Diversity 50 2015 – FAQs

A. Diversity 50

Q1. What is Diversity 50?

A1. Diversity 50 is a resource for directors and search firms. It is a list of men and women from across Canada with strong competencies that align with the requirements of many Canadian boards.

It is spearheaded by the Canadian Board Diversity Council (CBDC) and 12 prominent Canadian Presidents, CEOs and Chairs. Several key differences set Diversity 50 apart from similar initiatives that have been tried in the past: a focus on visible minorities, women and Aboriginal peoples; the hands-on participation of leading Presidents, CEOs and Chairs; best-in-class criteria that addresses knowledge, skills and behaviours; a stringent selection process; and an exclusive number of candidates.

It is not diversity for diversity’s sake; it is about maximizing shareholder value by identifying directors from a much larger pool of well-credentialed, highly-skilled individuals. It underscores the importance of boards identifying candidates from traditional and non-traditional pools. We hope Diversity 50 will motivate boards to embrace greater diversity, encourage potential candidates to be active in their searches and provide a forum for individuals to communicate their interest in corporate board service.

Q2. How does Diversity 50 work? How are candidates selected?

A2. From February 26 until May 15, 2015, candidates are invited to apply online by visiting www.boarddiversity.ca. Candidates self-nominate by completing the application which addresses individual knowledge, skills and behaviours.

In 2014, 125 men and women applied from across Canada. The 12 CEOs vetted the qualification criteria for Diversity 50 in collaboration with the Council. Individuals interested in Diversity 50 sent in their applications. From there, a Working Committee comprised of Senior Executives from the sponsoring companies reviewed the applications and confirmed the list of the top 50 board-ready candidates. Deloitte helped guide the selection process.

Q3. Who are the executives involved in establishing the criteria and sponsoring candidates?

A3. Twelve highly-respected Presidents, CEOs and Chairs from a variety of sectors whose personal and professional commitment to diversity has been well demonstrated: Coast Capital Savings Interim President and CEO Don Coulter, Sun Life Financial Canada President Kevin Dougherty, TELUS Executive Chair Darren Entwistle, Postmedia Network President and CEO Paul Godfrey, Canadian Oil Sands President and CEO Ryan Kubik, IAMGOLD President and CEO Steve Letwin, HSBC Canada President and CEO Paulo Maia, Iron Ore Company of Canada President and CEO
Kelly Sanders, Norton Rose Fulbright Global Vice Chair and Canada Chairman Norman Steinberg, Hydro-Québec President and CEO Thierry Vandal, Deloitte Managing Partner and Chief Executive Frank Vettese, and Suncor Energy President and CEO Steve Williams.

Q4. **What are the criteria?**

A4. The criteria refer to the body of knowledge, skills and behaviours of a potential director. The premise is to give Nominating and Governance committees a more comprehensive idea of who each Diversity 50 individual is.

Key competencies assessed include:

*Knowledge*
Financial acumen, industry and business knowledge, public sector knowledge, pertinent functional expertise, understanding of corporate governance (e.g., due diligence), fiduciary duty.

*Skills*
Strategic and critical thinking, decision making and effective judgement, relationship building and collaboration, communication.

*Behaviours*
Integrity, trustworthiness, ethics and values, team player, courage, candour, interpersonal skills, constructiveness, inquisitiveness, organizational awareness, conflict resolution, availability for board and committee meetings.

Q5. **Does the database include only female candidates?**

A5. No. the Council supports a definition of diversity in respect of boards that expands the traditional definition of industry experience, management experience, educational background, functional area of expertise, geography and age to also include such factors as ethnicity, gender, and Aboriginal status. Diversity 50 represents the greater diversity of the Canadian population.

Q6. **How do companies gain access to the database? Is there a fee?**

A6. Mini-profiles of the Diversity 50 2012, 2013 and 2014 candidates are currently available free of charge on the CBDC’s website. Members can sign in to see the full profiles. As was the case in previous years, directors and members of executive teams of CBDC member organizations were invited to meet the Diversity 50 2014 in-person at receptions that are hosted by Diversity 50 CEOs in Calgary, Montréal, Toronto and Vancouver.

Q7. **Can corporate directors trust that those individuals listed are ready to take on the challenges and responsibilities that come with being a board member?**

A7. The Diversity 50 are subject to an extensive screening process. However, the onus is on a board’s Nominating and Governance committee (and/or their executive search firm) to exercise due
diligence and assess the potential candidate’s credentials against the board requirements to
determine if they are right for the role. The benefit is that current directors can identify potential
directors who are unknown to them but who are recommended for consideration through a
stringent selection process.

Q8. How will you measure the success of this initiative?

A8. Success will be measured by the number of appointments of Diversity 50 and other qualified
diverse directors to the boards of Canada’s largest 500 companies. To date, we are proud to
have 15 FP500 and three Fortune 500 board appointments among our Diversity 50.

According to our 2014 Annual Report Card co-presented by KPMG and The Conference Board of
Canada, women now hold 17.1% of board seats, with visible minorities holding 2.0% and
Aboriginal peoples holding 0.8%. We monitor board diversity and publish our Annual Report
Card, which examines the composition of Canada’s largest 500 company boards, each November.

Q9. This is a good start but where do we go from here to ensure greater board diversity in Canada?

A9. It is estimated that one-third of corporate directors will retire over the next five years. This
provides an excellent opportunity to increase board diversity within Canada. The Council calls on
boards to replace at least one of every three retiring directors with an individual from a diverse
background, for Nominating and Governance committees to consider three diverse, board-ready
candidates for each available board seat and for directors to sponsor board-ready individuals.

The Council will continue to educate executives on the importance of board diversity while
preparing diverse candidates to take on director roles. The Council also aims to grow the
Diversity 50 database to help more organizations diversify their boards.

Q10. Who do I contact if I have questions during the application process?

A10. We invite you to dial into one of our three 30-minute conference calls to receive an overview
of the application process and to ask any questions. The dates are:

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<th>Date &amp; Time</th>
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<th>Meeting No.</th>
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<tr>
<td>1. Monday, March 23, 2015 at 3:00 PM EDT</td>
<td>1-877-668-4490</td>
<td>660 889 190#</td>
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<tr>
<td>2. Tuesday, April 21, 2015 at 1:00 PM EDT</td>
<td>1-877-668-4490</td>
<td>662 000 680#</td>
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<td>3. Wednesday, May 6, 2015 at 4:00 PM EDT</td>
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**B. Canadian Board Diversity Council**

**Q11. What is the Canadian Board Diversity Council?**

**A11.** Launched in November 2009, the Canadian Board Diversity Council (CBDC) has become the leading Canadian organization advancing diversity on Canada’s boards. The Council is now self-funded, following initial funding from the federal government.


**Q12. What is the Council’s mandate?**

**A12.** The Council supports a made-in-Canada approach to increased board diversity: collaboration with the corporate director community, CEOs, Council member organizations, governments, academic institutions, aspiring directors, individual shareholders and institutional investors to speed up the pace of change.

Our vision is for Canadian companies to tap into an overlooked yet sizeable pool of talent to drive financial performance and sound governance. In respect of gender diversity, our vision is to see the percentage of FP500 board seats held by women rise to 20% by 2015, and to 30% by 2018. We do not support quotas at this time in order to achieve this.

The Council is here with the network, the forum for knowledge-sharing, the research and the tools to promote the best corporate governance practices. The Council’s definition expands the traditional board definition of industry experience, management experience, functional area of expertise, education, geography and age to also include such considerations as ethnicity, gender and Aboriginal status.
Q13. What other initiatives has the Council been involved in?

A13. **Annual Report Card.** The 2010 Annual Report Card established the first-ever baseline on the representation of women, visible minority groups, persons with disabilities and Aboriginal peoples on the boards of Canada’s 500 largest organizations.

In 2011, the Council expanded its research efforts. In addition to our directors survey, our independent research used such sources as corporate websites and SEDAR. Our research showed women held 21.7%, 19.6%, 18.5%, 9.7% and 6.6% of board seats in the Utilities, Finance and Insurance, Retail Trade, Manufacturing and Mining/Oil/Gas sectors respectively.

In 2012, we conducted independent research of gender diversity which examined all 500 boards in the FP500 using such sources as corporate websites and SEDAR. It confirmed women held 14.4% or 574 of the 3,992 board seats of FP500 organizations. It showed that gender diversity increased at a faster pace in the previous 12 months in the Finance and Insurance and Manufacturing industries than in any 12-month period since 2001. They are important drivers of increased diversity as they are the second and third largest industries in terms of board seats.

Our 2013 Annual Report Card findings underscored corporate director support for current initiatives by the federal and provincial governments. When asked, 62% of directors supported government action; 38% supported the status quo. Of the 62%, most preferred the ‘comply or explain’ approach (54%) while 8% supported quotas.

In 2014, our research also showed women held 17.1% of FP500 board seats. Although our findings indicated Corporate Canada’s overwhelming support for greater board diversity, our report also indicated that this is not translating into action. At the current pace of change, it would take until approximately 2083 for us to achieve gender parity. We believe that the current lack of board diversity is not due to an absence of qualified candidates – it’s due to a lack of demand.

**‘Get on Board’ Governance Education Program.** The program is designed to complement existing director education programs by equipping board-ready and high-potential diverse candidates with the tools to pursue board placement. Participants receive instruction from experienced board members to help them understand the recruiting process as well as to develop a board résumé and board career action plan.

**Board Diversity Best Practices Roundtables.** The Council creates and communicates board diversity best practices and action plans to support board chairs and Nominating and Governance committees in addressing board composition. Directors representing 147 FP500 organizations attended 29 Roundtables between 2011 and 2014 in Calgary, Montréal, Toronto and Vancouver to learn more about the steps to increasing board diversity and to share candid, constructive insights on the challenges of improving board diversity in Canada.
Q14. What is the Council’s call to action?

A14. The Council highly encourages boards to replace at least one of every three retiring directors with an individual from a diverse background, for Nominating and Governance committees to consider three diverse, board-ready candidates for each available board seat and for directors to sponsor board-ready individuals.

C. Board Diversity Discussion

Q15. Why does board diversity matter?

A15. It is not diversity for diversity sake: it is all about maximizing shareholder value by identifying directors from a much larger pool of well-credentialed, highly-skilled individuals.

Important research by Credit Suisse, McKinsey & Company, Catalyst, EY, Deloitte and others shows companies with diverse boards perform better. We believe that new voices and perspectives at the boardroom table lead to better discussions, innovation, insight and improved decision making, which ultimately helps to enhance competitiveness. Enhancing competitiveness benefits the organization, the stakeholders and the bottom line.

It is worth noting that one of the largest pension plans in North America – the California Public Employees’ Retirement System, or CalPERS – found that companies that have diverse boards perform better than boards that lack diverse members.

Q16. There has been a lot of talk about the importance of female representation on boards. What about other areas of diversity?

A16. The Council’s view is that boards must be diverse in respect of gender, ethnicity, Aboriginal peoples, persons with disabilities and members of the LGBTQ community, and it focuses its activities to encourage greater board diversity in all of these areas.

We also recognize and agree with the importance of boards being diverse in terms of industry knowledge, sector experience, functional expertise, educational background, age, geography and internationalization (non-national directors).

Q17. You talk about a diverse board having a better understanding of its stakeholders, which may be the case, but does a mining company, for example, need to be concerned about diversity on its board?

A17. Every company should strive for a board that includes the best talent possible. If you exclude over half of the population in your search, you can be pretty sure you are not getting the best possible candidates. Shareholders of every company should be concerned about diversity as it directly connects to meeting and understanding the demands of customers and employees. Board diversity also enhances the potential for innovation through the sharing of a broader range of views, insights and experiences.
Q18. What are companies supposed to do if the pool of qualified candidates is not sufficient?

A18. We don’t think there is a lack of qualified candidates – 61% of university graduates in 2007 were women. Today, over 19% of the population of Canada is comprised of visible minorities. In Toronto and Vancouver, it’s 49% and 52%, respectively.

The candidates are there, it is about ensuring that more of those candidates are “board ready” while at the same time educating companies about the benefits of tapping into this market knowledge.

The Diversity 50 initiative will make it easier for companies to reach out to a broader network of diverse, competent, board-ready candidates.

Q19. Wouldn’t it make more sense to look at diversity in the C-suite? Isn’t that where most directors come from?

A19. It is important that there is greater diversity in the C-suite in order to help increase board diversity. But it is equally important to acknowledge that one does not have to have been a CEO in order to be an effective director. There are many senior, non-C-suite executives who sit on corporate boards and whose expertise in risk, compensation, governance and audit, for example, adds great value to the board discussions and ultimately increases shareholder value.

Q20. If shareholders are faced with two equally qualified candidates, are you suggesting they not elect a white male if the other candidate is not an able-bodied white male?

A20. No. Our message to shareholders, board chairs and the chairs of Nominating and Governance committees is that they need to consider talent from a more diverse pool of candidates.

Q21. Why should I care if a company’s board is representative of the broader society? I only care if they make a profit.

A21. We believe that new voices at the boardroom table will lead to better discussion, innovation, insight and improved decision making. That, in turn, will help companies improve profitability and shareholder value.

D. Policy Issues

Q22. Is the Council advocating the introduction of quotas to encourage greater board representation by women and minorities? Should the government force boards to be more diverse?

A22. The Council does not support the introduction of quotas in Canada. Rather, we support a made-in-Canada approach: collaboration with the corporate director community, our growing group of member companies, governments, academic institutions, aspiring directors, individual shareholders and institutional investors to affect change.
Q23. Do voluntary measures ever work?

A23. We believe voluntary measures can work. Having a more diverse board of directors can be a competitive advantage for businesses – why wouldn’t an organization want to tap into a richer talent pool?

Q24. Generally, diversity in the workplace is neither well-defined nor understood. However, many countries, including France, Norway, Spain, Italy, Belgium, the Netherlands, Germany and Iceland, have introduced some form of gender quotas on corporate boards. Should Canada be doing more?

A24. Board diversity for the sake of diversity is wrong. Board diversity for the benefit of the company is right. Ultimately, we want boards and their members to recognize the importance of a diversity policy and to also know how to go about finding the best candidates to fill board vacancies. We think companies are best served by drawing the most qualified directors from a greatly-expanded talent pool.

In some countries, governments felt the need to push this process forward by introducing quotas, and we will certainly pay close attention to the results, not only insofar as the number of women elected to boards but also the resulting corporate performance and shareholder value. Ultimately, we would like to see Corporate Canada recognize the added value of a more diverse board that reflects the broader diversity of our nation.

Q25. Why should companies be forced to put people on their board just because they are a woman or a visible minority?

A25. We believe the best talent should serve on boards. What we reported in our 2011 Annual Report Card, and subsequent reports, was that based on the current level of diversity on Canadian boards, many corporations may not be drawing from the complete talent pool when they are looking to nominate new directors. We believe that new voices and perspectives at the boardroom table will lead to better discussions, innovation, insight and improved decision making, which ultimately helps to enhance competitiveness.

Q26. Shouldn’t shareholders be the ones to decide who runs their companies? Why should third parties be allowed to influence shareholder democracy?

A26. We would argue that it is in investors’ self-interest to work to diversify the boards of the companies they own, especially in a competitive global market. A number of studies have concluded that a diverse board improves decision-making processes and financial performance by introducing a mix of thinking and a broader perspective. We want to make sure board chairs and chairs of Nominating and Governance committees are aware of this so that when the time comes to replace a departing or retiring board member, all factors – including access to the best talent – are taken under consideration.