

## CSA Multilateral Staff Notice 58-310

# Report on Fourth Staff Review of Disclosure regarding Women on Boards and in Executive Officer Positions

September 27, 2018

# EXECUTIVE SUMMARY

This report outlines key trends from a recent review of disclosure regarding women on boards and in executive officer positions as required by Form 58-101F1 *Corporate Governance Disclosure* (the disclosure requirements) of National Instrument 58-101 *Disclosure of Corporate Governance Practices* (NI 58-101). The review was conducted by securities regulatory authorities in Alberta, Manitoba, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan. The review was completed for the purposes of identifying key trends. A qualitative assessment of compliance with the disclosure requirements was not conducted.

The key trends are based on a review sample of 648 issuers that had year-ends between December 31, 2017 and March 31, 2018 (year 4) and filed information circulars or annual information forms by July 31, 2018.

The following key trends were observed in this review:

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<b>Board seats</b>	<ul style="list-style-type: none"><li>• 15% of board seats were held by women; however this number tended to increase with the size of the issuer and varied by industry.</li><li>• 66% of issuers had at least one woman on their board, however 218 issuers had no women on their board.</li><li>• 29% of vacated board seats were filled by women.</li></ul>
<b>Executive officer positions</b>	<ul style="list-style-type: none"><li>• 4% of issuers had a female CEO.</li><li>• 14% of issuers had a female CFO.</li><li>• 66% of issuers had at least one woman in an executive officer position.</li></ul>
<b>Targets</b>	<ul style="list-style-type: none"><li>• 16% of issuers adopted targets for the representation of women on their board.</li><li>• 4% of issuers adopted targets for the representation of women in executive officer positions.</li></ul>
<b>Term limits and other mechanisms of board renewal</b>	<ul style="list-style-type: none"><li>• 21% of issuers adopted some form of director term limits (alone or with other mechanisms of board renewal).</li><li>• 32% of issuers adopted other mechanisms of board renewal, but did not adopt term limits.</li><li>• 43% of issuers disclosed that they did not have director term limits nor had they adopted other mechanisms of board renewal.</li></ul>
<b>Policies</b>	<ul style="list-style-type: none"><li>• 42% of issuers adopted a policy relating to the representation of women on their board.</li></ul>

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# SNAPSHOT OF DATA

The following is a snapshot of the year-over-year comparison of the key trends identified in our reviews:

Trends	Year 1	Year 2	Year 3	Year 4
<b>Board representation</b>				
Total board seats occupied by women	11%	12%	14%	15%
Issuers with at least one woman on their board	49%	55%	61%	66%
Issuers with three or more women on their board	8%	10%	11%	13%
Board seats occupied by women for issuers with less than \$1 billion market capitalization	8%	9%	10%	11%
Board seats occupied by women for issuers with \$1-2 billion market capitalization <sup>1</sup>	11%	13%	17%	19%
Board seats occupied by women for issuers with \$2-10 billion market capitalization <sup>1</sup>	17%	18%	18%	21%
Board seats occupied by women for issuers with over \$10 billion market capitalization <sup>1</sup>	21%	23%	24%	25%
Board vacancies filled by women <sup>2</sup>	--	--	26%	29%
<b>Executive officers</b>				
Issuers with at least one woman in executive officer positions	60%	59%	62%	66%
Issuers with a female CEO <sup>3</sup>	--	--	--	4%
Issuers with a female CFO <sup>3</sup>	--	--	--	14%
<b>Policies</b>				
Issuers that adopted a policy relating to the representation of women on their board	15%	21%	35%	42%
<b>Targets</b>				
Issuers that adopted targets for the representation of women on their board	7%	9%	11%	16%
Issuers that adopted targets for the representation of women in executive officer positions	2%	2%	3%	4%
<b>Term limits</b>				
Issuers that adopted director term limits	19%	20%	21%	21%
<b>Consideration of the representation of women</b>				
Issuers that considered the representation of women on their boards as part of the director identification and selection process	60%	66%	65%	73%
Issuers that considered the representation of women in executive officer appointments	53%	58%	58%	60%

<sup>1</sup> Board seats occupied by women for issuers over \$1 billion market capitalization: 16% (Year 1), 18% (Year 2), 20% (Year 3), and 21% (Year 4).

<sup>2</sup> Board vacancies filled by women were not included in our reporting in Year 1 and Year 2.

<sup>3</sup> Issuers with a female CEO and issuers with a female CFO were not included in our reporting in Year 1, Year 2 and Year 3.

# KEY TRENDS

Set out below are highlights from our review related to the following:

- A. Women on boards
- B. Women in executive officer positions
- C. Board renewal

## A. Women on boards

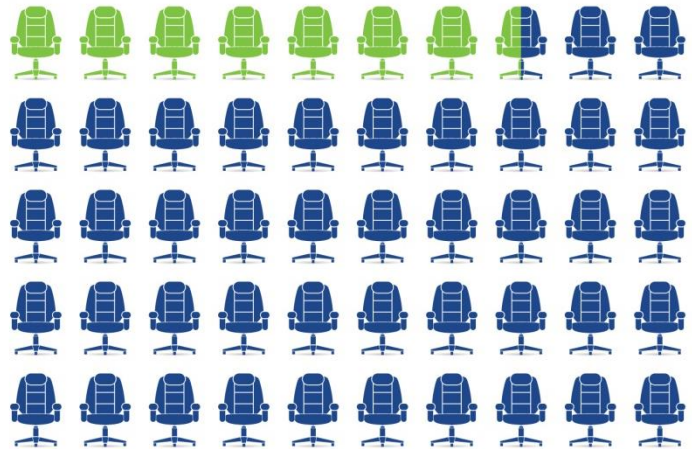
### Board seats

The percentage of board seats held by women increased to 15% in year 4.



**Board seats held by women**

**15%**



The percentage of board seats held by women varied by the size of the issuer.

- For the 417 issuers with a market capitalization of less than \$1 billion, 11% of board seats were held by women.
- For the 85 issuers with a market capitalization of between \$1 billion and \$2 billion, 19% of board seats were held by women.
- For the 99 issuers with a market capitalization of between \$2 billion and \$10 billion, 21% of board seats were held by women.
- For the 47 issuers with a market capitalization of greater than \$10 billion, 25% of board seats were held by women.<sup>4</sup>

73% of issuers indicated that they considered the representation of women on their boards in identifying and nominating candidates for election or re-election to the board.

<sup>4</sup> Board seats occupied by women for the 231 issuers with a market capitalization of greater than \$1 billion were: 16% (Year 1), 18% (Year 2), 20% (Year 3), and 21% (Year 4).

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**Board fill rate**

**When board seats became available and were filled, approximately three in ten seats were filled by women.**

This year, 720 board seats were vacated during the year and 561 of those seats were filled. Of those filled seats, 29% (165 seats) were filled by women which represents a 3% increase over year 3.

**Board vacancies**

**Board vacancies  
filled by women**

**29%**



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**Issuers with no women on board**

The number of issuers with no women on their board has declined since the disclosure requirements were introduced.

34% of issuers (218 issuers) had no women on their board.

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**Issuers with at least one woman on board**

The number of issuers with at least one woman on their board has increased since the disclosure requirements were introduced.

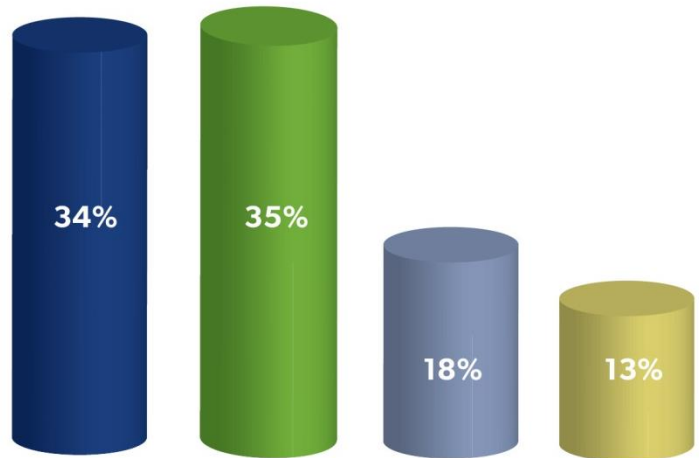
66% of issuers had at least one woman on their board.

**Number of women on boards**

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Number of women

- 0
- 1
- 2
- 3+



**Industry data**

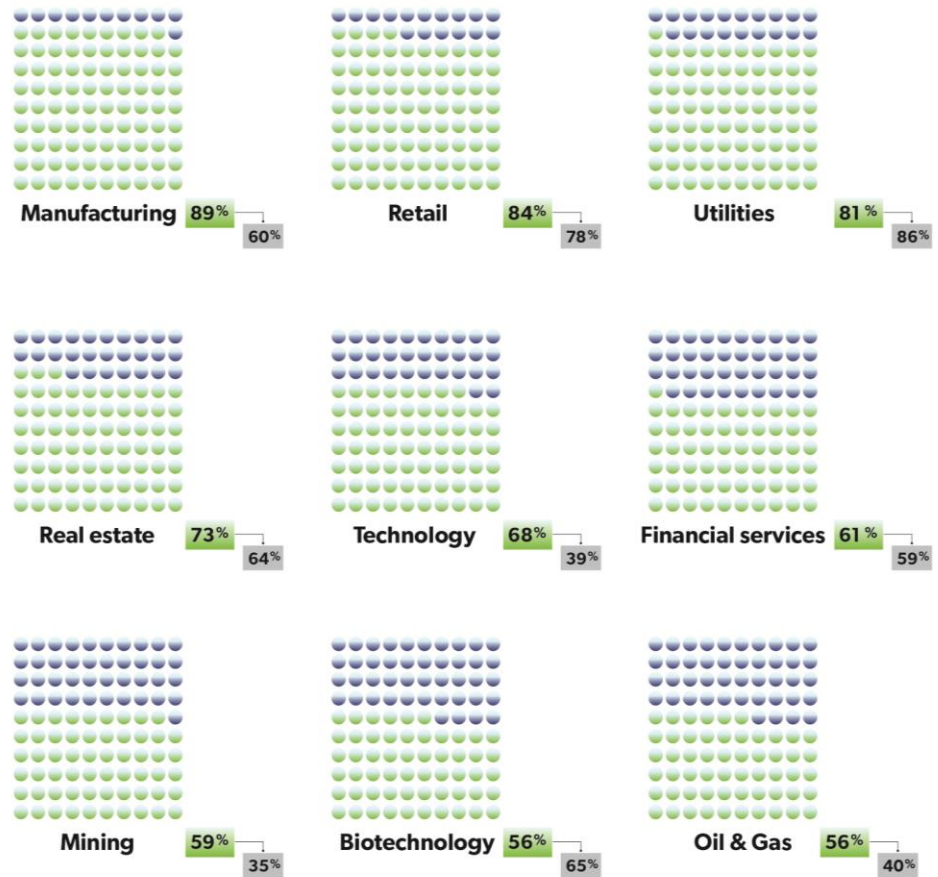
**The number of women on boards varied by industry.**

The manufacturing, retail and utilities industries had the highest percentage of issuers with one or more women on their boards.<sup>5</sup> The oil and gas, biotechnology and mining industries had the lowest percentage of issuers with one or more women on their boards.

Refer to Appendix A for a year-over-year comparison of the percentage of issuers with one or more women on their boards by industry.

**Percentage of issuers with one or more women on boards**

- Percentage of issuers with one or more women on boards in year 4
- Percentage of issuers with no women on boards in year 4
- Year 4
- Year 1



<sup>5</sup> The larger Canadian banks, which are part of an industry that has generally been an early adopter of diversity initiatives, are not captured in our reviews. The six largest banks had an average of 38% of women on their boards based on their 2018 information circulars filed for their years ending October 31, 2017.

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**Targets****Few issuers had targets for women on their boards.**

16% of issuers set targets for the representation of women on their boards.

Issuers that had adopted board targets had an average of 24% of their board seats held by women, compared to issuers without targets that had an average of 13%.

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**Policies relating to the identification and nomination of women directors****42% of issuers adopted a policy on identifying and nominating women directors, representing an almost three-fold increase since year 1.**

The 269 issuers that had adopted a policy relating to the representation of women on their boards had an average of 20% of women on their boards compared to issuers with no such policy, that had an average of 12%.

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## B. Women in executive officer positions

**Number of women in executive officer positions**

66% of issuers had at least one woman in an executive officer position.<sup>6</sup>

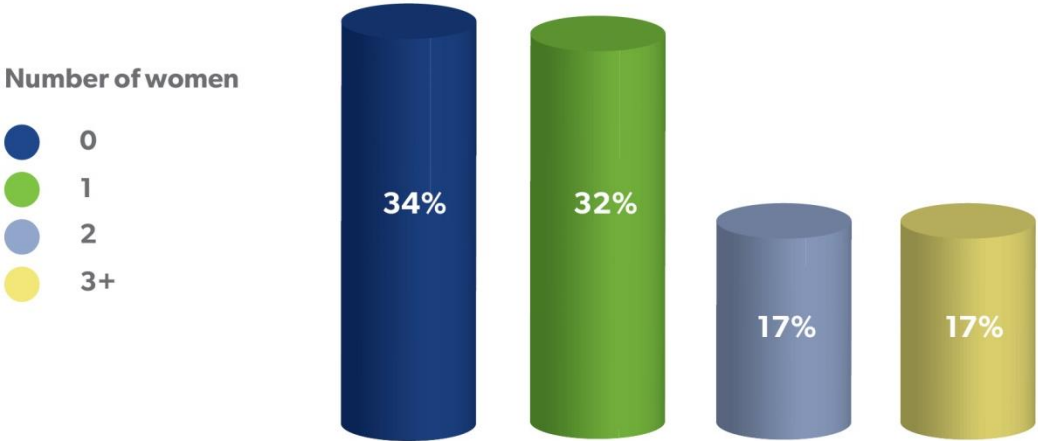
The number of executive officers reported by issuers ranged from zero to approximately 4,000, with most issuers having fewer than 50 executive officers.<sup>7</sup>

4% of issuers had a female CEO.<sup>8</sup>

14% of issuers had a female CFO.<sup>8</sup>

60% of issuers indicated that they considered the representation of women in executive officer positions when making executive officer appointments.

**Women in executive officer positions**



<sup>6</sup> 586 of the 648 issuers in the review sample disclosed executive officer information.

<sup>7</sup> The numbers included in this part of the report are taken from issuers' disclosure, and may include positions other than executive officers, as that term is defined in NI 58-101.

<sup>8</sup> CEO and CFO data is not a disclosure requirement.

**Industry data**

**The number of women in executive officer positions varied by industry.**

The manufacturing and real estate industries had the highest percentage of issuers with one or more women in executive officer positions. The technology, oil and gas and mining industries had the lowest percentage of issuers with one or more women in executive officer positions.

Refer to Appendix B for a year-over-year comparison of the percentage of issuers with one or more women in executive officer positions by industry.

**Percentage of issuers with one or more women in executive officer positions**

- Percentage of issuers with one or more women in executive officer positions in year 4
- Percentage of issuers with no women in executive officer positions in year 4
- Year 4
- Year 1



**Targets**

**Targets for women in executive officer positions were rare.**

4% of issuers set targets for the representation of women in executive officer positions.

## C. Board renewal

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**Term limits** 21% of issuers had adopted term limits (alone or with other mechanisms of board renewal).

Term limits took varied forms:

- 47% adopted age limits,
- 25% adopted tenure limits, and
- 28% adopted both age and tenure limits.

The average tenure and age limits were 13 years and 74 years, respectively.

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**Other mechanisms of board renewal** 32% of issuers adopted other mechanisms of board renewal, but did not adopt term limits. Some of these issuers indicated that they used assessments of the board and individual directors as a mechanism of board renewal. Other issuers indicated that they had adopted mechanisms of board renewal other than term limits but did not describe them.

43% of issuers disclosed that they did not have director term limits nor had they adopted other mechanisms of board renewal.

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# BACKGROUND

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## Required disclosure

Issuers listed on the Toronto Stock Exchange (TSX) and certain other non-venture issuers are required to provide disclosure on an annual basis in the following five areas:

- **Number of women in roles** – the number and percentage of women on its board of directors (board) and in executive officer positions.
- **Targets** – whether it has targets for the number or percentage of women on its board and in executive officer positions, and if not, why not.
- **Board policy** – whether it has a written policy relating to the identification and nomination of women directors, and if not, why not.
- **Board renewal** – whether it has director term limits or other mechanisms of board renewal, and if not, why not.
- **Consideration of the representation of women** – whether it considers the representation of women in its director identification and selection process and in its executive officer appointments, and if not, why not.

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## Objective

To increase transparency for investors and other stakeholders regarding the representation of women on boards and in executive officer positions, and the approach that issuers take in respect of such representation.

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## Prior reviews of disclosure

This is the fourth consecutive annual review of this disclosure that we<sup>9</sup> have conducted. The trends from our first three annual reviews are set out in:

- [Year 1 \(2015\) – CSA Multilateral Staff Notice 58-307](#)
  - [Year 2 \(2016\) – CSA Multilateral Staff Notice 58-308](#)
  - [Year 3 \(2017\) – CSA Multilateral Staff Notice 58-309](#)
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<sup>9</sup> The Alberta Securities Commission did not participate in the 2015 and 2016 reviews as the disclosure requirements had not yet been adopted in Alberta. The British Columbia Securities Commission has not adopted the disclosure requirements and did not participate in any of the reviews. However, Alberta-based and BC-based TSX-listed issuers were included in the respective samples.

# REVIEW SAMPLE

As of May 31, 2018, approximately 1,500 issuers were listed on the TSX, of which approximately 790 were subject to the disclosure requirements.

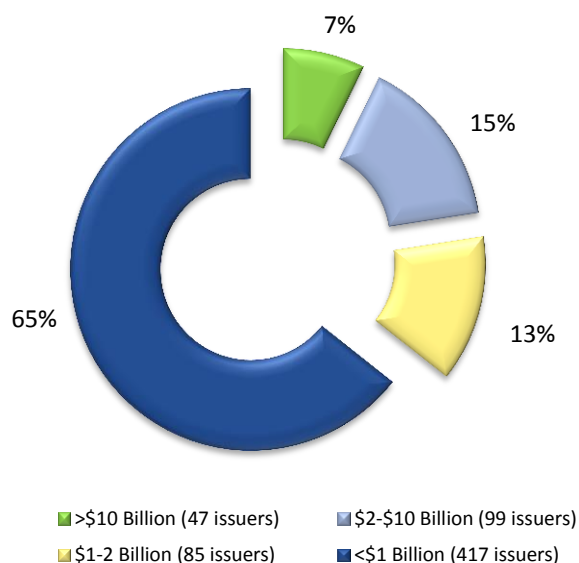
**Scope of sample** We reviewed the disclosure of 648 issuers that had year-ends between December 31, 2017 and March 31, 2018, and filed information circulars or annual information forms by July 31, 2018.<sup>10</sup>

Issuers excluded from our review include:

- approximately 700 exchange-traded funds or closed-end funds,
- issuers that moved the listing of their securities from the TSX Venture Exchange (TSX-V) to the TSX in 2018, and
- other issuers such as designated foreign issuers and SEC foreign issuers that are exempt from the requirements of NI 58-101.

## Profile of issuers in review sample<sup>11</sup>

### Market capitalization in sample (issuer breakdown)

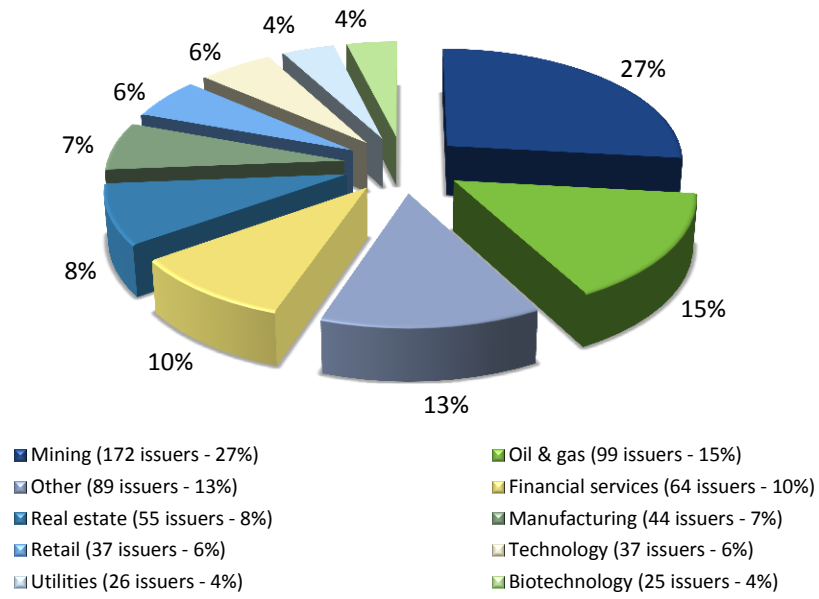


<sup>10</sup> Because of the scope of our sample, our findings, and the comparisons between the current year and the prior three years provide only a partial picture. The issuers in the current year and the prior year samples vary for several reasons including:

- issuers being delisted from the TSX,
- issuers' listings of securities being moved to the TSX-V,
- corporate reorganizations resulting in issuers no longer being listed on the TSX,
- issuers filing information circulars after July 31, 2018,
- issuers completing initial public offerings and becoming listed on the TSX, and
- issuers ceasing to be reporting issuers.

<sup>11</sup> As noted above, the larger Canadian banks are not captured in our reviews due to their year-ends.

## Industries in sample



## NEXT STEPS

The disclosure requirements have been in place for four annual reporting periods and in light of this experience, the CSA are considering whether:

- changes to the disclosure requirements are warranted and, if so, the nature of those changes, and
- introduction of new or supplemental guidelines regarding corporate governance practices in National Policy 58-201 *Corporate Governance Guidelines* is warranted and if so, the nature of those guidelines.

We have engaged in the following three areas of work:

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**Consultations** During winter and spring 2018, CSA staff consulted with a variety of stakeholders to better understand their needs and perspectives. The consultations occurred through a variety of forums, including consultation papers, roundtables and other meetings with stakeholders and email communications.

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**Research** CSA staff revisited and updated research to support evidence-based policy making on the following:

- the approaches to gender diversity in certain jurisdictions outside of Canada,
- director term limits,
- shareholder proxy voting guidelines relating to gender diversity, and
- academic and other studies on gender diversity and social and behavioural economics.

We will continue to conduct further research and analysis.

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**Disclosure reviews** CSA staff considered the key trends arising from the four annual disclosure reviews.

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Based on this work, the CSA will determine whether changes to our regulatory regime are warranted. No decisions have been made yet.

# QUESTIONS

If you have any questions regarding this report, please contact:

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# APPENDIX A

The following is a year-over-year comparison of the percentage of issuers with one or more women on their boards by industry:

Industry	Year 1	Year 2	Year 3	Year 4
<b>Percentage of issuers with one or more women on their boards</b>				
Biotechnology	65%	57%	56%	56%
Financial Services	59%	67%	60%	61%
Manufacturing	60%	68%	84%	89%
Mining	35%	38%	54%	59%
Oil & Gas	40%	40%	45%	56%
Real Estate	64%	66%	59%	73%
Retail	78%	79%	89%	84%
Technology	39%	52%	52%	68%
Utilities	86%	82%	86%	81%

## APPENDIX B

The following is a year-over-year comparison of the percentage of issuers with one or more women in executive officer positions by industry:

Industry	Year 1	Year 2	Year 3	Year 4
<b>Percentage of issuers with one or more women on in executive officer positions</b>				
Biotechnology	48%	66%	71%	64%
Financial Services	64%	63%	66%	71%
Manufacturing	61%	81%	79%	80%
Mining	52%	49%	52%	56%
Oil & Gas	49%	46%	48%	53%
Real Estate	76%	76%	80%	80%
Retail	82%	71%	68%	76%
Technology	45%	44%	59%	52%
Utilities	65%	73%	67%	75%