Gender diversity in the Canadian boardroom: Where are the women leaders?

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Over the last nine years the number of board seats held by women in publicly listed Canadian companies increased from 11% to 27%, and the number of companies with at least one woman on their executive team has increased from 60% to 71%. While there are now more women on boards and in the C-suite, they are not in key leadership positions. We look at why companies should ensure meaningful inclusion and participation in corporate leadership, and what steps they can take.

Summary

- CSA Multilateral Staff Notice 58-316 *Review of Disclosure Regarding Women on Boards and in Executive Officer Positions Year 9 Report* (the CSA Report) show a positive trajectory for women in board and executive officer positions, but not in key leadership roles.
- Studies show that increased gender diversity on boards and executive teams leads to better business outcomes, including higher environmental, social and governance (ESG) standards.
- Moving the needle in leadership positions requires years of planning, with the adoption of targets, written policies and term limits increasing the likelihood of gender diversity.

The reports

The CSA Report represents the ninth consecutive annual review by the Canadian Securities Administrators (CSA) of public disclosure about women on boards and in executive officer positions as required by Form 58-101F1 *Corporate Governance Disclosure* of National Instrument 58-101 *Disclosure of Corporate Governance Practices* (NI 58-101). Key trends were identified based on the CSA's review of 600 companies listed on the Toronto Stock Exchange (TSX).

Overall, the CSA Report indicates an uptick in the number of women in board and executive officer positions:

Metric	Year 9	Year 8	Year 1
Board seats occupied by women	27%	24%	11%
Board vacancies filled by women	43%	45%	26%*
At least one woman on the board	89%	87%	49%
Three or more women on the board	36%	30%	8%
At least one woman in an executive officer position	71%	70%	60%
Adopted a policy relating to the representation of women on the board	64%	61%	15%
Adopted targets for the representation of women on the board	43%	39%	7%

** Represents data from Year 3 as this metric was not assessed in Year 1.*

Not surprisingly, issuers that adopt certain diversity measures such as targets and written policies, along with term limits or other mechanisms of board renewal, have a higher average number of women on boards.

Membership vs. Leadership

In general, women representation in the boardroom and in the c-suite has increased from last year and is a marked improvement from 2014 (Year 1). However, the proportion of women in leadership roles on the board or in executive officer positions have not followed this same path of marked improvement:

Metric	Year 9	Year 8	Earlier*
Chair of the board is a woman	8%	7%	5% (Year 5)
CEO is a woman	5%	5%	4% (Year 4)

CFO is a woman	17%	19%	14% (Year 4)
Adopted targets for the representation of women in executive officer positions	5%	4%	2% (Year 1)

** Data based on the first year the information was collected by the CSA.*

Board leadership is comprised of more than just its chair. Institutional Shareholder Services (ISS) considers "board leadership roles" to include Board Chair, Audit Committee Chair, Compensation Committee Chair, Nominating Committee Chair, Senior Independent Director, Vice Chair, Lead Director or Higgsian Chair. However, even once we expand the scope of what it means to be a leader on a board, the proportion of women in those roles still does not improve.

In ISS' publication "Gender Diversity in Canadian Corporations: Rise in Board Seats for Women Hides Scant Progress in Leadership Roles" (the ISS Report), ISS found that only 14% of all board leadership roles were held by women in 2023. These results represent data from approximately 220 TSX companies, representing roughly 70% of the total market capitalization of the TSX. The ISS Report suggests that this discrepancy between board membership and board leadership shows that Canadian companies are "far from reaching effective inclusion", which will only be achieved "when participation goes beyond meeting numeric quota requirements."

Women in executive positions

The results of the CSA Report were not particularly optimistic vis-à-vis women in executive leadership positions. Even though 71% of issuers had at least one woman in an executive officer position, only 5% of issuers had a woman CEO. This marks an improvement of only 1% since Year 4 (when the metric was first reviewed) and no change since Year 8. Similarly, only 17% of issuers had a woman CFO, marking an improvement of 3% since Year 4 (when the metric was first reviewed) and a decrease of 2% from Year 8. The ISS Report found that there were 142 executive women across 113 TSX companies, while 45% of the companies reviewed had no executive women.

The number of women in executive officer positions varied by industry, with the mining, technology, oil & gas and biotechnology industries having the lowest percentage of issuers with one or more women in executive officer positions. Only 50% of mining issuers had one or more women in executive officer positions, compared to 90% of retail issuers.

In part gender diversity in the C-suite is lagging that of boards of directors due to the slower turnover associated with the C-suite as compared to board roles. While directors are elected annually, executive officers often serve for longer terms. Given the skill set required for the C-suite, companies looking to improve gender diversity in their executive teams should start by building a succession plan that includes a pipeline of women. In addition, male-dominated industries have a unique opportunity to identify the barriers preventing women from leadership positions in their industry. Once identified, companies can work to improve their corporate policies to address these barriers and support gender diversity.

Business case for women in leadership

The business case for women in leadership transcends the strict concept of the bottom line. Studies suggest that increased diversity on boards and in executive positions supports stronger voting outcomes and better overall company performance, including but not limited to financial performance.

Companies that pay attention to board diversity show stronger shareholder voting outcomes. "Why do Investors Vote Against Corporate Directors?" (the Working Paper) published by the European Corporate Governance Institute found that there was "lower investor dissent for directors of firms with higher female board representation … [implying] that the directors at firms with a lower proportion of female board members receive less support from investors." Investor activism is at an all-time high, and as the Working Paper concluded, "shareholders care about board diversity and use their votes to bring about change." Improving board gender diversity stimulates stronger investor support.

In addition, one of the key considerations for investors today is how companies manage ESG factors. The International Finance Corporation's "Women in Business Leadership Boost ESG Performance: Existing Body of Evidence Makes Compelling Case" (the IFC Publication) made two critical connections: (i) that having more women in business leadership positions leads to higher ESG standards, and (ii) that companies with enhanced ESG perform better on critical metrics. The authors thus concluded that these findings, taken together, support the argument that having a more gender-balanced board and leadership team would contribute to stronger ESG performance which, in turn, would lead to better business performance.

Among other evidentiary conclusions, the authors found that gender-diverse boards and female leaders are associated with enhanced firm performance, including: (i) better returns on assets and sales, (ii) stronger earnings quality, (iii) enhanced firm value, (iv) tighter internal controls, (v) increased ethical and social compliance, and (vi) reduced incidence of fraud, insider trading, and other unethical practices. The authors also highlight that "the overwhelming majority of empirical studies also conclude that a higher ratio of women in business leadership does not impair corporate performance". The full spectrum of the impact of gender-diversity on boards and in executive positions remains to be seen as the numbers increase and the breadth of quantitative and qualitative studies continue.

For more information about ESG, see our article Environmental, Social and Governance (ESG) Trends: Why it's important and what you need to know.

Next steps

Canadian public companies are making progress, but still have a long way to go to ensure meaningful participation by women in corporate leadership. As ESG becomes a larger focus for investors and issuers, companies need to consider how to ensure meaningful inclusion, particularly when women in leadership positions is good business AND good for the bottom line.

BLG's homegrown initiative Driven by Women™ is committed to working with BLG's clients and partners to increase the number of women leaders in our communities. BLG and Driven by Women™ connect and champion women in their journeys towards professional success and leadership opportunities.

If you are looking for ways to support and improve gender diversity in the leadership of your organization, BLG's subject matter experts are here to help. BLG lawyers are at the forefront of new developments in corporate governance and our multidisciplinary teams work with clients to identify potential issues and create results. Reach out to the authors or any of the key contacts below to learn more about the changing corporate governance landscape and how it may affect your business.

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Expertise

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