



Proxy Alert

Vote FOR shareholder proposal at Constellation Software Inc.

April 6, 2018

Constellation Software Inc.

Symbol: CSU

Annual Meeting Date: April 26, 2018

Filer: Fonds de Solidarité FTQ, supported by the Shareholder Association for Research & Education (SHARE)

Shareholder proposal on board diversity

Gender diversity is a critical attribute of a well functioning board and a measure of sound corporate governance. Firms listed on the Toronto Stock Exchange are currently required by securities regulators to report on the number of women on the board and in executive officer positions. Companies must also report on whether or not they have a policy to increase the number of women in leadership positions.

Constellation Software Inc. (Constellation) does not currently have such a policy. It does not have any women in executive office and only 1 of 10 director candidates proposed for election at the 2018 AGM is a woman.

The Fonds de Solidarité FTQ (Fonds), represented by the Shareholder Association for Research and Education (SHARE), filed a shareholder proposal for consideration at the 2018 AGM of Constellation targeted at improving the company's approach to gender diversity:

Shareholders request that the Board of Directors

- a) adopt and publish a formal, written board diversity policy by December 2018; and,*
- b) provide a report to shareholders by December 2018, which outlines the Board's plans,*

timelines, process and activities for increasing the representation of women on the Board of Directors and amongst senior management.

A supporting statement with recommended report elements was also included with the proposal.

Background and Engagement

In 2017 the Fonds filed a similar board and executive diversity proposal at Constellation. 42% of shareholders voted in favour of that proposal.

In response to that proposal, Constellation added to the mandate of the Compensation, Nomination and Human Resources Committee that the committee "identify highly qualified women and highly qualified individuals from minority groups to include in the pool of candidates" for consideration in the event of a board vacancy. No other changes were made and no plans or processes were established.

After the diversity proposal was again filed by the Fonds in 2018, Constellation appointed a single female director to the Board. Over the last year, two new male directors were also appointed, expanding the overall size of the Board from 8 to 10.

These actions do not address in any meaningful way the company's plans, timelines and process for increasing diversity on the Board and senior management.

Vote Recommendation Rationale

In the Management Information Circular, Constellation says that it does not favour quotas or strict rules. The shareholder proposal does not ask for these things. Rather it seeks a policy and a company-specific plan to increase the representation of women on the Board and amongst senior management.

Constellation says that the Board of Directors has not adopted a diversity policy because it seeks the best individuals to fulfill director and senior management roles. This statement suggests a fundamental misunderstanding of the purpose of a diversity policy. A diversity policy that provides for consideration of gender in director and executive nomination and selection processes does not compromise the search for the best individuals. It assists a company in searching outside of its inner circle to ensure that the best individuals are not overlooked.

Constellation notes that the company has achieved strong shareholder returns over the past ten years "despite the Company not having had a very diverse Board or senior management team during this period." With respect, the shareholder's concern is not with past performance, but with future performance, with effective board processes and renewal, and with equity. Pointing to previous returns does not address the substance of this concern.

Link to full proposal:

share.ca/share-proposals/board-diversity-constellation/

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Constellation also says that it "believe[s] that it is important to balance the benefits of diversity with other costs to the organization in terms of time commitment and resources spent on adopting and adhering to formal policies and ongoing reporting requirements." Ensuring that the company properly recognizes, rewards and engages female leadership is not about imposing costs on the company. Properly understood, rewarding diversity is about generating benefits for the company.

In sum, Constellation has not addressed the requests raised in the shareholder proposal. It has not provided any policy or plan to build gender diversity in Board and executive leadership. It has not set out effective processes to identify and advance women to the Board and senior management. It has not taken steps to address any systemic bias in its current selection process. Instead, Constellation's actions to date signal to shareholders that the company is willfully blind to the value of leadership diversity.

Given the strong interest by shareholders and Canadian securities regulators in remedying the dearth of women in Canadian boardrooms and executive suites, the Board of Constellation should develop a policy and report on a plan to achieve meaningful gender diversity in the company's leadership.



SHARE's Recommendation
SHARE recommends a vote
FOR this proposal.