

# THE VIEW OF THE BOARDROOM

*CEOs Assess Their Board of Directors and Issues*

*Half (50%) of CEOs Say Their Board Has Too Few Women*

*Half (51%) Say Their Canadian Directors are Paid Too Little  
With 56% Indicating That Canadian Directors Should Receive  
More Equity Options and Deferred Shares*

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**Seventh Annual Survey of Canada's  
Most Respected Corporations**



**RAY & BERNDTSON**

*Global Leaders in Executive Search*

**Public Release Date: Tuesday October 30, 2001 6:00 am**

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## THE VIEW OF THE BOARDROOM

### *CEOs Assess Their Board of Directors and Issues*

#### *Half (50%) of CEOs Say Their Board Has Too Few Women*

#### *Half (51%) Say Their Canadian Directors are Paid Too Little With 56% Indicating That Canadian Directors Should Receive More Equity Options and Deferred Shares*

**Toronto, ON** - Findings from the Seventh Annual Ipsos-Reid Survey of Canada's Most Respected Corporations indicates that half (50%) of CEOs believe their board has too few women, particularly in the financial services (68%), manufacturing (59%) and telecom/information/technology (55%) sectors - however, 44 percent do not believe this to be the case - particularly in the pharmaceutical sector (38%).

On another matter of board composition, only 30 percent believe that their board has "too few members with diverse cultural backgrounds" - with two-thirds of CEOs (66%) believing that their board does not have an issue in this regard. Similarly, two-thirds (66%) do not believe that their board has too few directors who are "physically challenged", however, one-in-five (21%) believe otherwise.

Turning to compensation matters, half (51%) of CEOs believe that their Canadian directors are paid too little (particularly in financial services 55%), with 42 percent believing otherwise. As another form of compensation, 56 percent believe that their Canadian directors should receive more equity, options and deferred shares (particularly in the resources (62%) and the services (59%) sectors), compared to 38 percent who oppose such a move.

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In almost the same split, 55 percent of CEOs do not believe that equity compensation for directors has the potential to create conflicts of interest. However, 41% believe it has the potential, especially within the services (54%), manufacturing (46%) and pharmaceutical/medical (44%) sectors.

CEOs are also split as to whether or not their board should require directors to own a significant number of shares in the firm – with 51 percent agreeing that this should be the case and 47 percent who disagree. The three sectors most likely to believe that directors should own a significant number of shares in the firm are financial services (73%) followed by telecom/information/technology (65%) and resources (55%).

But where they are not as split is on the issue of whether foreign directors on Canadian boards should receive compensation equivalent to what is paid to directors in the country where they reside. In this regard, two-thirds (65%) of CEOs disagree with this view while only 27 percent agree with this proposition.

If there is anything that CEOs agree about to a significant majority, it is the fact that their boards' directors act with absolute independence. Almost three-quarters (72%) believe that their directors act with absolute independence compared with 24 percent who do not believe this to be the case. In fact, only 8 percent of the entire CEO sample strongly believe that their board of directors do not act with absolute independence. Those sectors most likely to believe their CEOs act independently are in resources (83%), financial services (79%) and telecom/information/technology (76%). Those sectors which are most likely to disagree with this view come from pharmaceutical/medical (31%), manufacturing (30%) and services (30%).



Even though they believe that their boards act with absolute independence, they are slightly less enthusiastic that the roles of the CEOs and board chairs on their boards should be separate. While two-thirds (65%) advocate a separation from board and management in the chair, almost a third (29%) disagree that the chair should be separate. The two sectors which are most likely to agree on the split chair are financial services (84%) and pharmaceutical/medical (80%) whereas the two sectors least likely to support this view are from the resources (34%) and services (34%) sectors.

At the end of the day, do CEOs believe that their board has too many meetings? In a word, No – 83 percent disagree that their board has too many meetings with only 14 percent believe otherwise.

*These are the findings from the Seventh Annual Ipsos-Reid Survey of Canada's Most Respected Corporations sponsored this year by Executive Search firm Ray & Berndtson. The survey was conducted between April 24th and July 27th, 2001. The survey involved a randomly selected sample of 300 of the leading CEOs in Canada. With a sample of this size, the results are considered accurate to within  $\pm 4.7$  percentage points, 19 times out of 20. The margin of error will vary within regions and for other sub-groupings of the survey population. This survey was to be originally released during the second half of September 2001 but was delayed due to world events.*

*Ray & Berndtson is Canada's largest national executive search firm with five offices coast-to-coast, each a leader in its marketplace and the only global firm operating in our nation's capital. Ray & Berndtson specializes in recruiting executives throughout the world for its Canadian clients. The firm has over 30 partners, each with extensive experience in conducting senior level search assignments in a broad range of industry sectors. Globally, Ray & Berndtson is one of the largest recruiting firms in the world, with 47 offices in major centres of business and government. Canadian offices are located in Vancouver, Toronto, Ottawa, Montreal and Halifax. Please visit [www.rayberndtson.com](http://www.rayberndtson.com)*

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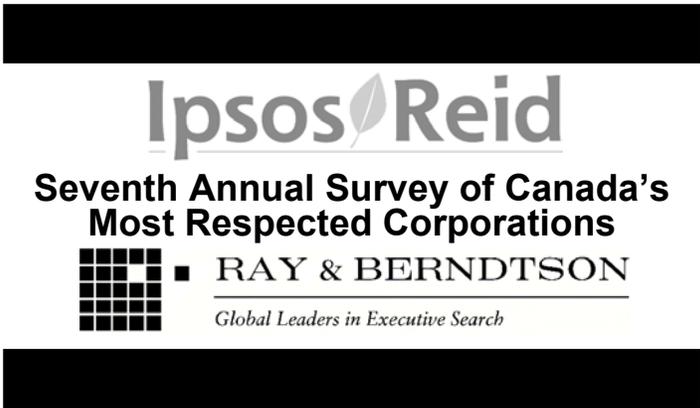
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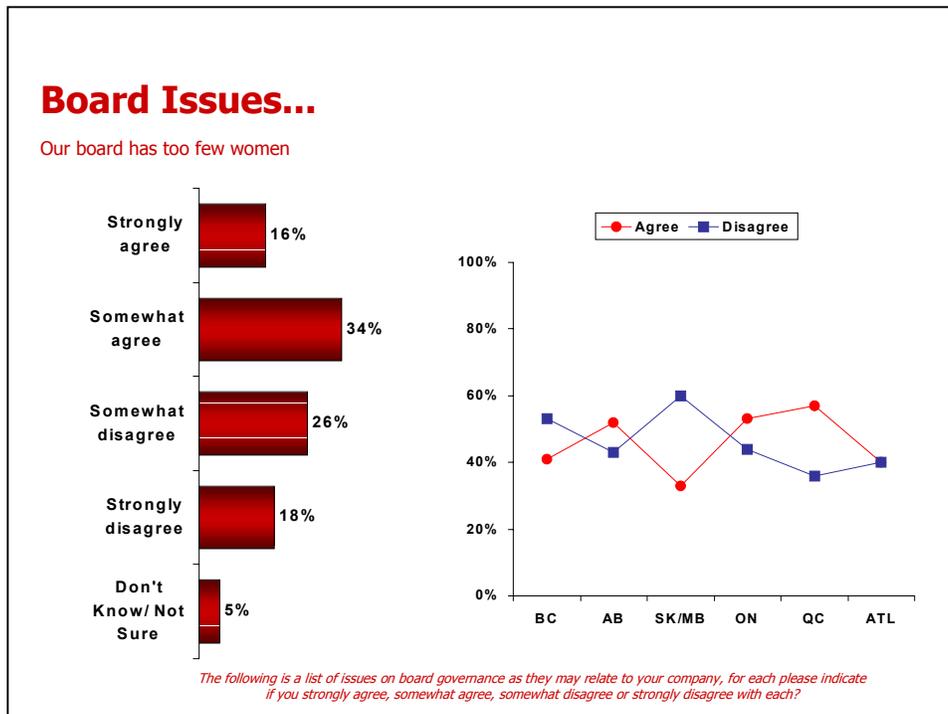
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Methodology: Results from this year's Survey of Canada's Most Respected Corporations involved a random sample of 300 of the top 1,700 CEO's in Canada. The survey was conducted by telephone and fax reply between April 24 and July 17, 2001. Results from the survey are accurate to within +/-4.7%, 19 times out of 20. The margin of error for subsamples vary according to the total number of interviews completed for each sample.



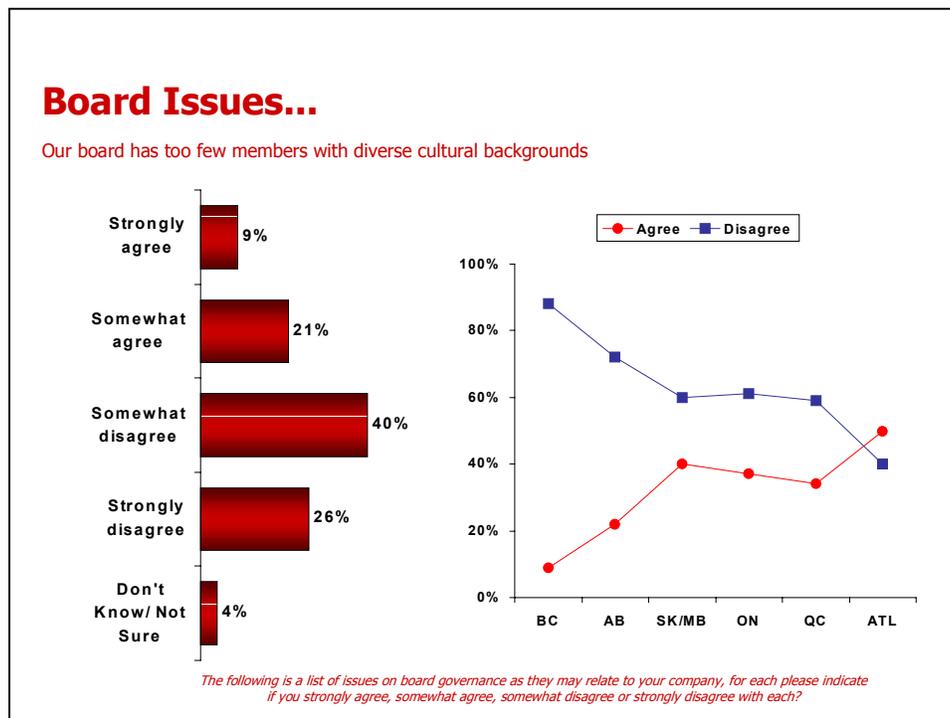
**CEO TOPLINE DATA WITH TRACKING**

Percent	
<b>2001</b>	<b>Our board has too few women</b>
16	Strongly Agree
34	Somewhat Agree
26	Somewhat Disagree
18	Strongly Disagree
5	Don't Know / Not Sure
<b>50</b>	<b>Top Box</b>
<b>44</b>	<b>Low Box</b>



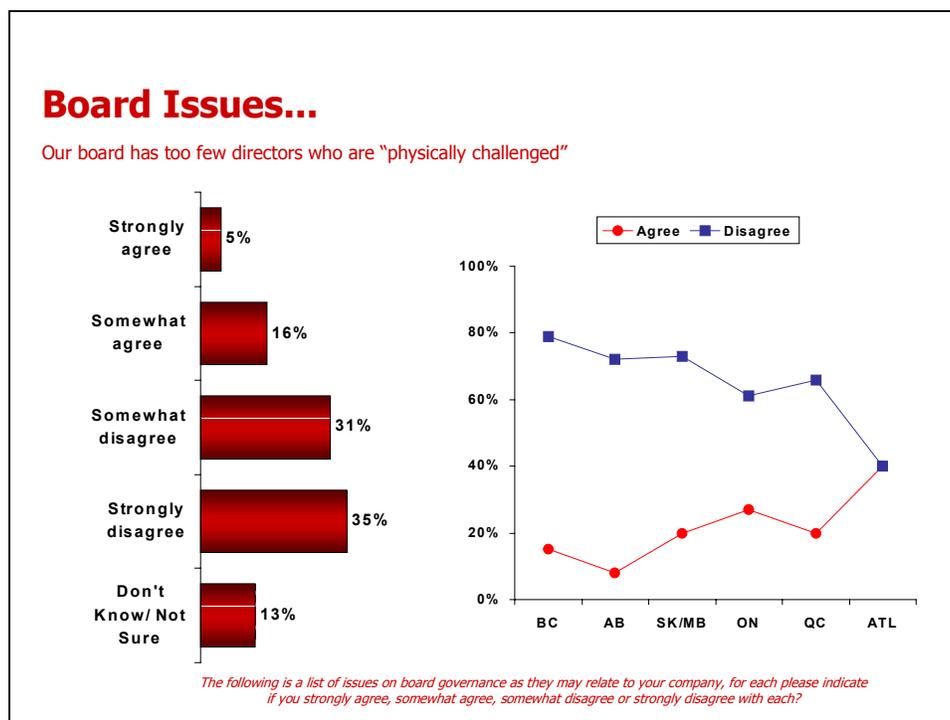
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Percent	
2001	<b>Our board has too few members with diverse cultural backgrounds</b>
9	Strongly Agree
21	Somewhat Agree
40	Somewhat Disagree
26	Strongly Disagree
4	Don't Know / Not Sure
<b>30</b>	<b>Top Box</b>
<b>66</b>	<b>Low Box</b>



Methodology: Results from this year's Survey of Canada's Most Respected Corporations involved a random sample of 300 of the top 1,700 CEO's in Canada. The survey was conducted by telephone and fax reply between April 24 and July 17, 2001. Results from the survey are accurate to within +/-4.7%, 19 times out of 20. The margin of error for subsamples vary according to the total number of interviews completed for each sample.

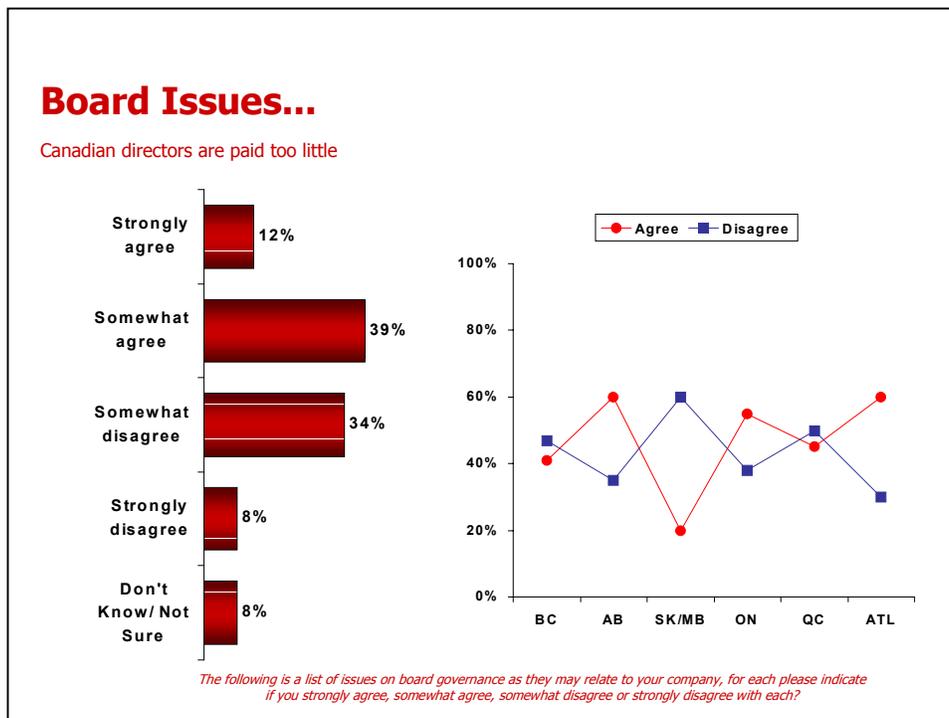
Percent	
<b>2001</b>	<b>Our board has too few directors who are "physically challenged"</b>
5	Strongly Agree
16	Somewhat Agree
31	Somewhat Disagree
35	Strongly Disagree
13	Don't Know / Not Sure
<b>21</b>	<b>Top Box</b>
<b>66</b>	<b>Low Box</b>



Methodology: Results from this year's Survey of Canada's Most Respected Corporations involved a random sample of 300 of the top 1,700 CEO's in Canada. The survey was conducted by telephone and fax reply between April 24 and July 17, 2001. Results from the survey are accurate to within +/-4.7%, 19 times out of 20. The margin of error for subsamples vary according to the total number of interviews completed for each sample.

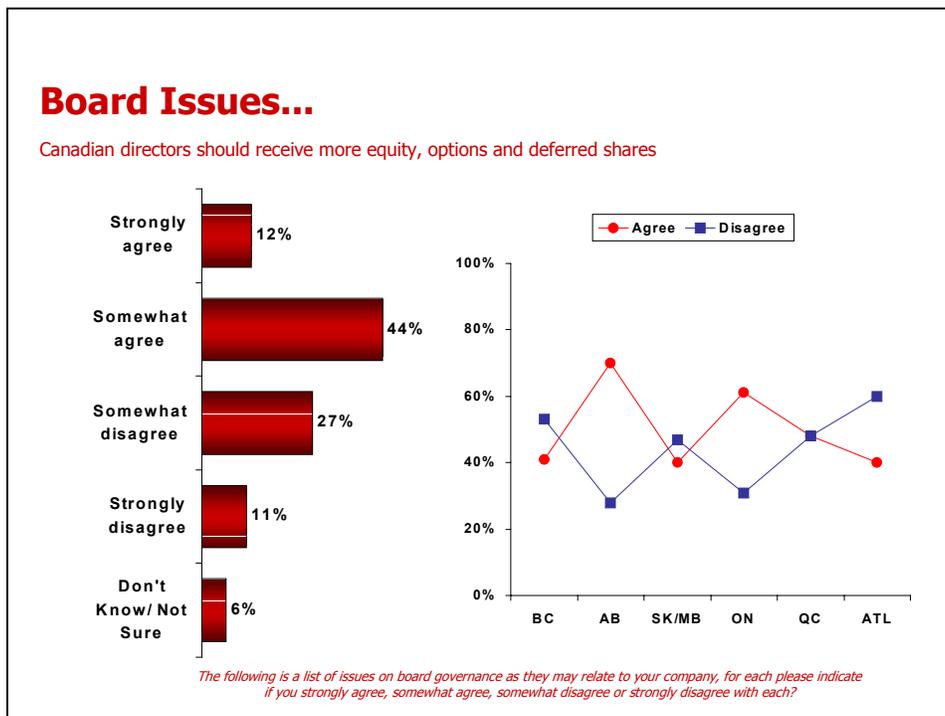
The following is a list of statements relating to director compensation and Canadian boards, for each please indicate whether you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each?

Percent	
<b>2001</b>	<b>Canadian directors are paid too little</b>
12	Strongly Agree
39	Somewhat Agree
34	Somewhat Disagree
8	Strongly Disagree
8	Don't Know / Not Sure
<b>51</b>	<b>Top Box</b>
<b>42</b>	<b>Low Box</b>



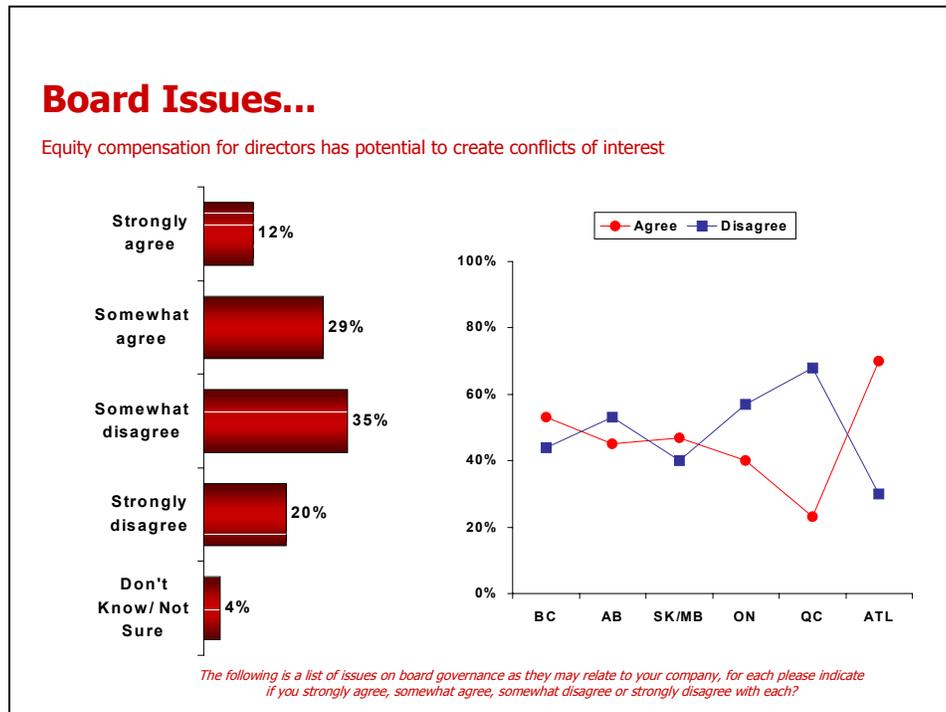
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Percent	
2001	<b>Canadian directors should receive more equity, options and deferred shares</b>
12	Strongly Agree
44	Somewhat Agree
27	Somewhat Disagree
11	Strongly Disagree
6	Don't Know / Not Sure
<b>56</b>	<b>Top Box</b>
<b>38</b>	<b>Low Box</b>



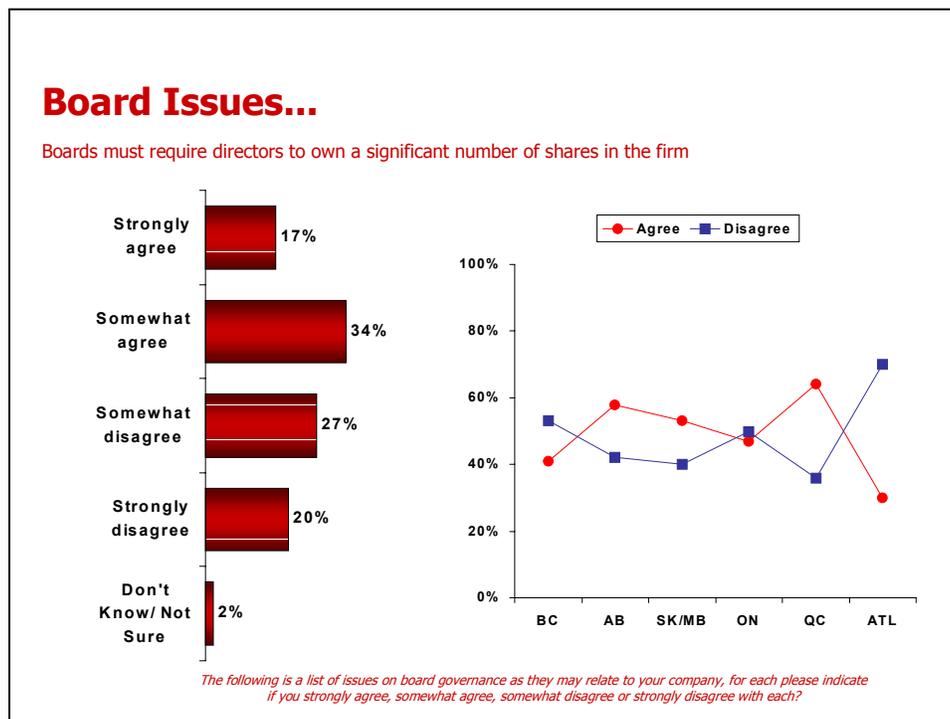
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Percent	
2001	<b>Equity compensation for directors has the potential to create conflicts of interest</b>
12	Strongly Agree
29	Somewhat Agree
35	Somewhat Disagree
20	Strongly Disagree
4	Don't Know / Not Sure
<b>41</b>	<b>Top Box</b>
<b>55</b>	<b>Low Box</b>



Methodology: Results from this year's Survey of Canada's Most Respected Corporations involved a random sample of 300 of the top 1,700 CEO's in Canada. The survey was conducted by telephone and fax reply between April 24 and July 17, 2001. Results from the survey are accurate to within +/-4.7%, 19 times out of 20. The margin of error for subsamples vary according to the total number of interviews completed for each sample.

Percent	
2001	<b>Boards must require directors to own a significant number of shares in the firm</b>
17	Strongly Agree
34	Somewhat Agree
27	Somewhat Disagree
20	Strongly Disagree
2	Don't Know / Not Sure
<b>51</b>	<b>Top Box</b>
<b>47</b>	<b>Low Box</b>

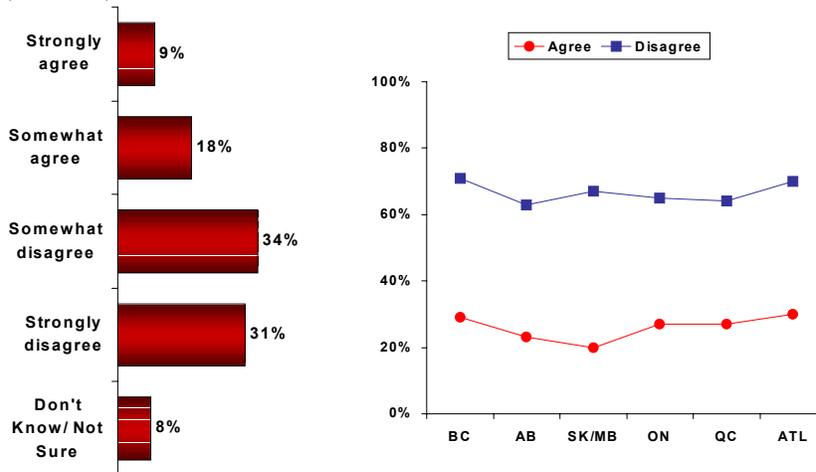


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Percent	
2001	<b>Foreign directors on Canadian boards should receive compensation equivalent to what is paid to directors in the country where they reside</b>
9	Strongly Agree
18	Somewhat Agree
34	Somewhat Disagree
31	Strongly Disagree
8	Don't Know / Not Sure
<b>27</b>	<b>Top Box</b>
<b>65</b>	<b>Low Box</b>

### Board Issues...

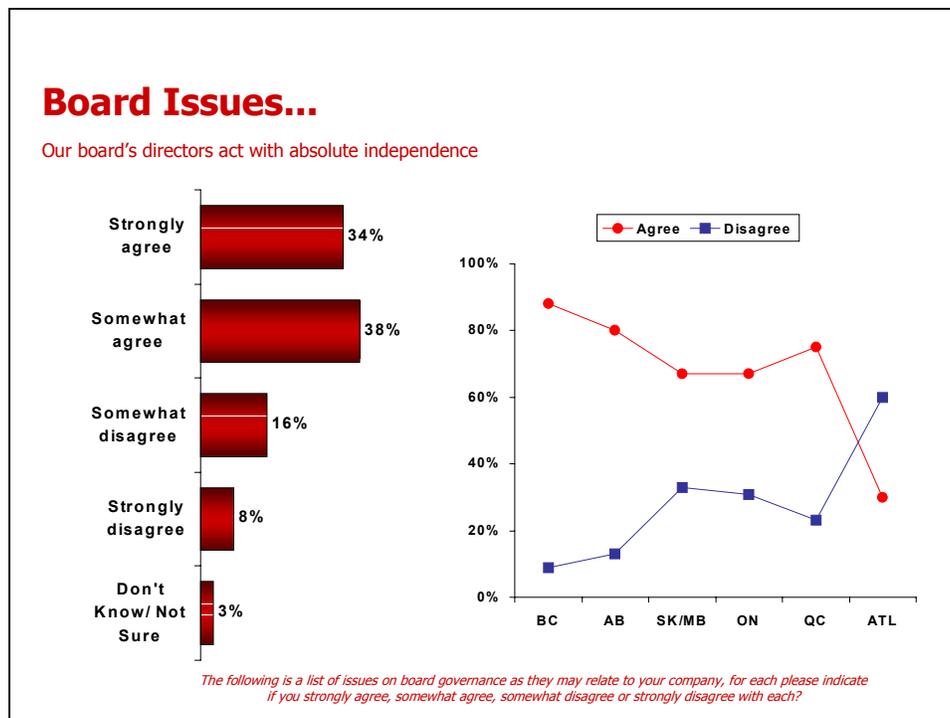
Foreign directors on Canadian boards should receive compensation equivalent to what is paid to directors in the country where they reside



The following is a list of issues on board governance as they may relate to your company, for each please indicate if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each?

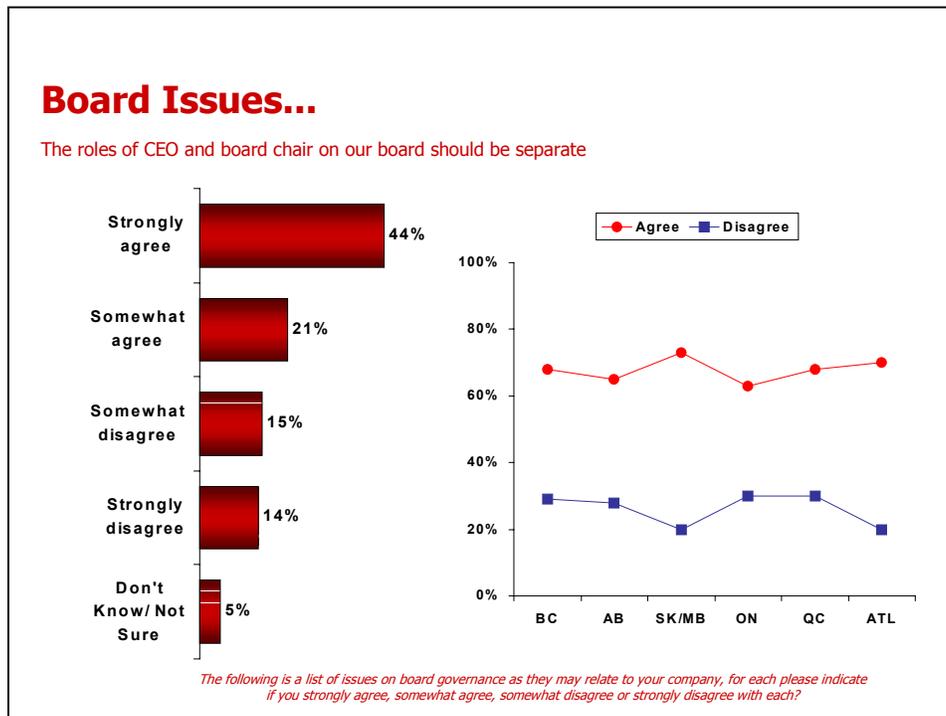
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Percent	
<b>2001</b>	<b>Our board's directors act with absolute independence</b>
34	Strongly Agree
38	Somewhat Agree
16	Somewhat Disagree
8	Strongly Disagree
3	Don't Know / Not Sure
<b>72</b>	<b>Top Box</b>
<b>24</b>	<b>Low Box</b>



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Percent	
2001	<b>The roles of CEO and board chair on our board should be separate</b>
44	Strongly Agree
21	Somewhat Agree
15	Somewhat Disagree
14	Strongly Disagree
5	Don't Know / Not Sure
<b>65</b>	<b>Top Box</b>
<b>29</b>	<b>Low Box</b>



Methodology: Results from this year's Survey of Canada's Most Respected Corporations involved a random sample of 300 of the top 1,700 CEO's in Canada. The survey was conducted by telephone and fax reply between April 24 and July 17, 2001. Results from the survey are accurate to within +/-4.7%, 19 times out of 20. The margin of error for subsamples vary according to the total number of interviews completed for each sample.

The following is a list of issues on board governance as they may relate to your company, for each please indicate if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each?

Percent	
2001	<b>Our board has too many meetings</b>
5	Strongly Agree
9	Somewhat Agree
46	Somewhat Disagree
37	Strongly Disagree
3	Don't Know / Not Sure
<b>14</b>	<b>Top Box</b>
<b>83</b>	<b>Low Box</b>

