



## Proxy Voting: Board Gender Diversity – Every Voice Matters

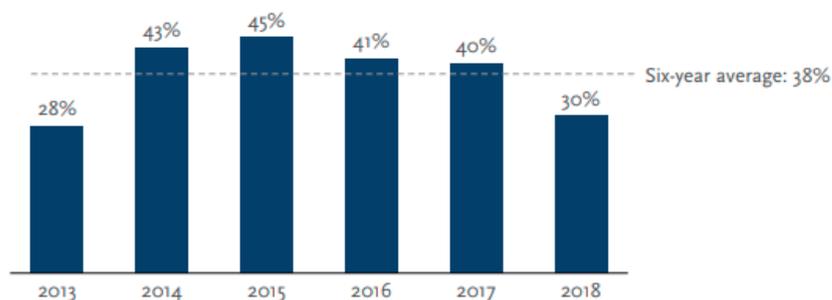
### WHAT 18 AM IS DOING AND WHY?

This year, 18 Asset Management (“18 AM”) adopted a new gender diversity proxy voting policy whereby we voted against all male members of a board where the board consisted of less than 25% female representation. The reason for our decision to adopt this stance is that we feel that corporate governance is a key factor in the success of a company. For companies in which we invest in to build our portfolios, it is very important for them to have a board that reflects diversity, equity and a full range of available talent, in order to be effective. We feel that companies need to carefully assess the makeup of their boards, specifically with regards to gender. We believe, based on various third-party research results, companies that have a diverse board are ones which obtain exceptional financial performance. It is becoming clear that having diversity in leadership and management is critical to attracting and retaining talent - as well as investors.<sup>1</sup> Researchers are finding that diverse groups are better at making good decisions and that, “diversity brings a level of complexity to the decision-making process that reduces blind-spots and increases the probability of better identifying and assessing risks and opportunities.<sup>2</sup> Studies have shown that having a “critical mass” of three or more female board members can boost innovation and create fundamental change in the boardroom.<sup>3</sup>

### CURRENT CANADIAN REALITY

In 2014, the Ontario Securities Commission introduced a ‘comply or explain’ disclosure policy in hopes of pushing companies to provide better disclosures of how they choose directors and how diversity plays a role in that decision-making process.<sup>4</sup> The implementation of this policy seemed to correlate with the 40% of new directors from 2014-2017 being women. However, even though over one-third of all newly created or vacated board seats were appointed to women, the year-over-year rate of increase in the proportion of board seats held by women is starting to slow<sup>5</sup>, as figures suggest in table below.<sup>6</sup>

Appointments of Non-executive Women Directors to the Boards of CSSBI 100 Companies  
(as a % of all non-executive directors appointed, 2013-2018)



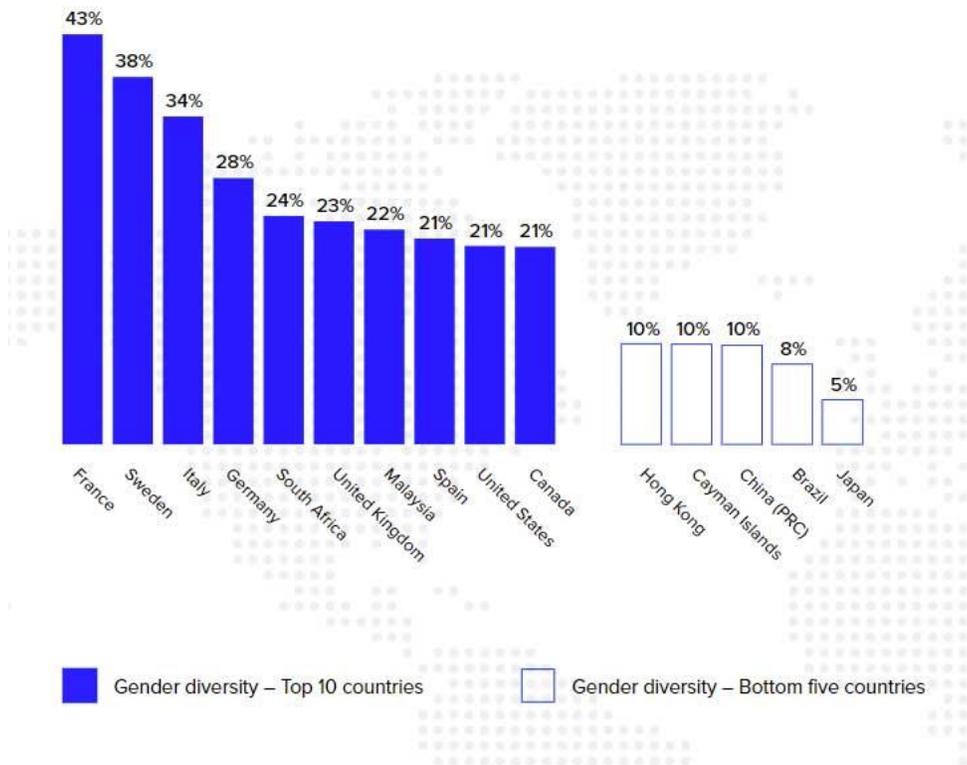
Source: Canada Spencer Stuart Board Index (CSSBI)



Notwithstanding the 2014 OSC mandate, there is evidence of the stagnation in appointment of women to boards. Many agree that disclosure policies are not enough and that more needs to be done to ensure boards become more gender diverse. OSC Chair Maureen Jensen observed that at the current rate of appointments, it could take up to three decades for women to achieve board parity with men.<sup>7</sup>

On a global scale, Canada is not setting the trend in having the most gender diverse corporate boards. European countries are leading the way on gender diversity on boards. This geographical difference could be due to the fact that European corporations are setting hard targets for gender diversity rather than implementing policies, as is the practice in North America. It has been noted that even though 5% more North American companies have adopted gender diversity policies as compared to European companies, European companies are further ahead in terms of gender diversity on their boards.<sup>8</sup>

PERCENTAGE OF GENDER DIVERSITY BY COUNTRY\*



\*based on 3,652 companies within the Refinitiv ESG database with ESG score for five years<sup>9</sup>



18 AM's gender diversity proxy voting policy has been implemented at a time when the proportion of women appointed to Canadian corporate boards has sharply fallen to the lowest figure in five years in 2018.<sup>10</sup> We feel that our proxy voting policy is a commitment to creating gender diversity at the board level and ensuring that this initiative continues to create a larger number of women gaining board membership. At a time when others have tapered off in their commitment to board gender diversity, 18 AM is demonstrating our continued support of this initiative.

Despite the recent downward trend, changes are occurring globally to support gender diversity. 18 AM is not alone in addressing the issue of board gender diversity. Many large Canadian institutional investors have also had an enormous impact on this issue. Ontario Teacher's Pension Plan, Canada Pension Plan Investment Board (CPPIB), Ontario Municipal Employees Retirement System, British Columbia Investment Management Corp., Alberta Investment Management Corp., Public Sector Pension Investment Board, Healthcare of Ontario Pension Plan and OPSEU Pension Plan Trust Fund are all institutional investors that have revised their proxy voting guidelines in order to reflect a more vigorous approach to diversity.<sup>11</sup> These institutional investors have pushed the needle forward on board diversity by expecting either a commitment or a target for women inclusion on boards. They have also revised their policies to vote against the chair of the governance and/or nomination committee or other members of the committee where there is a lack of female representation or a legitimate action plan to address the gender gap moving forward. In 2017, CPPIB established its new proxy voting policy and voted against committee chairmen at the shareholder meetings of 45 companies with no female directors. CPPIB then engaged with those companies, which resulted in nearly half of those companies appointing a female director a year later.<sup>12</sup> Like CPPIB, 18 AM engaged with the CEO's of the companies where we voted against male members of a board consisting of less than 25% female representation. We sent letters to those CEOs detailing our actions and reasoning. By engaging with these CEOs, we endeavour to create change in their board composition and emphasize that, "Gender diversity strengthens the board's stewardship function, helping a company's drive to achieve superior financial performance over time".<sup>13</sup>

## **ROOM FOR OPTIMISM**

Lastly, one can look at the recent shareholders vote of Waste Connections Inc. ("WCN") to see that change is not only being sought, but also occurring with regards to gender diversity. The Shareholder Association for Research and Education ("SHARE"), is a non-profit organization that has been engaging companies on many topics including diversity for a number of years. SHARE supported the British Columbia Teachers Federation ("BCTF") in their shareholder proposal requesting WCN to establish a clear plan to increase women representation on its Board, in executive officer positions and across the workforce. This was a significant victory in that not only did the proposal receive a 64.49% vote in its favour but also that it was the first time a proposal on gender diversity has passed at a Canadian company.<sup>14</sup>

## **EVERY VOICE MATTERS**

With more shareholders pushing for corporations to improve their corporate practices including gender diversity and with organizations like SHARE that support these shareholders, we can establish gender parity for women on Boards, in executive positions and within the workforce.

**ENDNOTES**

- <sup>1</sup> Sophie L’Helias and Adria Vasil, “Who runs the world? The Global Status of Women in Leadership”, Corporate Knights, (March 9,2019)
- <sup>2</sup> Sophie L’Helias and Adria Vasil, “Who runs the world? The Global Status of Women in Leadership”, Corporate Knights, (March 9,2019)
- <sup>3</sup> Tavia Grant, “Women underrepresented on Corporate Boards in all Industries, Statscan finds”, Globe and Mail, Report on Business, (May 7, 2019)
- <sup>4</sup> David Milstead, “Board appointments of women drop to lowest number in five years”, Globe and Mail, (February 26, 2019)
- <sup>5</sup> Osler Hoskin & Harcourt LLP, “2019 Diversity Disclosure Practices - Women in leadership roles at TSX-listed companies”, <https://www.osler.com/osler/media/Osler/reports/corporate-governance/2019-Diversity-Disclosure-Practices-Women-in-leadership-roles-at-TSX-listed-companies.pdf> (February 2019)
- <sup>6</sup> SpencerStuart, “2018 Canada Spencer Stuart Board Index”, [https://www.spencerstuart.com/-/media/2019/february/canada\\_board\\_index\\_2018.pdf](https://www.spencerstuart.com/-/media/2019/february/canada_board_index_2018.pdf)
- <sup>7</sup> David Milstead, “Board appointments of women drop to lowest number in five years”, Globe and Mail, (February 26, 2019)
- <sup>8</sup> Sophie L’Helias and Adria Vasil, “Who runs the world? The Global Status of Women in Leadership”, Corporate Knights, (March 9,2019)
- <sup>9</sup> Refinitiv, “Refinitiv Insight: Measuring Diversity and Inclusion Progress”, [http://resourcehub.refinitiv.com/2019globaldiversityinclusionesg/149891-ESG-DI-2019Report?utm\\_source=Eloqua&utm\\_medium=email&utm\\_campaign=149891\\_2019GlobalDiversityInclusion&utm\\_content=149891\\_2019GlobalDiversityInclusion+EmailEnglish2BoardDiversity](http://resourcehub.refinitiv.com/2019globaldiversityinclusionesg/149891-ESG-DI-2019Report?utm_source=Eloqua&utm_medium=email&utm_campaign=149891_2019GlobalDiversityInclusion&utm_content=149891_2019GlobalDiversityInclusion+EmailEnglish2BoardDiversity)
- <sup>10</sup> David Milstead, “Board appointments of women drop to lowest number in five years”, Globe and Mail (February 26, 2019)
- <sup>11</sup> Osler Hoskin & Harcourt LLP, “2019 Diversity Disclosure Practices - Women in leadership roles at TSX-listed companies”, <https://www.osler.com/osler/media/Osler/reports/corporate-governance/2019-Diversity-Disclosure-Practices-Women-in-leadership-roles-at-TSX-listed-companies.pdf> (February 2019)
- <sup>12</sup> David Milstead, “Board appointments of women drop to lowest number in five years”, Globe and Mail (February 26, 2019)
- <sup>13</sup> David Milstead, “Board appointments of women drop to lowest number in five years”, Globe and Mail (February 26, 2019)
- <sup>14</sup> Delaney Greig, Shareholder Engagement and Policy Manager (May 17, 2019)