LBI Board & CEO Purview

Forward-Thinking Boards: Why it's Time for Reinvention

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Introduction

We are in the eye of the storm. Our world is in the throes of rampant and accelerating change, as we struggle to gain our bearings and seek to land on stable ground. Public and private company CEOs grapple to navigate unprecedented business and technological disruptions, shifting labour market dynamics, and increased investor social activism, amid a turbulent macroeconomic environment, running alongside an unpredictable, geopolitical landscape. Boards of directors are under heightened scrutiny and pressure from key stakeholders, regulators, and government to keep pace, adapt, and perform. Successful adaptation not only requires CEOs to develop new and transformative strategies in how and where their organizations conduct business; it also requires boards to rethink and reform how they govern. This unrivaled new reality is exponentially expanding the expectations and responsibilities of boards, shaking up board composition and the need for more formal, frequent refreshment mechanisms, and fundamentally reshaping what it means to be a director. The pressure on boards is at an all-time high to ensure they are appropriately equipped to effectively execute their oversight responsibilities into the future within a radically different, rapidly evolving operating landscape.

I've been at this a while now. Executive search has been my *profession* for more than three decades. It takes substantial effort, strategy, and diligence to find and match the ideal talent with the right organization. Yet so many candidates for board seats — male and female — never reach the table.

This issue of ***LBI Board & CEO Purview*** is intended for boards, CEOs, investors, shareholder advisors, and governance professionals, who are interested in enhancing board effectiveness and performance, whilst at the same time ameliorating the lack of diversity. This is not a diversity report or a DE&I how-to guide, nor is this a holistic handbook to address all areas of board governance. This publication is focused on helping boards to rethink and reinvent the policies, processes, and practices, which shape behaviour and guide actions specific to board composition, competency matrices, board recruitment, director capability assessment; refreshment mechanisms; board and director performance evaluations; and inequity among senior leadership.

There are some scathing statistics and disconcerting trends that reflect poorly on leadership as it relates to these areas of governance. Out-dated, ineffective, long-held norms and practices lead to shortcomings in performance, stalling rather than advancing board effectiveness. Critical steps need to be taken. In order to ensure boards are composed of the most relevant, qualified, and diverse directors — board composition and competency matrices require recalibration; board refreshment mechanisms must be revamped; board and director evaluations need to be more independent, rigorous, and impactful; and the deficient director selection process necessitates reformation to implement more objective, meticulous, and competency-based practices.

While unfortunately diversity is a subject for some that's a worn-out song, it absolutely must stay top of mind in our evolving workplace. We address the dearth of diversity at the most senior levels, but this isn't a tirade filled with caustic blame and recriminations against male leadership. The male perspective is equally imperative, and equality at the table includes male wisdom and experience. Having male and female directors who bring diversity of thought, and possess a variety of competencies, experience, knowledge, ages, and backgrounds is a win-win for organizations, and leads to better quality decision-making, stronger governance, and improved performance.

We have a sizable caveat to address in our analysis: when maneuvering through the minefield that is today's diversity dialogue, boards face a torrent of strident clamour for representation of numerous identities, and no doubt there will be more to come, some of which may not have existed even a year ago. No matter which route boards take, they're likely to fail some faction of society. Within this fast-moving diversity landscape, there's hesitation, reluctance, discomfort, and perplexment for boards assessing how best to open their doors to broader diversity and equality. The need for thoughtful <u>process</u>, <u>process</u>, <u>process</u> has never been more vital, especially in light of the growing maze of competing factional interests and socio-political motivations.

There are men and women who are well-suited to being a board director and there are those who are not. Tokenism, or a rote 'tick-the-box' compliance approach will not result in appointing the most qualified and relevant directors, nor will maintaining the current favoured methodology of selecting directors from the limited and exclusive networks of those already around the boardroom table. In a world of unparalleled complexity, the present-day board should be focused on future-proofing a company in the face of exponential change where boards need to be a strategic asset. Trust in the capability of directors, and quality of board governance is ever more crucial in the preservation and sustainability of our enterprises and institutions. Board composition, skills matrices, and director selection methodologies need to be laser-focused on the needed experience, knowledge, and competencies, relevant to the organization's strategy, objectives, and specific business environment in which it operates, as well as on diversity of thought, and the personal characteristics and attributes necessary to be an effective director. Boards must avoid paying duplicit lip service while at the same time eliminate the entrenched thinking, and outdated practices which preclude improving diversity.

So how do we fix what's broken? My objective is to apply an unconventional lens to spur dialogue, intensely challenge engrained thinking, and to dislodge long-held norms and practices, which preclude innovation and progress, and perpetuate the status quo. I don't wish to be divisive in this matter, however, you'll find my approach is unrestrained, nonetheless – it is a blunt, no-holds-barred declaration: it's time for a dramatic, necessary shift.

I encourage readers to view this as a roadmap to enable leaders to take the gauntlet and make genuine gains in creating stronger, more effective, and diverse boards, who can thrive in our new and volatile world.

This is a call to action. To do better. This is an invitation to make it happen.

Now let's get into this…

01

A Legacy of Limitations

The Evolution of Boards & Link to Today's Systemic Practices

How boards are being composed, outmoded competency matrices, and the way in which directors are selected should be of concern to all investors, CEOs, boards, and other key stakeholders. The director talent pool is severely and unduly restricted by the prevalence of outdated and ineffective selection habits of the past. The lack of 'truly' independent, objective, rigorous, and competency-based selection practices not only impedes the appointment of the most qualified and relevant directors, it also precludes greater diversity in all its forms. To fully understand today's systemic practices, it's helpful to shed light on the evolution of corporate boards from a recruitment and selection perspective.

Historically, boards were populated with friends and colleagues of the CEO; like-minded people where 'camaraderie and personal connection' were of the utmost importance. Back then, CEO tenure was significantly longer, and the rigour around CEO performance evaluation was infinitely different, and qualitatively less accountable. In this past environment, CEOs were in charge and directors were beholden to the CEO for their seats, giving the CEOs considerable influence over composition, and decisions of the board. The board was a club of homogeneous directors where friendship and harmony reigned. A more ceremonial role, the board seat was a coveted opportunity, where directors were expected to support the CEO and rubber-stamp their strategy and plans. In this milieu, formal interviewing and reference checking on potential directors were non-existent, and distant board oversight was the norm.

The Decade of Corporate Malfeasance & The Catalyst for Board Change

The impetus for a startling, dramatic shift began with the multiple corporate frauds, malfeasance, and malpractice perpetrated by the top executives of some of the largest publicly-listed companies in the United States such as: Waste Management ('98), Enron ('01), WorldCom ('02), Tyco ('02), Adelphia ('02), Peregrine ('03), Health South ('03), Freddie Mac ('03), and AIG ('05). Then came the Lehman Brothers debacle ('08), triggering further economic carnage leading to the liquidity crisis, and global financial meltdown. This culminating international calamity very nearly brought down many of the world's largest financial institutions that were previously considered to be indestructible. All told, it ignited a global recession, obliterated shareholder value, ruined the livelihoods of many, and battered the public's confidence in the world's financial markets.

In response to these cataclysmic events, the U.S. legislative and regulatory reform of the **Sarbanes-Oxley Act** (2002) and **Dodd-Frank Wall Street Reform and Consumer Protection Act** (2010) created a slew of new accounting and reporting rules and regulatory requirements, unequivocally changing the landscape of corporate governance. As the legislative and regulatory reform took hold, boards were under intense scrutiny to respond expeditiously to the changing role of the board – new regulation and standards of transparency, stricter director independence rules, evolving director responsibilities, and the requirement for all public companies to have an independent audit committee with a minimum of three members, one of which had to be a certified financial expert.

As a result, highly experienced, prolific CEOs and CFOs of large public companies became the preferred candidates for directorships, and consequently, board recruitment transmuted into a 'delicate process' indeed. Few of these candidates were keen to undergo 'formal, in-depth' interviews, or inclined to have their references checked in an official way, and none were prepared to be turned down by a board. Referees also didn't want to be responsible for their 'fellow directors' being rebuffed. Given the focus on independent director oversight and better governance to prevent future system-wide disasters, there was a perceived comfort in having high-profile, public company CEO and CFO candidates with a successful track record who could vouch for each other. This mindset perpetuated the cycle of recruiting from within very limited networks which resulted in unintended, but predictable consequences..

How Search Firms Contributed to the Problem

As boards began to engage external search firms, in turn these search firms followed the lead of the boards (their clients). They too believed that the board's mode of recruitment and selection was indeed 'a very sensitive process to be approached carefully and gingerly'. Search firms didn't challenge the lack of rigour that fostered sub-optimal recruitment practices, namely: searching within a limited pool of candidates, presenting the conventional candidate long-lists, the late point in the process when candidates were interviewed, and the superficial way in which interviews were conducted. All of this may have unabashedly served a search firm's own interest in following their client-led recruiting methods as building relationships with CEOs — potential directors — also concurrently positioned the search firm for executive management searches, which constitute the bulk of a search firm's revenue. Search firms didn't want to 'rock the boat' and never coloured outside the lines.

Homogeneity is Not Beneficial

During the decade of corporate malfeasance, the perpetrators of these disasters were white men, and the boards of directors who were tasked with overseeing these CEOs were also composed predominantly of white men.

Would these corporate ruinations have happened if the boards were more diverse? No one can say unequivocally, but it is safe to assume that things could not have turned out any worse. What can be stated explicitly is that when leadership teams are comprised of men and women who possess diversity of thought, and a blend of differing, and relevant skills, competencies, experience, knowledge, ages, and backgrounds, they are more likely to avoid 'groupthink' and thus achieve a more robust understanding of opportunities, issues, and risks. Consequently, difficult topics will be more openly discussed and challenged, the quality of decision-making will improve, and overall governance and performance will be stronger, and more effective.

Old Habits Die Hard

While board governance has made significant gains, where boards are far more independent, and stronger than in the past, when it comes to board recruitment, the disheartening truth is that the vast majority of boards do not engage in 'truly' rigorous, objective, and competency-based methodologies to select and appoint new directors, even though many boards believe that they do. While adhering to board skills matrices are now a regular part of the board's modus operandi, this does not necessarily translate into rigorous, objective, and competency-based selection practices. The way in which boards are composed and how directors are selected continues to leave a lot to be desired and is quite simply not sufficiently robust.

When a company recruits a new CEO or members of the executive team, it engages in a rigorous search methodology. This includes developing a role description that clearly lays out the responsibilities, accountabilities, expectations, experience, and competency requirements, designing the evaluation metrics by which each candidate will be measured, engaging in an external search whilst also considering internal contenders, conducting several rounds of in-depth interviews, a full battery of leadership, and psychometric assessment, along with adherence to formal reference-checking. Yet, when it comes to board recruitment, this rigour is not replicated. Why such a glaring lapse? Because old habits die hard…

Boards need to question the validity of their beliefs. In this regard, why does a board presume it is critical to engage in an in-depth, objective, and rigorous interview and assessment process when hiring a new CEO and members of the executive leadership team of the companies they oversee, and yet, not view it as being important enough to do the same for its own board members? Moreover, boards need to question how they can believe their selection practices are objective, rigorous, and competency-based, when the preponderance of new directors continue to be recruited through the limited networks of those already around the boardroom table, which perpetuates the hiring of like-minded directors, ignores a significant pool of potential candidates, hinders board effectiveness, and most certainly precludes improving diversity of thought, and other diversity criteria.

Board director recruitment should no longer be viewed as 'a delicate area to be gingerly trodden upon.' Like CEO, C-Suite, and other senior management recruitment, the director recruiting process should be no less rigorous. All companies deserve to have the most qualified, relevant, diverse, and effective boards possible — the investors, employees, other key stakeholders, and the CEOs who run these enterprises warrant nothing less.

Recalibrating board composition and skills matrices, and reinventing selection practices is long overdue. The goals are clear: to improve rigour, secure the appointment of the most appropriate and qualified directors, increase diversity of thought, and enhance governance and performance. There is a growing body of evidence[1] that demonstrates the benefits of improving gender diversity among leadership teams.[2] Having teams comprised of men and women with a variety of skills, competencies, experience, knowledge, and perspectives, results in key advantages:

Improved Performance & Profits	**Higher Creativity & Innovation**	**Faster Problem-Solving**	**Better Quality Decision-Making**
Stronger Governance & Mitigation of Risk	**Enhanced Reputational Value**	**Greater Employee Engagement & Retention**	**Ability to Attract the Next Generation of Leaders**

But why in this era, is it continually necessary to prove the benefits of diversity in leadership roles when for decades there were no such hurdles for privileged, white men to overcome? With greater scrutiny placed on the paucity of diversity at the most senior levels of organizations across the country, let us desist in needing to prove why women and people from different ethnic and racial backgrounds can be valuable contributors to the most senior leadership ranks, and start implementing the meaningful actions that will compel greater progression.

Competence & Diversity are Not Mutually Exclusive

Structural biases are a great impediment to progress in diversity. A survey conducted by composer Suby Raman[3] looked at gender representation in America's top 20 orchestras, represented by 1,833 individual musicians. Of the 20 orchestras sampled, he found the orchestras, on average, had 63% men and 37% women.

Few things illustrate inherent bias more succinctly than the historical hirings of the New York Philharmonic Orchestra. For decades, symphony musical directors hired male musicians to the exclusion of female musicians. The contenders were handpicked male students who studied under a select group of teachers, or those who attended a well-known school. The bias against female musicians was "They did not have the proper technique or stamina" and therefore would lower the quality of the symphony's music. In other words — "There were no 'qualified female' musicians."

A racial discrimination lawsuit against the New York Philharmonic became the catalyst for change. The orchestra had to revamp its hiring and selection practices by broadening the talent pool, advertising openings, and allowing orchestra members to participate in hiring decisions. Significantly, they also introduced the use of blind auditions, in which musicians auditioned behind a curtain or screen, allowing them to be heard but not seen and thus judged solely on their musical talent. As the number of blind auditions increased, so too did the number of women hired. Before introducing blind auditions, the 103-member New York Philharmonic had no female musicians; after their introduction, the number catapulted to 44 female members. The use of blind auditions became the 'best practice' among symphony orchestras across the U.S., and as a result, the number of female symphony members increased exponentially. And yet, prior to blind auditions, these same female musicians would never have had the opportunity to demonstrate their competence because they were outright discounted due to their gender alone.

The manner by which musicians were recruited was deeply flawed, biased, and inequitable. Blatantly ignoring half of the candidate pool resulted in high calibre female musicians unable to access auditions. The institutional, ingrained belief held by the NYPO leadership posited that female musicians lacked proper technique or stamina, and ergo, women would lower the quality of the symphony's music. This notion was so entrenched that it went unquestioned until a lawsuit forced the orchestra to review its policies and selection practices.

A very loud alarm bell should be ringing whenever boards say, "they 've tried to find qualified female directors, but can't." The New York Philharmonic is a classic example of the prevalent, deep-rooted thinking and bias; it is also a great example of how change is strikingly possible.

02

Broken Board Practices

Time to Reimagine & Change Mindsets

Our world has dramatically transformed. The need to recalibrate board composition, skills matrices, and director refreshment mechanisms in order to make way for broader skills, competencies, experiences, and diversity of thought, has never been more vital. Of equal weight is the reform of selection practices for the sake of improving rigour, equity, and board quality.

While there is much talk of the desire to improve diversity, the unfortunate truth is inertia, and the lack of leadership prevail. While some boards have made significant gains, there are far too few companies taking diversity seriously, and too little concrete actions that affect meaningful change. Organizations can no longer afford to show allegiance backed by words but not by deeds. Resolve and action are what's needed.

The time is now to shift the conversation; to dispel the ubiquitous myths and engage in a more transparent and candid dialogue about impediments which prolong the use of flawed processes and practices, as well as perpetuate the lack of objectivity, rigour, and equity.

So, what are the specific practices in need of a re-think?

Impediments to Stronger & Equitable Boards

1 **Outdated Board Composition & Competency Matrices:** There remains an overemphasis on pursuing directors with CEO and CFO experience and an underemphasis on seeking directors adept in: human capital management, governance, enterprise-wide risk management, and advanced technology — skill gaps afflicting a great many boards. In today's rapidly changing and competitive business environment, every industry sector is susceptible to some type of technology disruption, or other risk event, that has existential implications, where unique and novel risks are testing the capabilities of boards. Succession planning, CEO performance measurement and management, executive compensation, and culture-monitoring are also a continuous challenge for boards to navigate. Given this reality, it is astonishing to see so few human resource, technology, and enterprise-wide risk management experts on boards.

While the use of board skills matrices is universal, the method by which a board evaluates the capability of its existing directors in order to complete the matrices and to identify skills gaps varies widely, and a lack of rigour prevails. For a large proportion of boards, the pervasive practice of board members gauging their own skill sets, the use of an x or other symbol to indicate the presence of a specific skill, and the paucity of well-defined criteria and evaluation metrics is deeply problematic. This slipshod approach can portray that the board does not have any skills gaps, when in fact there may be existing disparities. The tendency to overstate individual directors' capability has a cascading and serious impact on board effectiveness and performance.

2 **Board Leadership:** Board leadership remains overwhelmingly composed of white men. Few women (7%) have made it to the board chair seat. Leadership of board committees doesn't fare much better:

- Audit Committee – Women comprise at least half of professional CA/CPAs, and yet, only 16% of audit committee chairs are women.
- Nominating & Governance (N&G) Committee – This committee has traditionally been stacked with the more experienced directors, as well as board chairs who like to participate in the selection of new directors.The presumption of having 'the right' expertise among board members with many directorships under their belts is simply wrong. The obvious key experience needed for this committee are directors with broad governance expertise, and those with specific human resources expertise. Given the fact that the legal, and human resource professions, are made up of predominantly women; it is deeply troubling to see that women with this core expertise are lacking on most N&G committees, as well as the fact that women hold only 21% of N&G committee chair roles.
- Human Resources & Compensation Committee – In contrast to the reality that people risk is a significant and growing concern for corporations, the work of this committee tends to be overly focused on executive compensation. In addition, this committee is typically composed of current or former CEOs who may bring a more narrow lens to compensation discussions. It is abundantly obvious that strategic human capital expertise is needed on this committee, and yet, these experts are missing from the boardroom table. Considering CHROs and the heads of compensation are overwhelmingly women (71%), boards should be questioning why they're not recruiting more female human capital experts to their boards, and to lead this committee.

3 **Inconsistent & Misleading Use of the Term Diversity:** A fundamental disconnect exists between what boards say about the level of diversity versus what statistics actually reveal. In a report on FP500 boards,[4] 81.3% confidently responded that their boards were diverse. The term 'diversity' is used in this case, as a way to describe the variety of skills a board has, as well as reporting on gender, racial, ethnic, and other diversity, and consequently it fails to appropriately capture the real problem, which is inequality. It is necessary to be more definitive and clarify the language so as not to cause confusion and to mitigate misleading messaging. A clear delineation needs to be established between the variety sought in the amalgam of experience, knowledge, and competencies versus having greater equity in the balance of gender, ethnicity, and ages.

4 **Board Renewal:** Low turnover of boards is a ubiquitous problem and many boards have directors serving tenures of 15, 20, and 25+ years. While there are several types of board refreshment strategies such as: age limits, term limits, a director removal due to poor performance, or a mismatch in skills sets; these are not being effectively utilized.

Removing a director due to performance is problematic given the way in which boards conduct board and director evaluations, and the same applies to removing a director due to their skills being outmoded. While age limits are used more frequently than term limits, they are considered more arbitrary, and can be discriminatory. Term limits on the other hand are a non-discriminatory, non-contentious renewal mechanism, and yet, the vast majority of boards remain reluctant to implement them. Directors with long tenures may lack a fresh perspective, can become too cozy with the CEO and management, leading to entrenchment, and most certainly inhibit healthy board turnover and replenishment of needed skills, as well as obstruct improving diversity.

While Canada has adopted a comply or explain policy for renewal mechanisms, the UK and France have imposed term limits of nine years and twelve years respectively; and Australian guidelines recommend that the board consider a director's independence compromised after 10 years.

The reluctance of a majority of boards to introduce term limits is disconcerting. The reasoning boards cite for this disinclination is the potential loss of 'institutional memory.' However, by appropriately staggering director terms — which boards already do, and with the board's meticulous record-keeping and minutes; institutional memory can easily be maintained, whilst also ensuring appropriate board refreshment and injection of relevant skills. Furthermore, given the speed in which the business world is being transformed — institutional memory very quickly becomes obsolete. With this reality, is a more likely reason for not implementing term limits centered around protection? Being a director of a publicly-listed company is a much sought-after role that produces good cash flow. It shouldn't be surprising that directors would want to prolong this advantageous manner of operating for as long as possible.

Increasingly, investors are showing support for term limits that reinforce the independence of boards from management, and which inject new skills, vitality, and diversity onto boards. Having consistent, non-discriminatory, and effective board renewal mechanisms is good corporate governance. Governance committees should put the issue of 'term limits' on their meeting agendas.

5 **Cross-Directorship & Interlocking Boards:** The fiduciary duty of boards of directors to act in the best interests of the corporation has expanded beyond sole consideration of the corporation's shareholders, and now includes a much broader set of stakeholders — shareholders, employees, retirees and pensioners, creditors, consumers, governments, the environment, and the long-term interests of the corporation.

- Cross-Directorships: Investors are paying greater attention to cross-directorships during nominations. When two or more directors of one board also sit on another board together, it can undermine independence, increase the likelihood of groupthink and entrenched bias, and presents more potential for conflicts of interests. It also perpetuates the appointment of the same faces, reinforces that directorships are a club for the privileged few, and detracts from establishing wider diversity.

- Board Interlocks: There is growing attention on the relationship that exists between the board of one company with that of another due to the fact a director(s) sits on both boards of competing companies, or has a significant interest in one whilst being a director of the other. Competitors sharing directors further concentrates power, decreases independence, creates the opportunity to exchange competitively sensitive information, facilitates coordination, and presents the potential for violations, or negligence.

Public company boards must not only stay informed of the policies of their key investors, and those of shareholder advisors, and consider how they impact director independence and elections; they must also be proactive in avoiding issues of conflict of interest, the lack of independence, and potential for negligence.

6 **Over-boarding:** The issue of over-boarding has been around for some time, but quite surprisingly, there isn't a consistent or cohesive definition. For the vast majority of boards, there are no policies on the limits to the number of publicly-listed company directorships a person can hold, and unsurprisingly, boards remain resistant to setting restrictive policies. However, this self-interest is evolving as more investors are viewing over-boarding through a new lens, and the link between over-boarding and director performance has become a significant concern.

The already contentious issue of over-boarding should not only call into question how many publicly-listed company boards a director sits on, but also the total number of boards, regardless of whether they are publicly-listed, privately-held, public institutions, Crown Corps, or volunteer boards, as well as whether they are in a leadership role as chair of the board, chair of a committee, or lead director. In addition, when it comes to sitting executives, the matter of being over-boarded should have a much broader context than simply looking at the total number of outside directorships. Executive overextension and burnout are serious issues that fly under the radar, which impact not only an executive's personal well-being, but also their ability to perform.

While individual directors don't want to be called out or shamed for too many directorships, there is the issue of self-interest which is neither objective nor conducive to change. Greater pro-active, conscientious dialogue is needed. Boards must implement policies to restrict over-boarding. Ensuring directors maintain independence, and have the time, energy, and commitment to be a fully engaged and highly effective board member is more critical than ever.

7 **Board & Director Evaluations:** Increasingly, the board evaluation process is being scrutinized for lack of transparency as institutional investors, and shareholder advisors, seek better quality information to enable 'more informed' voting choices. Performance evaluation falls into two categories: an independent and objective evaluation conducted by an outside expert, and a self-assessment where the board conducts its own review. Many boards use the self-assessment method, and therefore, it's not surprising that a substantial share of directors view the way in which board evaluations are conducted as not as effective as it should be. With the self-assessment method, directors are generally reluctant to provide objective, robust evaluation of their fellow members, let alone of the board chair. Add to this the fact that most boards conduct board recruitment through their own networks of those already around the table, this camaraderie, comfort level, and 'personal' connection all influence and cloud perspective, resulting in an imprecise evaluation.

In today's world of increased scrutiny of corporate governance, public company boards conducting their own performance evaluations is clearly an outworn, inadequate practice that needs to be reformed.

8 **A Myopic & Homogeneous Approach to Recruitment:** A diversity report of FP500 companies[5] showed some sobering data on the use of search firms to find new board directors:

- Only 18.6% always use a search firm
- Almost one-third (27.3%) never use a search firm
- 41.5% sometimes use one ('sometimes' was undefined)
- 12.6% don't know if they use one

The reality is the vast majority of publicly-listed company boards don't use outside, independent experts to find new directors. Instead, they continue to conduct board recruitment through the limited networking of 'who is known' to those already around the boardroom table, or through the board's advisors. This not only detracts from having a rigorous, objective, and merit-based process, it also perpetuates the over-boarding of the same faces, and blocks greater diversity.

When personal networking is ubiquitous, the very idea that you're appointing the most relevant and qualified candidates is completely contrary to reason and deeply delusional.

9 **The Old Boys' Club:** 'The Old Boys' Club' has been around for many decades, and it thrives because of privilege, influence, comfort with each other, and protectionism. While the 'The Old Boys' Club' typically means the exclusion of women, it also ostracizes men to a degree — those who didn't attend the right universities, don't belong to the right clubs, are members of minority groups, or are under the age of 50. The club continues to perpetuate itself through the process by which directors are being recruited, namely through the networks of those already appointed to boards.

10 **The New Women's Club:** For the past decade, those in the know have seen how difficult it's been for women to land their first public company board seat. For those women who were successful, the second and subsequent board seats were easier to acquire as suddenly they were visible where they had not been before. Not surprisingly, this led to situations where the same faces were being appointed to multiple boards. Care needs to be taken to not follow in the footsteps of 'The Old Boys' Club' with a 'New Women's Club', which contributes to over-boarding, and perpetuates the myth that there aren't enough qualified women out there.

11 **The Halo Effect:** Having high-profile executives around the table inspires confidence, and gives the illusion of experience, wisdom, and strong oversight. But, habitually, far too many boards fall prey to the allure of more illustrious and conspicuous candidates during the recruitment process, without thoroughly evaluating if they have the competencies, characteristics, time, or commitment to be an effective director. **Enron's board was full of high-profile, successful, and seemingly sophisticated executives, and was audaciously named one of the top five boards in 2000 — just one year before its monumental collapse!**

12 **How the Term 'Fit' is Being Hijacked & Misused:** The lion's share of directors believes that because a board spends a great deal of time together, a critical component in the selection of a new director is how that director will 'fit in' with the existing board members. But the very notion of 'fit' has become an indistinct concept, where fellowship and familiarity influences decisions, and 'fit' is often code for "We don't want to disrupt the interpersonal harmony of our homogeneous board." Ask yourself how many times you've heard a board say things like:

- "Mary is skilled, but I'm not sure she's the right 'fit'."
- "Susan is experienced, but I wouldn't want to be stuck at an airport with her."
- "Andrew is very good, but I wouldn't want to go to dinner with him one-on-one."
- "Omar's experience is relevant, but 'fitting in' will be a challenge."

These are personal judgements which have absolutely no relevance as to how a potential director will perform and should not be a part of any recruitment regime. The true intention of assessing an individual for their suitability is focused on the 'cultural fit' to the organization, but today's interpretation has morphed into 'personal fit' whereby the tendency to bond over shared backgrounds or interests takes precedent. This favours a more homogeneous group of people and indulges in impression-based hiring wherein the selected candidates are more personally liked and appear to 'fit well with the board', regardless of the candidate's 'true' capability to be an effective director.

It is critical for the board to understand how 'fit' should be applied, how it may be misapplying it, and how that impedes a 'truly' objective and merit-based selection process.

13 **A Failure to Assess the Full Capability of Potential Directors:** Selecting the most relevant, qualified, and diverse board of directors is serious business and it requires an investment of time and energy to do it well. While some boards may have a degree of comfort in assessing a potential director's experience and knowledge, there's a preponderance for boards to be less comfortable and often ill-equipped to engage in a more in-depth, and objective evaluation of a potential director's full capability, including personal characteristics and attributes, which remain elusive despite profoundly impacting board dynamics and effectiveness. A key factor is that few nominating committees are composed of the people with the requisite skills to conduct this type of assessment.

A further deterrent to a fully realized assessment is the way in which boards continue to be recruited from within very limited networks of existing board members, or referred through the board's professional advisors, consequently there is an embedded reluctance to introduce a more rigorous assessment methodology for fear of putting them off, or having to turn them down.

Search firms also contribute to the problem. While boards that engage search firms certainly benefit from a wider talent pool, many search firms also fall prey to antiquated and inherently biased board recruiting methodologies that have been in use for decades — methodologies that actually preclude a truly objective and competency-based process.

14 **Use of Candidate Long-lists:** The ongoing use of the long-list for board recruitment is deeply problematic and belongs in another era. Regardless of whether a search firm is engaged by the board and they present a long-list, or the board has gathered names from within their own networks or from other lists of potential candidates, it raises a red flag. The overriding concern is that individuals on the lists have NOT been formally interviewed for the role at hand, and have had very limited vetting, if any. When a board committee discussion ensues about each candidate on the list, as to their suitability, there is no factual assessment or evidence of their competencies from which to draw from, and no real understanding of the context of their employment — role, mandate, organizational culture, people dynamics, or the environment in which the company operates; making it impossible to ascertain their 'true capability.'

Instead, a superficial discussion ensues about their profile, where the referral came from, who might know whom, and what members of the committee believe they might know about the candidate in question. This method elicits nothing but personal judgements, and second-hand information, which is inaccurate and/or misleading. Not only is this the worse possible way to conduct a recruitment campaign and a colossal waste of a committee's time — it is poor governance, and impedes any objective, independent, or rigorous measurement of a candidate's 'true' capability, and it most certainly makes those candidates who are not known secondary to those who are, which inevitably hinders greater diversity.

15 **The impact of Bias:** Biases are ubiquitous, we all have them. Preconceived opinions and inclinations can be helpful as they allow us to process enormous amounts of information to make quick decisions. Biases influence our daily thoughts, actions, and behaviours, usually without our awareness, automatically impacting our decision-making. Unfortunately, this often results in quick and inaccurate personal judgments of people and situations, without all of the relevant information. Nowhere is this more significant than during the recruitment and interview process, when conducting performance evaluations, making promotion decisions, and considering recipients of plum assignments within a company.

In the boardroom setting, all too often, social biases play a significant role in decision-making that results in undervaluing certain people's skills and perspectives, while overvaluing others. Boards are advised to observe where strong, preferential biases are affecting their appointments of directors, as well as in all critical governing decisions relating to board composition, recruitment, and selection practices. The types of biases that plague boards and influence decision-making are:

- Authority Bias: the tendency to be more influenced by the opinion of an authority figure, unrelated to its actual content.
- Status Quo Bias: the preference for maintaining one's current situation and opposing actions that may change the state of affairs.
- Confirmation Bias: the tendency to interpret new evidence as confirmation of one's existing beliefs or theories.
- Groupthink: the practice of thinking and making decisions as a group in a way that discourages creativity or individual responsibility.
- The Halo Effect: a type of cognitive bias in which our overall impression of a person influences how we feel and think about their character.

Boards need to work on both recognizing and understanding these varying aspects of biases and the impact on board dynamics, effectiveness, and performance, as well as the role bias plays in impeding greater diversity.

16 **The Myth of Not Enough Women:** Declaring that the fault lies with a lack of qualified women is an onerous assumption. It is disingenuous for boards to say they've tried to find more 'qualified female' directors but failed, when a great multitude don't use an external expert to find new directors. Thus, a "Who do we know?" approach simply cannot be justified as a reasonable attempt, thereby outright excluding a significant pool of potential candidates.

17 **The Pipeline Reality:** Reputed to an excessive degree, is the notion of an assumed lack of a pipeline of qualified, and diverse candidates for board roles. A superficial look at the gender and ethnic statistics of executive officer roles might corroborate this perception. However, this assumes that only the people who have reached the pinnacle of being in chief officer roles are qualified to sit at the board table. While every board needs to have 'some' of these experiences around the table, having a broader spectrum of skills, competencies, experience, and diversity of thought are critical, as is ensuring that candidates have the personal characteristics and attributes which dictate whether they will make an effective board member. What is also being missed is the fact that there are many large organizations in Canada where the complexity of roles at the SVP & EVP levels rivals that of a CEO, President, or COO in a smaller or less complex organization.

18 **Diversity Policies & Targets:** According to a 2022 Osler report[6], almost one-third (29%) of companies don't have diversity policies. More than half (58.6%) don't have specific targets to improve the representation of women on boards, and a whopping 90% don't have specific targets to improve the representation of women in executive officer roles. The most consistently cited reasons for not having targets are:

- Compromises a focus on merit
- Best candidate may not be selected
- Targets are restrictive and limit the talent pool
- Adequate systems already in place
- Nature of business/stage of development

These reasons are in direct opposition to the reality. Existing practices make it impossible to know that the best candidates are being selected, when it severely precludes a significant portion of the talent pool. The current systems are clearly not adequate, and the nature of the business or stage of development of the company should have no bearing on implementing exacting and equitable standards. This is simply not acceptable, and boards can, and should do better.

19 **Good Intentions & Unintended Consequences:** Proxy advisory firms provide research and data, and make recommendations to institutional investors on key issues that investors care about, which helps them to make informed voting decisions. Changes in voting policies reflecting the ESG objectives of investors are having an impact. However, while withholding votes for nominating and governance committee chairs whose board lacks diversity, may on the surface, appear like a good idea to spur action; it has unintended consequences. Conducting a one-dimensional audit of the balance of gender, race, or ethnicity of a board can drive unwanted behaviours among existing directors in order to keep their roles, and most certainly encourages a rote, box-ticking mentality, which can contribute to the appointment of directors who are 'unfit to sit'. Hollow homage ultimately detracts from the intended objective of improving board diversity, and thus, board effectiveness and performance.

20 **Government:** Crown corporations, commissions, and public-private partnerships (CCCs & PPPS) can be a good feeder for directors to move onto public company board directorships. Unfortunately, all too often they fall prey to the whims and machinations of the government in power, where the influence of cronyism and politics interferes with the independent functioning of the CCCs & PPPS recruitment of independent directors to its boards. While some CCCs & PPPS use outside recruitment advisors, others are required to conduct their own recruitment campaigns, which predominantly include government advertising and personal networking. In either scenario, when the CCCs & PPPS recruitment process is close to the end, information packages of the chosen candidate(s) are required to be sent to the government for 'final approval' — where they go into a 'black hole.' At times, the chosen candidate(s) are turned down for no discernable or merit-based reasons, and often replaced with individuals whom the government selects. However, these aspirants may not be qualified for the role, and quite absurdly, they may also have already been ruled out by the CCCs & PPPS governance & nominating committee during its recruitment process.

The government can, and must do better.

C-suite & Board Complexity: Overextension & Fragmentation

With the business world changing at warp speed, it's abundantly apparent that being an independent director of a publicly-listed company board is far more complex than ever before, and demands an increased time commitment. In turn, with the untold stress engulfing our senior leaders, (*Leadership on the Edge: The Rise of Executive Stress*) and the daunting business and human capital transformations that are needed, a CEO/EO's role has become exponentially more challenging, where balancing a full-time job with outside board directorships is infinitely more arduous.

Is it realistic or feasible for sitting CEOs/EOs to be wholly committed to a full-time workday and have the capacity to contribute fully to outside publicly-listed directorships as well? Should a sitting executive even be on a publicly-listed board at all? In addition, most executives participate on voluntary boards or committees which adds to their time commitment, sparking "too many irons in the fire" syndrome.

Sitting CEOs/EOs having outside publicly-listed company board directorships has been an acceptable practice for eons. Board chairs believe that CEOs gain valuable insights by being on the other side of the table as outside directors, which may be true. Ultimately, however, does it only serve to make the chair's job easier? The precise value, and to whom, should be vigorously questioned. The way in which this practice actually benefits the CEO, company, and shareholders should be gauged for tangible outcomes. If there are multifaceted benefits, one outside board should suffice. Moreover, rather than serving on a publicly-listed company board, it should be ascertained if the same valuable insights can be acquired through other non-listed directorships. Are there larger gains to be had by shifting the paradigm?

Several positive outcomes could be realized: it could open up more public company board seats to allow for a recalibration of skills; create the opportunity to include greater diversity, and enhance board effectiveness; CEOs/EOs could devote more of their focus to their day jobs, helping them to accelerate the business and human capital transformations already underway, provide more time for innovation, create momentum in building for the future, and increase shareholder value, and it would certainly alleviate the considerable mental health strain endured by sitting executives, as well as slow the 'Great Resignation' — A win-win for all stakeholders!

"Gillian has comprehensively addressed a serious need for improvements in board management. Some boards have shown reluctance to be more future-oriented when constructing board composition and competency matrices, and addressing the lack of rigour in board and director performance evaluations. Good governance behooves the board to ensure there are effective renewal mechanisms, and a robust. forward-looking, independent, and externally supported process for board recruitment, and board performance evaluations. Board chairs must step up and manage this process with a more open, objective mindset. I encourage boards to read this report, and heed the call to action."

Dick Freeborough, FCPA, FCA, ICD.D.
Seasoned Board Chair, Audit Committee Chair, and Former Partner KPMG LLP

U.S. Public Companies: Perilous & Paradoxical Practices

The 2022 PwC's Annual Directors Survey[7] of 700 directors of public companies in the U.S. shows some disconcerting trends:

Over-boarding: The majority of respondents agree there should be limitations on the number of publicly-listed company boards a director can sit on:

- Independent directors without a sitting executive role
  - 11% said directors should be limited to two or fewer boards
  - 48% said directors should be limited to three boards
  - 31% said four boards should be the limit
  - 9% said five or more
- Independent Directors with a sitting CEO or other executive role
  - A lofty 31% said sitting CEOs should not serve on an outside board at all, and 40% said the same about other executives
  - 58% said sitting CEOs should be limited to two boards (including their own), and 47% said the same about other executives
  - 11% said three or more boards for CEOs and 13% said the same about other executives

Board Refreshment Mechanisms: More boards favour director evaluations over age limits or term limits to refresh the board:

Director Performance

- A staggering 48% of directors said their board needed to replace at least one member of their board;
  - 29% said they should replace one director
  - 15% said they should replace two directors
  - 4% said they should replace more than two directors
- On conducting individual director performance evaluations;
  - 37% of directors said their boards have adopted them
  - 28% of directors said their boards are unwilling to adopt them

Age Limits

- On instituting policies for mandatory retirement at age of 72 or younger;
  - 24% of directors said their boards have adopted them
  - 62% of directors said their boards are unwilling to adopt them

Term Limits

- On instituting policies of term limits of 12 years or less;
  - 7% of directors said their boards have adopted them
  - 70% of directors said their boards are unwilling to adopt them

Board Diversity: A strong majority (93%) of directors overwhelmingly agree that diversity brings unique perspectives to the boardroom; with 88% saying gender diversity is the most important element in creating diversity of thought, while racial and ethnic diversity is not far behind at 83%. A number of directors (36%) said that their board increased its size to add a diverse director — 78 boards in the S&P500 expanded their size to add one additional female director, and 88 boards sized upwards to increase racial/ethnic diversity.

However, there is growing skepticism looming with newly appointed diverse candidates where 34% of directors said the push to diversify boards results in unneeded candidates, and 31% said it is resulting in unqualified candidates being appointed. Of these, male and female directors differed on the reasons:

- 74% of male directors believe it is driven by political correctness vs 29% of female directors
- 61% of male directors believe that shareholders are too preoccupied with the topic vs 30% of female directors

The NIMBY (Not in My Board Yard) Approach

The PwC survey shows that almost half of directors (48%) believe that at least one director on their board should be replaced – a glaring omission. And yet, when it comes to board refreshment mechanisms; 70% said their board would not adopt term-limits, 62% said the same about embracing a retirement policy at age 72, and only one-third of directors said their board conducts individual director evaluations.

What a ridiculous impasse! One can only wonder at the board development strategy in mind when directors argue for board renewal via the replacement of directors, while simultaneously dismissing implementing refreshment strategies in order to replenish the director pool. A deliberate stagnation is at play across the board. Pun intended!

What is also clear is that boards in the U.S. are feeling pressure to appoint more diverse directors. Almost one-third of all directors surveyed believe that the push for diversity is resulting in the appointment of unqualified candidates. Of these, three quarters of male directors believe it is due to political correctness, as do close to one-third of female directors. But, is it the stated reasons that is resulting in more 'unqualified diverse' candidates being appointed to boards? Or, is it the flawed processes and practices – the selection methodologies and indolent 'tick-a-box' practice done merely in order to be seen to be supporting diversity or complying with regulation?

It shouldn't be surprising to anyone that tokenism and a rote, box-checking mentality increase the likelihood of appointing less qualified directors. It is the many deep-seated assumptions and flawed process by which boards seek out more diverse candidates that causes a looping of ill-though-out board development strategy – therein lies our predicament! The engrained belief that there are no 'qualified' women or other diverse candidates to be found, and the lack of truly rigorous, objective, integrated, and competency-based selection practices are what continually put us in this endless quandary.

“You can’t cross the sea merely by standing and staring at the water.”

Rabindranath Tagore

03

Standing on Uneven Ground

Boards of Directors at the Crossroads ~ Destabilization & Reconstruction

The global pandemic upended the way we live, work, and interact, accelerating the business and technology disruptions that were already underway. It left major industries fundamentally altered while rendering some obsolete, ushered in supply chain interruptions, labour shortages, rising inflation, and launching a global experiment around flexible work. The war in Ukraine has further exacerbated the supply chain crisis, and disturbed the geopolitical order worldwide, which will have long-lasting implications with globalization viewed through a new lens.

During the next few years of economic uncertainty and instability, boards and CEOs will continue to re-evaluate their businesses, operational structures, supply chains, and globalization strategies. Accordingly, this will further accelerate necessary business and human capital transformations, triggering seismic global impact. The war for talent will intensify and hybrid work will become normalized, forever altering the employer-employee relationship where CEOs need to quickly adapt their own mindsets around face-time, and usher in new practices to promote creativity, teamwork, collaboration, and people management. The ability to pivot, find new ways of doing business, build stronger organizational agility and resilient leadership teams, attract key talent, and engage and capitalize on the next generation of leaders will be imperative to not only survive, but to thrive.

Reaching New Horizons

Organizations of the future will look vastly different than they do today. For the first time ever, there are now five generations in the workforce; the boomers are retiring, and the millennials and Gen Z are much more likely to be re-evaluating their work situation. At the same time, more than half the world's population is under the age of forty, and the majority of future job applicants will likely be born in another country. In this new reality of a rapidly evolving workforce and lightening-speed digital transformations, organizations will need to become nimbler and more progressive in attracting and retaining a wider variety of needed talent. To remain competitive, it will be critical to foster a more diverse and inclusive environment in order to drive and sustain the impending business and human capital transformations.

During this period of instability and profound change, organizations will remain under scrutiny so as not to lose sight of their commitment to improve diversity. Strengthening the board's ability to hire the most competent and relevant directors, while also capitalizing on the advantages of diversity around the boardroom table **are not** mutually exclusive, in fact, they are congruent — boards will need to step up their game. This isn't simply about hiring more women or other under-represented groups around the boardroom table to merely 'tick a box'. Not at all, in fact, It's actually about ensuring boards engage in 'truly' objective, rigorous, and competency-based processes that results in a board composed of the very best possible directors — those men and women who each have the personal characteristics and attributes to be an effective director, and who collectively bring diversity of thought, and a broad range of skills, competencies, knowledge, and experience, which are in alignment with the organization's strategy and objectives.

Regarding diversity on boards and in executive officer roles, it has been just over seven years since the adoption of National Instrument 58-101 – Disclosure of Corporate Governance Practises (NI 58-101), establishing tracking of women on boards and in executive officer roles, and it has been almost three years of diversity disclosure under the *Canada Business Corporations Act* (CBCA), establishing tracking of women, visible minorities, Indigenous peoples, and persons with disabilities, on boards and in executive officer roles. Since the implementation of legislation, improving diversity in the C-suite and on boards has been a topic of discussion across the country. While some progress has been made in the representation of women on boards, the pace of change remains lethargic, and for women in executive officer positions, it is proving to be an obdurate problem where change is glacial. When it comes to diversity beyond gender — the numbers are inert.

The Diversity Statistics

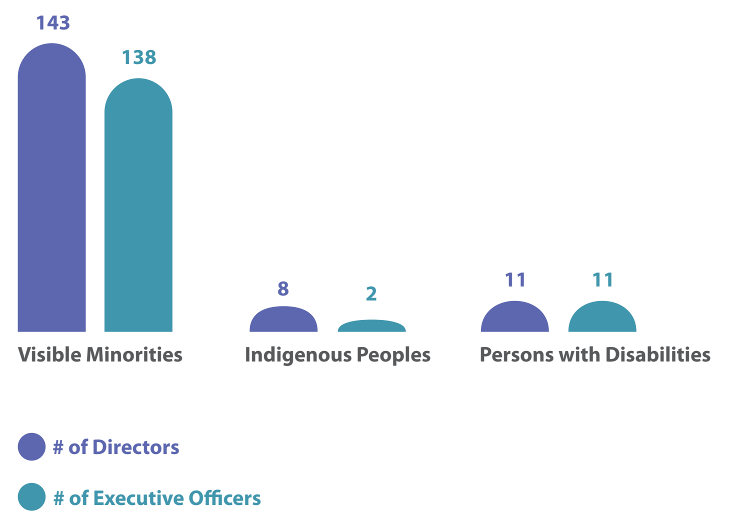
While earlier diversity surveys were based exclusively on gender representation among Canada's largest companies — the S&P/TSX 60, and the FP500; since the introduction of **NI 58-101**, diversity reports remained focused on gender, but also included a broader swath of companies beyond the FP500 to include all TSX-listed companies (excluding ETFs, Closed-End Funds, and TSX-Venture companies).

In addition, as of January 1, 2020, CBCA corporations with publicly traded securities are required to provide diversity disclosure regarding gender on boards and in senior management, but also include broader diversity disclosure regarding Aboriginal peoples (Indigenous in this article), visible minorities, and persons with disabilities. Unlike NI 58-101, these requirements also apply to CBCA corporations listed on the TSX-Venture Exchange, as well as other stock exchanges. The statistics below are linked to companies who are required to report under NI 58-101, and corporations governed by the CBCA.

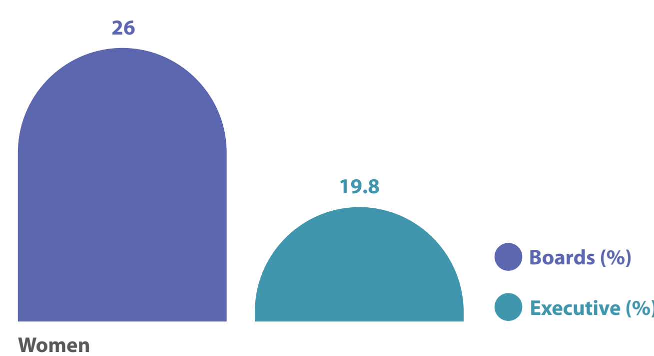
Graph 1 shows the representation of visible minorities, Indigenous peoples, and persons with disabilities, based on a 2022 Osler report,[8] among corporations governed by CBCA with publicly traded securities.

Graph 2 shows the representation of women on boards and in executive officer roles among TSX-listed issuers subject to NI 58-101 gender diversity reporting requirements, based on a 2022 Osler report.[9]

1. Board & Executive Officer Diversity: Visible Minorities, Indigenous Peoples, and Persons with Disabilities



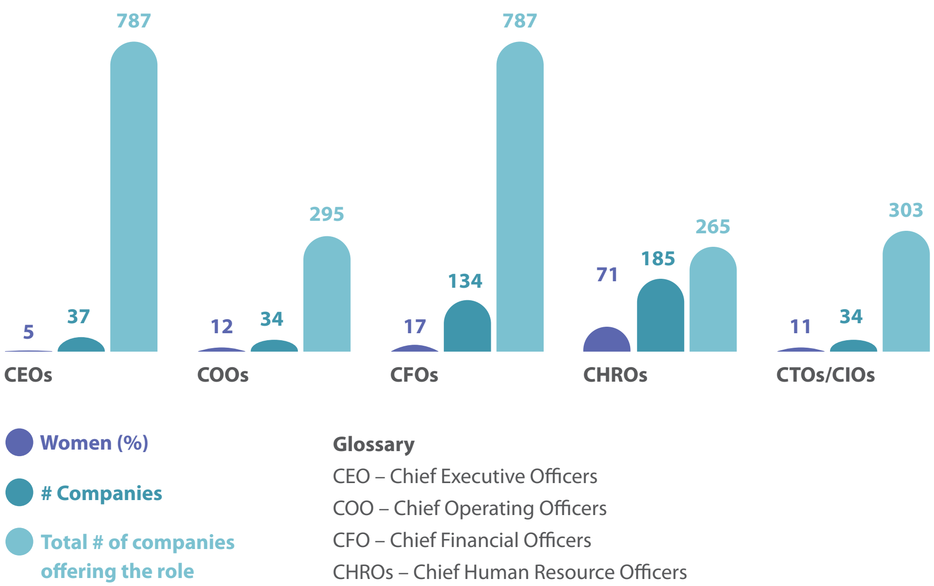
2. Board & Executive Officer Diversity: Women



Graph 3 shows women's representation in select executive leadership roles among TSX-listed issuers subject to NI 58-101 gender diversity reporting requirements, based on research conducted as of December 31, 2021.[10] While all reporting companies have CEO and CFO roles, this is not the case for COOs, CHROs or CTOs/CIOs.

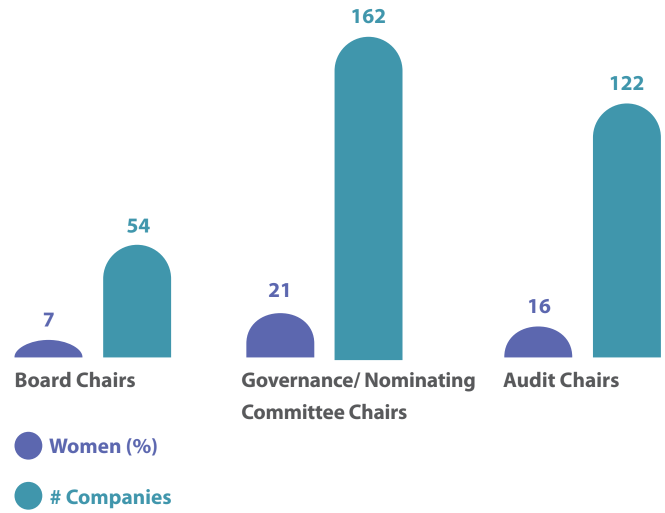
Graph 4 shows the representation of women in board leadership roles among TSX-listed issuers subject to NI 58-101 gender diversity reporting requirements, based on research conducted as of December 31, 2021.[11]

3. Women in Select Executive Leadership Roles

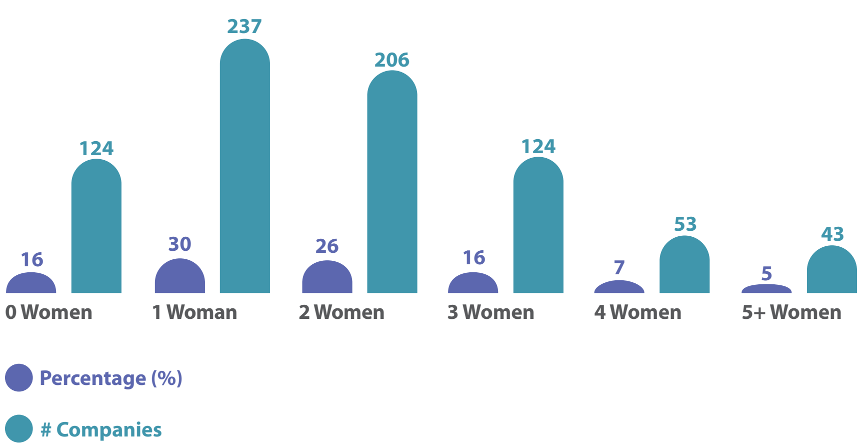


Glossary
CEO – Chief Executive Officers
COO – Chief Operating Officers
CFO – Chief Financial Officers
CHROs – Chief Human Resource Officers
CTOs/CIOs – Chief Technology Officers or Chief Information Officers

4. Women in Board Leadership Roles

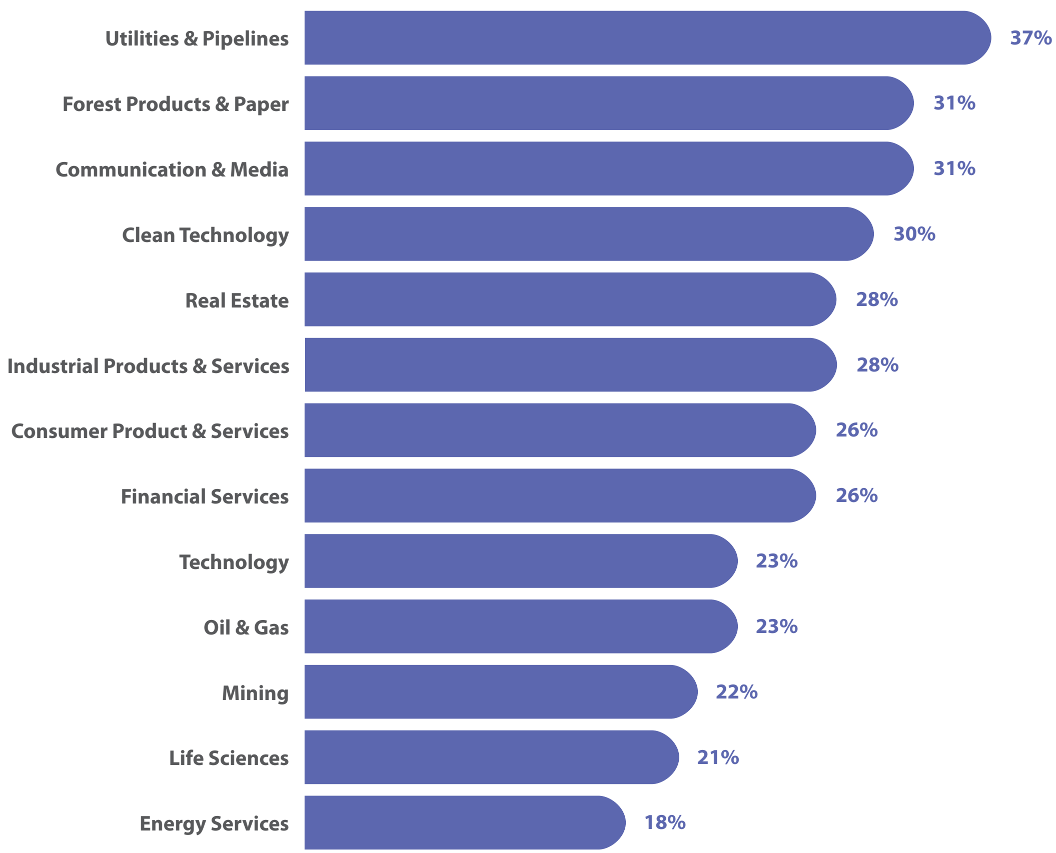


5. Boards with 0 to 5 Women



Graph 5 indicates the number of companies with 0 to 5 women on their boards among TSX-listed issuers subject to NI 58-101 gender diversity reporting requirements, based on research conducted as of December 31, 2021.[12] A whopping 124 companies (16%) have ZERO women. Further disheartening, we find less than three women on the boards of 567 companies — that's a staggering 74% — and only a scant 43 companies (5%) have 5 or more female board directors. Clearly, the status quo cannot remain.

6. Women on Boards by Industry Sector



Graph 6 shows the representation of women on boards by industry sector among TSX-listed issuers subject to NI 58-101 gender diversity reporting requirements, based on a 2022 Osler report.[13] Only two sectors are etching above 30% representation.

"There is significant untapped capability in the ranks of seasoned, senior CHRO's, who are largely female. This population is worthy of being at the most senior leadership tables. They have incredibly relevant skills and competencies which are critical to governing whether an entity has the right human capital practices and culture to drive high organizational performance. And they know how to lead through influence — Doesn't this sound like an ideal addition to any board?

This report is a must-read for every board, investor, and CEO."

Mary Lou Hukezalie
Retired, CHRO, TMX Group

The True State of Diversity

While the above research on diversity in Canada shows distressing numbers, these reports focus only on those companies subject to diversity reporting requirements under NI-58-101 and CBCA. It is most unfortunate — and quite surprising — that we do not know the true state of board and executive diversity in Canada.

There is a plethora of organizations in Canada — approximately 1,749 on the TSX (ETFs & close-end funds represent about half) and 1,652 on the TSXV, more companies listed on other exchanges, innumerable privately held organizations — large and small, public institutions, regulatory bodies, and crown corporations, as well as large, complex NFPs; the vast majority of which are not being measured for the breadth and scope of their diversity make-up. If all these entities were surveyed for the diversity of their boards and leadership teams — the 'true' state of inequity would be staggering.

The lack of diversity on boards and in executive officer positions is not only the problem of Canadian issuers who are required to report on diversity — it is a Canadian problem. Inequality is a pressing moral, social, and business issue, and a critical economic challenge. Having greater diversity in the composition of boards and leadership teams is infinitely beneficial to all organizations — no matter the size, type, or ownership structure.

In theory most everyone would agree they want directors to be appointed to boards founded on competence and merit, not based on quotas or regulatory imperatives to improve diversity. However, the harsh truth is that were it not for the introduction of diversity reporting requirements, zero progress would have been made beyond a handful of the more progressive companies. While indeed some leading companies have gained momentum, clearly, there are far more companies who remain nonchalant. Corporate Canada is moving too slowly to improve diversity among its top leadership ranks, and because of this tougher reporting requirements are being considered:

- The Canadian Securities Administration (CSA) proposed to update the current "comply or explain" disclosure regime concerning diversity on boards and in executive officer roles for publicly-listed companies in Canada. The CSA proposes two alternate schemes, and solicits feedback as to which approach best meets the needs of stakeholders, and additionally whether the CSA should consider developing similar requirements for TSX-Venture issuers in a follow-on phase.

- In support of the Government of Canada's commitment to create equitable, diverse, and inclusive workplaces, the government formed a taskforce to review the *Employment Equity Act* (Canada). The mandate was to consider the assigning of names regarding the existing designated groups, and adding furthers groups including LGBTQ2S1+ communities within the Employment Equity Act (Canada). There's much anticipation as to what changes lie ahead as a result of impending taskforce recommendations to the Minister of Labour.

The mounting pressure to improve diversity, and reporting transparency is unprecedented and will continue to evolve. Regardless of the camp you are in regarding introducing tougher and/or broader reporting requirements, quotas or no quotas — the statistics remain mind-numbingly lacklustre, and boards of directors can no longer afford to remain passive or indifferent.

Symbolism in the Boardroom: ♀ + 0

Gender representation at the table can be a deeply isolating experience especially if they are the lone female board member. Signs of tokenism can be quite overt, such as feeling like they are the checkmark next to the diversity box and not considered a full member of the group, as well as finding difficulties in having their opinions heard and validated.

Being the 'first' to be invited, they are stereotyped as the ambassador representing the views of all women. They may rightly feel that only lip service is being paid and they are at the table for appearance's sake. Tokenism as a 'one and done' mentality is far too prevalent and convenient for boards to add a female director in response to the squeeze they feel from outside forces to embrace equality.

Empirical evidence supports the view that boards with less than three women seated at the boardroom table may be visible, but their voices go unheard. A study conducted by Kramer, Konrad and Erkut determined that in order for a board to substantially benefit from increased gender diversity, a minimum of three women must serve on the board[14].

Expanding the numbers has great effect as revealed in a Catalyst report,[15] which found that companies with the most women board directors, especially those where there is a critical mass of three or more women, had better financial performance than those with fewer women directors.

Boardroom dynamics and performance change as the number of female directors increases. Dr. Aaron A. Dhir's work on boardroom homogeneity in Norwegian boardrooms[16] illuminates the impact of having at least three women directors. Dr. Dhir identified seven effects of gender-based boardroom heterogeneity for work, governance, and group dynamics:

1. Enhanced dialogue
2. Better decision making, including the value of dissent
3. More effective risk mitigation and crisis management, and a better balance between risk-welcoming and risk aversion behavior
4. Higher quality monitoring of and guidance to management
5. Positive changes to the boardroom environment and culture
6. More orderly and systematic board work
7. Positive changes in the behavior of men

It is abundantly clear that the path to equality is deeply plodding. Boards need to step up and acknowledge the skills, talents, and leadership qualities held by women who are meant to be in the boardroom, if only given the chance. Don't discount those who aren't on your radar, but rather follow more rigorous and inclusive recruitment procedures to get them to the table. And once they cross the threshold, recognize their ability to contribute, and grant them space to add value and flourish.

"We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction."

Bill Gates

04

Adopting New Paradigms in Governance

LBI Roadmap to Stronger & Equitable Boards ~ Reimagine & Recalibrate

All companies deserve a board of directors that is composed of the most relevant and qualified directors possible, and all investors, employees, other key stakeholders, and the CEOs who run the companies deserve to know that their board is being recruited through a 'truly' objective, rigorous, competency-based, and equitable selection process to find the best possible directors.

As we witness a metamorphosis in our business and economic systems, board configuration is at the precipice of being transformed, and the race to find the most qualified, relevant, and more broadly diverse directors for the new world is heating up.

Sage leadership is invaluable in regard to steering board strategy, performance, and eliminating inequity. Boards need to cultivate improvements in board composition, refreshment, and selection methodologies, and they must discern where the most relevant and qualified directors are sourced, ensure diverse candidates are no longer overlooked, and genuinely embrace equality.

We're at a critical juncture at which to demand and create a more hopeful, agile, fit for purpose, and high-performance future for boards.

So, what can be done to remedy what's broken?

1 **Tone at the Top:** Creating a culture that fully leverages the benefits of broader diversity needs to be a deliberate effort of commitment and actions led by the board chair, in tandem with the chair of the governance and nominating committee. While the board as a whole is responsible for improving diversity, it is the chair of the board's responsibility to foster an environment of inclusion that is visible and lived through open and direct dialogue during board discussions, and by engaging board members in the business imperative of improved diversity. The responsibility to ensure the board has the policies, processes, and practices in place to achieve governance objectives, steer the desired actions, and behaviours, and drive board performance is led by the governance and nominating committee.

2 **Visionary Action Plan:** The speed with which the role of a director is expanding, and the complexity of issues vying for the board's attention will continue to intensify. Boards need a visionary and measurable action plan along with written policies on amending board composition, board renewal mechanisms, how it will conduct its recruitment campaigns, and how it will improve diversity and eliminate inequity. The plan should be considered in the same vein as the corporate strategic plan — one that spurs action and is measurable.

3 **Cross-Directorships:** Set a policy to eliminate cross-directorships to ensure there are no members of your board who also sit together on another company board.

4 **Interlocking boards:** Set a policy to ensure that there are no members of your board who also sit on a competing company board or have a significant investment in a competing company. Re-evaluate these relationships annually, and whenever there is an acquisition, merger, or new company investments.

5 **Over-Boarding:** Being over-boarded can seriously diminish performance. In today's new reality, more is required of directors, and ensuring that every director has the capability and bandwidth to be fully engaged, contribute maximum value, and be highly effective is more critical than ever. Being over-boarded should not only call into question the number of publicly-listed company directorships, it should include all directorships. Murky definitions, hodge-podge methods, and an individualistic approach, is simply not effective, and is certainly not good corporate governance. Setting policies to limit the number of directorships will allow boards to optimize individual and board performance. It will also open more board seats to advance the amalgamation of needed competencies relevant to the company's changing business needs, as well as provide more opportunity to improve inequity.

In setting policies, consider implementing the following:

i Retired executives may be an independent director of no more than five boards – with a maximum of three publicly-listed company boards. They may be the independent chair of the board of no more than one publicly-listed company board.

ii Sitting executives may be an independent director of one outside company board, which cannot be a publicly-listed company board. They cannot be an independent chair of any outside company board.

6 **Board Renewal Mechanisms:** While there are four primary board renewal mechanisms available to boards, they are not being effectively utilized. Boards need to be more pro-active in setting appropriate policies and practices to advance board refreshment:

i Age limits – Boards should evaluate how age limits aligns with their culture and values. By having age limits, boards may have to remove a committed and high-performing director due to age alone, and they may not appoint a qualified, potential director due to age and having a limited runway. Ageism, which leads to age discrimination is not taken as seriously as other forms of discrimination. Boards are advised to avoid ageism and age limits, and instead focus on the other three mechanisms for board renewal.

ii Term limits – Term limits are seen as a productive, non-contentious, and non-discriminatory way to regularly refresh the board, facilitate succession planning, and create opportunities to inject new thinking, needed skills, improve diversity, and mitigate the risk of directors losing their independence by becoming captured.

It is recommended that boards implement a tenure policy to limit the number of years a director can serve to a maximum of nine years.

iii Poor performance – Removing a director due to poor performance should be as routine as terminating an executive for the same, but unfortunately this is rarely done. Boards need to change how they conduct performance evaluations to improve rigour and objectivity. With independent and meticulous evaluations in place, boards must ensure the evaluations are fully integrated into the process of renominating incumbent directors, as well as having a conscientious process to exit those directors who are not performing to expectations.

iv Mismatch of Skills– Removing a director due to their skills being less relevant is a very constructive, and non-contentious practice. Recalibrating skills matrices is foundational to not only successfully identifying any gaps that exist, but also determining which skills sets are no longer needed, or are less relevant. This helps to facilitate healthy board turnover to allow for new areas of expertise to be brought to the board, and provides an appropriate exit for directors whose skills have become outmoded.

Following good governance practice, in its annual governance disclosure to shareholders; boards are encouraged to divulge how it considers renewal mechanisms generally, and specifically; how it considers length of tenure, and individual performance, in renominating incumbent directors, and if the board has not yet adopted term limits, the reasons why it has not. The board should avoid boiler-plate language.

7 **Board & Director Performance Evaluations:** Forward-looking boards of publicly-listed companies should, on an annual basis, conduct performance evaluations of individual directors, committee chairs, the chair, and the collective board, using an independent, external expert reviewer. An independent reviewer is unencumbered to conduct an impartial, scrupulous performance assessment, and make disinterested, and appropriate recommendations to further the effectiveness and performance of the board.

To ensure complete independence, rigour, and effectiveness; care should be taken to develop an evaluation process that includes five guiding principles:

i The board delegates the selection of an independent evaluation reviewer to the governance & nominating committee. The reviewer selection criteria, and terms of engagement, should be agreed upon and ratified by the full board, and should be contracted prior to the commencement of director and board evaluations.

ii It's critical that the reviewer does not have any other commercial relationship with the board, individual members of the board, the company, or executive management at the time of selection, and for the duration of the contract period.

iii The reviewer will need unfettered access to individual directors and the collective board, as well as any documentation deemed important to meeting the agreed upon objectives of the evaluation process.

iv The reviewer should present their findings directly to the full board.

v In its annual report, the company should disclose the evaluation process followed, the name of the reviewer, and have the reviewer sign-off on the description of the process followed.

8 **Reinvent Board Composition:** While board composition should not be a prescriptive, one-size-fits-all design, there are core elements that are necessary for all boards. In addition to the regulatory requirement for boards to have financial experts for the audit committee, directors with expertise in technology, human resources, governance, and enterprise-wide risk management, should be a key criterion of every company's board composition. Of course, a company's strategic direction, industry sector, inherent business risks, and environment in which it operates, should inform some of the competencies needed for board directorship. The board as a whole should possess the breadth and depth of competencies to contribute to a broad range of business, economic, and human capital topics, as well as social, geopolitical, and other emerging developments, along with each board member having the personal characteristics and attributes to be an effective director.

i Aim for an equitable board gender balance with a minimum of 40% women and 40% men.

ii Limit the requirement for independent directors who have CEO experience to ideally two, but no more than three seats.

iii Governance & Nominating Committee – Given the wide-ranging responsibilities of this committee, it needs to be carefully and strategically constructed, and should include members who have deep and broad expertise in executive leadership, governance, and human resources. If your board has no women with the right skills; consider amending bylaws to allow for the hiring of an independent external expert to join the committee exclusively for the next five recruitment cycles or until such time as there are enough women with the right experience on the board to populate this committee. The committee should be composed of a minimum of 40% men and 40% women.

iv Audit Committee – Look beyond the CFOs of publicly-listed companies, going farther afield to the VPFs, corporate controllers, internal auditors, and retired public practice accountants. Ensure that female CA/CPAs are being recruited to your board for placement on the audit committee who can also be considered to lead this committee. Aim for a minimum of 40% men and 40% women.

v Human Resource & Compensation Committee – CHROs drive the talent engine of an organization, and individuals with this skill set should be around the table in every boardroom. This committee should be composed of people who possess strategic human capital expertise specifically: talent management, compensation structuring, succession planning, CEO performance evaluation, and culture monitoring dexterity. It's important to assess any cross-directorships and previous relationships that members may have had with the CEO in order to avoid potential conflicts of interest. Ensure that your board is recruiting female HR leaders as independent board members, and consider them for the committee chair role. Aim for a minimum of 40% men and 40% women.

vi Risk Management Committee – While risk oversight is a responsibility of the whole board, it is common practice to designate the audit committee as the body with primary responsibility. Boards would be wise to consider having a separate risk committee composed of members with executive leadership experience specific to the business, enterprise-wide risk management expertise, and technology expertise specifically in the areas of: big data, cybersecurity threats, business model disruption, and rapid technological innovation — AI, blockchain, cryptocurrency, and connectivity.

If the board decides that the audit committee is where risk oversight should be housed, it is imperative to ensure this committee has experts with the above requisite skills to assess and manage the range of business and operational risks the enterprise faces, and plan for the existential threats that could significantly change or derail the business.

9 **Recalibrate Board Skills Matrices:** Alignment between the board's collective capabilities with the needs of the company, and between each director's expertise, with the board's competency requirements, is increasingly being scrutinized by institutional and activist investors during director nominations, and it is being investigated in board oversight failures, and in shareholder litigation and activism. The board must ensure that it is regularly reviewing these alignments ensuring agility, and forward-looking capabilities.

When completing board competency matrices and identifying skills gaps, the board needs to vigorously assess existing director's competencies. It's crucial to thwart the tendency to overstate individual board member skills, and thus the board's capabilities.

i In assessing the board's capabilities, it's imperative to utilize well-defined criteria. Avoid using an x or other symbol in the competency matrices to indicate that a director has a specific skill set. Instead, craft a scorecard with a rating scale of no more than four ratings, with each rating having a clearly defined explanation of the depth and breadth of expertise and experience needed to warrant the rating.

ii Rather than individual directors gauging their own skills in accordance with the scorecard; the governance and nominating committee should conduct a thorough assessment of each board member's competencies, and apply the appropriate rating. If the current committee does not have the expertise to appropriately assess a director's competencies, or to develop the scorecard; hire an independent expert to assist with the process.

iii Skills matrices need to be continually reviewed. Each recruitment cycle, re-evaluate the expertise, experience, and competencies, needed around the boardroom table, identify any gaps, and recruit new board members based on the requirements — always integrating the need to maintain a balance of 40% men and 40% women who are appropriately qualified.

iv Re-define the term 'diversity': Diversity is an umbrella term that signifies 'variety.' When determining the amalgam of skills, competencies, industry experience, geographical knowledge, and other elements needed for the board as a whole, it's appropriate to use the term 'diversity of skills, experience, and competencies.' But gender, ethnicity, race, age, and disabilities, should be delineated under equality. When reporting on your board's levels of 'diversity'— be specific about which areas of diversity you are referring to, and avoid misleading language. Re-defining how the term diversity should be used not only prevents misuse; it also provides the clarity with which each element can be measured for 'true' progress.

10 **Reform Board Selection Practices:** There is clear evidence that the current measures of merit include subjective elements that are influenced by stereotypes, personal judgments, and misguided assumptions which impact decision-making without considering all relevant and pertinent information. The process through which directors are recruited should be objective, rigorous, and competency-based, where superficial personal judgements are eliminated, and tokenism and a tick-the-box approach are avoided.

i Expand the Search – As long as boards continue to utilize their own limited networks to find new directors, the lion's share of potential candidates will continue to be overlooked. Boards must broaden the search. For the next five recruitment cycles, commit to expanding the search by conducting a formal search using an independent, external recruitment expert.

ii Choosing a Search Firm – Engage a search firm who will ameliorate rather than compound the problem through the use of traditional and outdated recruitment methods. Communicate your board's diversity vision and set clear expectations of the competency requirements. Instruct the search firm to ensure the slate of candidates is appropriately qualified, meets all the requirements, and is gender balanced.

iii **Eliminate Candidate Long-lists –** When using a search firm, communicate that you do not want to see resumes of any candidates who have not been personally interviewed by the search firm for the role at hand (the 'long-list'). Instead, direct the search firm to interview and assess all candidates based on the requirements prior to presenting the board with the short-list. You may encounter resistance from both the search firm and committee members who like the idea of the long-list, where the committee engages in a superficial discussion of who knows whom, or who knows someone who might know something about the candidate. It is critical to eliminate these ill-conceived perceptions and personal judgements, which influences decision-making and takes precedent over factual assessment.

iv **How the Term 'Fit' Should be Used –** The belief that harmonious boardrooms are crucial to the functioning of the board is simply wrong. Understanding whether a potential director is a good 'fit' with the existing board is not about personal fit, shared interests, compatible backgrounds, comfort level, or who is best liked. Rather, it is about 'cultural' fit. In order to assess if a potential board candidate is a good cultural fit, the board must have a comprehensive understanding of not only the corporate culture of the company it oversees, but also the board's own culture, and be able to clearly articulate it.

Having an explicit picture of the board's values, beliefs, and practices, which drive behaviour, are crucial in understanding cultural fit. This includes understanding decision-making processes, how the board conducts meetings, board and director performance evaluations, how it determines who will take on what leadership roles, the board's interactions with management and how bad news is communicated, how the board engages with shareholders, and the intercommunication between board members with management, and other stakeholders.

Board culture should be characterized by trust, integrity, transparency, confidentiality, independence, respectful but forthright communication, the ability to listen well, ensuring different and opposing opinions are encouraged, candidly expressed, and heard, and avoiding conflict-of-interests.

v **Assess Candidate Capability to be an Effective Director –** Being a board director is not suited to everyone. To objectively and rigorously assess an individual's capability to be an effective director, there must be complete alignment between the requirements sought, how the interviews are conducted, and how candidates will be measured against this criteria. This includes identifying the skills, experience, and competencies needed, and applying a weighted assessment criterion to each according to importance, which provides the framework and focus for the development of interview questionnaires, and the rating metrics.

During the interview process, it's important to analyze a variety of key information such as a candidate's knowledge, past experience and contribution, core competencies, and their personal characteristics make-up — those often-elusive personality traits which ultimately drive behavior. It is critical to eliminate the personal judgements that lead to impression-based hiring, and instead stay focused on the needed core competences and characteristics which avoids backing candidates who are personally better liked or 'appear' to 'fit' well with the board — regardless of their true ability. Without fully integrating all of these components, a real picture of a candidate's true capability as a board director cannot be rendered.

vi **Eliminate the 'Halo Effect'–** High-profile potential candidates, and those who are personally recommended by existing board directors or professional advisors carry a lot of weight. Furthermore, those recommended by the chair exert overwhelming influence, resulting in a less rigorous and biased approach to endorsement, often precluding improved diversity. Existing board members, advisors, and sometimes investors will want to provide names. These referrals must be given to the external recruitment expert to be included in the same rigorous evaluation process alongside candidates that the external expert is sourcing. It is absolutely critical to independently and objectively assess all candidates without influence using the same rigorous methodology — regardless of the original source.

vii Avoid a Reliance on Lists – When improving gender diversity first came to the attention of boards, the idea of developing 'evergreen lists' was a way to show all white male boards there were in fact qualified women out there. While at first it had some advantages, there were unforeseen consequences that were not so beneficial.

A similar trend is emerging. Since the introduction of the CBCA reporting requirements, lists of potential candidates are being compiled to help identify a wider spectrum of diversity beyond gender. Unfortunately, such lists results in the same names being circulated. Advocacy to improve the pervasive dearth of diversity is very necessary and constructive. However, relying on compiled lists of names is not an appropriate way for boards to conduct an effective recruitment campaign. Boards need to ensure they avoid a box-checking approach, or the temptation of low-hanging fruit because it appears easier, and instead engage in a broad, diligent, process to find qualified, relevant, and diverse candidates, and thoroughly assess their competencies and capability in alignment with the specific requirements.

Taking shortcuts not only negatively impacts board dynamics, effectiveness, and performance; it is also extremely detrimental to qualified and diverse candidates, which in the end, detracts from the objective of improved diversity.

viii Reference Checking – Character referencing provides a 'personal' perspective of that specific person's own experience of the candidate in a particular moment in time. Character references can be misused and should not be done in isolation of a rigorous business reference. Be mindful that your board is conducting in-depth referencing with the appropriate people who will provide objective and independent insight. Rather than receiving names of referees from candidates or asking acquaintances who know them to provide a character reference, use their resume as a guide and identify those with whom you want to check references – the people they have directly reported to as an executive and as a board member. Ensure that the reference questions are specifically targeted to the competency requirements of the role at hand.

11 **Onboarding of New Directors:** Incoming directors will want to not only get a glimpse of the board terrain before the first meeting, but to gain a good sense of its culture and practices so as not to walk in cold. Likewise, they will want a firm grasp on the culture of the company they will be tasked to oversee. Therefore, it is incumbent upon the governance and nominating committee to prepare a formalized and structured onboarding program to help accelerate the contributions of new directors that is focused on understanding:

- Board values, culture, and practices
- Company strategy, challenges, and culture

The onboarding program should include a robust selection of relevant pre-reads, as well as meetings with board members, the CEO, and members of the leadership team. The committee should set appropriate expectations with the CEO that incoming directors will want to move beyond the boardroom to meet with executives, employees, and to visit operations.

12 **Board-CEO Relationship:** The board-CEO relationship is unique, complex, and challenging. Both parties are cojoined in the mission, values, and the long-term success of the company, working together to solve problems, and create value for all stakeholders. But, in doing so, they have two strikingly different roles and accountabilities — the CEO's mission to oversee and run the company, and the board's mandate to set policy, implement governance structures, and oversee management in executing its duty. Having clarity on the separation of roles and authority, with clear expectations of interactions, channels of communication, and agreed upon norms of behaviour, are a perquisite for an objective, and transparent relationship that builds trust, whilst also keeping the relationship on the appropriate footing of objective, constructive and healthy tension.

The board's role in constructively challenging management, while at the same time providing expertise, guidance, and support to the CEO and management, means that directors need detailed information and metrics on all aspects of the company's business, operations, industry, and the environment in which it operates in order to fulfil their oversight duties. This necessitates the need for board engagement with management, and access to business operations, employees, and key stakeholders as appropriate. Clarity of the rules of engagement to ensure the board does not overstep and intrude on management territory is critical; hands-in, but not hands-on — a fine and sometimes blurred line, that is not static, especially in the current, unpredictable environment, and during times of crisis. Unwelcome and burdensome involvement by the board will erode trust in the board-CEO relationship, as well as impair objectivity and independent oversight of management.

In turn, for the board-CEO relationship to be successful, the CEO needs to put in the effort to build an open, transparent, and trusting relationship with the board, and recognize that the days of passive oversight are long gone. A CEO must accept that being tight-lipped and protective over their domain, keeping the board at a distance with 500-page reports to discourage in-depth reading, or providing superficial information to keep them at a distance, is a bygone practice. They must promote and support the board's role in active oversight, and ensure it is fully embraced by the management team; as well as ensure management provides the right information to the board in a timely manner — in the areas the board needs, and in a format that is appropriate.

13 **Quotas, Targets, Goals:** There is some confusion of the differences between quotas and targets. Quotas are time-bound, measurable objectives set by an external body with the authority to impose penalties for non-compliance. While many western countries have instituted quotas, Canada has thus far been opposed to introducing them. Corporate Canada also remains resistant to introducing targets, which are voluntary, time-bound, measurable objectives, set by the board or company, that focus the board in taking action. Instead, there is a demonstrated preference for 'goals' — broad-based, statements of intent, that are not time-bound, or measurable. Essentially, goals are just words of what might be brought into reality, such as — "We are committed to diversity and inclusion…" or "We strive to be…" A statement of intent without measurable action is 'contemplation'.

Corporate Canada can no longer afford to 'contemplate' how to improve inequity. Board Chairs must lead the way in implementing concrete and measurable actions to achieve real, visible, and effective change, and it must direct the CEO to follow the same directive for the company they oversee.

The board should embed company equity requirements into the business goals of the CEO and link financial incentives to the achievement of these goals. The CEO, in turn, would need to create an inclusive and equitable culture with visible actions and time frames for each department and executive, and link achievement of these goals to their compensation. The board also needs to make certain that the CEO, in tandem with the CHRO, is recalibrating the company's recruiting, performance evaluation, and promotion practices to neutralize bias, dislodge engrained thinking, and reform bad practices. If equality is not deep-rooted into a CEO's business objectives, the board isn't going to demand that a CEO performs in this area.

What gets measured — gets managed, and achieved!

14 **Institutional Investors and Shareholder Advisors:** Conducting an audit of board diversity shouldn't be limited to the singular activity of reviewing the balance of gender, race, or ethnicity of a board. Investors and their advisors are encouraged to apply broader, more disciplined, and integrated thinking as to the concrete and measurable actions the corporation is taking to affect meaningful change. In addition to a prescriptive audit of the diversity make-up of a board, it is necessary to widen the audit to review steps taken by the governance and nominating chair in the five key areas that drive impactful change:

i The existence of diversity policies and targets to increase representation.

ii A policy outlining the process the board undertakes to recruit new directors, and whether it is executed through an external expert.

iii The existence of term limits.

iv The process the board undertakes to evaluate the performance of directors, and whether it is executed through an independent, external expert.

v The use of competency matrices and rating scorecard.

15 **Government:** The government should be setting an example by leading the way in following good governance practices, ensuring objective, rigorous, and non-partisan recruitment processes in the appointment of independent directors to the boards of its crown corporations, commissions, and public-private partnerships. A prudent course would have the government conduct an independent review of its internal process for board appointments, and eliminate political interference and cronyism. It should also make mechanisms for 'government final approval' fully transparent to the hiring committee of its CCCs and PPPs.

In Closing

It is expected that the responsibilities of boards will continue to morph amid heightened scrutiny, and expanding expectations. I offer this framework as a practical means to methodically dislodge long-held limitations and restrictive attitudes regarding what constitutes true rigorous, objective, and competency-based board processes and practices, and the actions needed to improve the board's capabilities, eliminate inequity, and enhance effectiveness and performance. Use this framework as a jumping off point to consider what can be done to reimagine your board and realize the potential of an ever-widening pool of potential board talent.

This shift in approach can bring about a very positive cascading effect. With minds open to the potential of improved rigour, innovation, and more equitable practices in the boardroom, executive leadership will, in turn, make great strides top-down. Untethered dialogue sparks shared understanding, ingenuity of process, and unconventional pathways in which to explore what the future can hold.

This is a vital conversation for our times — we need to heed the call.

With gratitude,

"Gillian Lansdowne's thoughts about board governance, garnered from her many years of practical experience, are deep, provocative and insightful. This presentation is recommended reading for forward-thinking boards and for anyone who has a stake in good corporate governance."

Lawrence Haber
Retired financial industry executive and lawyer, currently serves as Corporate Director and Adviser

About Us

The Author

Gillian Lansdowne is the Founder of Lansdowne Board Intelligence Inc., (LBI). She has more than three decades of executive search expertise spanning a wide-range of functional disciplines and industry sectors. She has lived and worked on three continents, and has directed hundreds of search mandates including leading global projects.

Gillian has written numerous articles related to boards, executive leadership, and diversity subjects. In 2010, she authored Canada's first-ever *Board Best Practice Toolkit* as part of the Canadian Board Diversity Council's first "Annual Report Card" on board diversity. A founding sponsor of the Canadian Board Diversity Council, Gillian was national co-sponsor and gave speaker presentations for the council's inaugural "Board Chair & CEO Roundtables," and launch of the "Get on Board" series.

Get in Touch

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How We Can Help Your Board

More than ever, the value of diverse experiences, knowledge, skills, competencies, and perspectives has become vital to an organization's competitiveness, growth, and survival — in effect, to its very relevance. That's where Lansdowne Board Intelligence comes in.

We can help your board to future-proof itself by revitalizing the processes and practices that ensures the most relevant, qualified, and broadly diverse directors are selected, optimal board and committee configuration is achieved, and board effectiveness and performance is improved.

We are uniquely focused on helping your organization with:

- **Optimizing Board Composition**
- **Board Director Recruitment**
- **Rigorously Measuring Director Capability**
- **Revitalizing Board Selection Practices**
- **Accelerating Leadership Diversity**
- **CEO Succession & Recruitment**

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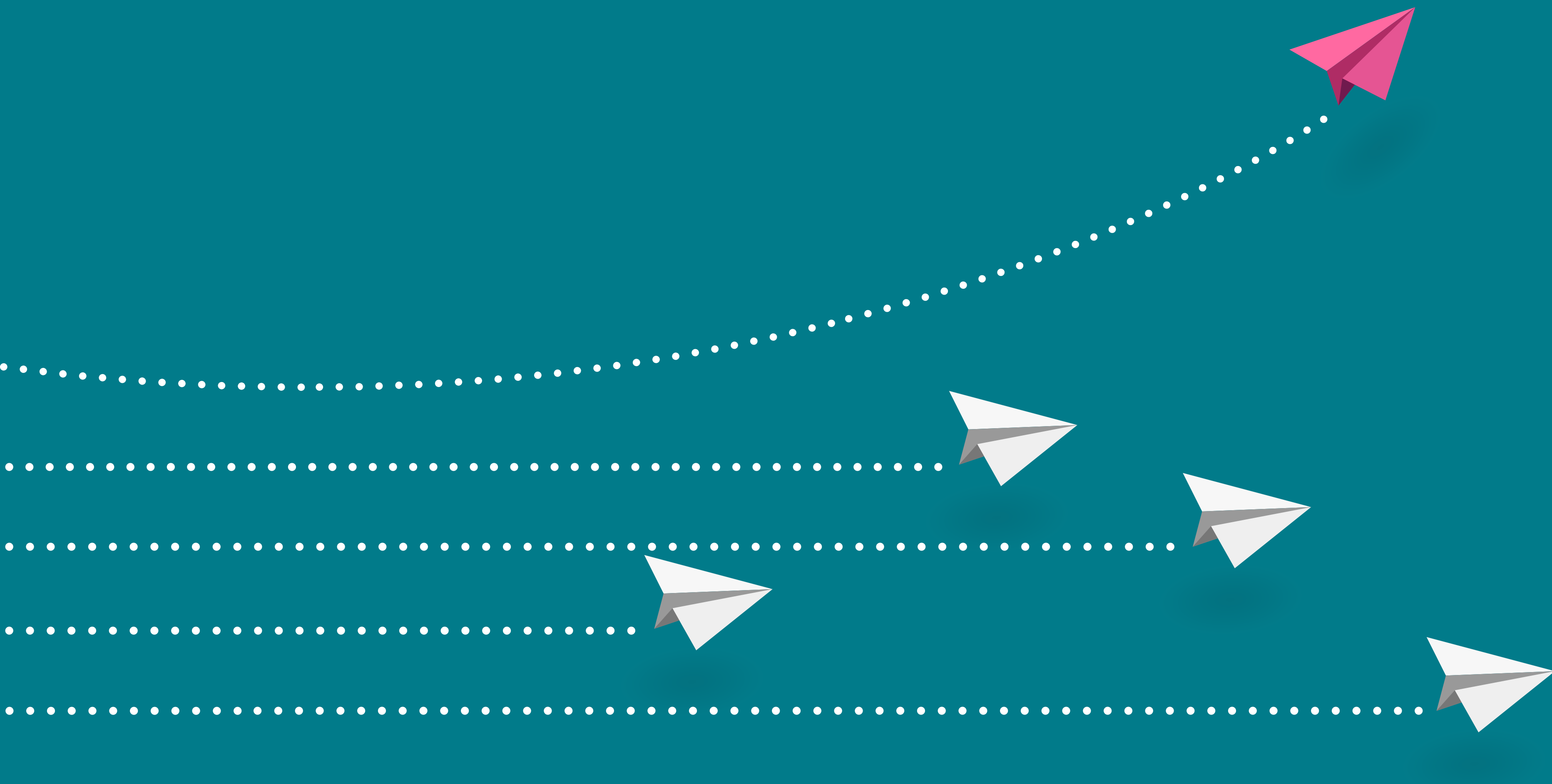

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