

**WHEREAS:** The Ensign Group has one woman on its Board of Directors.

**We believe that diversity, inclusive of gender and race, is a critical attribute of a well-functioning board and a measure of sound corporate governance.**

**Corporate leaders recognize the strong business case for board diversity.** The Guiding Principles of Corporate Governance of the Business Roundtable, an influential association of chief executives, state: “Boards should develop a framework for identifying appropriately diverse candidates, which asks the nominating/corporate governance committee to consider women and/or minority candidates for each open board seat.”<sup>1</sup> Benefits associated with board and management diversity include a larger candidate pool from which to pick top talent, better understanding of consumer preferences, a stronger mix of leadership skills, and improved risk management. The *Wall Street Journal* reports that firms are seeking diverse representation in the boardroom in the wake of sexual harassment claims.<sup>2</sup>

**Numerous institutional investors have amended their proxy voting guidelines to reflect their belief that diversity on boards, as well as in senior and mid-level management, is an indicator of good corporate governance.** BlackRock, the world’s largest asset manager, published updated proxy voting guidelines in 2018 that stated, “we would normally expect to see at least two women directors on every board.”<sup>3</sup> State and city pension plans across the country have adopted proxy voting policies with minimum thresholds for board diversity.

**Legislation mandating board diversity has arrived in the US.** California legislation enacted in 2018 mandates gender diversity on the boards of companies with principal executive offices in that state and other states and municipalities are following suit.

**Despite recent progress, particularly among the largest companies, women and people of color remain significantly underrepresented on U.S. corporate boards.** 20 percent of companies in the Russell 3000 have all male boards.<sup>4</sup> Excluding S&P 500 companies, women account for just 19 percent of the directorships in the Russell 3000. And, among board members of Russell 3000 companies whose race was identified, non-white directors represent less than 11 percent.<sup>5</sup>

Making diversity the norm will require attention to the board search process and board refreshment.

**Resolved:** Shareholders request that the Board of Directors prepare a report by September 2020, at reasonable expense and omitting proprietary information, on steps The Ensign Group is taking to enhance board diversity beyond current levels, such as:

1. Embedding a commitment to diversity inclusive of gender, race, ethnicity in governance documents;
2. Committing publicly to include women and people of color in each candidate pool for board and senior leadership seats; and
3. Disclosing the racial, ethnic and gender composition of the board in annual proxy statements.

**We believe this report will foster Board accountability on this issue.**

<sup>1</sup> <https://www.businessroundtable.org/policy-perspectives/corporate-governance/principles-of-corporate-governance>

<sup>2</sup> Vanessa Fuhrmans, *Women on Track to Gain Record Number of Board Seats*, Wall St. J. (June 21, 2018), <https://www.wsj.com/articles/women-on-track-to-gain-record-number-of-board-seats-1529573401>.

<sup>3</sup> <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf>

<sup>4</sup> <https://www.weinberg.udel.edu/IIRCiResearchDocuments/2019/04/TCB-Corporate-Board-Practices-2019-FINAL.pdf>

<sup>5</sup> ISS Analytics U.S. Board Diversity Trends in 2019