

Canada Spencer Stuart Board Index

2019 Highlights

The *Canada Spencer Stuart Board Index* (“CSSBI”), currently in its 24th year, provides insights into the governance practices of a representative sample of 100 of Canada’s largest publicly traded Canadian companies (the “CSSBI 100”), with annual revenues exceeding \$1 billion. The CSSBI provides an annual and historical review of the backgrounds of non-executive directors appointed to these boards, highlighting trends in the executive and functional experience of appointees, in addition to tracking progress on board gender diversity and the nationality of board members. Additionally, the CSSBI provides benchmarks and trends on non-executive director compensation and explores practices in such areas as board size, board committees, board and director performance evaluations, share ownership guidelines, and policies for non-executive director retirement.

BOARD TURNOVER WAS STEADY IN 2019

- » In 2019, 94 non-executive directors were appointed by the boards of CSSBI 100 companies, consistent with turnover in the past five years.
- » Close to one-quarter (24%) of CSSBI 100 boards appointed two or more directors in 2019, as several boards continued to replace retiring directors, mostly as part of planned board succession and renewal initiatives.

SIGNIFICANT BOARD TURNOVER IN PAST FIVE YEARS

- » Just over half (52%) of all non-executive directors of the CSSBI 100 had five or less years of tenure in 2019.

94

New non-executive directors were appointed in 2019

52%

of all non-executive directors of the CSSBI 100 had five or less years of tenure in 2019

49%

of new non-executive directors were women

30%

of all *CSSBI 100* board directorships in 2019 were held by women, another high mark

81%

More women serving in board leadership roles compared to 2015

31%

Of new non-executive directors were non-residents of Canada, the lowest total in five years

32%

of new non-executive directors were starting on their first public company board

APPOINTMENTS OF WOMEN HIT A RECORD HIGH, PARITY WITH MEN VIRTUALLY REACHED IN 2019

- » In 2019, 49% of all non-executive directors appointed by *CSSBI 100* boards were women, the highest level recorded in the 24 years of the *CSSBI*.

BOARDS OF CANADA'S LARGEST COMPANIES ARE BECOMING MORE GENDER BALANCED, LED BY THOSE IN THE FINANCIAL SERVICES SECTOR

- » In 2019, women held at least 30% of board directorships at over half (54%) of the boards of the *CSSBI 100*, almost four times more than in 2013.
- » Notably, one *CSSBI 100* board had an equal number of men and women in 2019 and 14 others were close to being fully gender balanced, with between 40% to 49% of their boards comprised of women.
- » Financial services boards in the *CSSBI 100* were the most gender diverse, followed by boards in the consumer and transportation sectors.

INCREASING NUMBER OF WOMEN IN BOARD LEADERSHIP ROLES

- » Overall, the total number of women serving in board leadership roles in 2019 was significantly (81%) higher compared to the total in 2015, and more than double the total in 2012.
- » Compared to 2015, the number of women serving in the highest board leadership positions (board chair, vice-chair, lead director) and those chairing governance and human resources committees basically doubled; there was also a marked increase in women chairing other committees, including audit and environment, health and safety.

LESS CROSS BORDER DIRECTOR RECRUITMENT IN 2019

- » In 2019, 31% (or close to one-third) of all non-executive directors appointed to *CSSBI 100* boards were non-residents of Canada. The total was the lowest since 2015 and was the first decline after three consecutive annual increases.
- » Consistent with prior years, most of the non-residents were recruited from the U.S., given the market's importance, proximity and the depth of its prospect pool.
- » In 2019, close to one-third (30%) of all *CSSBI 100* directorships were held by non-residents of Canada, one percentage point higher than in 2018.

CONTINUED OPENNESS TO PROSPECTS WITHOUT PRIOR PUBLIC-COMPANY BOARD EXPERIENCE

- » In 2019, almost one-third (32%) of all non-executive directors appointed by *CSSBI 100* boards were starting on their first public company board. The proportion was consistent with the totals in recent years.

BOARD CHAIR TRANSITIONS REACHED A FIVE-YEAR HIGH IN 2019; EXTERNAL RECRUITMENT FOR THE ROLE STILL UNCOMMON

- » In 2019, there were 17 board chair transitions on the boards of *CSSBI 100* companies, five more than in 2018, and well above the average of 11 for the past five years. Following past practice, the majority (14 of 17) of the new board chairs were internal successors, a clear sign that the boards of Canada's largest companies emphasize company knowledge and board continuity.

RETIREMENT FOR NON-EXECUTIVE DIRECTORS WAS OFTEN NOT FIXED

- » In 2019, 57% of the boards of *CSSBI 100* companies disclosed having a mandatory retirement age and/or term limit in place for their non-executive directors, only one more compared to 2015.
- » 43% disclosed not having a mandatory retirement age and/or term limits in effect.

MODEST, SINGLE-DIGIT DIRECTOR COMPENSATION GROWTH IN 2019

- » Median total non-executive director compensation was \$234,000 in 2019.
- » Total non-executive director compensation increased by 3.5% over 2018, just below the average annual increase in the past five years (for the constant set of 89 *CSSBI 100* companies).

FLAT FEE COMPENSATION WIDELY ADOPTED; PER-MEETING FEES LESS COMMON

- » A growing number of *CSSBI 100* companies have been moving to "flat fee" compensation to remunerate their non-executive directors (i.e. a single annual board member retainer without additional per-meeting fees).
- » In 2019, close to three-quarters (73%) of *CSSBI 100* companies used the simplified pay practice, an increase of 12 companies over 2018 and 30 over 2015.

17

Board chair transitions in 2019 was a five-year high

57%

of *CSSBI 100* boards had a mandatory retirement age and/or a fixed term limit for their non-executive directors

3.5%

increase in median total non-executive director compensation over 2018

2.2%

Increase in median total board chair compensation over 2019

LOW, SINGLE DIGIT INCREASE IN BOARD CHAIR COMPENSATION IN 2019

- » Median total board chair compensation was \$409,000 in 2019 (for the 69 *CSSBI 100* companies that provided remuneration for serving in the role).
- » Total board chair compensation increased by 2.2% over 2018, just under the average annual increase in the past five years (for the constant set of companies).

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