

2019 ISS Benchmark Policy Consultation

Deadline: November 1, 2018

Respondent: NEI Investments, Canada

Comments on ISS Board Gender Policy in United States

Under what circumstances should ISS consider recommending against directors other than the chair of the nominating committee (e.g., full nominating committee; full board; board chair, controlling shareholder)?

From our perspective, aggravating factors are:

- If a director sits on multiple boards with no gender diversity and there is a suspicion that that director might be a systemic barrier to increasing diversity.
- If the company has a vacancy on the board but failed to take the opportunity to appoint a woman and has not disclosed an extensive effort to attempt to recruit a woman for that vacancy. In this case, a vote against all incumbent members of the nominating committee is recommended.
- Non-independent female directors who have a close association with the controlling shareholders – where this is used by the company as its response to add women on the board
- Tenure and over-boarding – where the company is not trying to address these structural issues. In this case, target the Chair or the Governance Committee.

What mitigating factors other than those specified in the proposed policy would temporarily excuse the absence of a female director on a company's board? What weight would your organization give to those factors?

- Comprehensive evidence that the board has made efforts to find women directors (e.g. disclosure of extensive effort to find female directors)
- When there is a legitimate reason not to have a vacancy (e.g. reduced board size) but the company has made a strong commitment that it will try to recruit a woman next time there will be a vacancy and there is clear disclosure on steps to meet that commitment

What should be considered to be an appropriate time commitment to appoint a female director to an all-male board? Why?

- Next Annual Meeting or next vacancy

Does your organization agree with the one-year transition period to implement the proposed policy? If not, please explain.

- This does not make a big difference to us since we would apply our diversity policy anyway, which is stricter than ISS policy.

Comments on ISS Board Gender Diversity Policy in Canada

Does your organization support the proposed expansion of the policy beyond Composite Index issuers for the 2019 proxy season?

Yes

Are there any additional policy exemptions that should be considered? If so, please detail.

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Should the disclosure (or lack of disclosure) of a timeframe for the implementation of stated goals/targets be considered when evaluating a company's formal gender diversity policy? If so, what would you consider as a reasonable timeframe for the implementation of such goals/targets?

Yes, a policy must have a time-bound target in order for it to be considered. A time-bound commitment could be a specific period of time or future vacancy on the board.

A reasonable timeframe could be the next AGM or next vacancy if the target is adding a woman director to an all-male board. If the target is to achieve a certain percentage of each gender on the board (e.g. 30% of each gender), a longer timeframe might be acceptable (e.g. a timeframe that would allow the company to appoint a woman director every year until the board diversity target is reached)

Are there any additional issues, other than those mentioned above, that should be considered when evaluating a company's formal gender diversity policy?

No.