



Are we making a difference?

**Canada's new gender-diversity
disclosure requirements**

November 2020



Methodology

This study examines the 173 women who were appointed to 187 board seats, and the 108 women who were appointed executive officers of Canada's largest 100 Canada Business Corporations Act (CBCA)-governed public companies as measured by market capitalization between May 31, 2014 and May 31, 2020. For sake of comparison, the study also examines the 332 men who were appointed to 348 board seats and the 339 men who were appointed executive officers during this same period. Executive officers are those who are identified as executive officers in the Annual Information Form (AIF).

All data was collected from the Toronto Stock Exchange (TSX) website, AIFs, proxy circulars and company websites.

Every effort was undertaken to identify the 100 largest CBCA-governed public companies that are traded on the TSX.

Any omissions are unintentional.

Comply or Explain

'Comply or Explain', mandating gender diversity disclosure at the board and executive officer levels for non-venture TSX issuers, came into effect December 31, 2014 through amendments to National Instrument 58-101 Disclosure of Corporate Governance Practices. It elevated the conversation about the importance of gender diversity in Canada's boardrooms and executive offices.

1. Requires issuers listed on the Toronto Stock Exchange (TSX) and certain other non-venture issuers (subject to certain exceptions) to provide disclosure on an annual basis in five areas:
 - number of women in roles
 - targets
 - board policy
 - board renewal
 - consideration of the representation of women
2. Requires issuers to disclose the number and percentage of women on boards of directors and in executive officer positions

CBCA Amendments

Effective January 1, 2020, corporations governed by the CBCA with publicly-traded securities are now also required to disclose gender and non-gender diversity on the board and within senior management. It is important to note that other aspects of diversity (such as education, functional area of expertise, industry experience, age and 2SLGBTQIA+) are important considerations when building a diverse board and executive team. This report focuses on the impact of the trend towards mandating diversity disclosure specifically on gender diversity within Canada's largest 100 CBCA-governed corporations as measured by market capitalization.

1. Requires corporations governed by the CBCA with publicly-traded securities to disclose the number and percentage of members of its board and of senior management who are:
 - women
 - Aboriginal persons
 - members of visible minorities
 - persons with disabilities
2. For purposes of the CBCA diversity disclosure requirements, "senior management" has the same meaning as "executive officers" as defined under provincial and territorial rules in subsection 1.1(1) National Instrument 51-102 Continuous Disclosure Obligations.

Key findings of CBCA-governed public companies



Female directors

96%

had at least one female director as of May 31, 2020, compared to 67 percent as of May 31, 2014.

95%

joined boards as outside directors.

83%

served on at least one board committee by May 31, 2020.

21% 71%

71% would not be considered *overboarded**, serving on only one or two boards and 21% serving on three boards.

64%

have an advanced degree, with the Master of Business Administration (MBA) being the most common.

*Where overboarding represents a board member serving on more than four company boards.

Key findings of CBCA-governed public companies

Female executive officers

76%

had at least one female executive officer as outlined in the Annual Information Form (AIF) as of May 31, 2020.

43%

have an advanced degree, with the MBA being the most common.



Company response

Canada's Comply or Explain approach led to the addition of many female directors and executive officers to Canada's largest 100 public company CBCA-governed corporations. On May 31, 2020, four companies (four percent) and 24 companies (24 percent) had all-male boards and executive teams, respectively. This compares to 33 percent and 29 percent that had all-male boards and executive teams, respectively, as of May 31, 2014.

Unintended consequences

A number of concerns have been raised about potential unintended consequences of a Comply or Explain approach, for instance, whether companies would add token directors who may be underqualified to serve on boards or simply name insiders to comply and whether it would result in a large number of overboarded female directors. While only time will tell what the ultimate impact of Comply or Explain will be, an examination of the data available shows that, so far, concerns do not appear to have come to fruition.





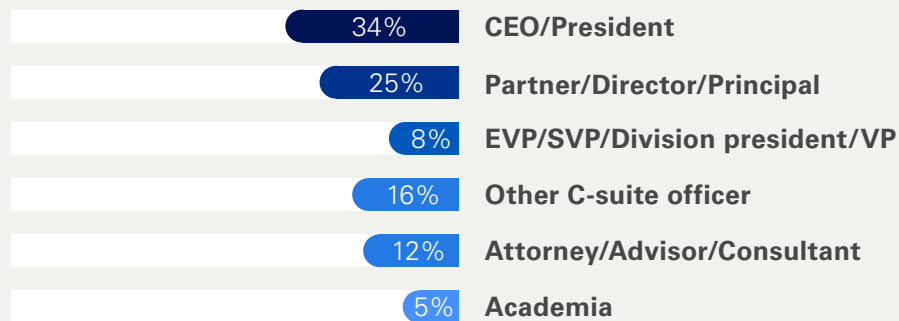
Who are the women
who were added to
Canadian boards and
executive offices?



Work experience

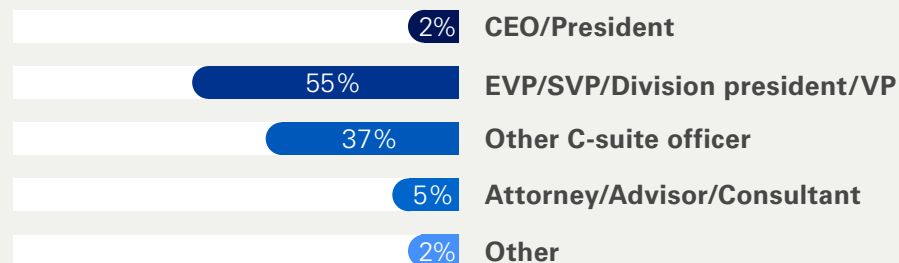
More than one third (34.2 percent) of the 187 female directors are actively employed in addition to their board service. Among those, half currently hold C-suite positions, including titles such as Chief Executive Officer or President, Chief Financial Officer, Chief Operating Officer or other C-suite roles.

Titles held by female directors



Of the 108 female executive officers, almost 4 in 10 (39 percent) hold C-suite positions, including titles such as chief executive officer or president, chief financial officer, chief operating officer or other C-suite roles.

Titles held by female executive officers



Note: Does not equal 100 percent due to rounding.

— The women who became corporate directors and executive officers bring a wealth of experience and expertise to their roles. Most have advanced degrees and have served in a variety of leadership positions in their respective fields.

— Male directors who joined the boards after 2014 are much more likely than female directors to be actively employed. Slightly more than half (51 percent) of the 348 male directors are actively employed, in addition to their board service, due to the vast majority of CEOs, whom are male, being appointed to their boards. Among those, 66 percent currently hold C-suite positions, including titles such as Chief Executive Officer or President, Chief Financial Officer, Chief Operating Officer or other C-suite roles.

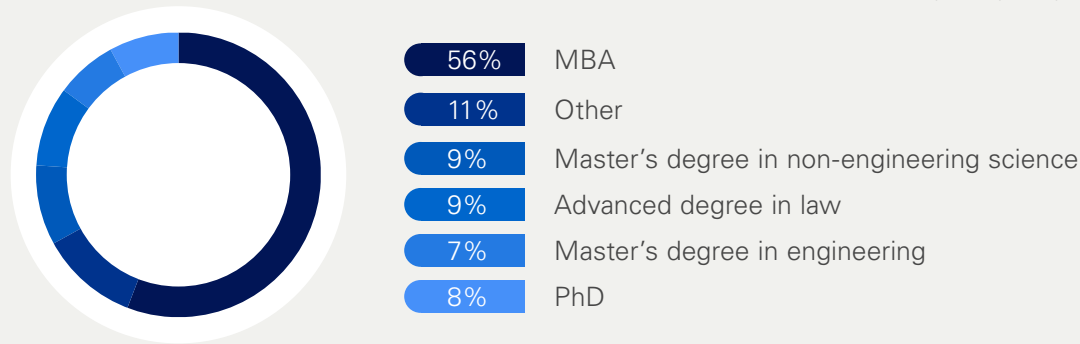
— Male executive officers who moved into executive officer roles after 2014 are more likely than female executive officers to hold more senior (C-suite) positions than female executive officers. Of the 339 male executive officers, almost half (47 percent) currently hold C-suite positions, including titles such as Chief Executive Officer or President, Chief Financial Officer, Chief Operating Officer or other C-suite roles.

Educational background

64 percent of the 182 female directors for whom educational background information was available hold advanced degrees. Of these, ten percent hold two or more advanced degrees. The MBA is the most common advanced degree. Master’s degrees in engineering and science are also common in this group, as are advanced law degrees and PhDs.

Advanced degrees held by female directors

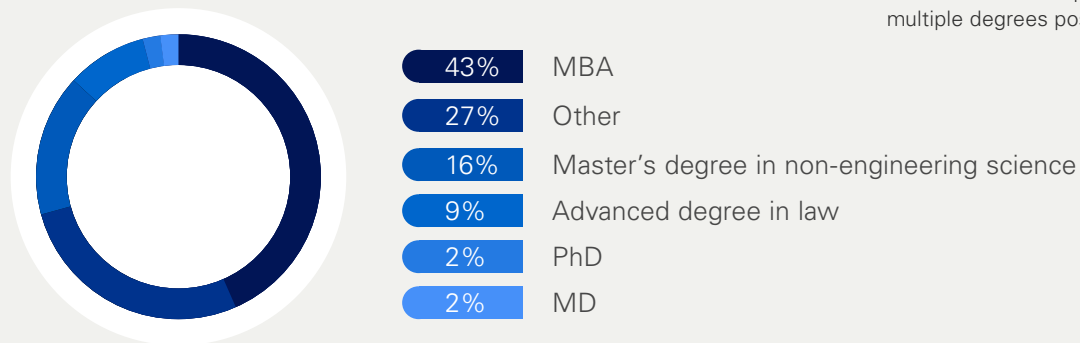
n=182;
multiple degrees possible



More than four in ten (43 percent) of the 103 female executive officers for whom educational background information was available have advanced degrees. Of these, nine percent have two or more advanced degrees. Again, the MBA is the most common advanced degree. Master’s degrees in science are also common in this group followed by advanced law degrees.

Advanced degrees held by female executive officers

n=103
multiple degrees possible



— Male directors have less formal education than their female counterparts. 54 percent of the 310 male directors for whom educational background information was available have advanced degrees. Of these, 15 percent have two or more advanced degrees.

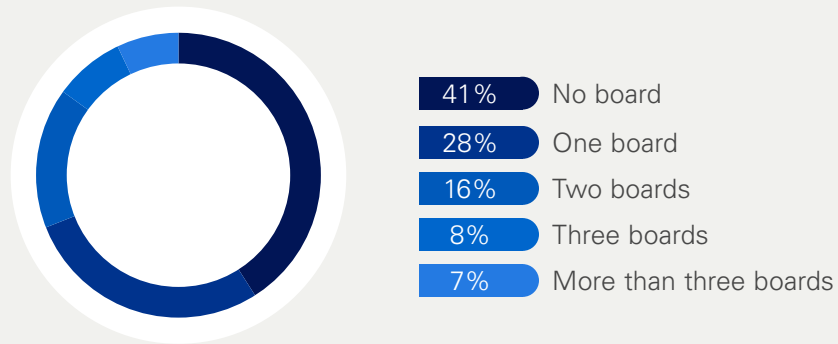
— Male executive officers have more formal education than their female counterparts. 59 percent of the 314 male executive officers for whom educational background information was available have advanced degrees. Of these, 16 percent have two or more advanced degrees.

Board experience

41 percent of women who joined boards after 2014 were first-time directors, suggesting that companies were broadening the candidate pool for CBCA-governed public company directors in Canada.

Past public company board seats held by female directors at the time of appointment to a CBCA-governed public company board

n=187



Insiders or outsiders?

95 percent of female directors joined boards since 2014 as outside directors.

— 43 percent of men who joined boards after 2014 were also first-time directors.

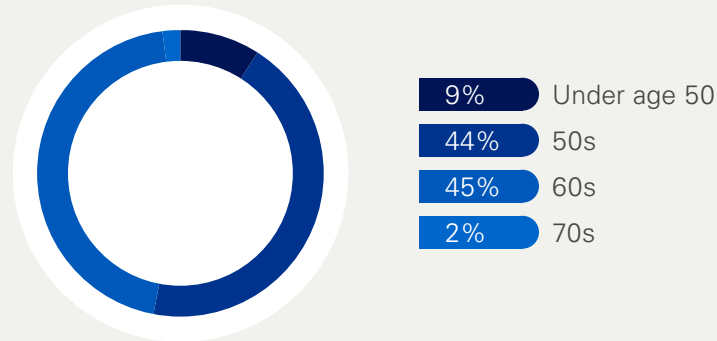
— Interestingly, 76 percent of male directors joined their boards since 2014 as outside directors. This reflects the higher likelihood of men serving as directors while employed (51 percent versus 34 percent for women) as CEOs.

Director age

174 female directors for whom the age data is available ranged in age from 43 to 73. The average and median age of these women is 58 and 59, respectively.

Age of female directors

n=174

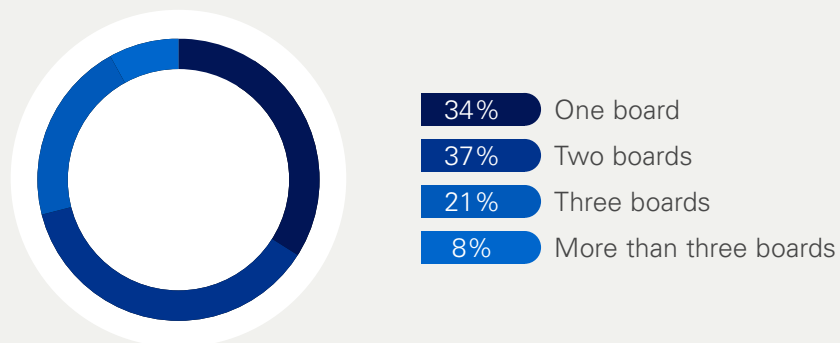


Overboarding concerns

While some critics of Comply or Explain voiced concerns that the same women might be sought after by several companies, only eight percent of female directors serve on more than three boards.

Number of public boards on which female directors currently serve

n=187



— 281 male directors for whom the age data is available ranged in age from 33 to 89. The average and median age of these men is slightly older than for women, at 60 and 61, respectively.

— A higher percentage of male directors serve on more than three boards, at nine percent. The same percentage (11 percent) of male executive officers as female executive officers serve on one or more public company boards.

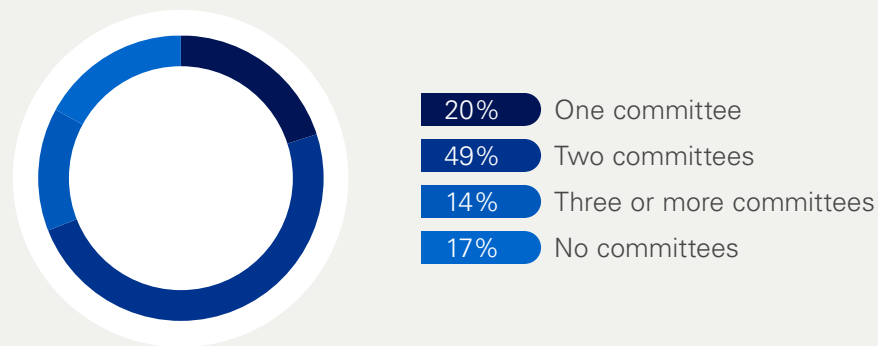
Key committee roles

Committee service is a good way for new directors to become involved in the important work of the board. Service on the three key committees (Audit, HR/Compensation and Nominating/Governance) provides an opportunity to contribute and learn about the company's risks and challenges.

83 percent of the 187 female directors served on at least one board committee by the end of May 2020.

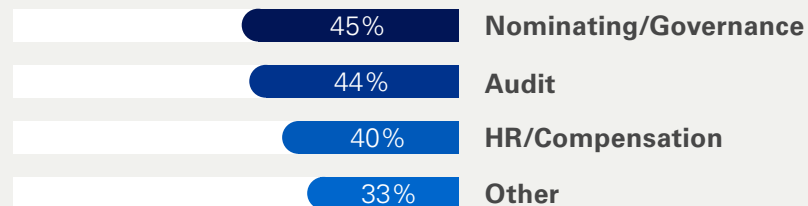
Number of board committee roles

n=187



Committees on which female directors serve

n=182



— Most of the new directors serve on the three key committees (Audit, HR/Compensation and Nominating/Governance).

— Compared to women on committees (83 percent), men were less often on committees (66 percent). Most of the new male directors also serve on the three key committees.

About the KPMG in Canada inclusion and diversity service offering

KPMG's Inclusion and Diversity (I&D) service offering (which sits within the People and Change Advisory Practice) supports organizations aiming to foster inclusive, diverse and equitable workplaces where all employees feel a true sense of belonging.

With the proprietary "KPMG Inclusion IQ™" methodology as a foundation for this work, KPMG acts as a guide, advisor and facilitator for organizations as they embark on their unique "I&D journeys." Through an introspective look at policies, practices and data, and with extensive engagement of stakeholders at all levels, KPMG works in tandem with the organization to co-create holistic and actionable I&D strategies, and to develop practical tools and solutions that drive positive change for the entire workforce.

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