

RESEARCH NOTE: MARCH 7, 2018

Gender diversity at Alberta-incorporated companies on the TSX Composite Index

We identified 44 companies currently on the TSX Composite Index¹ that are incorporated in Alberta. The other 206 companies are currently incorporated under the *Canada Business Corporations Act* or under other provincial Acts (or, in one case, the Cayman Islands). We examined every company on the TSX Composite Index, including those incorporated in Alberta, to determine the company's performance on Board and executive gender diversity, using 2017 data from the Canadian Securities Administrators on board and executive gender diversity policies and outcomes, released on November 30, 2017, supplemented by our own research.²

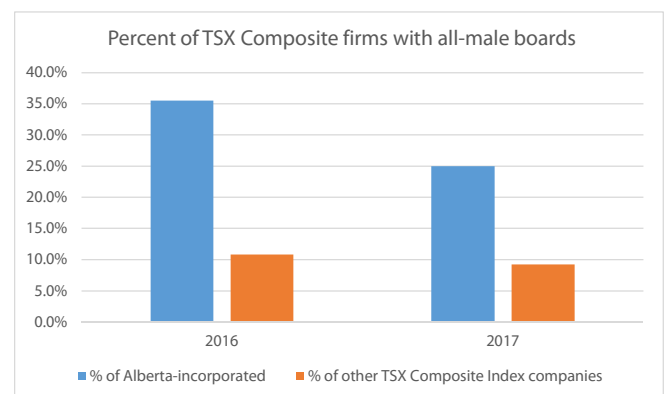
Noting that all but eight of the Alberta-incorporate firms in the TSX Composite Index are categorized as Energy Sector firms, we also ran the same tests using only the Energy Sector firms both in Alberta (36 firms) and the rest of the TSX Composite Index (13 firms) to see whether the differences should be attributed to sector bias.

Results

Overall, our research found that TSX Composite Index companies that are incorporated under the *Alberta Business Corporations Act* underperform in on gender diversity.

All-male boards of directors

One quarter of Alberta-incorporated companies on the TSX Composite Index have all-male boards of directors. The percentage of Alberta-incorporated TSX-listed companies with all male boards (25%) was almost triple the rate (9.2%) of the remaining companies on the TSX Composite Index last year.

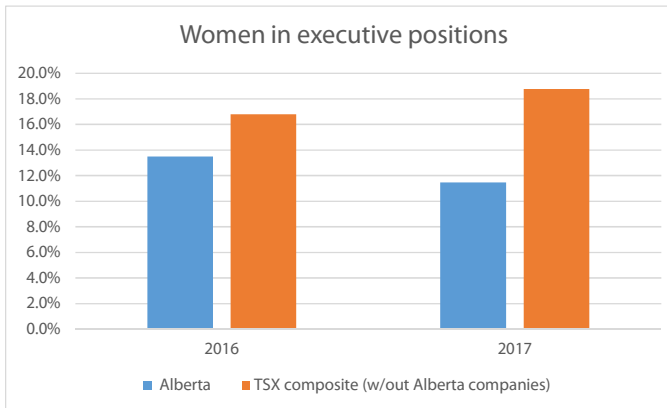
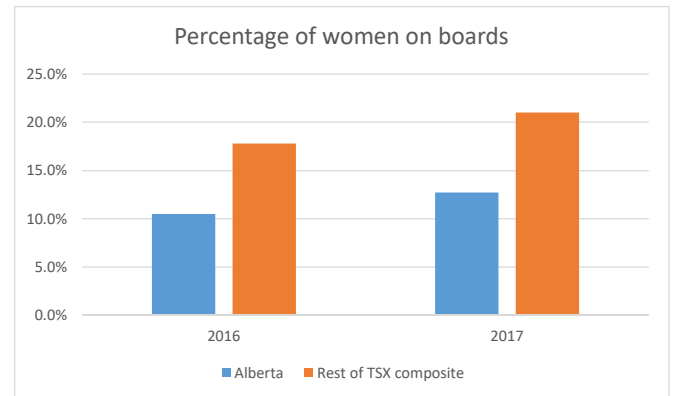


¹ Constituents of the TSX Composite Index as of February 15, 2018.

² Data is available at: <http://www.osc.gov.on.ca/en/55517.htm>

Average number of women on boards

While the average percentage of board seats held by women at Alberta companies did improve slightly between 2016 and 2017, the gap between Alberta companies and the rest of the TSX Composite Index grew larger when it comes to board seats held by women.



Executive positions occupied by women

The average percentage of executive positions held by women at Alberta-incorporated companies actually declined between 2016 and 2017, while the rest of the TSX Composite companies reported improvements.

Written diversity policies

The percentage of non-Alberta incorporated companies on the TSX Composite Index that have a written board diversity policy is more than double the percentage of Alberta-incorporated companies on the index.

Energy-sector comparisons

Comparing Alberta energy sector companies only to other energy sector firms on the TSX Composite Index still found a gap between the average number of women on boards, with energy sector companies incorporated in other jurisdictions achieving an average of 17.8% of seats held by women versus 12.2% of seats at Alberta-incorporated companies. Energy sector companies incorporated in other jurisdictions reported more than double the number of women in executive positions, on average, than energy sector companies incorporated in Alberta.

A problem of corporate governance

As we noted in last year's study, *Off the Ballot: How Alberta has fallen behind on shareholder democracy and why it is hurting Alberta corporations*,³ Canadian companies that are incorporated in Alberta have at least one distinct difference from their counterparts incorporated elsewhere in the country: their shareholders are effectively unable to file shareholder proposals to be voted on at the company's annual meeting.

Shareholder proposals have been used by investors across North America to press for greater board diversity, for better disclosure of material risks, for improvements in shareholder democracy, and for improvements in environmental or social performance.

But not in Alberta. The *Alberta Business Corporations Act* (ABCA) and its associated Regulations say that in order to file a shareholder proposal an investor must have a

prescribed level of support from holders of 5% or more of voting shares.

This threshold is far more onerous than that which applies under the business corporation regulations of any other Canadian province as well as the federal Canadian Business Corporations Act (CBCA), where a shareholder needs only to hold shares worth \$2,000 in order to file a proposal. The ABCA requirement effectively prevents the overwhelming majority of shareholders of Alberta corporations from filing a proposal.

SHARE filed proposals at four Canadian companies last year asking them to adopt a policy and plan to improve diversity on their boards of directors and amongst senior management. Three of those companies have since added women to their boards of directors. Due to the unusual restrictions in the ABCA, no shareholder proposals were filed at any Alberta incorporated companies last year.

For more information

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³ Available at: http://share.ca/documents/investor_briefs/Governance/2017/Alberta_Shareholder_Proposal_Regulations_Report.pdf