

Canada Spencer Stuart Board Index: 2020 Highlights

The *Canada Spencer Stuart Board Index* (“CSSBI”), currently in its 25th year, provides insights into the board practices of a representative sample of 100 of Canada’s largest publicly traded companies, with annual revenues exceeding \$CAD 1 billion (referred to as the “CSSBI 100”). The report provides a review of the backgrounds of non-executive directors (“NXDs”) appointed to these boards, highlighting trends in the executive and functional experience of appointees, in addition to tracking progress on board diversity (women, Indigenous peoples and minorities). The CSSBI also provides benchmarks and trends for board compensation and analyses for board size, board committees, board and director performance evaluations, share ownership guidelines, and policies for NXD retirement.

Board turnover continued at a normal pace

- » NXD turnover in the *CSSBI 100* remained at close to 10% in 2020 (factoring an average board size of 11); 95 NXDs were appointed in 2020.
- » NXDs were appointed by 59 different *CSSBI 100* boards in 2020, mostly as replacements for retiring board members, on a one-to-one basis. Close to half (24) of these boards appointed two or more NXDs in 2020, following recent trends.

Significant board renewal in past five years


- » Over half (52%) of NXDs serving on the *CSSBI 100* in 2020 had five or less years of tenure, a clear sign of active board succession and substantial board renewal in recent years.
- » Close to 60% of *CSSBI 100* board chairs had 5 or less years of tenure serving in the role, another strong indication of board and board leadership renewal.

NXDs appointments in 2020 were about equal for women and men

- » Women comprised 48% of all incoming NXDs in 2020 — virtual gender parity for the second consecutive year.
- » Ten *CSSBI 100* boards appointed multiple women in 2020, which was double the norm.

95

New non-executive directors were appointed in 2020



52%

of all non-executive directors of the *CSSBI 100* had 5 or less years of tenure in 2020



48%

of incoming NXDs in 2020 were women

31%

of all *CSSBI 100* board directorships in 2020 were held by women — another high mark

Close to

70%

more women serving in board leadership roles compared to 2016

7%

of all *CSSBI 100* directorships were held by either Indigenous peoples or minorities

37%

Of NXDs appointed in 2020 were non-residents of Canada, up from 31% in 2019

Scale tipping toward more gender balanced boards among Canada's "blue chips"

- » In 2020, women held close to one-third (31%) of total *CSSBI 100* board directorships (or 35% excluding management directors), the highest total ever reported in the *CSSBI*.
- » In 2020, women held at least 30% of directorships at close to two-thirds (62%) of the boards in the *CSSBI 100* index, over 4 times more than in 2014.
- » Close to 20% of the boards in the index were close to being fully gender balanced.
- » Financial services and transportation industry boards were the most gender diverse in 2020 — both were nearing a 40% sector average for women board representation.

Women landing more board leadership roles

- » In 2020, women held a total of 143 board leadership positions (board chair or vice chair, lead director and/or committee chair), close to 70% higher than in 2016.
- » Compared to 2016, there were more than 2 times the number of women serving in the highest board leadership positions (board chair, vice-chair, lead director).
- » Given active chair rotation practices, there were also large increases in the number of women chairing core standing committees (e.g., Audit, Gov/NomCo, HRCC).

Expanding board diversity for Indigenous peoples and minorities

- » In 2020, 7% of all *CSSBI 100* directorships were held by either Indigenous peoples or minorities (following definitions in the Employment Equity Act of Canada).
- » Close to 60% (on average) of the NXDs appointed from these designated groups in the past 5 years were non-residents of Canada.

Cross-border NXD recruitment rebounded in 2020

- » The number of cross-border recruits (i.e., non-residents of Canada) returned to a normal level in 2020, after dipping in 2019.
- » Despite the travel restrictions imposed by the global pandemic, non-residents of Canada comprised 37% of all NXDs appointed by *CSSBI 100* boards, up from 31% in 2019.

Average number of board chair transitions in 2020; internal successors still the clear choice for Canada's "blue chips"

- » Board chair transitions in the *CSSBI 100* (12 in 2020) returned to an average level after a five-year high of 17 in 2019.
- » Internal successors were chosen in most (10 of 12) of the transitions in 2020, a clear sign that boards of Canada's largest companies emphasize company knowledge and board continuity.

Retirement for NXDs not always fixed, term limits on the rise

- » 60% of *CSSBI 100* boards had a mandatory retirement age and/or term limit for their NXDs in 2020.
- » 20 boards used retirement ages exclusively — 73 was the average retirement age.
- » 12 boards used term limits exclusively — six more than in 2016. Terms limits ranged from 10 to a 20-year maximum.

Slow growth period for board compensation; pandemic prompted some pay cuts in 2020

- » Median total NXD compensation increased by 3.8% over 2019 and 1.4 % for Board chairs, consistent with increases reported in the past 5 years.
- » Temporary cuts to NXD compensation were announced by some boards as part of a pandemic response.
- » Most director compensation plans, however, were finalized and/or disclosed to the market before the full effects of the pandemic took hold; further reductions in NXD compensation could be announced in 2021.

Meeting fees continued to be phased out in favour of flat fee model

- » Meeting fees were paid by less than one-quarter (22%) of *CSSBI 100* companies in 2020, a steep drop from 2016 when 51% of the index still followed the pay practice.
- » An increasing number of *CSSBI 100* companies have been adopting a simpler flat fee model that is inclusive of meetings.

12

an average number of board chair transitions in 2020

40%

of *CSSBI 100* boards did not have a mandatory retirement age and/or a fixed term limit for their NXDs in 2020

3.8%

increase in median total NXD compensation over 2019

78%

of *CSSBI 100* companies used a flat fee NXD pay model, inclusive of meetings

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