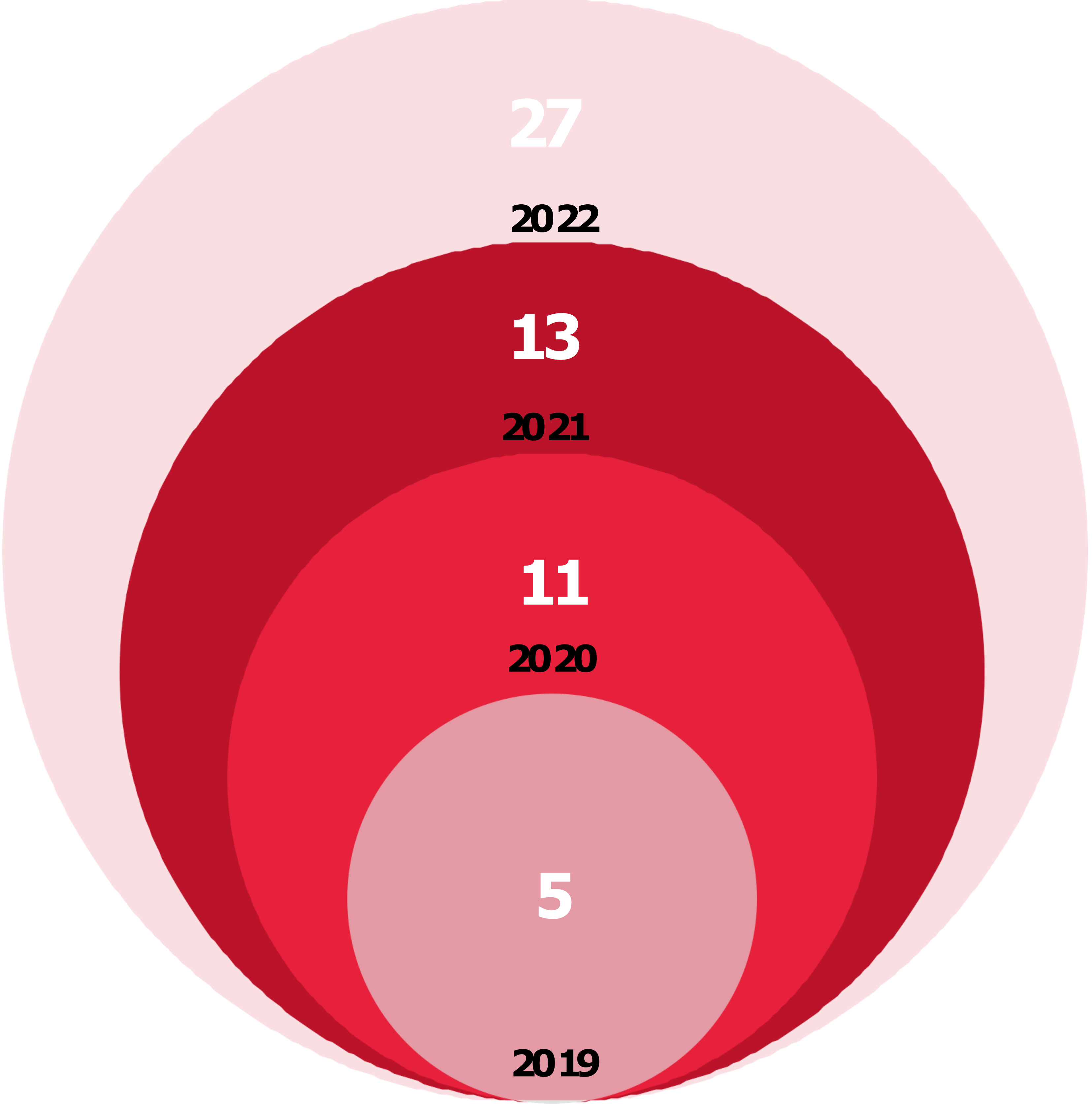
- Our goal in providing this report is to take a realistic stock of the situation and offer measures that can help uproot gender discrimination and not simply tread water. We can't eliminate issues that have existed for hundreds of years with a few new directors in a few annual meetings cycles. Now is the time to recommit ourselves to the goal of not gender diversity, but gender parity. Kingsdale now uses the term gender parity rather than gender diversity to make it clear that a goal of 30% representation of women in boardrooms should be considered just the start.

- Our hope is that this report makes its way into the C-suite and boardrooms of corporate Canada, generates some discussion and, if we have done our job, makes more than a few leaders question what they have been doing to champion this important cause.

- We are available to present this, in detail, to your board, and ultimately formulate a strategy that will position you as a leader in achieving gender parity.

Where Do We Stand: Gender Diversity (Canada)

TSX companies with at least 50% representation of women in director positions out of **245** CBCA corporations



26%

Women now hold 26% of board seats among all TSX-listed companies disclosing the number of women directors on their boards

↑ **from 23.4% in 2021**

36%

At S&P/TSX 60 companies, women, hold 36% of all board seats.

↑ **from 33.2% in 2021**

11.9%

Of TSX-listed companies, 11.9% have targets for women executive officers

↑ **from 10.7% in 2021**

Where Do We Stand: Gender Diversity (Global)

151

The number of years to close the global economic gender gap at all levels, if we proceed at the current rate.

62.9%

Current gender parity in the world. According to the Global Gender Gap Report 2022, gender parity in labour force participation dropped significantly between 2020 and 2022. This was a consequence of the care burden that fell disproportionately on women during the pandemic.

36.9%

Women, globally, in leadership positions - director, vice-president, C-suite and partner-level, in 2022.

Source: https://www3.weforum.org/docs/WEF_Global_Parity_Alliance_2023.pdf

Why Care About Gender Diversity?

3

Research from 2021 finds that having at least 3 women on board can enhance **innovation** at a firm.

54%

Y-O-Y **revenue growth** for S&P 500 companies with at least 30% women on boards as compared to 45% Y-O-Y revenue growth for companies with less than 20% board seats held by women.

25%

Gender-diverse companies are 25% more likely to outperform others in **return on shareholder value.**

Source: https://30percentclub.org/wp-content/uploads/2021/10/30-Club-Canada-Creating-Stronger-Businesses-and-a-Stronger-Canada-Through-Better-Gender-Balance.pdf

How You Will be Evaluated

As per the Canada Business Corporations Act, CBCA companies must disclose information on the diversity of their board of directors and senior management teams to:

- Shareholders
- Corporations Canada

At the least, companies need to report information on the representation of these 4 groups: women, Indigenous People, people with disabilities, and visible minorities, or explain why they have not adopted targets for the designated groups. While the targets are not defined by the CBCA, companies must disclose:

- if they have a written policy around the identification and nomination of directors from the designated groups
- how the board or nominating committee considers diversity in identifying and nominating candidates for election or re-election for board and senior management
- whether the corporation has targets for representation on the board and among senior management for each of the designated groups and, if so, progress in achieving those targets
- the number and percentage of directors from each of the designated groups on the board and senior management
- whether the corporation has adopted term limits or other mechanisms for board renewal.

Source: https://ised-isde.canada.ca/site/corporations-canada/en/business-corporations/diversity-boards-directors-and-senior-management

Women

Indigenous People

People with Disabilities

Visible Minorities*

*A person in a visible minority group is someone (other than an Indigenous person as defined above) who is non-white in colour/race, regardless of place of birth. The visible minority group includes: Black, Chinese, Filipino, Japanese, Korean, South Asian-East Indian (including Indian from India; Bangladeshi; Pakistani; East Indian from Guyana, Trinidad, East Africa; etc.), Southeast Asian (including Burmese; Cambodian; Laotian; Thai; Vietnamese; etc.) non-white West Asian, North African or Arab (including Egyptian; Libyan; Lebanese; etc.), non-white Latin American (including indigenous persons from Central and South America, etc.), person of mixed origin (with one parent in one of the visible minority groups listed above), other visible minority group.

How You Will Be Evaluated

ISS

Beginning in February 2022, companies that are part of the S&P/TSX Composite Index must have:

At least 30% Women

Where an issuer does not meet ISS' expectations, ISS will generally recommend voting against or withholding from the Chair of the Nominating Committee barring few exceptions such as extraordinary circumstance or a company being new to the index.

GL

Beginning in 2023, TSX issuers are expected to have:

At least 30% Gender-Diverse Directors

Glass Lewis will recommend against the nominating committee chair at companies where boards are under 30% gender diverse.

Stricter Policies - ISS' Socially Responsible Investment Proxy Voting Guidelines:

A specific tailored policy that a very limited number of shareholders follow, typically making up less than 1%-3% of an issuer's stock. It is a leading-edge indicator for the dual objectives of socially responsible shareholders - financial and social gain.

Vote against or withhold from incumbent members of the nominating committee if:

a) the board is not comprised of at least 40% underrepresented gender identities; and

b) the board is not comprised of at least 20% racially or ethnically diverse directors

What Happens If You Don't Change?

- While the focus in previous years has long been on financial activism as the primary driver for governance changes, we believe a shift is occurring: social activism focused upon diversity, particularly as it relates to gender and BIPOC diversity, is increasingly becoming a driving force in terms of how a board thinks about its refreshment process.

- We believe the pressure and focus we have seen on Say-on-Pay votes may soon be replaced by an SOD movement – **Say-on-Diversity**. This could come in many forms such as standalone proposals or by more clearly integrating diversity targets into compensation metrics.

- Failure to deliver on gender diversity can also leave open an avenue for activist attacks, and activists know they can leverage a lack of diversity in a campaign. For example, activist Bill Ackman of Pershing Square has mused he wants to run a proxy contest with an all-female, diverse, ethnic slate, noting he was sure it would win hands-down. In December 2022, Sandpiper Group nominated four individuals, including three women to the First Capital Real Estate Investment Trust board in an all-diverse slate.

What Happens If You Don't Change?

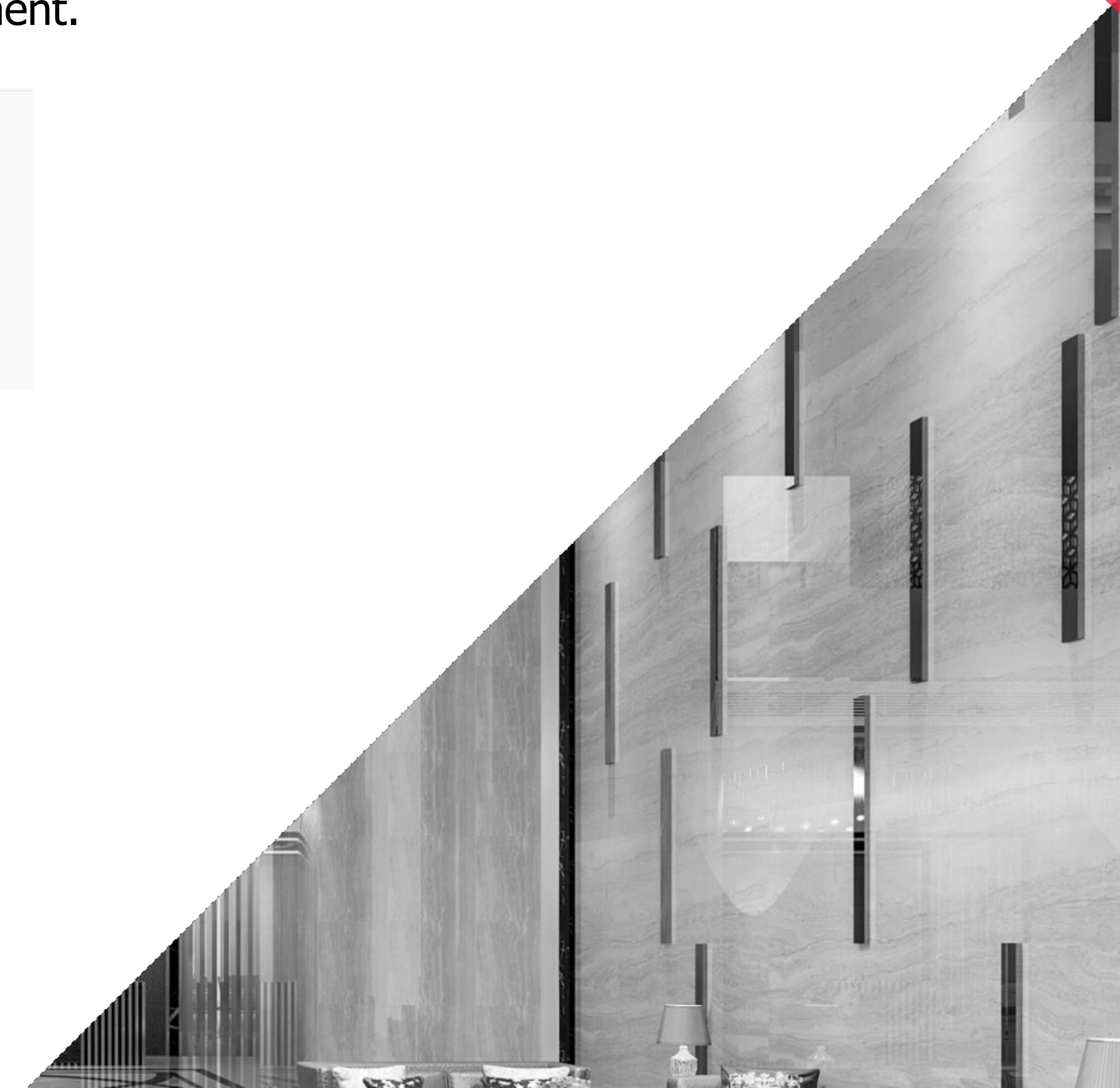
In the past several years, shareholders have not been hesitant to push companies to increase diversity using proposals and other governance mechanisms. Increasingly, shareholders are requesting that companies conduct Diversity, Equity, and Inclusion audits which include an objective and holistic analysis of a company's policies, practices, products, services and efforts to combat discrimination related to gender or race and identify areas of improvement.

PROXY SEASON PREVIEW

Apple shareholders will propose changes to racial and gender pay gaps reporting

Arjuna Capital: Following Largest Shareholder Vote in Disney History, Company Takes First Step to Disclose Racial and Gender Pay Gap Data, Commits to Full Disclosure Over Time

BCI Further Raises Expectations on Climate, Diversity, and Governance in 2023 Proxy Voting Guidelines



Good News: We Can Unlock Progress As We Have Before

Mission: At least 30% representation of ALL women on all boards and C-suites globally.

30% Club
GROWTH THROUGH DIVERSITY

Canada Chapter's Progress

% of women on boards on the TSX Composite listed companies:

2015	2018	2020	2022
17%	24%	30%	33%

What Shareholders Want to Know

STRATEGY

- What role does gender diversity play in your company and does your board share these perspectives?
- What steps are you taking to ensure the widest range of perspectives?

DATA

- What is the composition of your company globally as well as the board on dimensions such as gender?

PIPELINE

- Are you searching in traditional candidate pools only or are you actively considering candidates who can bring diverse perspectives and experiences?

BOARD OVERSIGHT

- How does your board execute its oversight role in diversity and inclusion?
- What are the board's specific goals related to gender diversity?

METRICS

- What diversity goals exist? How are they progressing and how do they compare to peers?
- Is your executive compensation program tied to achieving diversity goals?

Case Studies: Canada's Best Diversity Employers 2023

Canada’s Best Diversity Employers recognizes employers across Canada that have exceptional workplace diversity and inclusiveness programs.

Criteria include successful diversity initiatives for employees from five groups: women; members of visible minorities; persons with disabilities; Indigenous peoples; and lesbian, gay, bisexual and transgendered/transsexual (LGBTQ2S) peoples.

Source: https://www.canadastop100.com/diversity/

Canada's Best Diversity Employers 2023: Notable Winners and Kingsdale Clients

Scotiabank

- created Scotia Inspire, a seven-month program for diverse leaders in 2021 -- aimed at high-potential directors and vice-presidents, the program provides mentorship from senior leaders, targeted development sessions and opportunities to build their network across the bank
- established ambitious commitments for 2025, including doubling the current representation of Indigenous employees across all levels of the organization, and increasing representation of persons with disability by 20 per cent (also across all levels of the organization)
- mandatory workplace safety and inclusion, Indigenous cultural competency training, global LGBT+ Ally certification program, mental health workshop for people managers, listening sessions across various business lines and geographies

Manulife

- reviews gender pay equity quarterly, generous adoption and surrogacy support as well as coverage for gender affirmation surgeries and treatments (including their families), diverse supplier program led by a dedicated supplier diversity officer and team (provides opportunities to businesses owned by minorities, women, LGBT, people with disabilities, veterans, and service-disabled veterans)
- CEO meets quarterly with ERG leaders from different regions to listen, learn and provide support, ERGs include Global Women's Alliance (2,900 members in Canada) and the Toronto-based Women @ Manulife, PROUD (Professionals Reaching Out for Unity and Diversity), AMP (Association of Multicultural Professionals), among others

Nutrien

- develops diverse pipelines for future talent through scholarships and internships for Indigenous and female students.
- recently hired its first vice-president of equity, diversity and inclusion and created a global centre of excellence for ED&I expertise -- the organization is also working to develop a global Equity, Diversity and Inclusive Growth Strategy that accounts for regional contexts in all of its operating territories, as well as the creation of an ED&I Champions network for employees who want to learn and help drive change
- set a goal to increase gender diversity in senior leadership roles to 30% by 2025 and maintains 30% gender diversity on its board

Here's What You Can Do — Kingsdale's View

- Adopt a target for gender representation at both board and leadership level with a **specific timeline and action plan**
- Incorporate key diversity metrics in **executives' incentive compensation programs.** This allows for these criteria to be adopted on a more sustained basis and trickles down from the management to the employees
- Gender diversity has become a catch all phrase, creating the impression something is being done to when little has changed. Rather, the goal should be **gender equity.** Kingsdale now uses the term **gender parity** rather than gender diversity to make it clear that a goal of 30% representation of women in boardrooms should be considered just the start

Here's What You Can Do — Kingsdale's View

- ☑ All non-CBCA companies, especially constituents of the Composite Index, should consider **voluntarily disclosing diversity data** for its directors
- ☑ Address and disclose the strict diversity requirements set in place by proxy advisors
- ☑ **Expand the candidate search pool constantly through a pipeline to include more gender-diverse candidates** and consider varying experiences, backgrounds and attributes. Hire a third-party specialized recruitment firm if need be to create such a pipeline
- ☑ **Track progress at regular intervals** on various metrics such percentage of women leaders, increase in promotion of women, levels of upskilling through board education provided and so on

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