

March 16, 2017

Ms. Kathleen Ward
Executive Lead, CCMR
Ministry of Finance
Queens Park, Toronto

Investor Recommendations for Improving Gender Diversity on Boards

Dear Ms. Kathleen Ward,

On December 7th, 2016 a group of institutional investors met with members of the Ministry of Finance (“MOF”), including yourself, to discuss how the Government of Ontario can gain momentum in achieving its objective that businesses set a target of appointing 30% women to their boards of directors in three to five years, as set out in the Catalyst Report. Following that meeting, we are pleased to share four recommendations which we believe can facilitate increased diversity on boards, and in particular greater representation of women on boards.

Gender diversity is associated with improved financial performance, enhanced innovation, better corporate governance and economic growth¹. Yet, according to a 2016 report by the Canadian Securities Administrators only 12% of all board seats at the non-venture issuers sampled are filled by women². Although this is primarily a corporate governance issue, governments can take steps to catalyze the process and the social and economic gains that will result. The first recommendation relates to tangible policy action, whereas the others involve using government initiatives and engagement to influence change.

The Recommendations:

1. Establish and encourage policy recommendations that include:
 - a. Board refreshment;
 - b. Professional director recruitment practices; and
 - c. Setting targets for women on boards and in executive officer positions.

The Institute of Corporate Directors (www.icd.ca) is an organization with which the MOF could align itself. It has world-class resources, including the Board Diversity Toolkit, which includes board diversity policy templates, director training, diversity how-to guides and more.

2. Encourage a cultural shift among senior leaders by teaching and modeling what it means to be gender balanced and why it matters (e.g. Trudeau’s Invite Her to Run campaign)
 - a. Introduce cross-gender sponsorship programs in public and private sector organizations;
 - b. Encourage the use of the gender-neutral term Chair versus Chairman;
 - c. Engage business leaders in diversity initiatives and make them aware of

¹ 30% Club Canada: Creating Strong Businesses and a Stronger Canada Through Better Gender Balance

² https://www.osc.gov.on.ca/documents/en/Securities-Category5/sn_20160928_58-308_staff-review-women-on-boards.pdf

- d. Encourage leaders to take advantage of flexible work policies and paternity leave to set an example across the organization (according to Statistics Canada only 12.2% of fathers in all provinces, excluding Quebec, claimed paternity leave despite parental leaves ability to be shared); and
 - e. Request women candidates from search firms and/or draw from a database of board-ready women candidates. The Institute of Corporate Directors has more than 3500 women in the ICD Directors Register, many of whom have their ICD Directors Designation.
3. Host forums for companies to provide education on why representation of women in leadership matters and to highlight the numerous tangible benefits of gender parity on boards (i.e. improved stock prices, innovation and corporate performance).
 4. MOF could engage with proxy voting advisors to discuss their guidelines when voting on diversity issues and to see if they align with the government's goals.

We encourage you to share these recommendations with the *Women in Business Steering Committee*. Government can play a critical role in establishing best practices, guidelines and policies and can encourage a cultural shift in organizations toward the advancement of women to senior management and board positions. As investors, we believe more diverse boards will make for more innovative and successful companies, and therefore more attractive investments.

We welcome future discussions on this topic and are available to answer any questions you may have.

Best regards,

Roger Beauchemin, CFA

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