

Guide: Stacking Your Board for Diversity

Created in collaboration with Women Get On Board for the Apical Environmental Social Governance (ESG) Partner Hub

Apical

GUIDE: STACKING YOUR BOARD FOR DIVERSITY

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About the Authors



Mika Unterman, Founder, Apical

A global citizen, Mika has lived, worked and been educated in Israel, the United States and Canada helping to shape her perspective and knowledge of the cannabis industry. Before joining Agripharm as Director of Business Development, she excelled as a community manager and cannabis educator, normalizing the widespread use of cannabis recreationally and medicinally. A passionate advocate of values in business, she founded Apical in 2019 to provide easily accessible ESG programs for cannabis businesses.



Deborah Rosati, FCPA, FCA, ICD.D, Founder & CEO, Women Get On Board

Deborah Rosati is an accomplished corporate director, entrepreneur, Fellow Chartered Professional Accountant (FCPA) and certified Corporate Director (ICD.D). She has more than 30 years of experience in technology, consumer, retail, cannabis, private equity and venture capital. An experienced Audit Committee and Nominating & Corporate Governance Committee Chair, Deborah provides extensive knowledge as a Corporate Director in the areas of financial and enterprise risk management, corporate strategy, transformational changes, M&A, corporate governance, as well as CEO and board succession planning.

Deborah currently serves on Khiron Life Sciences Corp. (TSXV:KHRN) as Lead Director and Audit Committee Chair. Previously, Deborah served on the board of Lift & Co. (TSX-V: LIFT) as Vice Chair and Chair of the Audit Committee. Additionally, she served as Chair of the Audit Committee on the board of MedReleaf (TSX:LEAF), acquired by AuroraCannabis (TSX: ACB) in July 2018. She was also Chair of the Audit Committee on the board of NexJ Systems (TSX:NXJ) and served on the board of Sears Canada (TSX: SCC).

She is the Founder & CEO of Women Get On Board, a leading member-based company that connects, promotes and empowers women to corporate boards. Deborah was recognized as a 2020 “Director to Watch” and a 2014 “Diversity 50” candidate. In 2012, she was selected as one of WXN’s Top 100 Canada’s Most Powerful Women in the corporate director award category.

Deborah’s thought leadership on corporate governance, board diversity and entrepreneurship are profiled on her website: www.deborahrosati.ca

Introduction

Board diversity is gaining momentum as a key metric in board performance, especially when it comes to providing critical oversight to emerging industries and companies such as cannabis. According to a 2019 Catalyst research study, boards that were 30% women or more led to better business outcomes due to thoughtful deliberation.¹ Additionally, diverse boards had a 14% lower rate of fraud and a 34% average increase in revenue from innovation.² A critical step in ensuring board diversity is to ensure there is pipeline of qualified, skilled, and experienced candidates from designated groups. Further, existing boards can embrace diversity by sponsoring qualified candidates to join their board and by continually advocating for skilled candidates outside of their personal network.

Who this is for:

As an emerging business leader in the cannabis industry, you need a board of directors that can provide oversight, mitigate risk, and provide strategic advice to your corporation. This guide will help by providing practical guidance on creating a diverse board pipeline. By beginning the conversation about advancing diversity in the boardroom, your journey has already begun.

Why you need this:

Boards often believe that they aren't in the position to consider diversity due to common reasons such as their company is too small, the talent pool is composed of mainly white males, or inclusion practices are too restrictive. However, boards can no longer afford to ignore Diversity & Inclusion metrics.

Studies conducted around the globe by Catalyst, Chubb, EY, and Deloitte demonstrate a clear and positive correlation between diversity on the board and corporate performance. For example, a Catalyst research study found that Fortune 500 companies with higher levels of Diversity & Inclusion continually outperform companies that don't have diversity on their and boards and

¹ Most of the research done on the effects of board diversity have been limited to studies based on gender, and omit other types of designated groups such as visible minorities, Indigenous Peoples, and persons with a disability. Despite the limitations of this research, the implications on corporate performance are profound.

² A designated group under the Canada Business Corporations Act (CBCA) is a visible minority, Indigenous Person, woman, or a person with a disability.

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outperform companies that don't have diversity on their boards and throughout the organization.³ This data suggests that the diversity standards throughout an organization are set at the highest level—the board. If your organization is ignoring diversity, it is likely losing out on increased financial performance and higher levels of talent retention and group performance.

About this guide:

This guide will provide practical steps for boards of any size to start driving board diversity and include representation from designated groups such as women (50% of the labor force), as well as visible minorities and Indigenous People (approximately 36% of the labor force).⁴ This guide will drive even more meaningful results for your organization if used in combination with a board diversity policy.⁵

This guide for stacking your board for diversity, created in collaboration with Women Get On Board, will provide you with basic tools to:

1. Set Targets
2. Expand the Pipeline
3. Sponsor Others

Personal connections are the foundation of the board recruitment that happens today. As a result, boards tend to be made up of individuals with similar backgrounds as ourselves in terms of education, locale, ethnicity, and gender. The reason is that we look for people who resemble us because we know our worth. However, relying on your network for board candidates is an inherently flawed system, as you are limiting your ability to bring in diverse board members. What's the solution? Assess your board's diversity according to global diversity standards.

³ *ibid*

⁴ Gender and sexual preferences are not included in the definition of a designated group, and representation is often further complicated by individuals not feeling safe to come out and remaining closeted at work. Statscan reports the LGBTQ community is about 3%, which may be vastly under reported. At this time, we cannot provide a specific diversity threshold for this minority group, but maintain that inclusive boardroom will include members of the LGBTQ community.

⁵ The institute of corporate directors has created an updated board diversity template to reflect the CBCA reporting guidelines for designated persons. <https://www.icd.ca/Resource-Centre/Board-Diversity-Toolkit/Board-Diversity-Policy-Template-revised.aspx>

Review: Board Benchmarking

- How many of the directors on the board share the same qualities as you?
- How many of the directors share the same qualities as each other?
- Do you have at least one person representing a designated group on the board?

Create a statistical spread of your board based on the bullets above. Some common metrics in benchmarking diversity include:

- Having at least one female board member (Goldman Sachs IPO criteria)
- 30% female board (Diversity threshold for Catalyst Research)
- 30% designated groups representation on board (based on median from Diversity Best Practices Institute as well as diversity advocate Janet Stovall)

Discussion: Board Benchmarking

Discuss with your board:

- Do you feel well informed about Diversity & Inclusion policies within the organization?
- What data do you need to more accurately reflect on the impact of these initiatives?
- Have you seen that these programs affected meaningful change at all levels of the organization?
- How can you raise Diversity & Inclusion at the board and employee level more frequently?

Step 1: Set Targets

Setting and implementing and goals for board diversity is a gradual process. It is essential to be realistic about your target and dedicate serious thought to meaningfully integrating different perspectives into your organization.

Goal Setting: Timeline

Plot the following points on a timeline:

- Board of Directors formed
- Revenue Generation
- IPO

For each point plotted above list number of directors, male/female split, and designated group representation. If you have already hit these milestones, list the composition of your board at the time. If projecting into the future, list your current board composition, taking into account planned expansions of the board.

In setting your targets, think long term. Some boards can't be changed overnight, especially those with long-tenured board members and a lack of term limits. If you are starting your diversity journey today, and you have little or no diversity on your board, beginning with a target of one over the next year is reasonable and acceptable. As you continue to search for appropriate board candidates, move purposefully toward your goal.

Review: Timeline

- At your IPO, how many people from designated groups did you have on your board?
- If you are generating revenue, do people from designated groups make up at least 30% of your board composition?

And remember, diversity is not inclusion. Leveraging the diverse voices at the table is the next step to the Diversity & Inclusion process. That's why board targets should always be evolving, as should your ability to meet those targets. If you already have one woman on your board, don't stop there! Expand your search to include more.

Step 2: Expand the Pipeline

Finding and accessing a range of diverse board candidates can be challenging, especially in the context in which most board appointments occur today. Most board positions result from a necessary exchange of skills found through personal networks. Board positions are often found through alumni or professional networks. Through this common approach, leadership can leverage personal relationships to incorporate valuable skills into the board (e.g. legal, financial).

However, this approach is exclusive to many outside these networks of education and previous employment. But widening the net of board candidates for its own sake is not a sound business decision either. Instead, you should cast your net for candidates that have skills that you are missing. Despite the thinking that the pool of board candidates may be limited, most boards of seven or more directors should comprise at least three directors that are a designated minority. Starting with a board skills matrix,⁶ developed in collaboration with your board's nominating & corporate governance committee, can be a helpful way to identify skill gaps on the board level.

Self Assessment: Pipeline

- How many sources of candidates do you have? What networks are you accessing?
- How are you soliciting recommendations for candidates? Are you expanding your network for referrals?
- What is the gender and designated minority representation for candidates who have completed an initial assessment?

It is also useful to create an evergreen list of board candidates even if a vacancy is not available today. To help supplement this pool of board candidates, Women Get On Board offers a [board shortlist service](#) to companies who are committed to advancing gender diversity in the boardroom.

⁶ Behan, B. A. (2020). *Board and Director Evaluations*. New York, NY: Board Advisor LLC.

Step 2: Expand the Pipeline

Discussion: Board Skills Matrix

- What skills or expertise does the board currently have? What additional skills will you need in the future to represent the ideal board composition?
- How do you define “industry experience?” How broad or narrow is this definition?
- What type of financial experience are you targeting (auditing background vs. CFO)?
- What kind of technological experience is important to your board?

Template: Board Skills Matrix*⁷

- Highlight areas of need for each member as a director
- Highlight areas of expertise for each director

**View the table on the next page.*

Review: Board Skills Matrix

- What specific skills have made the board particularly effective?
- Which skills have become obsolete?
- Where are you under- or over-indexed?
- Do current directors have relevant skills not captured in the matrix?
- Are there directors whose skills or expertise are no longer relevant or have great overlap?

⁷ ibid

Step 2: Expand the Pipeline

Template: Board Skills Matrix

Skill	Member 1	Member 2	Member 3	Member 4	Member 5	Member 6
Financial						
Risk Management						
Strategy Development						
Environmental Social Governance						
Marketing						
Accounting						
Human Resources						
Executive Management						
Government Relations						
Regulatory and Compliance						
Cannabis						
Technology						
CPG						
Pharma						
International Business						
Mergers and Acquisitions						
Operations Management						

Step 3: Sponsor Others

As an emerging industry, it can be challenging to find experienced cannabis executives and board members. In looking as far back as Marijuana for Medical Purposes Regulations (MMPR), it's not likely that any individual has any more than five years of experience in a legal, licensed cannabis company. Finding an individual with relevant and extensive experience in Consumer Packaged Goods (CPG) or pharmaceuticals can provide you the type and breadth of skills you need, especially the financial and governance expertise essential to your success.

Augmenting and leveraging this type of talent on your board requires that executives and board members in cannabis companies sponsor potential diverse board candidates. Sponsorship is not about advice or coaching. It requires a business leader in the company to advocate for and support potential board candidates, showcasing them to other board members and business leaders, and allowing them to demonstrate their strengths.

Self Assessment: Sponsorship

- How many people from designated groups have you identified in your network as qualified for and desirous of a board position?
- What skills or level of experience do you expect in a board candidate?

Checklist: Sponsorship

- Compile a list of diverse candidates within your network. Ask minorities of your acquaintance with essential director skills if they have interest in board positions. A personal connection is essential in a sponsor relationship. As a sponsor you will be advocating for this individual.
- Evaluate what skills are truly necessary for a qualified candidate. Some of these terms may be loaded with unconscious bias. Furthermore, requirements such as CEO experience or previous governance experience will severely and unfairly limit the talent pool, as these statistics lag well behind diversity parity benchmarks.

Step 3: Sponsor Others

Checklist: Sponsorship continued

- Advocate for those you believe in. Remember that in order to increase the chances of a female candidate for a position to 50%, the pipeline of candidates must be 60% female. An overabundance of candidates from designated groups must be present in order to achieve a 30% threshold. This reality confirms the need to raise awareness of diversity candidates, adding them to the pipeline of candidates on a continual basis.⁸

Your Next Step:

In the cannabis industry, many women and minorities feel like token diversity board members. Their unique perspectives and opinions are brushed over unless they align with the pervasive thoughts and views of the majority. [Asses your capacity as an agent of change with these ten questions.](#) Then, follow this up with additional tips from the [Canadian Gender Good Governance Alliance.](#)⁹

It is our duty to improve board diversity in emerging industries such as cannabis. With the help of this guide, you will be better able to assess your diversity standing against global metrics, set board diversity targets, determine the skills your board needs, and sponsor qualified board candidates.

⁸ Hoyt, M. (2019). LHH Diversity Education Seminar. LHH Diversity Education Seminar (pp. 1-12). Toronto, ON: LHH.

⁹ The CGGGA has not updated their toolkit to reflect inclusion beyond gender, to include all designated persons. Although limited in this way, the advice therein can still be applied to diversity and inclusion initiatives reflective of the need for inclusion beyond gender.

About the Authors

Apical

Apical is an industry association focused on providing accessible, easy to implement environmental social governance policies. These low-cost, low-commitment initiatives help you avoid high cost consultants, long timelines, and information overload. Apical's goal is to enable you to test out various areas of ESG, determining where you can derive the most value.



[Women Get On Board Inc.](#) (WGOB) is a leading member-based company that connects, promotes and empowers women to corporate boards. We do this through an engaged community of women and men in Canada committed to advancing gender diversity in the boardroom.

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