



Institute of Corporate Directors
Institut des administrateurs de sociétés

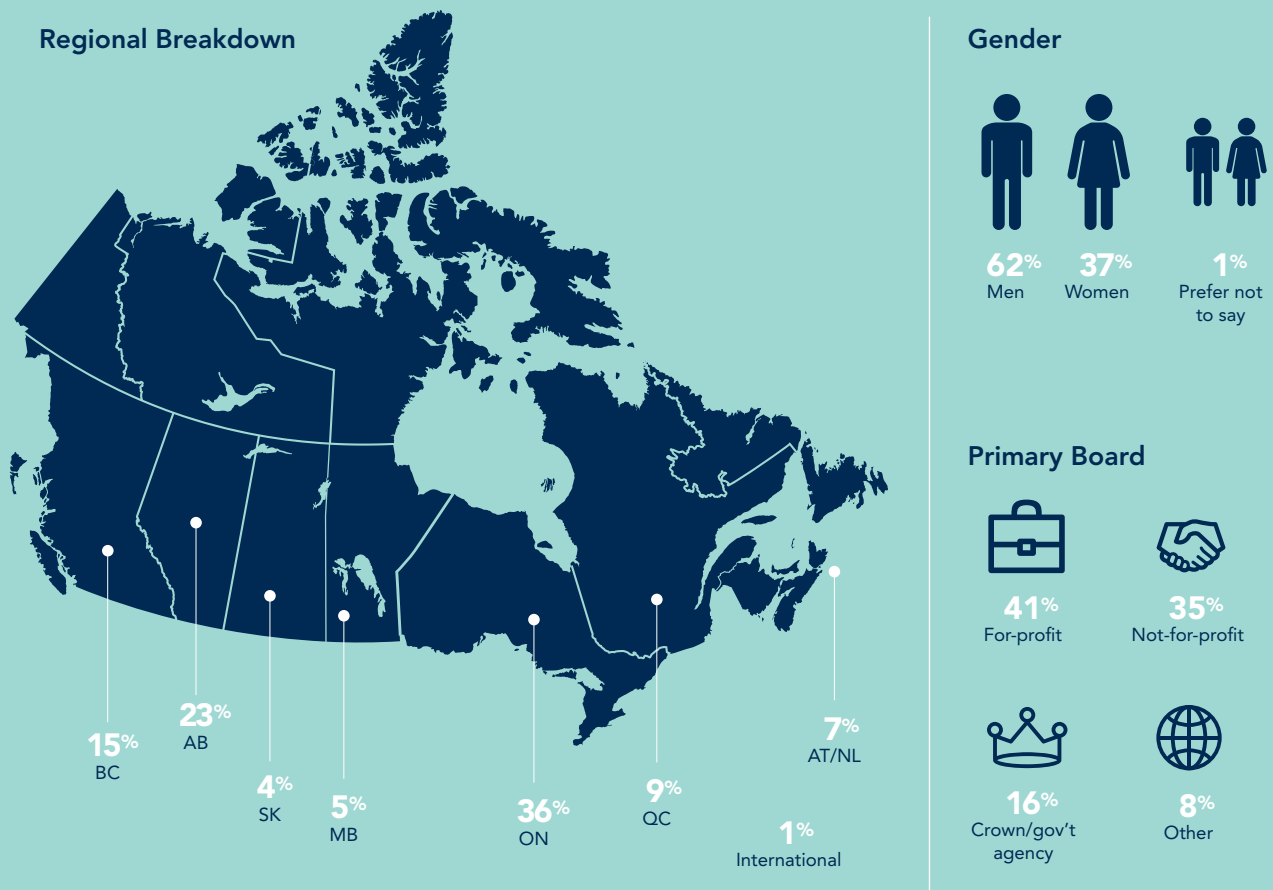
DIRECTORLENS

SURVEY SPRING 2018

DIRECTORS ARE THE LEADERS WHO APPROVE AND OVERSEE CORPORATE STRATEGY AND PROVIDE OVERSIGHT OF ORGANIZATIONAL RISK MANAGEMENT. THEY ARE CHARGED WITH THE LONG TERM STEWARDSHIP OF CANADA'S ORGANIZATIONS.

The Spring 2018 Director Lens Survey measures the perspectives and intentions of Canada's directors on global and Canadian economic and political stability, boards' oversight of culture, workplace harassment and engagement with stakeholders. The context within which organizational leaders must make decisions is shifting. Our surveys help inform the ICD's members and stakeholders, including policy makers, by offering the insights of directors on pressing issues impacting Canada's employers, workers, investors and managers.

This survey was conducted by Environics Research with 584 ICD members between March 7 and April 4, 2018, yielding a response rate of 4.7% overall. A sample of this size produces results that can be considered accurate to within +/3.8 percentage points, 19 times out of 20.



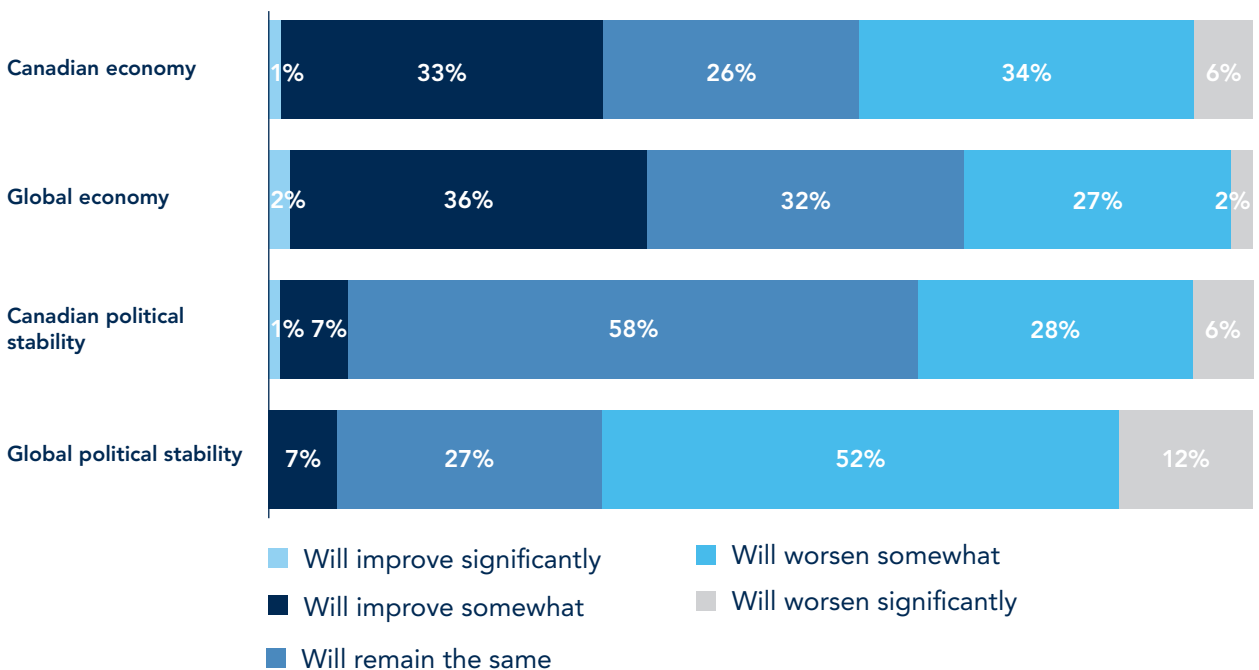
ECONOMIC AND POLITICAL STABILITY

CONFIDENCE IN THE CANADIAN ECONOMY AND POLITICAL STABILITY DECREASES

Despite positive economic news from Statistics Canada¹, Canadian directors see trouble ahead for the Canadian economy. Only a third of the directors we surveyed believed the Canadian economy will improve over the next 2-5 years, compared to 52% who believed it would improve in the fall of 2017. More directors were confident in the global economy but this number also decreased from the fall 2017 survey (43% to 38%).

ICD members also expressed more concern with domestic political stability than in the fall survey – 34% felt that Canadian political stability will worsen in the next 2-5 years while only 25% expressed that view in the fall 2017 survey. A number of factors may be contributing to this sentiment, including upcoming elections in several jurisdictions and some interprovincial relationships that have become strained in recent months.

Q: Looking forward over the next 2-5 years, please indicate whether you feel each of the following will improve, remain the same or worsen:

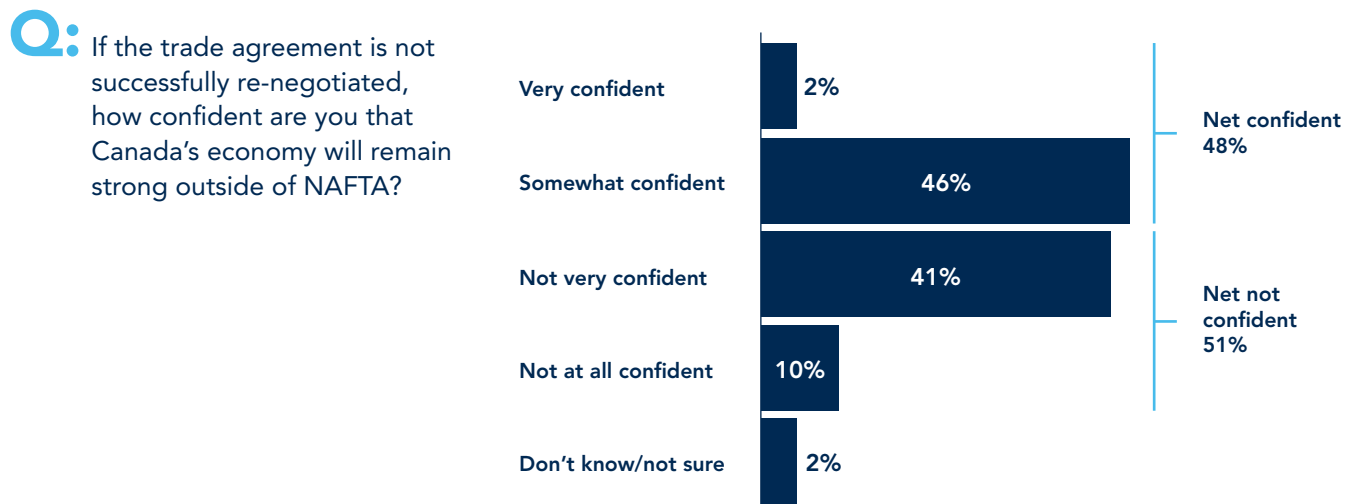
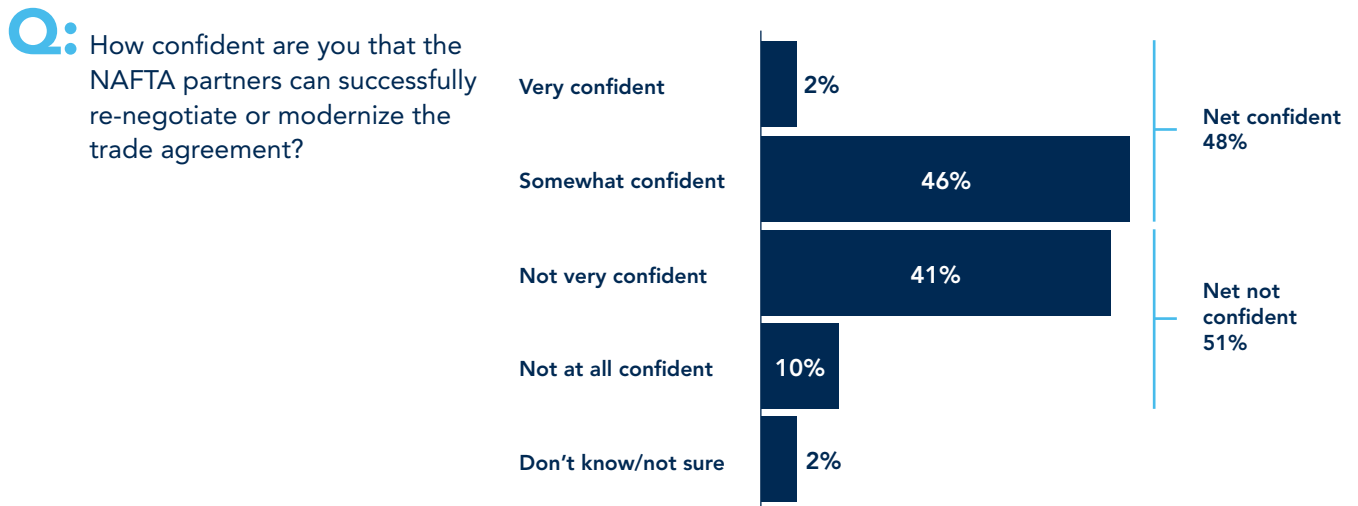


¹ Statistics Canada. Gross domestic product by industry, February 2018, The Daily, May 1, 2018.

NAFTA NEGOTIATIONS CONTINUE TO BE A TOP CONCERN

The significance of NAFTA continues to be reflected in our Director Lens survey results. Less than half (48%) of the directors surveyed believe that NAFTA will be successfully re-negotiated with the same number believing that the Canadian economy will remain strong outside of NAFTA. Interestingly, of those who do not believe NAFTA will be successfully renegotiated, nearly half (47%) think the Canadian economy will worsen in the next 2-5 years and almost as many believe that the US economy will worsen (44%).

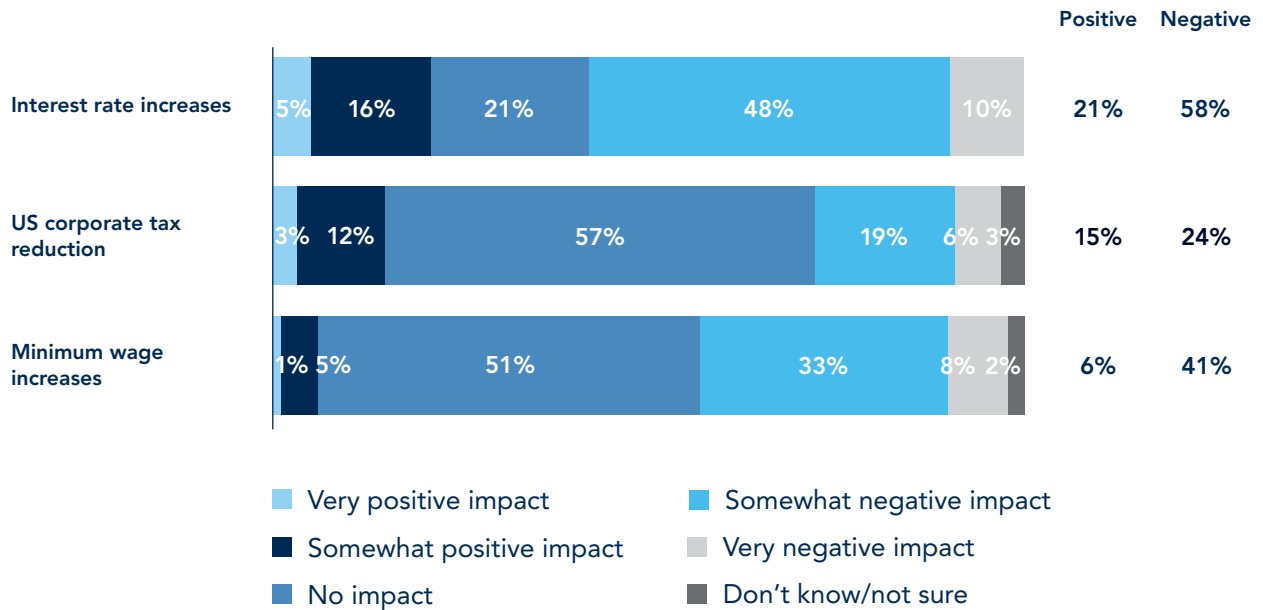
Of those who are confident that NAFTA will be renegotiated, only 32% believe that the Canadian economy will worsen in the next 2-5 years and only 20% believe that the US economy will worsen.



CONCERNS ABOUT INTEREST RATE HIKES

We asked directors about a selected number of economic events that may have an impact on their organizations. A majority (58%) felt that interest rate increases would have a negative impact on their organizations. Minimum wage increases were also viewed negatively by 41% of our respondents but over half felt that it would have no impact. And, despite commonly expressed concerns that Canada cannot remain competitive with the US in the wake of US corporate tax rate reductions, only 24% of those surveyed felt that this would have an impact on their organizations.

Q: To what extent do each of the following impact your organization?



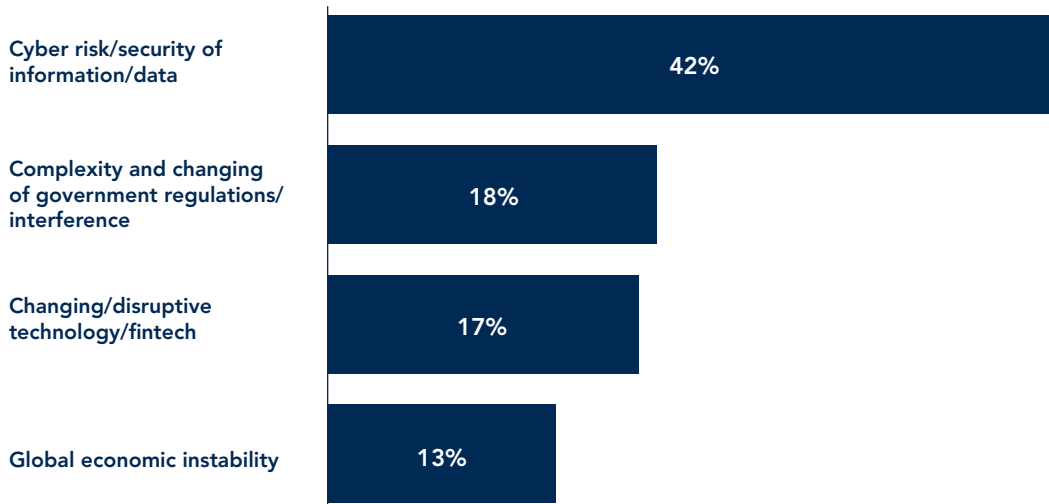
“The reduction in US corporate tax rates is somewhat positive because we are actively eyeing expansion into the US.”

SECURITY, TRUST AND CULTURE: GOVERNANCE FOCUS EVOLVING

CYBER NUMBER ONE CONCERN OF DIRECTORS SURVEYED

Data security and cyber risk are top-of-mind issues for the ICD members surveyed. Recent events such as Facebook's lax oversight of user information along with high profile data breaches may be focusing directors on the importance of data security and helping them gain a better understanding of potential reputational risks.

Q: To begin, thinking from your own perspective as a director, what do you see as the top external risks facing boards today? Please be as specific as possible.

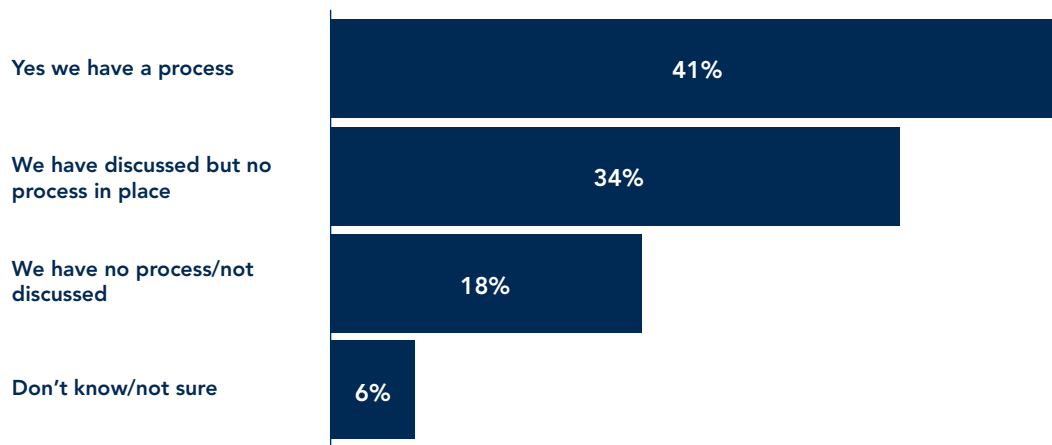


"[Cyber] presents both opportunities and risks. Cybersecurity is a key concern - how to protect our company from cyber attack."

IMPORTANCE OF WORKPLACE CULTURE OVERSIGHT

Three-quarters of respondents either have a process in place for the oversight of workplace culture or have discussed creating a process. Of those who have a process in place, 65% responded that the process was created within the last five years. Stories of executive misconduct (Weinstein, Soulpepper, etc.) and widespread corporate misdeeds (Wells Fargo, VW, etc.), may be prompting more organizations to focus on effective oversight of workplace culture and setting the correct tone at the top.

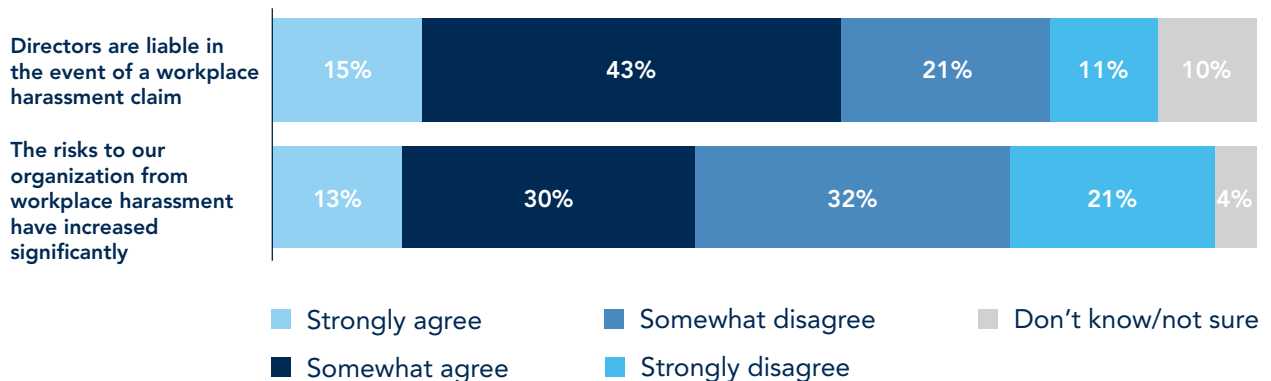
Q: Do you have a formal process in place for overseeing workplace culture?



BOARDS REACT TO #METOO

A majority of ICD members surveyed (58%) agree that directors are liable in the case of a workplace harassment claim. Given all of the attention paid to this issue, it is interesting to note that only 43% of respondents felt that the risks to their organizations had increased significantly. 58% of directors of organizations with a process in place for overseeing workplace culture also felt that the risks from workplace harassment had not increased significantly.

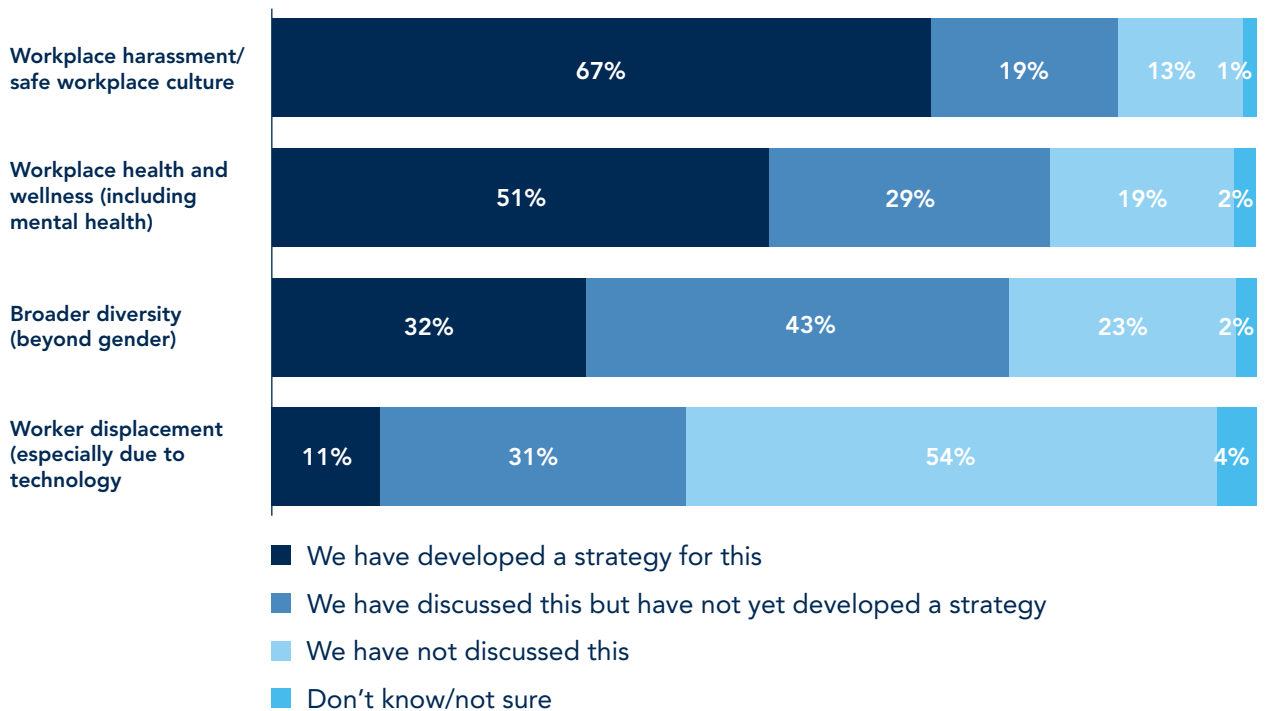
Q: To what extent do you agree or disagree that...



STRATEGIC IMPACT OF SAFE AND HEALTHY WORKPLACES, DIVERSITY AND WORKER DISPLACEMENT

Respondents reported that their organizations are likely to have considered the strategic importance of workplace diversity, harassment/safe workplace culture and workplace health and wellness. They were less likely to have considered the impact of worker displacement due to technologies such as AI and machine learning. In fact, 54% of those surveyed had not discussed worker displacement as it related to their organizational strategy.

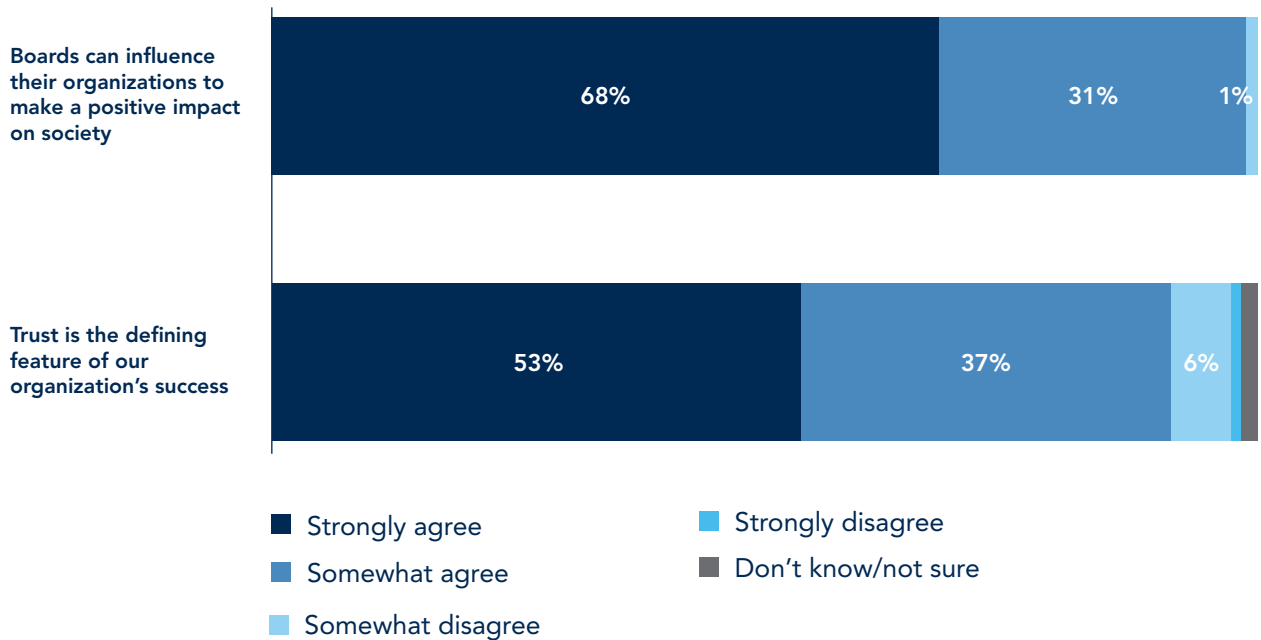
Q: To what extent has your board considered each of the following as they relate to your organization's strategy?



POSITIVE SOCIAL INFLUENCE OF BOARDS

Directors responding to the survey overwhelmingly believe that their boards influence their organizations to make a positive impact on society (with only 1% disagreeing). An overwhelming majority (90%) of survey respondents also felt that trust was a defining feature of their organization’s success.

Q: Please indicate your level of agreement with the following statements:

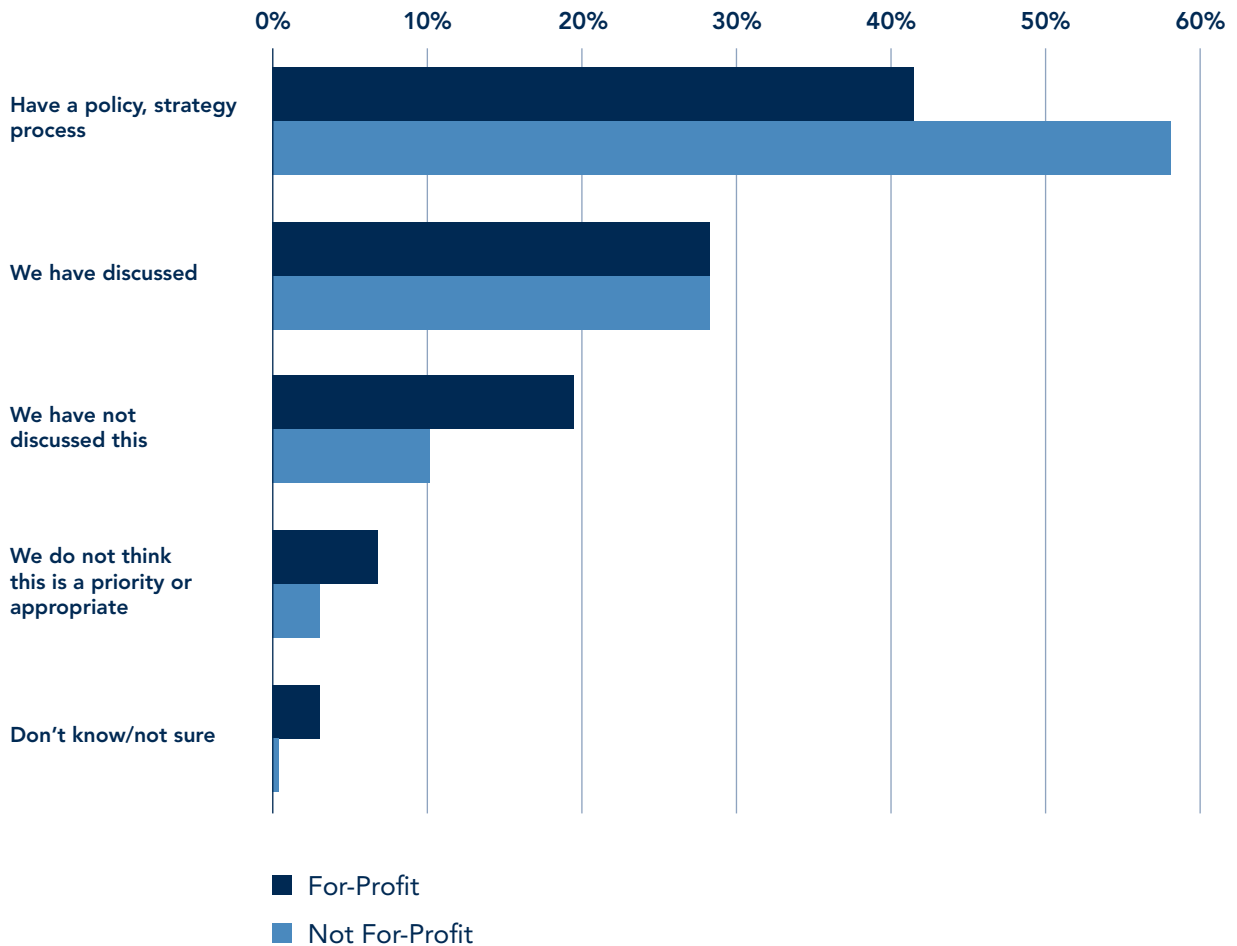


“Especially in light of hyper-social advocacy, society is also holding organizations increasingly accountable for their contribution/impact to society.”

THE IMPORTANCE OF ENGAGING WITH STAKEHOLDERS

A majority (78%) of those surveyed agreed that they had a policy, strategy or process of engaging with stakeholders- excluding shareholders- or had discussed creating one. Perhaps surprisingly, given the critical importance of stakeholders to not-for-profit boards, only 58% of those surveyed indicated that they had developed a policy, strategy or process of engaging with stakeholders.

Q: In terms of your organization's engagement with key stakeholders (excluding shareholders), does your board:



CONCLUSION

The results of our spring survey provide a snapshot of ICD members' views on key Canadian and global economic and social trends, as well as on significant governance issues. There are some interesting changes from the survey conducted in the fall of 2017. Fewer respondents believe that the Canadian economy will improve in the next 2-5 years, with a majority now believing the economy will worsen. Given that boards approve major capital spending, this could have important implications for the Canadian economy in the near and mid-term. In addition, fewer than half of those surveyed are confident that NAFTA will be successfully renegotiated and a majority are concerned that the Canadian economy will not remain strong outside of NAFTA.

Cybersecurity remains a pressing concern for directors along with regulatory uncertainty and disruptive technology. Because of a rapidly and fundamentally changing workplace climate, culture, health & wellness and strategies to deal with sexual harassment claims are also significant issues.



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