DIVERSITY, EQUITY AND INCLUSION:
The Journey Ahead for Boards

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Author: Rita Achrekar, *Executive in Residence, Global Risk Institute*

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EXECUTIVE SUMMARY

Evolving societal trends and recent events point to the clear need for financial institutions to focus on diversity, equity, and inclusion (DEI) and for their boards to step up to provide leadership and take action. While true that Canadian workplaces have begun working towards greater representation across gender, minority and other disadvantaged groups, meaningful change has not been fully realized. DEI conversations have become increasingly prominent within corporate and political landscapes, yet current numbers don't reflect where we need to be in terms of diversity on boards and in senior management. Historically housed under the human resources umbrella, DEI issues should emerge to become a strategic business focus across corporations with clear goals, targets, reporting, measurement, and incentives in place. Boards can play an essential role in advancing DEI issues. To not pursue these issues presents substantial risk, whereas "getting it right" offers up significant business benefits and opportunities.

Diversity: The characteristics with which we are born and gain through experience, both seen and unseen, that make us different and similar.

Equity: The outcome of diversity, inclusion, and anti-oppression wherein all people have fair access, opportunity, resources, and the power to thrive, with consideration for and elimination of the historical, systemic barriers and privileges that cause oppression.

Inclusion: The actions taken to understand, embrace, and leverage the unique strengths and facets of identity for all individuals so that all feel welcomed, valued, and supported.

In this paper, we discuss:

- DEI issues in the Canadian context

- the business benefits of DEI

- how boards can bring greater diversity and inclusion to the boardroom

- management oversight of DEI for boards to focus on

- recommendations for board member action

1. SYNOPSIS OF DEI ISSUES – CANADIAN CONTEXT

Canada prides itself as being progressive, multi-cultural and welcoming, however recent events suggest that the picture is far more complex in reality. The discovery of thousands of unmarked graves at former Indian Residential Schools has highlighted the historical injustices faced by Canada's original inhabitants and the present-day impacts on their families, communities, and economy. The tragic killing of a South Asian Muslim family in London, Ontario, and the significant increase in hate crimes against East Asians and other racial and religious groups points to the prejudice and discrimination faced daily by racialized communities. The killing of George Floyd in the United States reverberated with members of the Black community in Canada who have also faced discrimination and inequities and grapple with the legacy of slavery. And COVID-19 has had a disproportionate, adverse impact on the economic well-being, mental and physical health of women and racialized communities.

While the subject of gender diversity has been on the corporate agenda for more than 10 years, the discussion

has recently widened to include Indigenous Peoples, visible minorities, persons with disabilities and members of the LGBTQ2S+ community (please see Appendix A—Contemporary Terminology—for a full description of the various diversity terms used in this report). DEI issues require a more urgent focus considering current developments shaping our society and economy as we:

- focus on truth and reconciliation with Indigenous communities and implement Bill C-15 covering the U.N. Declaration of Rights on Indigenous Peoples (UNDRIP), and

- are increasingly seeking to attract skilled, educated immigrants to sustain our post-COVID recovery, support our aging population, enrich Canada's multi-cultural fabric and meet government targets of 400,000 newcomers annually (one third of Canadians expected to be visible minorities by 2036[1] per Table 1 below).

Moreover, younger workers are more diverse than ever before. In 2018-19, 44 per cent of first-year undergraduates (including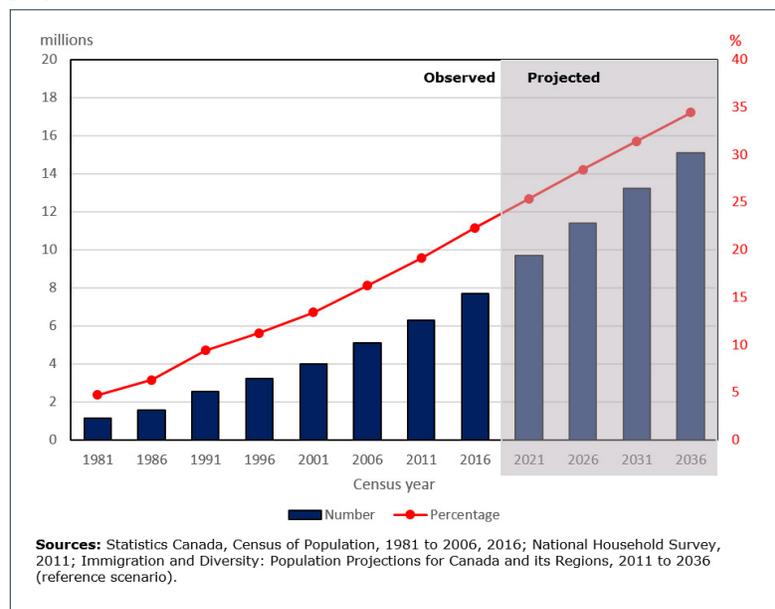 international students) identified as people of colour[2] (compared to 14 per cent in 2000). By harnessing this strength, Canadian companies have an opportunity to flourish domestically and in the international arena.

Boards have a duty to guide and lead their organizations on DEI issues through these changing, sometimes turbulent times to deal effectively with related challenges, embrace diversity and embody the relevant values.

1.1 Diversity Disclosures

Several studies reveal that Canadian corporate boards and senior management are overwhelmingly male and white. In 2020, the Federal Government passed Bill C-25 requiring Canadian public corporations (referred to as "Distributing Corporations" under the Canadian Business Corporations Act) to disclose diversity, beyond gender, on boards and across senior management. The first report, published in April 2021, indicates that while companies had made some progress on gender diversity, other minority representation was woefully low as shown in the following Table 2.[3]

Table 1: Number and proportion of visible minority population in Canada, 1981 to 2036.

Sources: Statistics Canada, Census of Population, 1981 to 2006, 2016; National Household Survey, 2011; Immigration and Diversity: Population Projections for Canada and its Regions, 2011 to 2036 (reference scenario).

Table 2: Representation of designated groups on boards of directors and senior management teams on Canadian public corporations[4]

Designated Group	% of board seats	% in senior management	Canadian population (2016 census)[5]
Women (overall)	17%	25%	51%
— **Women non-venture companies**	21%	26%	-
— **Women venture companies**	6%	18%	-
Visible Minorities	4%	9%	22%
Indigenous Peoples	0.3%	0.2%	5%
Persons with Disabilities	0.3%	0.6%	9%

A report published by Osler, Hoskin & Harcourt LLP shows similarly low numbers for the representation of Women in Financial Services Companies listed on the Toronto Stock Exchange (TSX)[6] as shown in the table below:

Table 3: Representation of women on boards of directors and senior management positions in listed Canadian financial institutions.

	On boards	In senior management
2019	20%	21%
2020	23%	21%

Canada has long operated under a "comply or explain" regime where corporations must explain whether or not they have a policy on diversity. If so, they provide a summary of the policy; if not, they explain why not. This is a softer approach (versus establishing targets or quotas), intended to promote conversations between corporate management and shareholders on progress toward more diverse corporate leadership. As noted in Table 4 below, very few public corporations have set targets for increased representation.

Table 4: Public corporations with targets for representation of designated groups by specific dates.

Designated Group	% of corporations with target at board level	% of corporation with target at senior management level
Women (overall)	14%	5.5%
— **Women non-venture**	22%	0.6%
— **Women venture**	1%	0.6%
Visible Minorities	1.2%	1%
Indigenous Peoples	1%	0.3%
Persons with Disabilities	1%	0.2%

Companies have cited, "not wanting to sacrifice principles of meritocracy", and "may result in not selecting the best candidates", as reasons for not adopting policies related to diversity at the board and executive level. This indicates that they are failing to reap the benefits that increased diversity can provide and risk maintaining the status quo, as we discuss in the next section.

1.2 BENEFITS OF DEI

The following draws from many studies that highlight the benefits of diversity and inclusion.

1.2.1 Improved Performance and Profitability

According to a McKinsey study conducted in 2020, "Why Diversity Matters,"[7] top quartile companies for gender diversity on executive teams were 25 per cent more likely to have above average profitability than companies in the fourth quartile — up from 21 per cent in 2017 and 15 per cent in 2014.

In the case of ethnic and cultural diversity, their business case findings were equally compelling: in 2019, top-quartile companies outperformed those in the fourth quartile by 36 per cent in profitability, up from 33 per cent in 2017 and 35 per cent in 2014. The likelihood of outperformance was found to be higher for diversity in ethnicity than for gender.

Moreover, McKinsey's research clearly showed that there is a widening gap in performance between companies that lead in DEI and companies that have yet to embrace diversity. The outperformance of diverse teams gave companies a sustained competitive advantage. The McKinsey study shows that companies not moving along the DEI journey risk being left behind and may forfeit the

benefits that can be achieved with more diverse boards and senior management teams.

1.2.2 Expanded Customer Base

It is estimated that financial services firms, globally, are missing out on at least $700 billion in revenue opportunities each year by not fully meeting the needs of women customers[8]. By 2026, women are expected to control half of the accumulated wealth in Canada[9]. Fueled by high immigration rates, Canada's population continues to grow more diverse — presenting a growth opportunity to FIs to cater to the differentiated needs of this group (examples include borrowing and investment solutions for observant Muslims such as "Shariah compliant products"), credit and insurance products for newcomers without credit and insurance history in Canada, financial products catering to people in the "gig economy". As such, FIs which focus on DEI are likely better able to serve their customers and design products that are tailored for diverse niches.

1.2.3 Talent

It is well established that diverse organizations are more successful in recruiting and retaining talent. Inclusive workplaces, in which individuals can "bring their whole self to work", foster increased job satisfaction and commitment to the organization, and higher levels of diversity are linked to lower levels of employee turnover.

Women, who now graduate from university at higher rates than men, are more likely to express interest in an organization and perceive it as fair when women are represented at board and senior executive levels.

Beyond gender, racial and ethnic diversity are also important as the population of Canadian immigrants is growing ever-more qualified. Recent immigrants, mostly originating from Asia and Africa, have been chosen based on their skills (60 per cent) as compared to prior decades when the majority of entries were focused on family reunification and refugees.[10] As a result, people of colour can be similarly educated as Canadian-born workers[11] and FIs that focus on ethnic diversity stand to benefit from an expanded talent pool.

1.2.4 Potential for Innovation

Research conducted by Harvard Business School in 2013[12] has provided compelling evidence that diversity unlocks innovation and drives market growth. The researchers scrutinized two kinds of diversity: inherent (such as gender,

ethnicity, and sexual orientation) and acquired (such as working in another country, selling to ethnic/women consumers, *etc*.). Companies with leaders exhibiting at least three inherent and three acquired diversity traits were 45 per cent more likely to report market share growth over the previous year and 70 per cent more likely to report capturing a new market.

The rapid technological shifts and large societal challenges which characterize our current environment provide opportunities for innovation. Organizations that foster diversity and inclusion will be better able to innovate, problem solve and improve upon sluggish productivity.

1.2.5 Better Risk Management

Studies reveal that diverse teams process information more carefully, are more likely to remain objective, consistently re-examine facts, encourage greater scrutiny of others' actions and become more aware of entrenched ways of thinking, which may otherwise lead to decision-making errors.[13] Further, female board representation has been found to lead to better investment policies, acquisition decisions, and overall firm performance, when balanced against male CEO overconfidence[14].

2. GOVERNMENT AND INVESTOR RESPONSE

While the benefits of DEI on corporate performance and addressing societal issues have been widely studied, and acknowledged, implementation has been slow. Change from within is typically difficult. Internationally, governments, investors, advocacy groups, regulators and stock exchanges have been demanding change from public corporations.

2.1 Regulatory / Government Policies

Recognizing the benefits of focusing on DEI and the risks from failing to adequately address the issues, the government, capital markets groups and investors have acted. The federal government has issued a 50-30 challenge.[15] At the heart of it are two goals for boards and senior management: 50 per cent women (gender parity) and 30 per cent composition of under-represented groups (BIPOC, persons with disability and members of LGBTQ2S+ community). The aspiration is to have substantial diversity in positions of influence that reflects the diversity of Canada.

The Ontario Capital Markets Modernization Task Force ("the Task Force") Final Report[16], published in January 2021, called for amendments to Ontario securities legislation that will require publicly listed issuers in Canada to set board and executive management diversity targets and implementation timelines, and provide annual data reflecting those who self-identify as women, BIPOC, persons with disabilities or LGBTQ2S+ on boards and executive management.

Like the federal government's 50-30 challenge, the Task Force recommends that publicly listed issuers set an aggregated target of 50 per cent for women for gender balanced boards and 30 per cent for men and women who are either BIPOC, persons with disabilities or members of LGBTQ2S+. Implementation should be completed within five years (to meet the target for women) and seven years (to meet the target for the other groups), placing specific focus and emphasis on representation of Black and Indigenous groups. While the scope of the Task Force's recommendation applies to publicly listed companies, all financial institutions (including pension funds, mutualized insurance companies, credit unions, private companies, *etc*.) should adopt the spirit of the recommendation.

NASDAQ has recently adopted diversity requirements for all 3,700 of its listed companies, based on gender as well as representation of racial minorities and the LGBTQ2S+ community.

2.2 Investor Expectations

The role of corporations has expanded beyond maximization of shareholder value to being purpose-driven and to benefit various stakeholders, including shareholders, employees, pensioners, customers, suppliers and the community at large. Corporations are being called upon to actively address the societal challenges previously viewed as externalities. Institutional investors recognize

the benefits of greater diversity to performance, and that societal changes will only be achieved when diverse groups are represented. They are using their proxy voting guidelines to demand changes- both at the board level as well as the organizational level.

An excerpt of BlackRock Responsible Investment Guidelines for Canada states:

> *We encourage boards to disclose:*
>
> *Demographics related to board diversity, including, but not limited to, gender, ethnicity, race, age, and geographic location, in addition to measurable milestones to achieve a boardroom reflective of multi-faceted racial, ethnic, and gender representation[17]*
>
> *To the extent that a company has not adequately accounted for diversity in its board composition within a reasonable timeframe, based on our assessment, we may vote against members of the nominating/ governance committee for an apparent lack of commitment to board effectiveness.*

These policies are backed by action. For the 2020-21 proxy season, Blackrock voted against 1,862 directors at 975 unique companies globally for concerns related to board diversity.[18] It is expected that pressure from investors will likely continue to intensify in the coming years.

2.3 Advocacy Groups

Groups such as the 30 Percent Club and those supporting the BlackNorth initiative have continued to advocate for greater representation of women, the Black community and other under-represented groups on boards and senior management. For example, over 450 CEOs have pledged to help increase the representation of Black directors and support Black communities in a myriad of ways. Many advocacy groups continue to engage with companies, and we expect DEI related shareholder proposals to increase in number. Advancing diversity is not merely a pipeline issue that will sort itself out over time, but one that requires active engagement and commitment to move the dial.

3. THE ROLE OF THE BOARD: BOARD COMPOSITION & CULTURE

Boards have a duty to act in the best interests of their corporations and play an integral role in leading business and social change to promote sustainable performance and add value for the corporation, its investors and other stakeholders.

Recognizing that DEI is strongly linked to performance and is an important issue for employees, customers, suppliers, governments, investors and other stakeholders, boards will be well served to adopt a strategic view for DEI, informed by each company's purpose and strategy, as illustrated in figure 1.

Boards can take specific actions in advancing DEI at the board level and provide oversight at the organizational level. Recommendations on how to navigate this uncharted road follow.

Figure 1: A strategic view for DEI
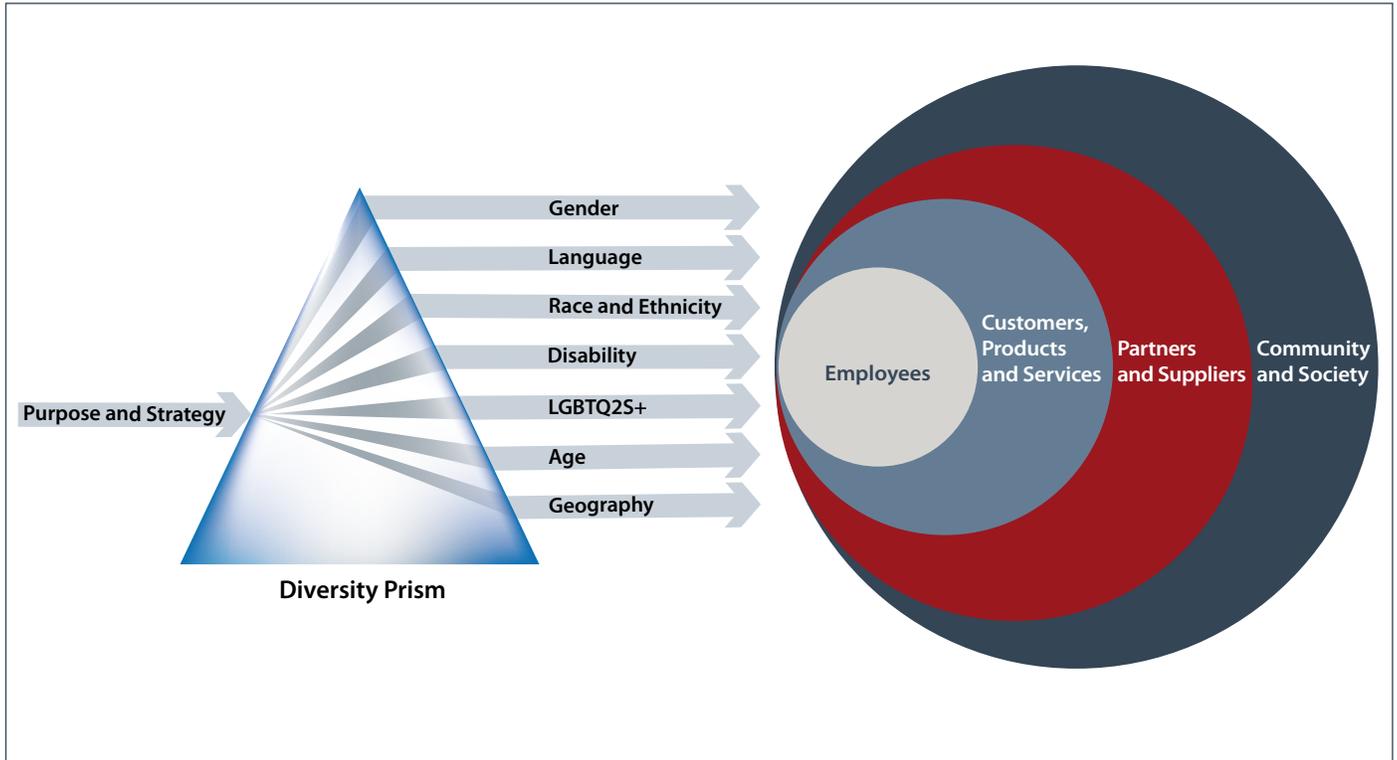
Using this perspective, a financial institution may identify different roles it plays in society and the areas that it may impact. After all, financial institutions are about people and by being deliberate can expand business opportunities, improve performance and be a force of good. An illustrative example is provided in the following Table 5:

Table 5: Illustrative example of an FI embedding DEI view in multiple areas:

As an Employer	As a Product and Service Provider	As a Procurer of Goods and Services	As a Community Leader
• DEI embedded in employee base. • Diversity in positions of influence. • Culture of inclusion. • Policies to address inequities.	• DEI view in product development, distribution, front line staff training.	• Diverse supplier base. • Policy to procure services from women / minority owned groups. • Requiring diverse teams from corporate suppliers.	• Philanthropy. • Advocacy. • Speaking out on social justice issues.
Examples: • Career pathways for Indigenous students. • Promoting a culture of "speaking up" / "calling out" to improve inclusion.	Examples: • Lending products for Indigenous communities on reserves. • Retirement planning for women recognizing longer expected life • LGBTQ2S+ friendly customer service.	Examples: • Referring legal business to women partners at law firms. • Monitoring annual spend to minority owned businesses.	Examples: • Public stand against discrimination. • Being intentional about supporting diverse groups / causes for charitable activities.

Boards should take a broad view of DEI and embed it in all relevant areas of board oversight – from approval of strategy to CEO selection to succession planning and leadership resource planning. They must ensure appropriate governance, systems and processes are in place to measure and report on DEI initiatives and align executive goals and compensation to attainment of these targets. They must lead by example and set the tone from the top. Following, we offer suggestions on how to advance DEI strategy.

3.1 Cultural Shift

Shifting cultural outlook is key- DEI should be viewed as a strategic imperative that drives performance.

The board should move away from DEI as a human resources issue and embed DEI principles at the strategic level to drive long-term shareholder value. The board should consider the shifts as highlighted in Table 6::

Table 6: Cultural shifts for Boards on DEI

From	To
Shareholder capitalism and short-term performance	Stakeholder capitalism and sustainable long-term value
DEI as a management issue	DEI as a board and management priority
DEI as an HR issue for the Board HR committee	DEI as a strategic issue for the whole board
DEI focused on talent	DEI lens applied to business strategy, products, talent, suppliers, and community
DEI as a compliance / corporate social responsibility issue	DEI as a driver of value / DEI related opportunities
Executive compensation focused on financial performance	Executive compensation based on stakeholder capitalism inclusive of ESG / DEI

3.2 Board Renewal and Composition

Secondly, the Board (with assistance from the CEO) should focus on determining the skills required and diversity attributes of the board that align with the purpose and strategy of the corporation. In general, the diversity of the employees, the customer base, and the community should be reflected in the boardroom.

- **Adopt policies for board renewal**—The Board should adopt policies that will promote board renewal, such as term limits or retirement ages.

- **Adopt policies for diversity and set targets for board composition**—Board chairs and chairs of the Nominating Committee can lead by intentionally recruiting directors that bring required skills and also add to the diversity of the current board (diversity of ethnic racial, disability, minority status, age, geography, languages, lived experiences, etc.).

- **Challenge recruitment myths** — Previous explanations that diverse candidates are not available or lack merit have been debunked. Finding a diverse candidate may require additional effort and reaching outside the usual networks. We now have several organizations and recruiters that maintain profiles of diverse candidates and provide referrals. As such, lack of qualified candidates should not be viewed as a barrier to achieving greater board diversity.

RBC provides an example of a financial institution board that is recognizing and responding to the reality of Canada's diversity. With the recent appointment of Roberta Jamieson, a well-recognized Indigenous leader, to its board, it is making progress towards 50-30 (presently 46% women and 23% BIPOC) at the board level. It has also announced a goal of 50% women executives and 30% BIPOC executives in senior leadership.

3.3 Practicing Inclusion

How do boards achieve better inclusion? While diversity is a fact, we require inclusion in order to draw out different perspectives. Diversity without inclusion is ineffective and will not necessarily result in change. Inclusion implies that every person feels safe "bringing their whole self" and sharing their unique perspective. For many Canadians, talking about race or religion may feel extremely uncomfortable and yet such conversations may be necessary in the societal and organizational context.

Based on discussion with experienced board directors, we provide a few suggestions that can help advance inclusion:

- For the Chair—it is critical to speak with each new director as to how they can contribute and bring their whole self to the table.

- Create psychological safety so directors can practice "radical candor". It implies willingness to listen to culturally different points of view.

- Create opportunities for directors to share their non-work-related experiences (personal bios, lived experiences, cultural influences, *etc*.). Be mindful that the "usual" topics like cottage life, ski vacations, *etc*., may not be part of everyone's experience.

- Invest in learning - include diversity equity and inclusion topics on the board learning agenda. Expand learning to include social and cultural issues. For example, one board took online classes to learn about Indigenous history and culture. Board directors now take turns to reflect on and acknowledge original land rights at each board meeting. Another has started a book club focused on reading about and reflecting on issues related to racism. Define DEI terms that are relevant for the organization and ensure everyone has a shared understanding of which words / terms are deemed acceptable or not.

- Most importantly, build trust and be vulnerable. Make space for, and learn from, mistakes.

4. BOARD OVERSIGHT OF DEI

In addition to focusing on DEI board issues, board members also have responsibility to embed DEI in their oversight of management and activities of the organization.

We highlight a few priority areas for boards to focus on:

4.1 Treat DEI as a strategic issue

Historically, boards have focused on DEI as a talent issue. In the current context, this needs to be extended to every aspect of the organization, including strategy. Given this shift, the mandate for DEI should be added to the whole board and not just the HR committee. In addition, the perspective should shift from risk mitigation focused on meeting minimum requirements to a strategic focus that considers potential opportunities by applying a DEI lens to uncover new markets or product needs.

Victoria's Secret, a maker of women's lingerie, provides a recent example. Using an inclusion lens, the company shifted its brand from one associated with "angels" (women with unrealistic bodies) to one that is driven by a diverse group of women of all ethnicities, shapes and sizes, who are known for their accomplishments. The goal: to expand brand appeal to a wider group of women – a great example of a DEI view resulting in a complete shift – company repositioned in tune with evolving customer preferences and values. Note that the previous board (until 2018) was comprised of nine men (eight of them between 65 and 85 years of age) and three women. The #MeToo movement and changes in customer preferences led to declines in company sales and an 80 per cent decline in market capitalization. The new board, constituted in 2021, comprises seven members, six of whom are women, well aligned with the company's customer base.

4.2 Hold the CEO and Executive Management Accountable ("Push from the Top")

Boards should require management to:

- Develop and articulate a DEI strategy, aligned with the company's mission and values.

- Embed the strategy across the organization.

- Implement appropriate policies, metrics, and targets.

- Implement management accountability - for the CEO and executive officers.

- For organizations that appoint a Chief Sustainability Officer or a Chief Diversity Officer (CSO/CDO), ensure that their role has sufficient stature and authority to influence and, if necessary, challenge other executives. Ensure adequacy of resources available to them to execute their mandate.

- Performance measurement - recognize that meaningful change takes time, interim milestones should be set, and targets should be linked to measurement of executive compensation and incentives.

4.3 Double-Click on Data

The adage goes "what gets measured, gets done". Hence, appropriate reporting is critical in understanding DEI issues and validating if organizations are living up to their professed values. Based on our research and discussion with board members, we highlight a few areas for boards to focus on:

4.3.1 Workforce Composition

Boards can better understand the diversity and DEI issues of their organizations' workforce by reviewing granular reporting of workforce diversity. This is also aligned with shareholder expectations. An excerpt from Blackrock Responsible Investment Guidelines for Canada states:

Human capital management: A company's approach to human capital management is a critical factor in fostering an inclusive, diverse, and engaged workforce, which contributes to business continuity, innovation, and long-term value creation. As an important component of strategy, we expect boards to oversee human capital management. We believe that clear and consistent reporting on these matters is critical for investors to understand the composition of a company's workforce. We expect companies to disclose workforce demographics, such as gender and status as a visible minority, Indigenous person, or person with a disability in line with the requirements of the Canada Business Corporations Act, alongside the steps they are taking to advance diversity, equity, and inclusion. Where we believe a company's disclosures or practices fall short relative to the market or peers, or we are unable to ascertain the board and management's effectiveness in overseeing related risks and opportunities, we may vote against members of the appropriate committee or support relevant shareholder proposals.

While many Canadian organizations have been collecting employee demographic data to meet federal government employment equity reporting requirements, it is not yet common practice to disclose such information. In the United States, to combat racial and other forms of inequities, companies have started reporting the composition of their workforce by gender, race (Black, Latino, Asian, Native, *etc*.), LQBTQ2S+, Veteran *etc*. This information is disclosed broken down by organizational hierarchy (e.g., Associate, Manager, VP, MD, *etc*.), thereby shining light on areas that need attention and recording areas of progress year-over-year.

The Deloitte 2021 Diversity, Equity and Inclusion Transparency report[19] provides board members a helpful understanding of the granularity of disclosures. The report breaks down the representation of intersectional racial and gender groups by business unit, job role and hierarchy level within the organization, thereby providing a rich demographic understanding of the workforce.

We recommend that Canadian boards and management get ahead of the curve by collecting and reviewing DEI information (some information may require voluntary employee surveys). Pay special attention to disaggregated, intersectional data (i.e., where respondents belong to two or more categories such as: women of colour, LGBTQ2S+ of colour, *etc*.) as research suggests that they may be facing double hits and such issues may be hidden in aggregate data.

Also probe the distribution of diverse minorities in line versus staff functions. Being in revenue-generating roles typically leads to advancement and it is common for women and other minorities to be under-represented in those roles.

4.3.2 Review pay equality reports

Boards should review the reports that provide data on pay equality (i.e., equal pay for equivalent job irrespective of gender, race, *etc*.,). While regulations and company policies require pay equality, gaps have persisted for decades as reported by Globe and Mail research (The Power Gap[20]).

We recommend that human resources committees on all FI boards request that management provide transparency on pay equality and put the relevant controls in place. Salesforce, a technology company, has shown leadership in this space. Salesforce CEO Marc Benioff recounts, in his book "Trailblazer", that in 2015 he did not believe the

company had pay disparity between men and women doing the same work. A systematic audit of all employees revealed unexplained pay gaps based on gender, race and ethnicity. The company, which holds equality as a core value, has now spent $8.7 million to adjust salaries and regularly conducts equal pay audits across the entire organization.[21]

To obtain a simple measure of pay equity (also referred to as the wage gap), boards may ask management for a breakdown by gender, race, and other aspects for the top 10, 50 and 100 wage earners – a quick way to get a snapshot of the gaps and spark some insightful discussions.

4.4 Watch for Yellow Flags (Trust but Verify)

An inclusive culture takes years to build, and certain indicators may signal underlying issues. Boards should be aware of the leaky pipeline. Studies show that even when formal complaints are not made, talent will leave if they feel a lack of inclusion and belonging. Regular reporting on departures must be closely monitored and reviewed at the board level. These yellow flags may help:

- Early indicators of cultural issues via reports showing departures broken down by diversity categories. While the circumstances may each be unique, women and minorities leaving at a higher rate may flag lack of inclusion and/or perceived or real inequities. Discussion may be warranted to understand systemic problems.

- Similarly, aggregated reports of harassment and complaints. The 2017 case of Susan Fowley, a former Uber engineer, is a cautionary tale. Fowley blew the whistle on sexism at Uber through a widely read blog post after several women's harassment and discrimination complaints to Human Resources and management were ignored. This ultimately resulted in the company's CEO, Travis Kalanick, being forced to step down. The outcome could have been avoided had her complaints, and those of others, been properly addressed and actioned.[22]

- Pulse survey/social media. To avoid being blind-sided by any management blind spots, boards may

request third party monitoring of social media/internal social media. Negative sentiments may reflect underlying culture issues.

As companies review the post pandemic return-to-work policies, a unique opportunity for a re-set exists. A special focus on staff that bore the brunt of the pandemic may provide an opportunity to restructure work in a more equitable manner, discuss what does and doesn't work and reimagine how work gets done. Inclusion demands that diverse opinions be heard and considered. Care must be taken to fix the system to make it more equitable, rather than making exceptions for certain groups which can create backlash.

4.5 Tone at the Top – Engage with Stakeholders

While not holding operational responsibility, board members can play a critical role in shaping culture. One board chair shared her story of coming to Canada, as a child from Hong Kong, and her challenges with language, culture and barriers to fitting in. Her story, shared with employees on the company's intranet as part of Asian History month celebrations, was very positively received by all employees and she became a role-model for many minority employees. It was motivating for them to see "someone like us" in the highest position of the organization.

Boards can demonstrate positive leadership by proactively engaging with stakeholders, not only to understand their concerns but also to build positive bridges with the extended community.

5. RECOMMENDATIONS FOR BOARD ACTION

Current times demand visible and tangible action to address societal inequalities and issues around DEI. There is growing frustration from the community against companies that profess to support DEI (virtue signaling) with words not backed by real action (performative allyship). DEI issues can be difficult for board members as they may be required to deal with their own deep-seated beliefs and unconscious biases, recognize their own privileges and deal with uncomfortable historical

facts. Many board members have spent years honing their skills and gaining professional expertise but have limited experience dealing with issues around gender/race and calibrating appropriate responses to present day impacts of historical events.

Several recommendations may help board members navigate this:

5.1 Embrace a Learning Mindset

Benefit from developing a common understanding of issues relating to diversity and inclusion that are germane to your organization/industry and the society in which it operates. Develop a shared understanding of key stakeholder concerns and a common glossary. Recognize that as individuals and as a board, it is important to invest time and bring appropriate learning and resources to the boardroom.

5.2 Practice Discussing "Uncomfortable Issues"

For many people, including board members, DEI issues and societal inequities can be very uncomfortable to discuss in the workplace. One board member commented that "Black" was a word not used in the boardroom. Another struggled to select the correct usage for "Aboriginal", "Indigenous", and other terms. Board members are encouraged to show courage, accept vulnerability, reach outside their comfort zones and overcome fears of "saying the wrong thing". They may find using facilitators, in the early stages, effective in advancing learning, creating psychological safety and learning how to call out each other's blind spots. Strengthening these skills, and trust, will render difficult discussions and practicing radical candor less challenging.

5.3 Apply Systems Level Thinking to Tackle the Issues

DEI issues are complex, engrained and so systemic that they are difficult to identify. Boards must apply systems level thinking to tackle the issues, recognize that not all issues can be solved by one organization (example: reliable childcare for employees, social justice issues) and accept that changes may require help from government, other partners and allies.

5.4 Demonstrate courage and live by organizational values

Boards are likely to face more frequent situations wherein they will have to support their CEO in controversial situations (e.g., oil pipelines and Aboriginal rights). It is wise to plan ahead and be well prepared with appropriate tactics and communications contemplated to meet crisis situations effectively.

5.5 Take A Long-Term View — It's A Journey

Boards must remember that while tangible progress can, and should, be made in the short term (one to three years), this is a longer-term journey. The bar will keep shifting as the external environment continues to evolve. As stated at the outset, for many years the focus has been on women in leadership.

Today the focus has expanded to include a broader range of diverse groups and concerns that go beyond the organization to embrace past and present societal issues. Board members must keep the big picture in mind and, over time, adjust both organizational direction and board composition, itself, to meet these challenges and ensure organizational success.

CONCLUSION

The trends impacting the Canadian workplace are visible and fast-acting, and there is unprecedented pressure on Canadian organizations to adapt. To respond to these trends effectively, DEI cannot be treated as a nice-to-have issue in Canada.

Considerable opportunity exists to strengthen our focus on DEI by putting in place clear policies aimed at creating workplaces that reflect our rich, multi-cultural Canadian fabric – a mosaic that will only become more diverse over time.

Boards have a duty to lead their organizations on DEI issues, to deal with challenging issues and to expand organizational focus beyond revenue generation to being purpose driven. Boards need to implement progressive measures to monitor diversity, beyond gender, across boards and C-suites and put rigor into establishing targets, monitoring results and rewarding desired outcomes. There is much to be gained: improved performance and profitability, expanded customer bases and opportunities, greater success in attracting top talent, expanded innovation potential and better risk management. Not to mention, meeting and exceeding investor expectations.

We have outlined practical suggestions for how to achieve this: treating DEI as a strategic business issue, holding the CEO and top management accountable, measuring what gets done, watching for yellow flags and, very importantly, setting the tone from the top. We recognize this will likely require embracing a "learning mindset", being prepared to discuss "uncomfortable issues", exercising "systems thinking" to problem solve, demonstrating courage and last, but not least, taking a long-term view as the world evolves.

APPENDIX A - CONTEMPORARY TERMINOLOGY

Visible minority[23] – The Canadian Employment Equity Act defines visible minorities as "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour". The visible minority population consists mainly of the following groups: South Asian, Chinese, Black, Filipino, Latin American, Arab, Southeast Asian, West Asian, Korean and Japanese.

Indigenous peoples – This is a collective name for the original peoples of North America and their descendants. The Canadian Constitution recognizes three distinct groups of Indigenous (Aboriginal) peoples: Indians (referred to as First Nations), Métis and Inuit. Increasingly, and in keeping with international agreements, "Indigenous Peoples" is being used instead of "Aboriginal peoples."[24]

Person of color[25] – U.S. usage – (plural: people of color, abbreviated POC)[1] is primarily used to describe any person who is not considered "white". In its current meaning, the term originated in, and is primarily associated with, the United States; however, it is also being recently used in Canada.

In the United States, people of color include African Americans, Asian Americans, Native Americans, Pacific Islander Americans, multiracial Americans, and some Latino Americans.

The acronym **BIPOC** refers to Black, Indigenous, and other people of color and aims to emphasize the historic oppression of Black and Indigenous people.

Person of Colour – Canadian usage – is defined by the Canadian Race Relations Foundation as a term which applies to non-White racial or ethnic groups; generally used by racialized peoples as an alternative to the term "visible minority." The word is not used to refer to Aboriginal peoples, as they are considered distinct societies under the Canadian Constitution. When including Indigenous peoples, it is correct to say "people of colour and Aboriginal/Indigenous peoples."[26]

LGBTQ2S+ – Lesbian, Gay, Bisexual, Transgender, Queer, Two-Spirit, and the Plus which aims to represent all other self-identifications. This is the acronym used by the Government of Canada to refer to the Canadian community.

2-Spirit[27] – also Two Spirit or Two-Spirited. An English term used to broadly capture concepts traditional to many Indigenous cultures. It is a culturally specific identity used by some Indigenous people to indicate a person whose gender identity, spiritual identity and/or sexual orientation comprises both male and female spirits.

ENDNOTES

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