



Proxy Alert: Shareholder Proposal on Pay Equity at SNC-Lavalin Group Inc.

Company: SNC-Lavalin Group Inc.

Ticker Symbol: SNC (TSX)

Annual Meeting Date: May 5, 2022

Filer: Laidlaw Foundation, supported by the Shareholder Association for Research and Education (SHARE)

Recommendation: Vote FOR Proposal 5 shareholder proposal on conducting and disclosing pay equity analysis.

SNC-Lavalin needs improved workforce disclosures to meet stated DEI goals and address known inequities

As one of the top engineering employers in Canada, SNC-Lavalin is well-positioned to take a leadership role in breaking the glass ceiling in its field. The company acknowledges the material importance of diverse and equitable workforce to long-term shareholder value and has identified gender inequality as a key UN sustainable development goal it wishes to address.ⁱ

However, with little transparency around key workplace composition metrics,ⁱⁱ investors are not in a position to assess the company's performance relative to peers, evaluate its progress over time or push for change when and where needed. Are SNC-Lavalin's commitments and initiatives truly moving the needle on diversity in ways that will impact shareholder value? As with efforts to address companies' impacts on climate change, the first step is to measure and report.

The last three years have seen a sea change with respect to workplace equity disclosures. More governments – including Canada – are moving towards requiring greater workplace equity reporting, and growing numbers of companies are responding to investor calls for action.

Nine OECD countries mandate systematic gender wage gap reporting for private sector companies,ⁱⁱⁱ for instance, and New Zealand^{iv} and Ireland^v are moving to join France^{vi} and the UK in requiring the public reporting of select pay gap measures. Currently, 81% of S&P 500 companies have committed to publicly release workplace equity reports filed with the US government – compared to only 20% in August 2020, and several publicly-traded companies have begun releasing recruitment, retention and promotion rates for equity-deserving groups.^{vii}

Former SEC Chairman Jay Clayton reflected the growing consensus among investors, in his statement that “the strength of our economy and many of our public companies is due, in significant and increasing part, to human capital, and for some of those companies human capital is a mission-critical asset”.^{viii} As a result, demand for better corporate disclosure on human capital management is growing amongst investors and regulators.^{ix}

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Unfortunately, SNC-Lavalin has resisted providing comprehensive workforce data for its global workforce, including relevant data on pay equity.

In 2022, SHARE filed a proposal, on behalf of the Laidlaw Foundation, that requests the company:

report to shareholders on the outcomes of their diversity, equity and inclusion efforts by publishing comprehensive quantitative data on workforce composition (e.g., recruitment, retention and promotion rates) and compensation practices (e.g., wages, bonuses and access to benefits) by gender, race and ethnicity. The reporting should be done at reasonable expense and exclude proprietary information.

We urge shareholders to vote FOR resolution 5.

Has SNC-Lavalin closed the gender wage/compensation gap?

Where workplace equity disclosures are required, what SNC-Lavalin has disclosed illustrates the need for further action. The UK was one of the first jurisdictions requiring businesses with 250 or more employees to disclose median and mean pay and bonus compensation by gender on an annual basis. SNC-Lavalin discloses on behalf of two subsidiaries, and as with many other employers, these disclosures reveal a sizeable gender gap:

Employer	% Difference in hourly rate (Mean)	% Difference in hourly rate (Median)	% Who received bonus pay (Women)	% Who received bonus pay (Men)	% Difference in bonus pay (Mean)	% Difference in bonus pay (Median)
SNC-LAVALIN RAIL & TRANSIT LTD ^x	34.3	40.8	17	20	10.2	37.5
ATKINS LIMITED ^{xi}	19.6	17.1	37	40	40.6	21.7

A gender gap in benefit entitlements has also been reported by a group of SNC-Lavalin employees. A female-dominated bargaining unit at Canada’s Candu Energy unit has been unsuccessfully seeking the same entitlements to dental, health and leave benefits as male-dominated units. Family health benefits and access to leave policies, according to a recent article in the Harvard Business Review, are particularly important to female job-seekers.^{xii}

The OECD’s 2021 policy brief on pay transparency identifies low quality reporting and lack of data as a major obstacle in addressing the gender pay gap, noting “pay transparency policies give workers, employers and the public an important tool to combat gender inequality: they offer an acknowledgement of the existence and the size of gender pay gaps.” Absent pay gap transparency, the report notes, it is difficult for individuals to identify and document workplace inequities, let alone seek remedies.^{xiii}

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As with climate-related disclosures, companies – especially early adopters – may be concerned about the ramifications of disclosing challenges, even if they are not unique. *More* detailed reporting may allow for important nuances to be communicated, for example allowing companies with little diversity among senior employees to show progress in recruiting, retaining and/or promoting diverse new team members, or companies facing large mean/median wage gaps to demonstrate the achievement equal pay within classifications.

As the US investor group *As You Sow* has noted, “[t]ransparency and reporting, in and of itself, is an important best-practice to be celebrated. When a company releases meaningful data on its workforce composition alongside its rates of promotion, recruitment, and retention of diverse employees it illustrates...[acknowledgement that] discrimination is a systemic problem in corporate America, [its] commitment to be accountable to its employees ... [willingness to allow] investors and other stakeholders to assess and compare the effectiveness of its programs.”^{xiv} After a year in which the global gender pay gap increased,^{xv} this accountability is more urgent than ever.

The company’s disclosure, in its 2022 proxy is inadequate. The disclosure does not provide investors with decision-useful, quantitative workforce data. The company has asserted that it cannot provide more comprehensive data without putting itself at a competitive disadvantage. We do not accept this assertion. The company already provides stronger reporting for its UK operation, without any such competitive risk; many companies provide adequate reporting in the North American context, again, without any such competitive risk.

Conclusion

The link between strong human capital management practices, including efforts to foster a diverse and inclusive workforce, and improved corporate performance is well established. The link is even stronger where a company’s core product is dependent on a highly skilled and specialised professional and technical workforce.

The information disclosed by SNC-Lavalin to date is limited, though it does give some reason for investors to pause and dig deeper. Investors would benefit from comparable pay equity disclosure across multiple jurisdictions.

We urge investors to vote FOR proposal 5.

Contact

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Link to full proposal

https://www.snclavalin.com/~/_media/Files/S/SNC-Lavalin/investor-briefcase/en/2022/snc-lavalin-proxy-circular-2022-en.pdf, page 125.

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Endnotes

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- ⁱ [Diversity – SNC-Lavalin \(snclavalin.com\)](https://www.snc-lavalin.com/en/our-work/social-justice/workplace-equity/diversity)
- ⁱⁱ [2019 Sustainability report \(snclavalin.com\)](https://www.snc-lavalin.com/en/our-work/social-justice/workplace-equity/2019-sustainability-report)
- ⁱⁱⁱ [Pay-Transparency-2021-Policy-Brief.pdf \(oecd.org\)](https://www.oecd.org/gender/2021/04/Pay-Transparency-2021-Policy-Brief.pdf), p. 2
- ^{iv} [Mind The Gap Registry — mindthegap.nz](https://www.mindthegap.org/)
- ^v <https://www.gov.ie/en/press-release/aa331-minister-ogorman-announces-introduction-of-gender-pay-gap-reporting-in-2022/#:~:text=The%20regulations%20will%20require%20organisations,same%20date%20in%20December%202022.>
- ^{vi} [Gender pay reporting in France - a guide for employers - Ius Laboris](https://www.luslaboris.com/en/gender-pay-reporting-in-france-a-guide-for-employers)
- ^{vii} <https://www.asyousow.org/our-work/social-justice/workplace-equity>
- ^{viii} <https://www.sec.gov/news/public-statement/clayton-remarks-investor-advisory-committee-032819#>
- ^{ix} <https://corpgov.law.harvard.edu/2019/11/15/how-and-why-human-capital-disclosures-are-evolving/>
- ^x [Gender pay gap for SNC-LAVALIN RAIL & TRANSIT LIMITED - GOV.UK - GOV.UK \(gender-pay-gap.service.gov.uk\)](https://www.gov.uk/government/publications/gender-pay-gap-for-snc-lavalin-rail-and-transit-limited)
- ^{xi} [Gender pay gap for ATKINS LIMITED - GOV.UK - GOV.UK \(gender-pay-gap.service.gov.uk\)](https://www.gov.uk/government/publications/gender-pay-gap-for-atkins-limited)
- ^{xii} <https://hbr.org/2017/02/the-most-desirable-employee-benefits>
- ^{xiii} <https://www.oecd.org/gender/2021/04/Pay-Transparency-2021-Policy-Brief.pdf>
- ^{xiv} <https://www.asyousow.org/our-work/social-justice/workplace-equity>
- ^{xv} <https://www.weforum.org/agenda/2022/03/gender-gap-strategies-parity-diversity/>.