

Board Monitor Canada 2019

As Board Monitor looks at Canada for the first time, a proprietary analysis offers insight into the demographics, experience, and industry makeup of Canadian boards.

Key findings

For the first time, Heidrick & Struggles has expanded its annual Board Monitor research to Canada. This new snapshot of the 2018 appointments to the boards of the 60 largest companies listed on the Toronto Stock Exchange (TSX 60) provides insight into the demographic makeup of Canadian boards. It offers a chance to compare how Canadian boards are shifting their makeup in comparison with those in the United Kingdom and the United States.¹

A focus on industrials

In 2018, TSX 60 companies filled 63 board seats. About half (33) of those board seats were at industrial companies, a quarter (16) were at consumer companies, and the rest were in technology (6), financial services (5), business services (2), and life sciences (1).

This spread is in line with the breakdown of industries represented in the TSX 60;

about half (48%) are industrial and a quarter (22%) are consumer, with the other industries making up the balance—financial services (17%), technology (10%), business services (2%), and life sciences (2%).

Favoring the experienced

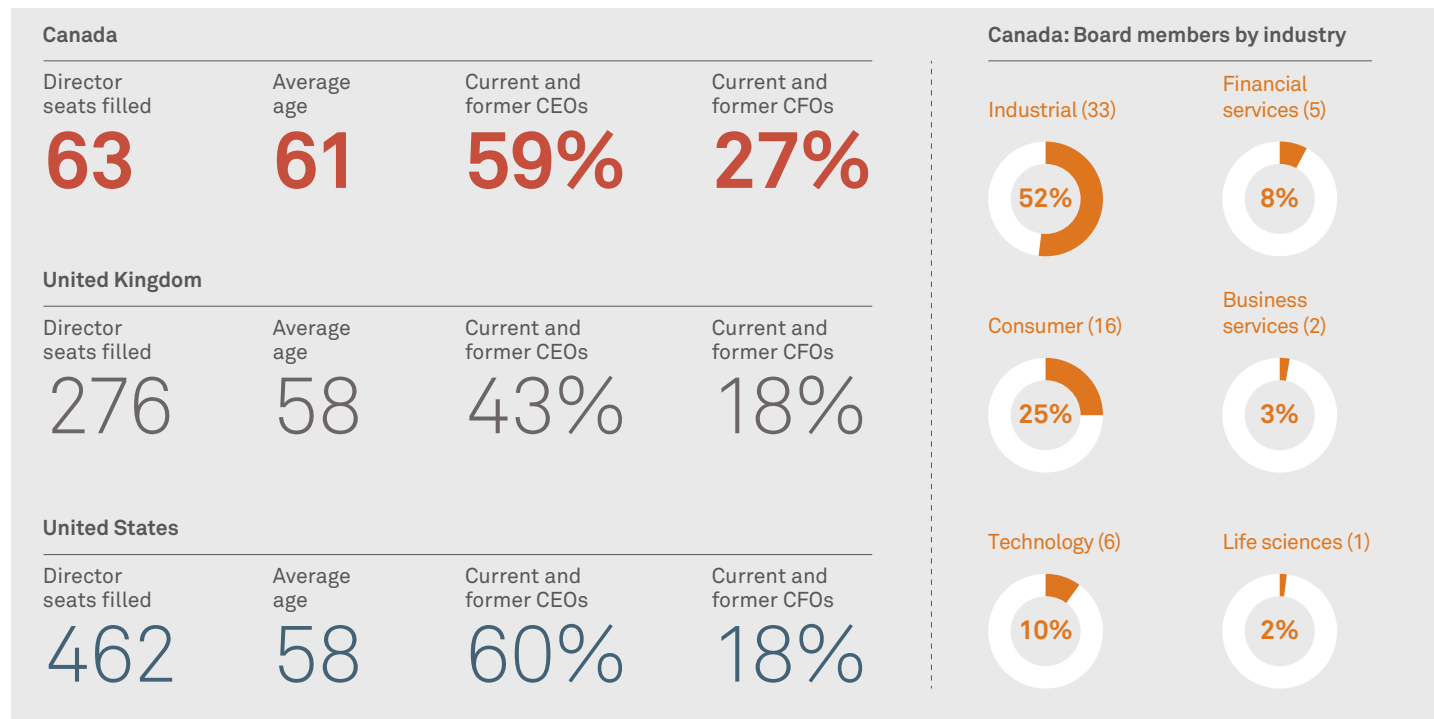
In that context, it's not surprising that 41% of Canadian board appointees have industrial experience. Another 37% have experience in financial services, 29% in consumer, 22% in business services, 13% in technology, and 5% in life sciences.

- Regardless of gender, 90% of Canadian board appointees in 2018 had previous board experience. This rate is much higher than the rate of appointees with previous board experience in the United Kingdom (72%) and the United States (69%). Greater focus on prior board experience is likely one reason recent appointments to Canadian boards are often somewhat less diverse in terms of gender, nationality, and ethnicity than their UK and US counterparts.

- Forty Canadian board appointees (63%) had previous experience on an audit committee, often a post to which more senior or experienced directors are appointed. This is also more common in Canada than in the United Kingdom (54%) and the United States (45%).
- For the most part, Canadian board appointees are current or former CEOs (59%) or CFOs (27%); this preference is another likely reason Canadian boards are less diverse than those in the United Kingdom and the United States. However, three Canadian board appointees previously served as a general counsel or chief legal officer, and another three previously served as chief marketing officer.
- While 60% of Canadian board appointees are retired, 40% are actively employed. This rate is similar to that of the United Kingdom (62% retired) but higher than that of the United States (45% retired). Of the currently employed Canadian board appointees, 10 are serving as CEOs, 2 as CFOs, and 1 as an academic.

¹ For more, see *Board Monitor US 2019*, Heidrick & Struggles, May 2019; and *Board Monitor Europe 2019*, Heidrick & Struggles, September 2019. The reports are available on heidrick.com.

Snapshots of 2019 findings



- Nearly three-quarters of Canadian board appointees (73%) have international experience—slightly higher than that among board appointees in the United Kingdom (69%) and the United States (68%).
- Canadian board appointees with experience in digital and social media make up 35%—higher than the 31% among US board appointees and 26% of UK appointees.

Gender balance

Twenty of the board appointments (32%) went to women. Canada has no mandated quotas for gender diversity on boards, though the Canadian Securities Administrators do require disclosure of women's representation on boards and in executive positions.²

- About half of both men and women appointees went to industrial boards, in line with the overall share of industrial companies among those appointing new board members.
- Both new board members at business services companies were women, as were the six technology board appointees.
- The industries in which far more men than women were appointed to boards are financial services (4 men to 1 woman) and consumer (12 men to 4 women).
- Other countries are tracking slightly better in gender diversity. Last year, the United States set a record in the percentage of female appointees (40%) in the 10-year history of Board Monitor. The United Kingdom did better still, with 42% of board seats going to women in 2018.

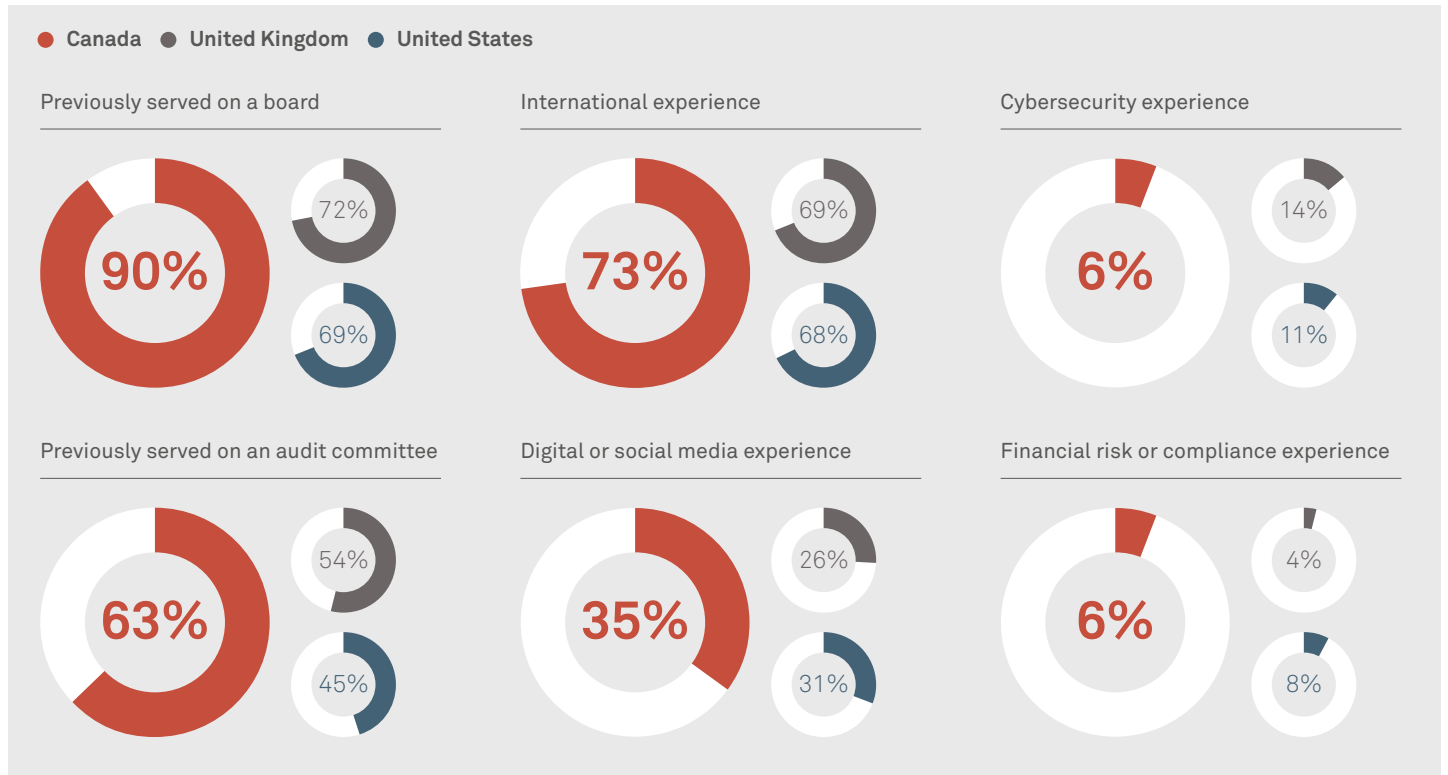
Promoting board diversity

While progress is being made on diversifying boards in Canada, organizations must consider factors that could slow the rate of change. Without regulatory mandates and recommendations, as in the United Kingdom, many board appointments are likely to continue to look the same, especially considering the strong preference for previous board experience and current or former CEOs or CFOs.

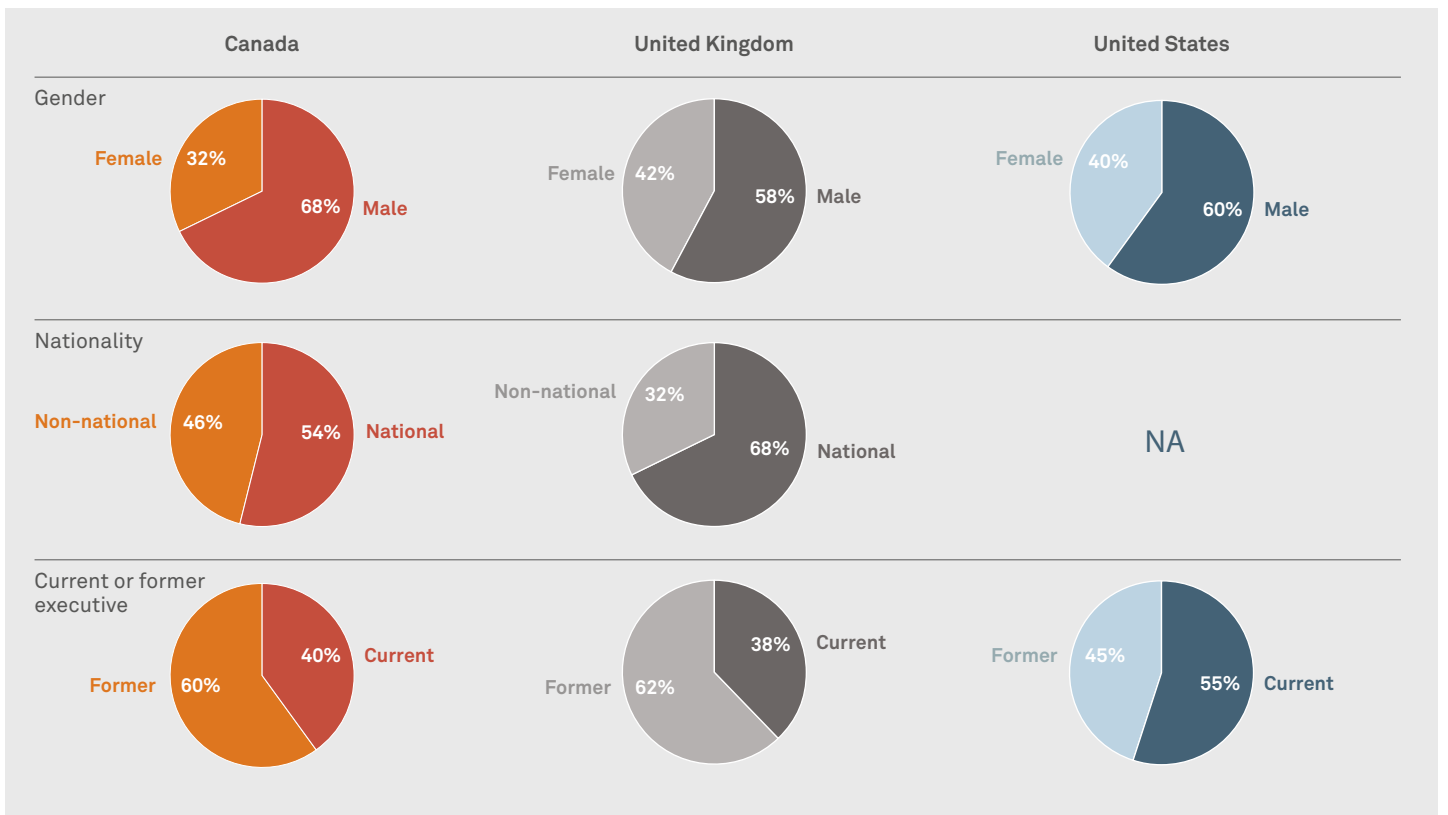
We have found that boards with a clear view of the company's strategy are best positioned to truly understand the specific functional skills or industry experiences that support their mission. In considering the overall composition of a board and aligning the skills of its members with the company's strategy, boards are able to think more holistically about the available talent to fill certain gaps in the matrix.

² Melissa Bennardo, "How Canada stacks up on women's representation on corporate boards," CBC News, May 14, 2019, cbc.ca.

Experience



Diversity breakdown



When they consider less conventional backgrounds and roles, boards look beyond typical networks. This will allow them to accelerate the representation of women on boards in Canada and beyond as well as create a high-performing and diverse board.

About Board Monitor

Produced by Heidrick & Struggles' CEO & Board Practice, *Board Monitor Canada*

tracks and analyzes trends in non-executive director appointments to the boards of companies in the Toronto Stock Exchange (TSX 60). US data are on Fortune 500 companies, and UK data are on the FTSE 250. Data on appointments are tracked through BoardEx, proxy filings, and corporate websites.

Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary

database. In tracking the experience of new appointees, the report takes into account all of the significant industry experiences of each director (for example, a new director who has worked most recently in the consumer industry may also have valuable experience in the industrial sector or in technology).

CEO & Board Practice

Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital enables us to provide sound global coverage for our clients.

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