

Canadian Board Diversity Council 2011

ROB250 Top Quartile Leaders Methodology

Introduction

The Canadian Board Diversity Council (CBDC) undertook research and analysis of the largest 250 corporations included in the *Report on Business 1,000* (ROB1000) for *The Globe and Mail*. ROB1000 is the listing of the 1,000 largest publicly-traded Canadian corporations, measured by assets, ranked according to their after-tax profits in their most recent fiscal year, excluding extraordinary gains or losses. When companies state their results in U.S. dollars or Euros, *The Globe and Mail* does the same, but rankings are then based on the Canadian dollar equivalents.* This research report was conducted by the Council with the guidance of Professor Richard LeBlanc of York University and the assistance of Nathaniel Payne, a PhD. candidate at the Beedie School of Business, Simon Fraser University.

The initial research led to 30 companies omitted from the study. These 30 companies were sold to a foreign buyer, operate as a division of an ROB250 corporation with the same Board of Directors; or, are headquartered outside of Canada and do not have a Canadian Board.† This means the Council conducted independent research on 220 companies. These companies operate in 55 of the 60 industries identified in ROB1000.

Survey Design and Dissemination

The survey package was sent via Canada Post in August 2011 to the persons in charge of legal disclosure for the 220 of the top ROB250 Canadian corporations with Canadian Boards. A copy was also sent to each Board Chair. The survey set out seven questions:

1. NAME
2. COMPANY NAME
3. NUMBER OF MEMBERS ON THE BOARD
4. NUMBER OF WOMEN ON THE BOARD
 - a. NUMBER OF WOMEN WHO ARE ALSO VISIBLE MINORITIES
 - b. NUMBER OF WOMEN WHO ARE ALSO ABORIGINALS

* The Globe and Mail, *Report on Business*: July/August 2011 Rankings of Canada's top 1,000 public companies ranked by profit.

† For example, Vector Aerospace was omitted from the study following sale of the company to a European-based corporation.

5. NUMBER OF VISIBLE MINORITIES ON THE BOARD
6. NUMBER OF ABORIGINALS ON THE BOARD
7. BOARD CHAIR WHO IS FEMALE, AND/OR A VISIBLE MINORITY, AND/OR ABORIGINAL

The survey package contained: a cover letter from Council Founder Pamela Jeffery inviting their participation; Diversity Definitions; FAQ; Highlights of the Council's 2010 Annual Report Card; and, a stamped return envelope. Respondents were asked to answer the seven questions with a deadline of September 23, 2011.

The research report utilizes the Employment Equity Act of 1995[‡] as its Diversity Definitions guidelines with respect to the definitions of gender, visible minority and Aboriginal status.

The survey response rate was high: 35% (77) of the 220 companies that responded. The cover letter informed each recipient that the survey was voluntary and if the company chose not to respond, the Council would conduct research to determine the board's diversity. This information was collected through online research of corporate websites, Annual Reports and SEDAR up to October 28, 2011. To ensure the integrity of the research, the letter stated that the Council research would focus exclusively on the number of women on their board, which could affect their ranking as the analysis would not take into consideration directors who may or may not be members of visible minority groups or Aboriginal peoples.

In some cases, more than one company received the same score. This resulted in the succeeding company (in descending order according to the ROB250) to be ranked lower. For example, in this research, 2nd place is held by four companies that each score 66.67%. The succeeding company received 63.64% and therefore ranked 6th in the report.

Analysis

The Council has identified 56 Canadian corporations that are Board diversity leaders who form the top quartile ($250 - 30 = 220$. $56 / 220 = 25.4\%$) of the ROB250 in accordance with the following methodology:

Companies that Responded to the Canadian Board Diversity Council Survey

77 companies responded to the Council's survey. The methodology to evaluate these companies employs a mathematical formula which calculates each company's answers to the survey. One variable in the formula is the total number of Board members as the denominating variable. Second, there was a summation of the number of women, visible

[‡] *Employment Equity Act*. S.C. 1995, c. 44, s. 3 "Interpretation".

minorities and Aboriginal peoples which was divided by the total number of members on the Board. Third, the total number of women who were also visible minorities or Aboriginal peoples were summed up and divided by the total number of Board members and then multiplied exponentially. This process was created to partially weight female Board members who also held a visible minority or Aboriginal status due to their dual-diversity position by a fraction. Lastly, if the company had a diverse Board Chair, that is a woman, visible minority or Aboriginal person than their weight in Board diversity would be evaluated equally as an additional diverse Board member.

Formula:

$$= \left(\frac{w+v+a}{t} \right) + \left[\left(\frac{x}{t} \right)^2 + \left(\frac{y}{t} \right)^2 \right] + \left(\frac{b}{t} \right)^2 t^{\S}$$

Standing by the Council's *Vision* of increasing the percentage of board seats in Canada's largest 500 organizations held by women from 14% in 2009 to 20% by 2013, the Council identified those corporations whose overall Board diversity was calculated at 20% or higher in accordance with the formula.

These 33 companies, from highest to lowest percentage of Board diversity are: Husky Energy, Spectra Energy Transmission, InnVest REIT, Silvercorp Metals, Corus Entertainment, Cineplex, Teck Resources, TD Bank Group, Potash Corporation of Saskatchewan, Laurentian Bank of Canada, Torstar Corporation, Quebecor, Centerra Gold, TMX Group, Shawcor, Royal Bank of Canada, Imperial Oil, Canadian General Investments, TransAlta, EnCana, Transcontinental, Home Capital Group, Baytex Energy, Capstone Mining, Suncor Energy, George Weston Limited, Stantec, Russel Metals, Bombardier, Industrial Alliance Insurance and Financial, Astral Media, Boardwalk REIT and TVA Group.

For example, Potash Corporation of Saskatchewan is a leader in Board diversity according to these rankings with 13 board members, 3 women (1 of whom is a visible minority), 1 Aboriginal person and 1 other visible minority. Given the number of visible minorities and that our formula allows for a greater weighting to those Board members who simultaneously fall into 2 categories of diversity, being a woman and visible minority, Potash ranks high in Board diversity.

[§] The legend for the equations is shown as followed:

t=Total number of members on Board

w=Total number of women on Board

v=Total number of visible minorities on Board

a=Total number of Aboriginals on Board

x=Total number of women who are also visible minorities

y=Total number of women who are also Aboriginals

b=1 whole number will be counted if the Board Chair is either a woman, visible minority or an Aboriginal

The above-mentioned companies provided the Council with legal disclosure of their Board structure and show a percentage of Board diversity ranging from 20% to 79.59%.

Companies that did not Respond to the Canadian Board Diversity Council Survey

143 companies did not respond to the survey. The methodology to evaluate these companies employs a different mathematical formula than the formula described above. One variable in the equation is the total number of Board members as the denominating variable. Board members of visible minority groups and with Aboriginal status are no longer included in the analysis and formula. Board Chairs who are women are allotted the same weight of an additional diverse Board member in the company's overall calculation.

Formula:

$$= \left(\frac{w}{t}\right) + \left(\frac{b}{t}\right)^2 t$$

Standing by the Council's *Vision* of increasing the percentage of board seats in Canada's largest 500 organizations held by women from 14% in 2009 to 20% by 2013, the Council identified those corporations whose Board gender diversity was calculated at 20% or higher in accordance with the formula.

These 23 companies, ranked from highest to lowest percentage of Board gender diversity are: Union Gas*, Shoppers Drug Mart, Jean Coutu Group (PJC), Bank of Nova Scotia, Emera, Open Text Corp., Indigo Books & Music, HSBC Bank Canada, Intact Financial, Manitoba Telecom Services, National Bank of Canada, Bank of Montreal, CIBC, SNC-Lavalin Group, Canadian Utilities, CU Inc., Sears Canada, Canadian Pacific Railway, Rogers Communications, RioCan REIT, Just Energy Group, Stella-Jones and Co-operators General Insurance.

The Council's independent research on these organizations shows a percentage of Board Diversity ranging from 21.74% to 66.67%.

*Union Gas ranks first in Table 2 yet it is important to note their small board size in relation to many of the other companies analyzed in this report. Union Gas has a total number of 3 board members which includes 1 woman and thus skews their overall board diversity percentage to a higher ranking.

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Legend

W= Women

VM= Visible Minorities

A= Aborigines

CBDC Rank	ROB	Company	# of Board members	# of Women	# of V. Minorities	# of Aborigines	# of W & VM	# OF W & A	Board Chair	% of Board Diversity
1	29	Husky Energy Inc.	14	2	8	0	2	0	1	79.59%
2	120	InnVest REIT	6	0	3	0	0	0	1	66.67%
2	178	Silvercorp Metals Inc.	6	0	3	0	0	0	1	66.67%
2	56	Spectra Energy Transmission	3	1	1	0	0	0	0	66.67%
2	95	Union Gas	3	1	0	0	0	0	1	66.67%
6	131	Corus Entertainment	11	6	0	0	0	0	1	63.64%
7	188	Cineplex Inc.	9	2	2	0	2	0	1	58.02%
8	13	Teck Resources Ltd.	14	2	4	0	0	0	0	42.86%
9	2	TD Bank Group	17	6	1	0	0	0	0	41.18%
10	47	Shoppers Drug Mart	10	4	0	0	0	0	0	40.00%
11	12	Potash Corp. of Saskatchewan	13	3	1	1	1	0	0	39.05%
12	106	Jean Coutu Group (PJC)	13	5	0	0	0	0	0	38.46%
12	134	Laurentian Bank of Canada	13	5	0	0	0	0	0	38.46%
12	193	Torstar Corporation	13	4	1	0	0	0	0	38.46%
15	89	Quebecor Inc.	8	2	0	0	0	0	1	37.50%
16	3	Bank of Nova Scotia	14	5	0	0	0	0	0	35.71%
17	68	Centerra Gold Inc.	12	1	3	0	0	0	0	33.33%
17	100	Emera Inc.	12	4	0	0	0	0	0	33.33%
17	243	Indigo Books & Music	12	3	0	0	0	0	1	33.33%
17	158	Open Text Corp.	9	3	0	0	0	0	0	33.33%
17	149	Shawcor Ltd.	12	3	0	0	0	0	1	33.33%
17	99	TMX Group Inc.	12	3	1	0	0	0	0	33.33%
23	1	Royal Bank of Canada	16	5	0	0	0	0	0	31.25%
24	50	HSBC Bank Canada	10	3	0	0	0	0	0	30.00%
25	138	Canadian General Investments	7	1	0	0	0	0	1	28.57%
25	10	Imperial Oil Limited	7	2	0	0	0	0	0	28.57%
27	92	TransAlta Corp.	11	2	1	0	0	1	0	28.10%
28	20	EnCana Corp.	11	3	0	0	0	0	0	27.27%
28	59	Intact Financial	11	3	0	0	0	0	0	27.27%

28	154	Manitoba Telecom Services	11	3	0	0	0	0	0	27.27%
31	31	National Bank of Canada	15	4	0	0	0	0	0	26.67%
31	110	Transcontinental Inc.	15	4	0	0	0	0	0	26.67%
33	7	Bank of Montreal	16	4	0	0	0	0	0	25.00%
33	109	Baytex Energy	8	0	1	0	0	0	1	25.00%
33	58	Canadian Utilities	12	3	0	0	0	0	0	25.00%
33	174	Capstone Mining Corp.	8	1	1	0	0	0	0	25.00%
33	8	CIBC	16	4	0	0	0	0	0	25.00%
33	82	CU Inc.	12	3	0	0	0	0	0	25.00%
33	105	Home Capital Group Inc.	8	2	0	0	0	0	0	25.00%
33	118	Sears Canada	8	2	0	0	0	0	0	25.00%
33	57	SNC-Lavalin Group	12	3	0	0	0	0	0	25.00%
42	44	Canadian Pacific Railway Ltd.	13	3	0	0	0	0	0	23.08%
42	55	George Weston Limited	13	3	0	0	0	0	0	23.08%
42	4	Suncor Energy	13	2	0	1	0	0	0	23.08%
45	87	Just Energy Group	9	1	0	0	0	0	1	22.22%
45	74	RioCan REIT	9	2	0	0	0	0	0	22.22%
45	21	Rogers Communications	18	4	0	0	0	0	0	22.22%
45	179	Russel Metals Inc.	9	2	0	0	0	0	0	22.22%
45	157	Stantec Inc.	9	2	0	0	0	0	0	22.22%
45	247	Stella-Jones Inc.	9	2	0	0	0	0	0	22.22%
51	168	Co-operators General Insurance	23	5	0	0	0	0	0	21.74%
52	103	Astral Media Inc.	14	3	0	0	0	0	0	21.43%
52	40	Bombardier Inc.	14	2	1	0	0	0	0	21.43%
52	84	Industrial Alliance Insurance and Financial Services Inc.	14	3	0	0	0	0	0	21.43%
55	176	Boardwalk REIT	5	0	1	0	0	0	0	20.00%
55	230	TVA Group Inc.	10	2	0	0	0	0	0	20.00%