



Director Lens Survey Spring 2021

Executive summary

1 Expected Timeline for the Organization and the Canadian Economy to Recover

Directors continue to think their organizations will rebound faster than the Canadian economy from the disruption caused by the COVID-19 pandemic.

- Half of directors say their organization will rebound in the second half of 2021 or the first half of 2022.
- Six in ten directors see the Canadian economy rebounding in 1 to 5 years.

2 Role of Boards and Organizations

Nearly all directors agree that *they can clearly articulate why their organization exists, who benefits from the work and that the board should work with management to develop a clear statement of corporate purpose that provides direction for the company's strategy.*

Executive summary

2 **Role of Boards and Organizations** *(continued)*

Most directors somewhat agree that *they are confident that their organization can effectively address emerging risks by accounting for interconnected and compounding multiple risks.*

There is very high overall agreement that the board and the organization should have a positive impact on society and contribute to making a positive difference.

The topic of diversity and social issues sees varying levels of agreement. Nine in ten directors agree that *the board should require their organization to build an ecosystem of diverse leaders over time and corporate boards should reflect the diversity of the communities they service.* However, only half of directors agree that *the board should institute quotas for diverse candidates in order to improve diversity of the board.*

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Most Pressing Challenge in next 10 – 15 years

The three top challenges for Canada are *government debt, climate change* and the *financial sustainability of Canada's social programs*.

Top challenges limiting their organizations growth differ, led by: *workforce / human capital issues, pace of technological change, climate change* and *access to capital*.

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Organization Culture

Nearly all directors agree that *their organization's strategy can only be fulfilled through a strong culture* and the majority (88%) believe *that their board understands the organization's culture*.

5

Inclusive Culture

Compared to Fall 2019, fewer directors (41% in 2021 vs. 49% in 2019) say their board is comfortable that their organization deliberately fosters an inclusive culture and have measures that demonstrate inclusivity.

This drop comes at the gain of “we have discussed inclusivity but there is more work to be done” category moving from 15% in 2019 to 23% in 2021.

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Measuring & Mechanism for the Health of Organizational Culture

There are directional differences since 2019 on the board's ability to measure the health of the organization's culture. Most directors continue to say they have agreed on one or more measures and review and discuss frequently, followed by having some methods but they aren't tracked regularly.

The top three mechanisms used to measure board oversight of culture include: engagement surveys, turnover rates and safety incident reports. Half say they would like to implement "culture as an agenda item to at least one board meeting."

Directors are split on asking management to develop "leading indicators" – 47% say yes, they have asked, while 53% say no, they have not asked.

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Term Limit Policy

Half of directors strongly agree that every board in Canada should have a clear term limit policy.

Not-for-profit board directors are more likely than for-profit board directors to agree that every board should have a clear term limit policy (85% vs. 72%).

Methodology and sample profile

Method

Institute of Corporate Directors commissioned Environics Research to oversee an online survey of its membership.

Field Dates

The survey was fielded between March 18 – April 30, 2021. After an initial deployment, two reminder notices were sent.

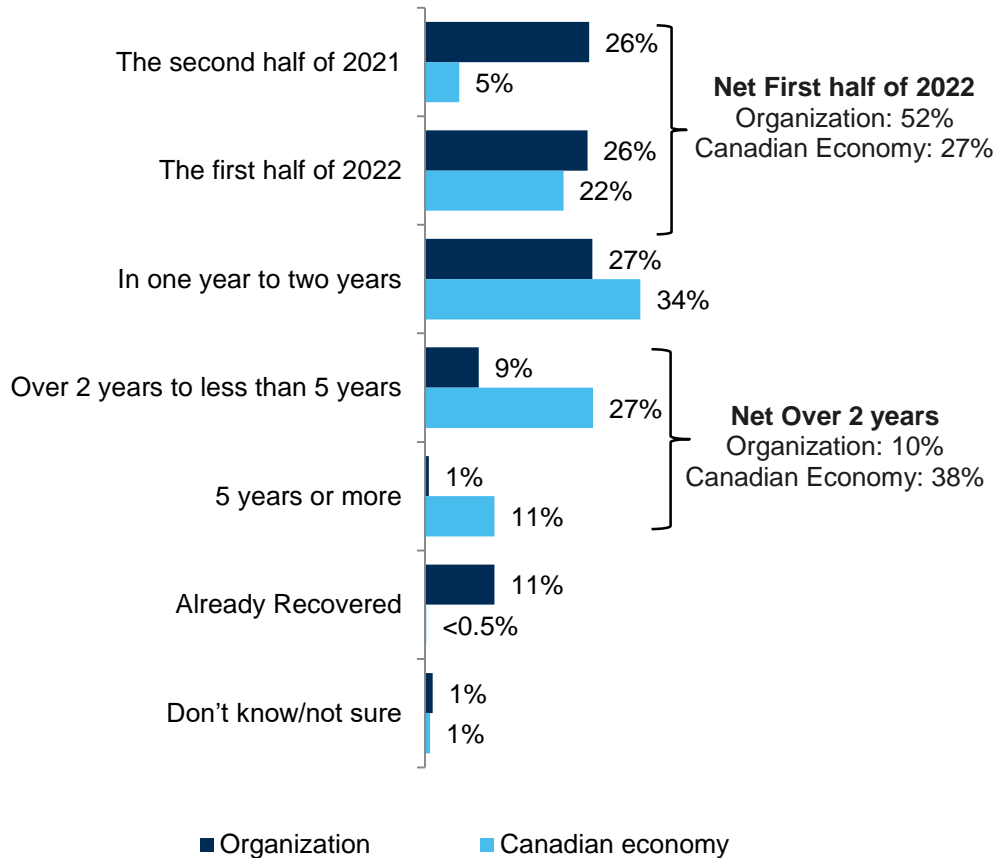
Response Rates

Email invitations with unique URLs were sent to a database of 13,903 ICD members.

A total of 782 responded to the invitation, yielding a response rate of 5.6% overall. A sample of this size produces results that can be considered accurate to within +/- 3.6 percentage points, 19 times out of 20. Data have been weighted to reflect member type and chapter distributions.

Canadian economy and organizations

Expected timeline for recovery

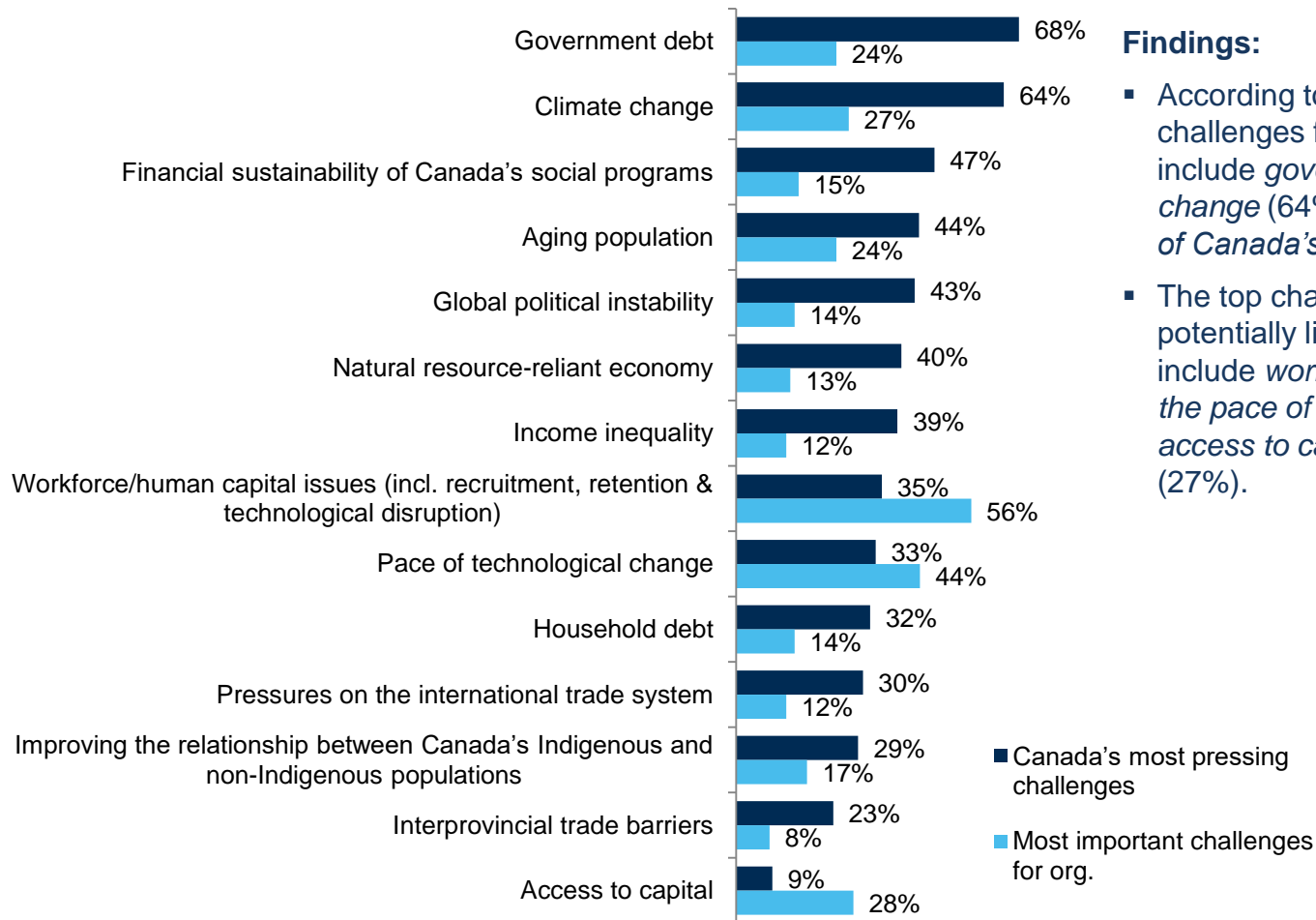


Findings:

- Over half of directors (52%) expect their organization to recover by the first half of 2022 from the disruption caused by COVID-19, while one in ten (10%) think it will take over two years to recover.
- However, only one quarter (27%) expect the Canadian economy to recover by the first half of 2022. Nearly four in ten (38%) think it will take over two years for the Canadian economy to recover.

Q: In what timeframe do you expect your organization (your primary board) and the Canadian economy to fully recover from the disruption caused by COVID-19?

Most pressing challenges



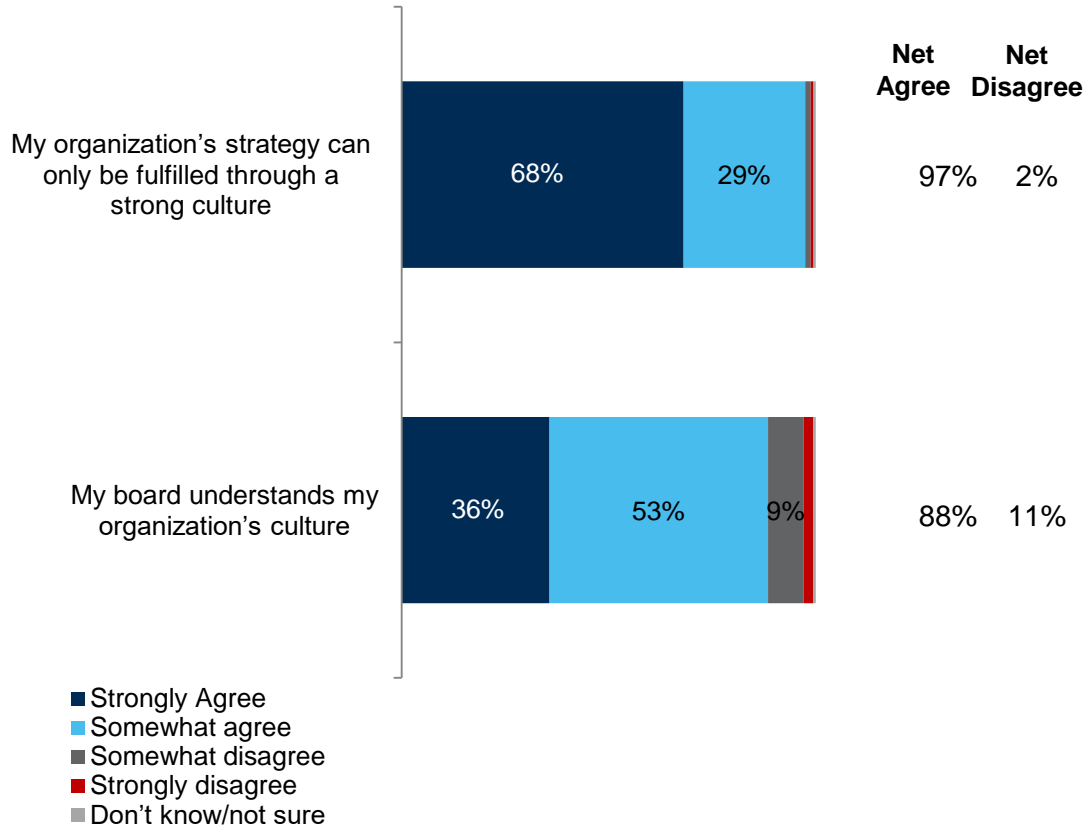
Findings:

- According to directors, the three most pressing challenges for Canada in the next 10-15 years include *government debt* (68%), *climate change* (64%), and the *financial sustainability of Canada's social programs* (47%).
- The top challenges that directors think are potentially limiting their organization's growth include *workforce/human capital issues* (56%), *the pace of technological change* (44%), *access to capital* (28%) and *climate change* (27%).

Q. Aside from recovering from COVID-19, which of the following represent Canada's most pressing challenges in the next 10-15 years? And which of those same issues do you see as the most important challenges potentially limiting your organization's growth? Select all that apply from each column.

Organizational culture

Organizational culture

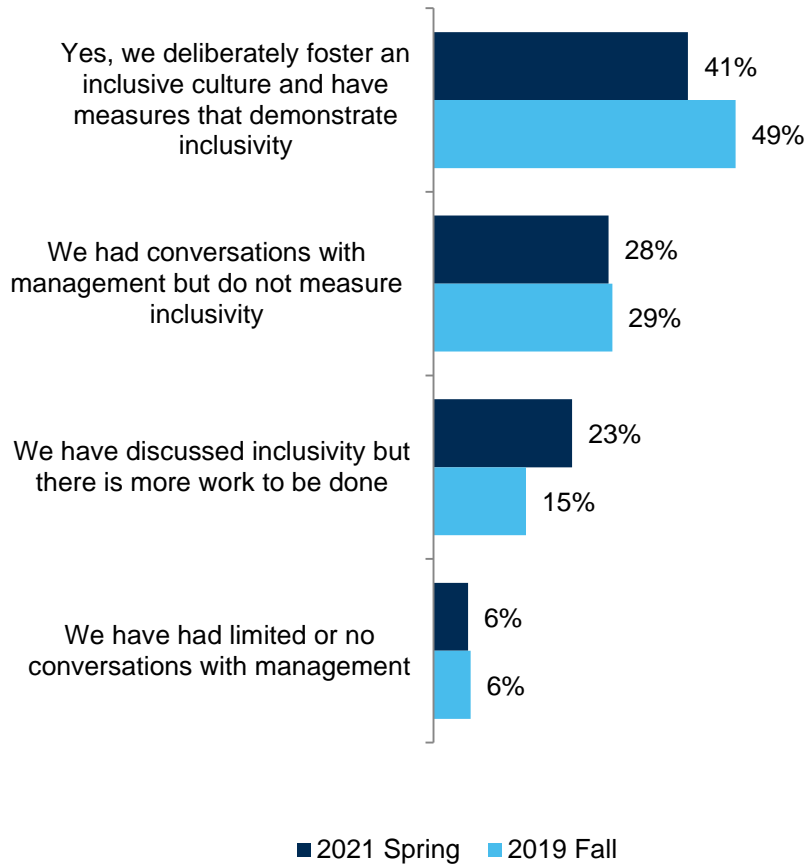


Findings:

- Almost all directors agree that *their organization's strategy can only be fulfilled through a strong culture* (97%, with 68% strongly agreeing).
- Nearly nine in ten agree that *their board understands their organization's culture* (88%).

Q: ICD defines culture as the expression of those behaviours, expectations and interactions that either allow for or impede the execution of an organization's strategy and the manifestation of its purpose. organizational culture as For each of the following, please indicate if you strongly agree, somewhat agree, somewhat disagree or strongly disagree....

Inclusive culture

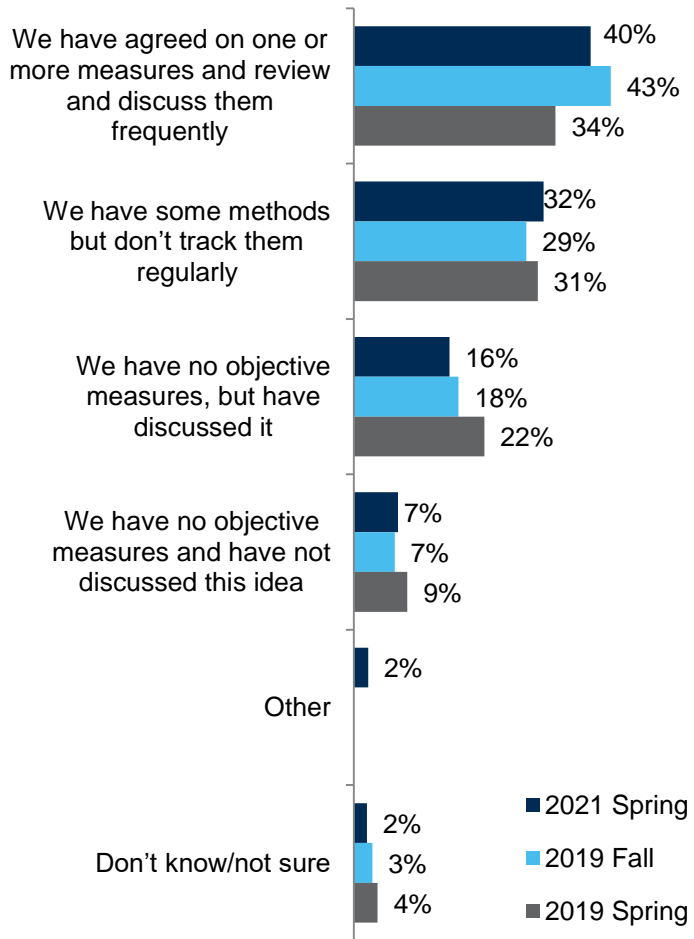


Findings:

- Four in ten directors (41%, down from 49% in 2019 Fall) say their board is comfortable that their organization deliberately fosters an inclusive culture and has measures that demonstrate inclusivity.
- Nearly three in ten (28%, unchanged from 29% in 2019 Fall) say they have had conversations with management, but they do not measure inclusivity, while nearly a quarter (23%, up from 15% in 2019 Fall) say they have discussed inclusivity but there is more work to be done.
- Only six percent say they have had limited or no conversations with management.

Q: Is your board comfortable that your organization fosters an inclusive culture?

Measuring the health of organizational culture

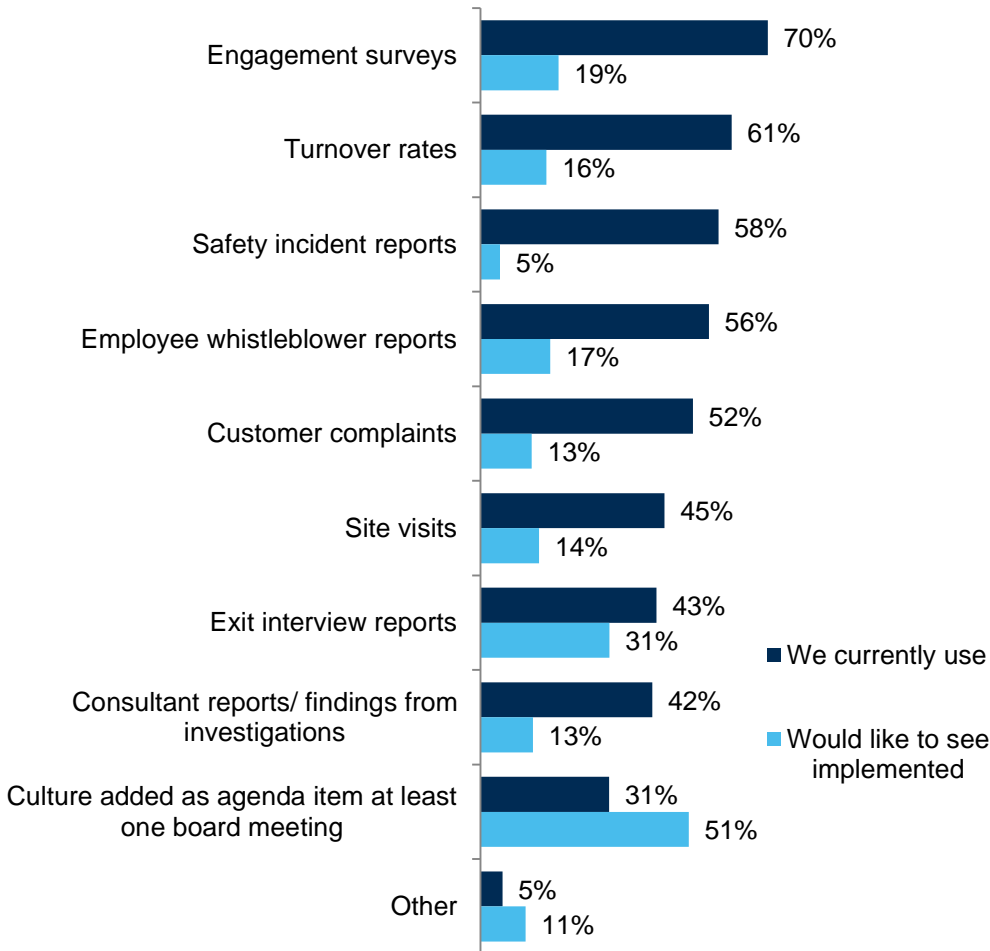


Findings:

- Compared to Fall 2019, slightly fewer say they have agreed on one or more measures to review the health of organizational culture and discuss them frequently (40%, down from 43%).
- Slightly more now say they have some methods, but they do not track them regularly (32%, up from 29% in Fall 2019).
- Nearly two in ten (16% vs. 18% in Fall 2019) say they have no objective measures but have discussed them, while nearly one in ten (7%, unchanged) say their boards have not even discussed them.

Q: What approach best describes your board's ability to measure the health of organizational culture?

Mechanism to measure board oversight of culture

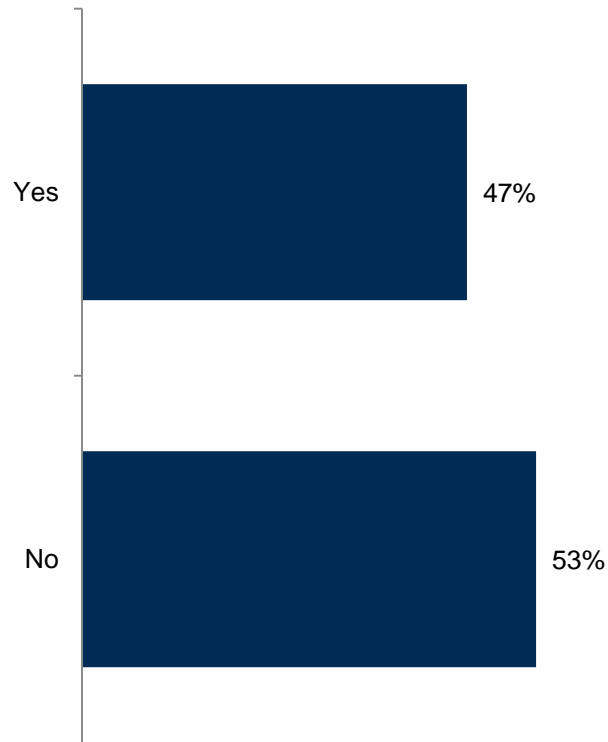


Findings:

- According to directors, the top three mechanisms used to measure board oversight of culture include *engagement surveys* (70%, unchanged), *turnover rates* (61%, slightly down from 64% in Fall 2019), and *safety incident reports* (58%, up from 53% in Fall 2019).
- The top three mechanisms that they would like to see implemented include *culture added as an agenda item at least one board meeting* (51%, up from 36% in Fall 2019), *exit interview reports* (31%, slightly up from 29% in Fall 2019), and *engagement surveys* (19%, up from 15% in Fall 2019).

Q: In terms of board oversight of culture, which mechanisms and measures does your board currently use? Which mechanisms would you like to see implemented?

Leading indicators

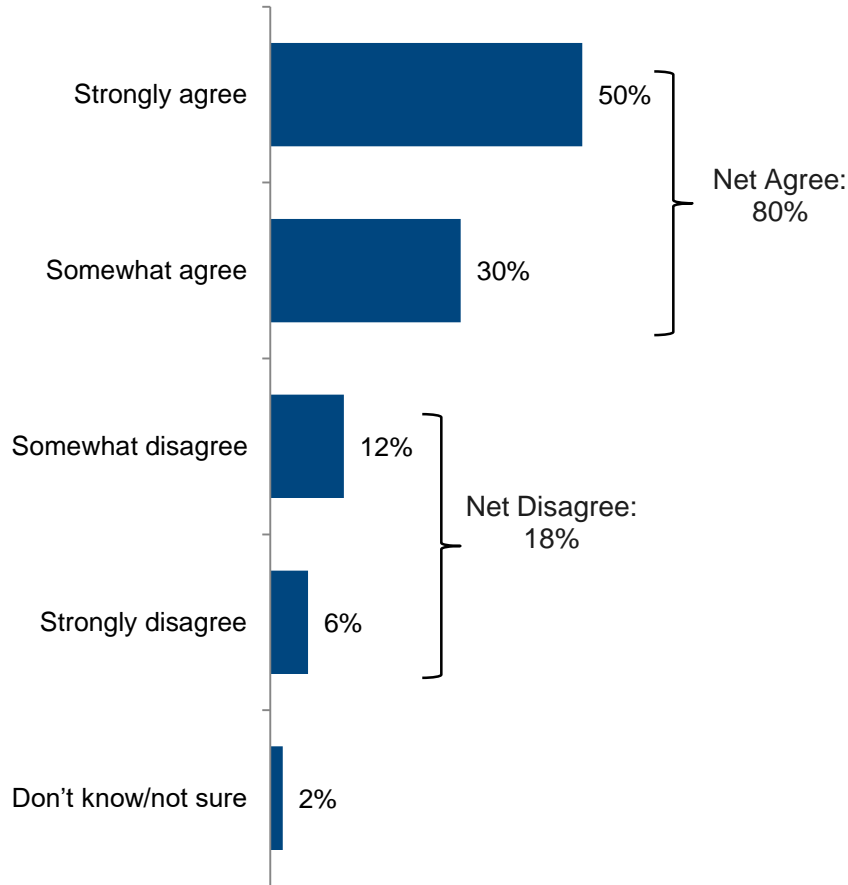


Findings:

- Nearly half of directors (47%) say their board has asked management to develop leading indicators, which may include metrics related to equity and inclusion, culture, reputation, whistleblower reports, etc.

Q: Boards typically spend significant time with lagging indicators (metrics that focus on past performance such as earnings). Leading indicators may help boards see future risks and opportunities more clearly. Has your board asked management to develop “leading indicators” which may include metrics related to equity & inclusion, culture, reputation, whistleblower reports, etc.?

Term limit policy



Findings:

- Eight in ten (80%) agree that every board in Canada should have a clear term limit policy. However, nearly two in ten do not agree (18%).

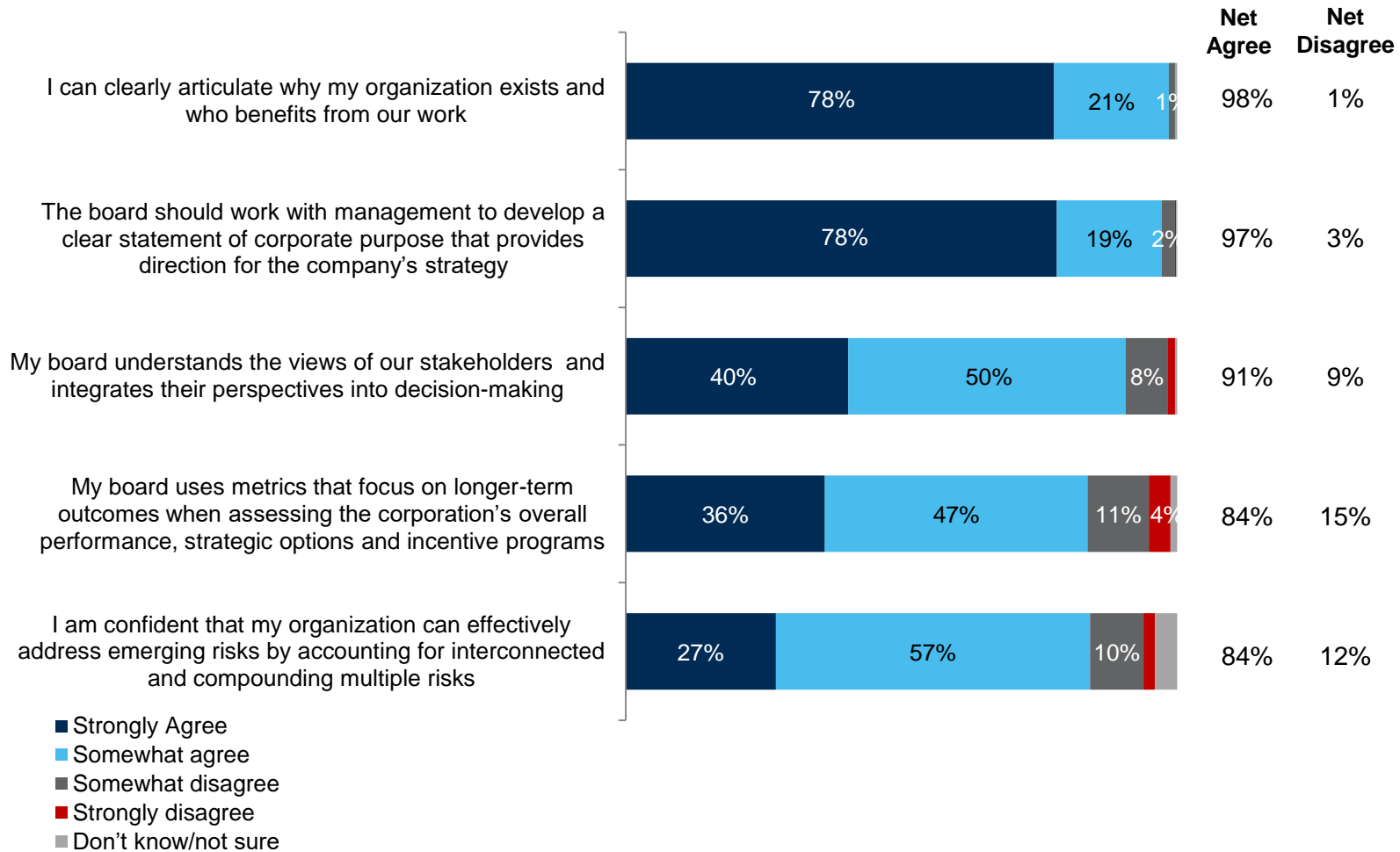
Q: To what extent do you agree or /disagree that every board in Canada should have a clear term limit policy?



Role of boards and organizations



Role of boards and organizations



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

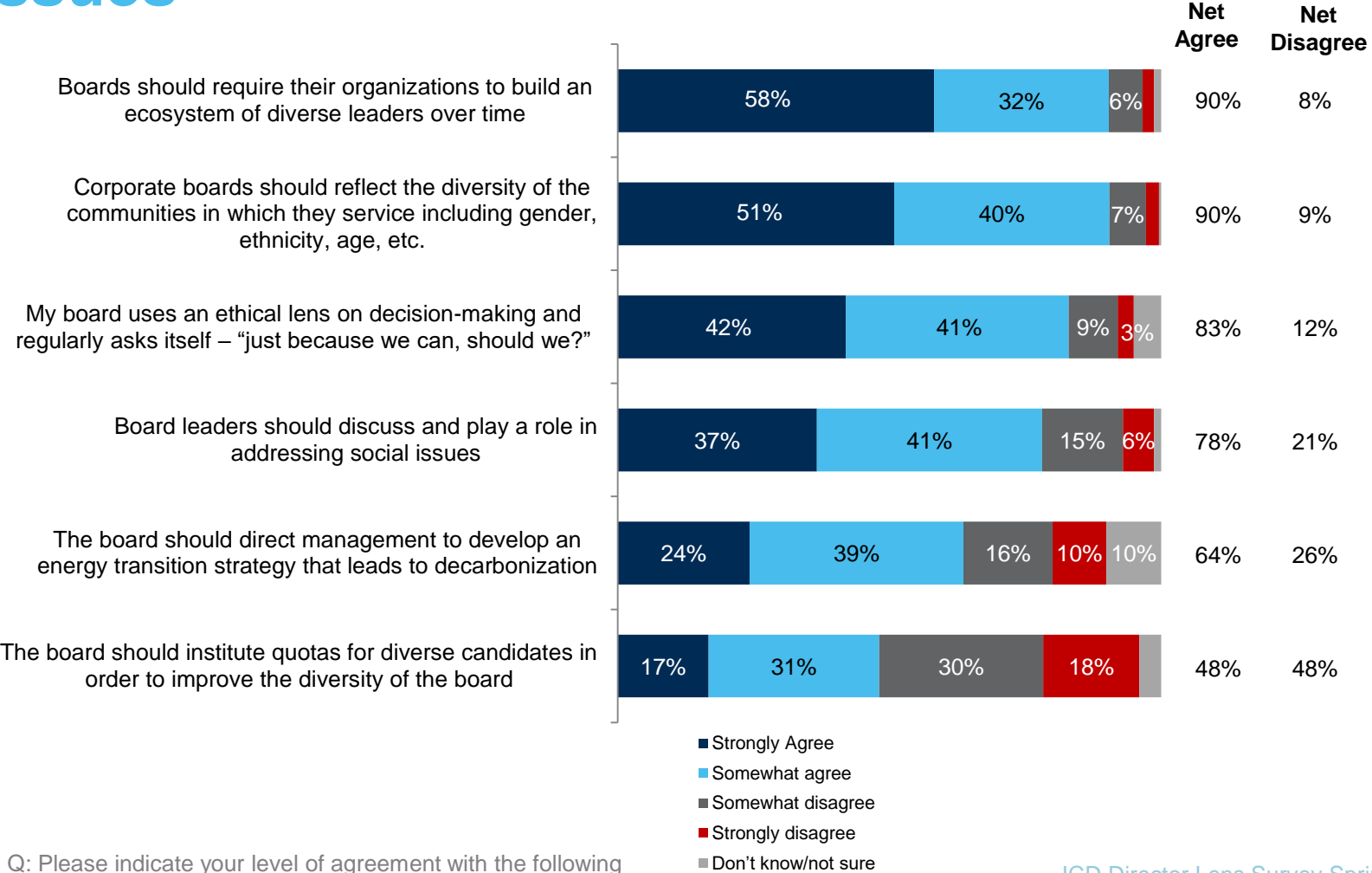
Role of boards and organizations

Findings:

- Almost all directors agree that *they can clearly articulate why their organization exists and who benefits from their work (98%) and the board should work with management to develop a clear statement of corporate purpose that provides direction for the company's strategy (97%)*.
- Nine in ten directors (91%) agree that *their board understands the views of their stakeholders and integrates their perspectives into decision-making*.
- An equal proportion agree that *their board uses metrics that focus on longer-term outcomes when assessing the corporation's overall performance, strategic options and incentive programs (84%) and that they are confident that their organization can effectively address emerging risks by accounting for interconnected and compounding multiple risks (84%)*.



Role of boards and organizations in diversity/social issues



Continued

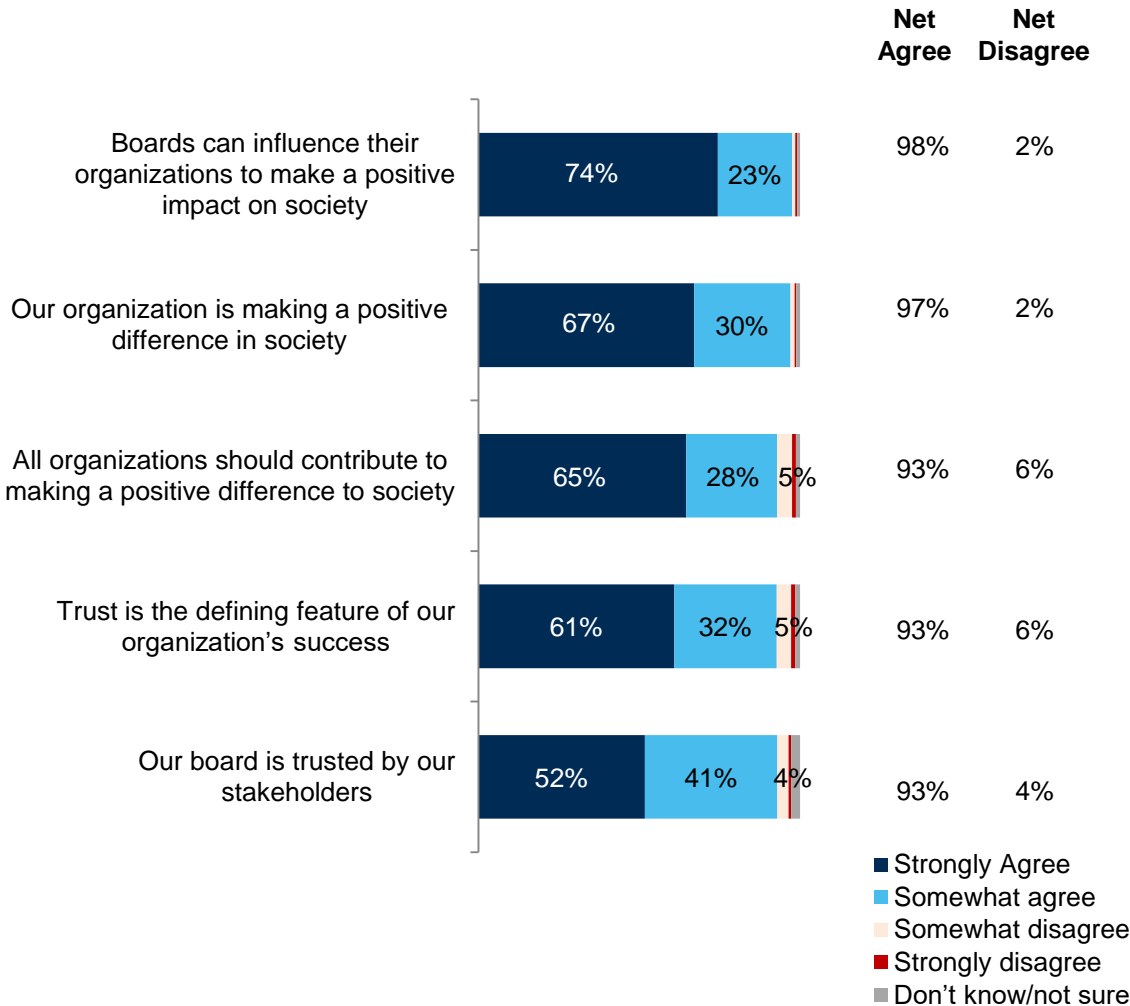
Q: Please indicate your level of agreement with the following statements related to diversity/social issues:

Role of boards and organizations in diversity/social issues

Findings:

- Nine in ten directors agree that *the boards should require their organizations to build an ecosystem of diverse leaders over time (90%)* and that *corporate boards should reflect the diversity of the communities in which they service including gender, ethnicity, age, etc. (90%)*.
- Eight in ten directors agree that *their board uses an ethical lens on decision-making and regularly asks itself – “just because we can, should we?” (83%)* and that *board leaders should discuss and play a role in addressing social issues such as income inequality, misaligned employment, racial inequities, etc. (78%)*.
- Nearly two-thirds (64%) agree that *the board should direct management to develop an energy transition strategy that leads to decarbonization*, while nearly half (48%) agree that *the board should institute quotas for diverse candidates in order to improve the diversity of the board*.

Role of board in making a positive impact on society



Findings:

- Almost all directors agree that *boards can influence their organizations to make a positive impact on society* (98%, with 74% strongly agreeing) and that their *organization is making a positive difference in society* (97%, with 67% strongly agreeing).
- Nine in ten each agree that *all organizations should contribute to making a positive difference to the society* (93%), *trust is the defining feature of their organization's success* (93%) and *their board is trusted by their stakeholders* (93%).

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

ENVIRONICS
RESEARCH

The ICD's semi-annual Director Lens survey was conducted by our partners at Environics Research

May 31, 2021