



Proxy Alert: Shareholder proposal on racial equity at Constellation Software Inc.

Company: Constellation Software Inc.

Ticker Symbol: CSU (TSX)

Annual Meeting Date: May 5, 2022

Filer: The United Church of Canada Pension Plan, supported by the Shareholder Association for Research and Education (SHARE)

Recommendation: Vote FOR Schedule “B” Shareholder proposal on racial equity at Constellation Software Inc.’s Annual Meeting on May 5, 2022.

The global racial justice movement has amplified calls for institutions to identify, address, and dismantle historic and systemic racism, racial injustice, and inequity. This has prompted companies in all sectors, including companies in the technology sector, to advance its practices, policies, initiatives, and commitments to meaningfully identify and address racial equity issues. Constellation Software Inc. (“Constellation” or “the Company”) does not currently disclose any meaningful measures, plans, or commitments to holistically identify or address significant racial equity issues in its workforce.

Constellation is one of the largest technology companies in Canada. Constellation operates in over 100 markets, with 25,000 employees worldwide—and approximately half of those employees are in the U.S. and Canada. Constellation’s poor disclosure practices are concerning because 1) it prevents investors from understanding what steps the Company has implemented to address racial disparities within its workforce and 2) it indicates that the Company may underestimate the importance of fostering a diverse workforce and a positive workplace culture for its employees. In addition, it may suggest that the Company has not developed or implemented a thoughtful strategy or any meaningful actions to address racial diversity, equity, and inclusion (DEI) issues in the workplace. This lack of transparency puts Constellation Software at odds with Canadian public companies in the technology sector, as DEI disclosure is becoming a standard practice within the TSX60.

This year, a Proposal filed by The United Church of Canada Pension Plan, supported by the Shareholder Association for Research and Education (SHARE), is seeking:

Constellation Software Inc.’s Board of Directors to prepare a report, at reasonable expense and omitting proprietary information, on the Corporation’s plans to identify, address, mitigate, and dismantle racial disparities within its workforce. At a minimum, the report should include 1) Relevant details about the Corporation’s strategy, programs, and policies planned or in place related to racial diversity, equity and inclusion 2) An assessment of the

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program's effectiveness, through the disclosure of any relevant goals, metrics, and trends related to racialized employees.

SHARE's recommendation and rationale

Racial equity issues are prevalent in the technology sector, including but not limited to the lack of racial and ethnic representation, the racial pay gap, and significant barriers for racialized workers, which all represent significant reputational, financial, operational, and legal risks to the Company and its shareholders. If there is no proper oversight and transparency on how the Company plans to identify and address such issues, this may impact shareholders' long-term value.

In Constellation's opposition statement to the Proposal, the Company states that it has a commitment to "dismantle any racial disparities in the workforce, and indeed to prevent such disparities from arising in the first place." However, *this statement is not supported by any meaningful action or transparent disclosure or reporting from the Company*. Constellation's current practices are not only contrary to leading practices on racial equity and DEI but are not aligned with its peers in the technology sector. The only way shareholders can be confident that Constellation's actions are actively and meaningfully advancing and promoting racial equity in its workforce is through transparent reporting and disclosure practices.

The Company highlights that it believes the best way for it to dismantle any racial disparities in its workforce "is to continue to follow its longstanding decentralized structure and culture of autonomy rather than change to a centralized approach with policy directives emanating from the Board or corporate headquarters." However, *this Proposal does not ask the Company to change its business philosophy to adopt a centralized approach. Rather, this Proposal asks the Company to provide meaningful disclosure and reporting on its plans to identify, address, mitigate, and dismantle racial disparities within its workforce*. Disclosure and reporting on Constellation's current racial equity plans and strategies will allow investors to identify where the Company is lagging in comparison to leading practices, as well as with its peers. Disclosure and reporting will also provide shareholders with an opportunity to assess the merit of the Company's efforts.

Constellation also "believes that this organizational structure and related culture of autonomy are substantial competitive advantages that have conferred considerable value on the Corporation and all its constituents, including shareholders and employees alike, for decades." This Proposal highlights the historic and systemic racial equity issues that have persisted in the U.S. and Canadian technology sector. While Constellation believes that its current organizational structure and related culture of autonomy have been sufficient for decades, this does not mean that its current structure is sufficiently mitigating increasing risks that racial equity and DEI issues may pose. Additionally, although Constellation believes that its current operations have conferred considerable value, advancing racial equity can also translate into significant [economic and financial benefit](#) for the Company and its shareholders. Advancing racial equity at Constellation, therefore, should not go against the Company's current business structure, but rather support and work in parallel with existing operations and structures.

As one of the largest technology companies in Canada, it is important for Constellation to demonstrate leadership and management standards that encompass leading practices on racial

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equity and DEI. The lack of meaningful action to advance and promote racial equity causes shareholders to question whether the Company is taking the necessary and appropriate steps to address such risks in a timely fashion.

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Link to full proposal: <https://shareca.box.com/s/rhwnx7m1v5hzfp7w0rffhuvcmryoybh>

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