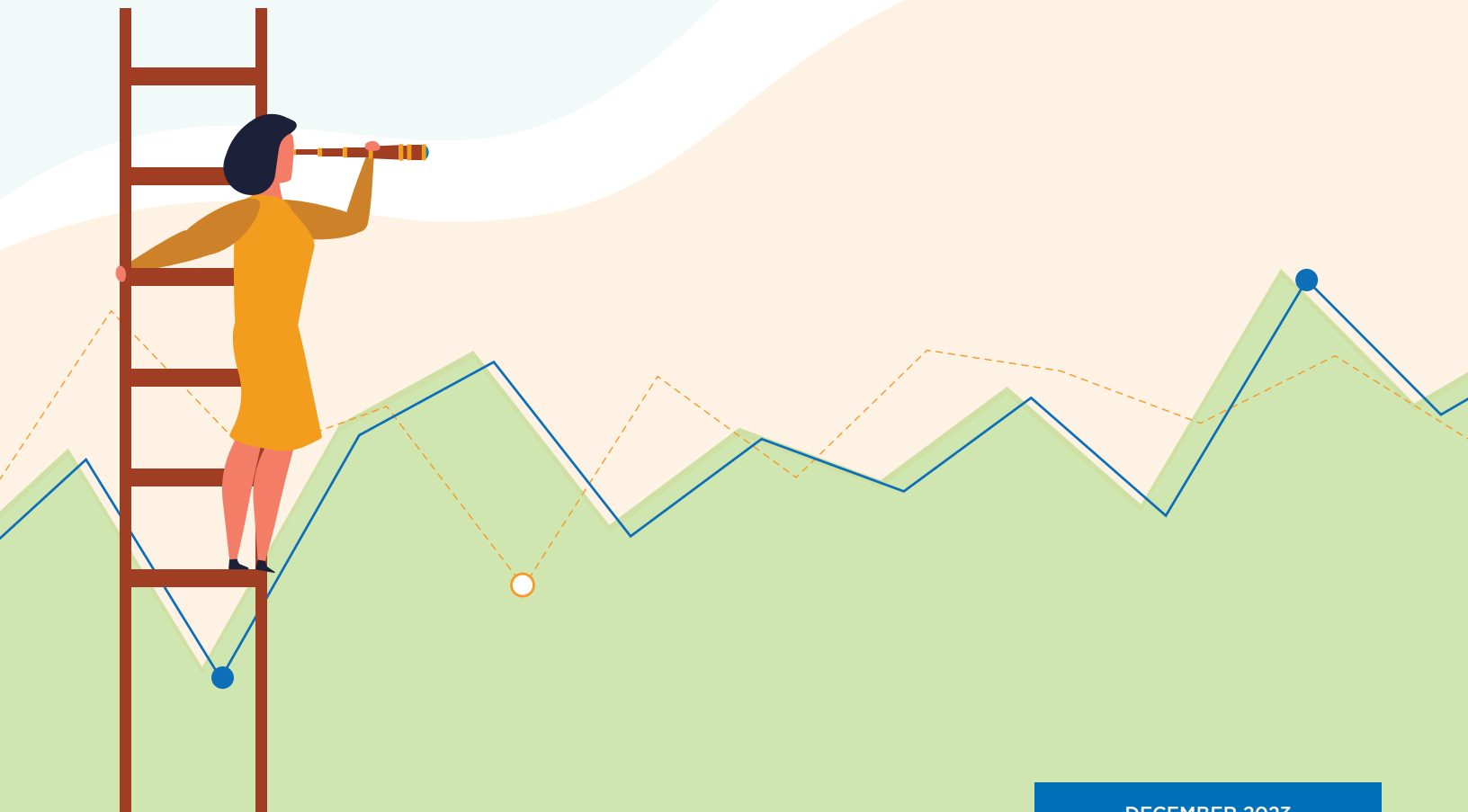


CPAs on Board

SECOND EDITION: A STUDY ON CANADA'S COMPOSITION OF BOARDS AND AUDIT COMMITTEES



DECEMBER 2023

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Foreword from the CEO

Chartered Professional Accountants (CPAs) possess technical expertise rooted in the principles of transparency, integrity, and accountability, offering a strong and attractive set of competencies for corporate boards in Canada.

To gain better insight into CPAs' contributions to corporate governance, CPA Canada partnered with KPMG in Canada to conduct research in 2021, and again in 2023, on the presence and functions of CPAs on the boards and audit committees of Canadian publicly traded companies (751 companies in 2021 and 754 companies in 2023).¹

It is heartening to see that among the companies studied, Canadian CPAs occupy around one in five (22 per cent) of all board seats and 86 per cent have at least one CPA on their board. Of note, the average board size has grown from seven to eight board members over the past two years and the proportional number of CPAs on boards has kept pace with this increase.

This trend underscores a growing recognition of the unique skills and perspectives that professional accountants bring to the boardroom. CPAs are not just financial experts; they are strategic thinkers who understand the nuances of risk management and ethical stewardship.

Furthermore, the results highlight positive shifts in gender diversity and generational representation. The growing presence of women and younger CPAs on boards and audit committees not only helps foster diversity of thought but also aligns with broader societal goals of inclusivity and equity.

CPA Canada collaborates with its stakeholders to promote CPA membership on boards. Each year, we host a Conference for Audit Committees and offer an in-depth Audit Committee Certificate program to guide the next generation of CPAs along their journey to become leaders in the boardroom. I encourage you to visit the CPA Canada website to learn more from the range of resources available to current and prospective board members. We are committed to ensuring that a diverse and qualified pool of talent is empowered to embrace corporate governance opportunities with confidence.

Pamela Steer, FCPA, FCA

President and CEO

CPA Canada

¹ Note: the data in this report reflects Canadian publicly listed companies with information accessible on BoardEx, a global data company specializing in relationship mapping and intelligence.

The value of CPAs

Chartered Professional Accountants (CPAs) are trusted advisors who bring a host of valuable qualities to the boardroom table, including business acumen, financial expertise, integrity and ethics.

CPAs play key roles within diverse segments of the economy, among them industry, public accounting, government, education and the not-for-profit sector.

They offer a robust set of accounting and managerial skills required for today's complex and evolving environment. CPAs are broad-minded, forward-thinking professionals who undertake appropriate analysis, exercise good judgment, communicate effectively and act to protect the public interest.

These skills are critical for board success and serve as an excellent complement to the operations, governance, risk management and compliance experience expected of board members.

A study on CPAs' involvement with boards

With that in mind, CPA Canada, in collaboration with KPMG in Canada, initiated the inaugural study in 2021 to examine the involvement of CPAs on boards and audit committees at Canadian publicly traded companies (from the S&P/TSX Composite Index). In this second edition 754 companies were included compared to 751 in 2021.²

Our research explores the following questions:

- What can we learn about the composition of boards? Are enough CPAs involved?
- By extension – since audit committees are made up of board members – what percentage of audit committee members are CPAs?
- Finally, to narrow it down further, how many CPAs hold the audit committee chair's position?

The findings of this study focus on three groups:

- Boards of directors
- Audit committees
- Audit committee chairs

Within those groupings, data-driven insights about CPAs are organized by gender, industry, age and tenure.

² Companies included were trading on the TSX as of June 2023 (2021: June 2021), with board director details obtained from BoardEx as of June 30, 2023 (2021: June 15, 2021).

Reflecting on the existing landscape and current trends for boards

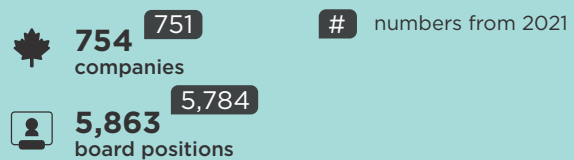
Of 5,863 (2021: 5,784) board positions in 754 (2021: 751) publicly traded companies, CPAs continue to represent around one in five (22%, or 1,272 [2021: 1,249]) of all board seats. However, the average board size has grown from seven to eight board members. This result further supports the idea that CPAs are sought-after for their skills and expertise.

Six hundred and forty-eight (2021: 658) of the companies, or 86% (2021: 88%), have at least one CPA on their board, and just over half (52% [2021: 51%]) of those companies have more than one CPA on their board. Their average age: 62 years old (2021: 63).

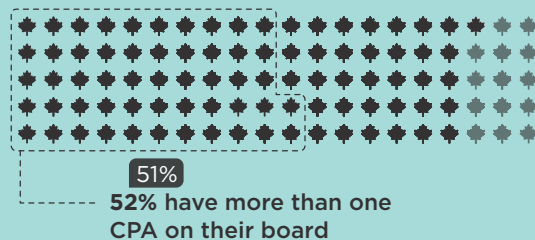
Just over one in four (27% [2021: 26%]) of the board's CPAs are women.

In terms of tenure, the majority of CPA board members have held those positions for either two to three years (29%, 2021: 32%) or for six to 10 years (20%, 2021: 22%). The number of CPAs with tenure of one year or less has increased from 203 in 2021 to 293 in 2023.

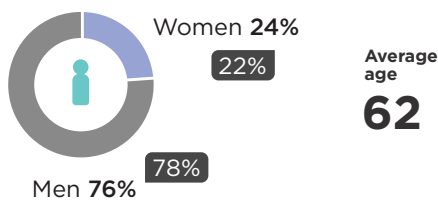
In analyzing the trends from the previous data in 2021, the decrease in number of companies compared to the unchanged percentage of CPAs on boards could mean that smaller public companies do not have CPAs in board positions, suggesting that there is an opportunity for CPAs. Further, the increase in female CPAs accompanied by a younger age demographic among CPA board members is a positive trend.



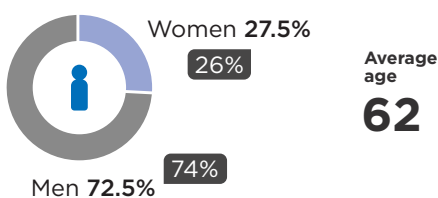
88% 86% of the companies have at least one CPA on their board



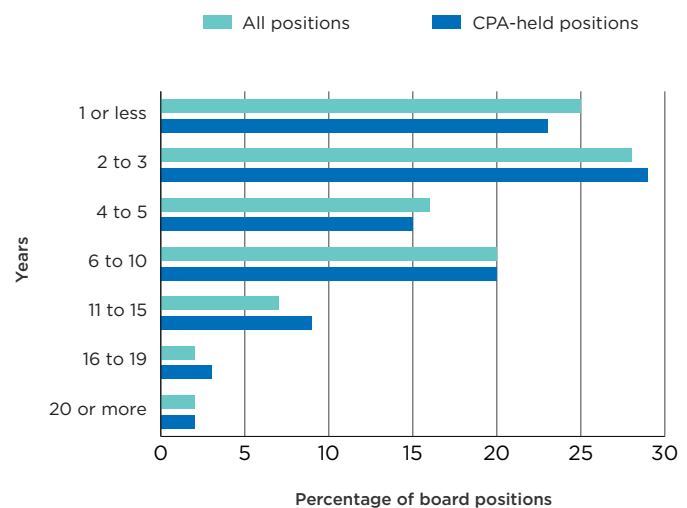
Board member facts



CPA board member facts

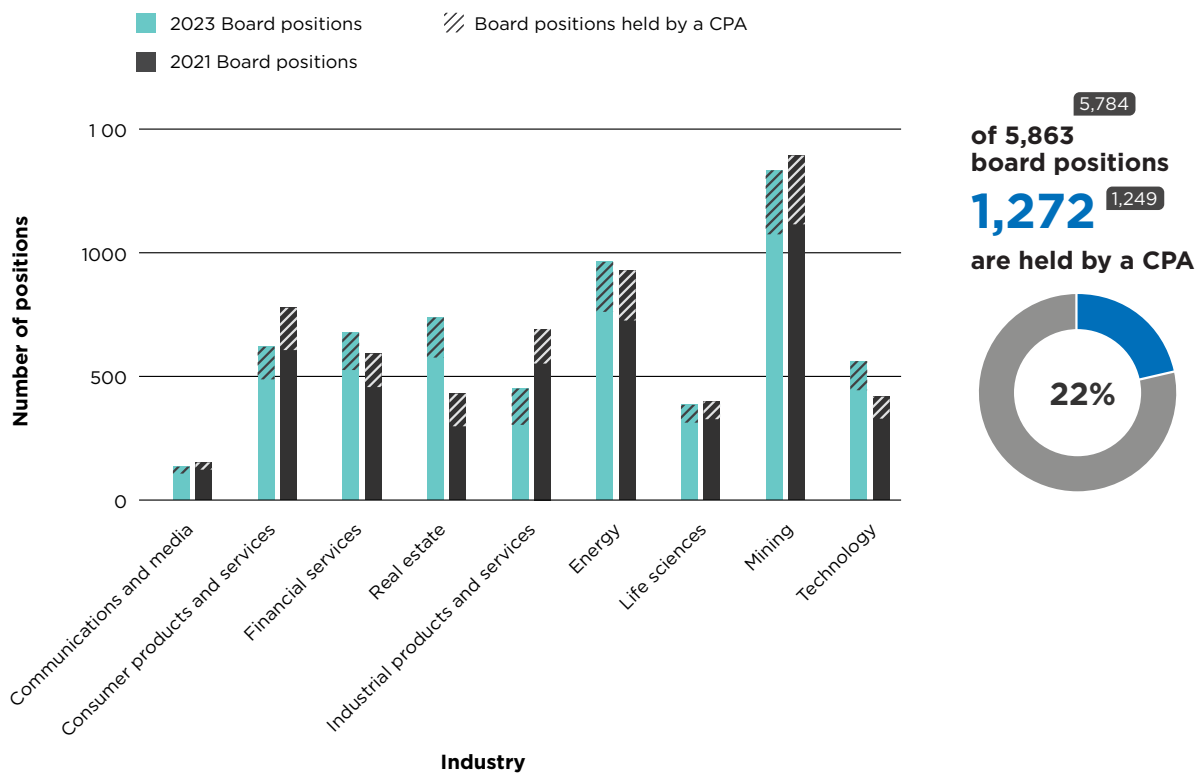


Years on board



CPA representation on boards

Industry	Number of positions		Number of positions held by a CPA		Percentage of positions held by a CPA		Number of companies		Number of companies with a CPA		Percentage of companies with a CPA	
	2023	(2021)	2023	(2021)	2023	(2021)	2023	(2021)	2023	(2021)	2023	(2021)
Communications and media	135	(152)	28	(29)	21%	(19%)	15	(17)	12	(14)	80%	(82%)
Consumer products and services	620	(779)	132	(171)	21%	(22%)	78	(100)	68	(89)	87%	(89%)
Financial services	677	(591)	152	(135)	22%	(23%)	74	(63)	64	(58)	86%	(92%)
Real estate	451	(431)	147	(132)	22%	(31%)	59	(56)	58	(56)	98%	(100%)
Industrial products and services	737	(692)	162	(140)	33%	(20%)	88	(84)	81	(78)	92%	(93%)
Energy	963	(929)	202	(203)	21%	(22%)	123	(123)	107	(110)	87%	(89%)
Life sciences	385	(399)	72	(72)	19%	(18%)	57	(60)	44	(44)	77%	(73%)
Mining	1,333	(1,393)	259	(278)	19%	(20%)	186	(194)	152	(164)	82%	(85%)
Technology	562	(418)	118	(89)	21%	(21%)	74	(54)	62	(45)	84%	(83%)
TOTAL	5,863	(5,784)	1,272	(1,249)			754	(751)	648	(658)		



Reflecting on the existing landscape and current trends for audit committees

Of 2,518 (2021: 2,668) audit committee positions in the 754 (2021: 751) companies, CPAs represent one in three (36% (2021: 33%), or 896, 2021: 896) of all audit committee seats.

Five hundred ninety-seven (2021: 602) publicly traded firms, or 79% (2021: 80%), have at least one CPA on their audit committee.

More than one in four (31% [2021: 29%]) of the CPAs on audit committees are women, a higher number than the average for boards.

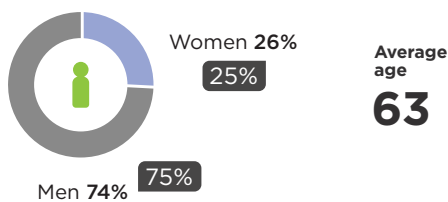
In comparison to the previous data from 2021, there was a notable 3% increase in the number of audit committees with CPAs, and an increase of 3% in the number of women CPAs on audit committees.



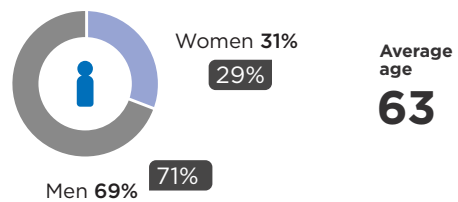
80%
79% of the companies have at least one CPA on their audit committee



Audit committee member facts

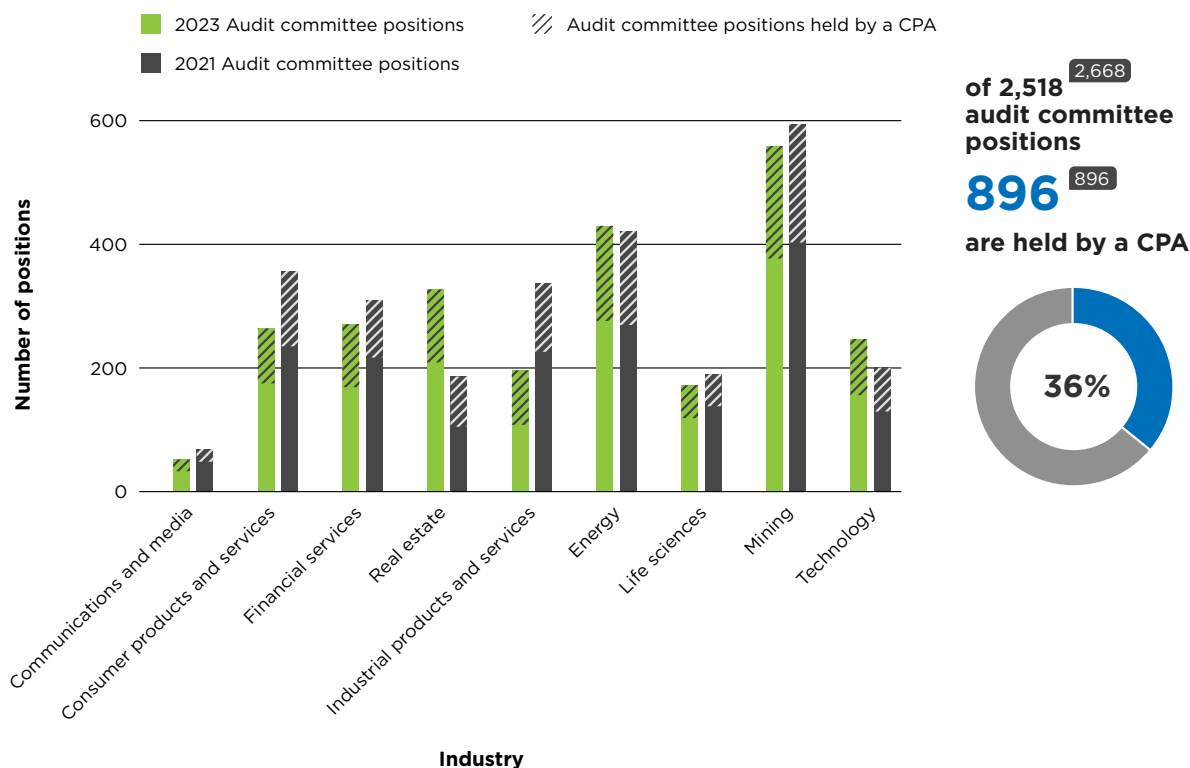


CPA audit committee member facts



CPA representation on audit committees

Industry	Number of positions		Number of positions held by a CPA		Percentage of positions held by a CPA		Number of companies with a CPA		Percentage of companies with a CPA			
	2023	(2021)	2023	(2021)	2023	(2021)	2023	(2021)	2023	(2021)		
Communications and media	52	(69)	19	(21)	37%	(30%)	15	(17)	11	(14)	73%	(82%)
Consumer products and services	264	(357)	89	(122)	34%	(34%)	78	(100)	63	(81)	81%	(81%)
Financial services	271	(310)	102	(93)	38%	(30%)	74	(63)	57	(52)	77%	(83%)
Real estate	196	(186)	88	(81)	45%	(44%)	59	(56)	54	(54)	92%	(96%)
Industrial products and services	327	(338)	118	(112)	36%	(33%)	88	(84)	74	(73)	84%	(87%)
Energy	430	(422)	154	(152)	33%	(36%)	123	(123)	102	(103)	77%	(84%)
Life sciences	172	(190)	53	(52)	31%	(27%)	57	(60)	38	(40)	67%	(67%)
Mining	559	(595)	182	(192)	33%	(32%)	186	(194)	137	(142)	74%	(73%)
Technology	247	(201)	91	(71)	37%	(35%)	74	(54)	61	(43)	82%	(80%)
TOTAL	2,518	(2,668)	896	(896)			754	(751)	597	(602)		



Reflecting on the existing landscape and current trends for audit committee chairs


Across the 754 (2021: 741)³ publicly traded companies with audit committees, 71% (2021: 70%) had a CPA as their audit committee chair, demonstrating the high esteem held for CPAs in this space.

Regarding CPAs in the audit committee chair seat, women hold a slightly lower number of positions than in boards and audit committees at 23% (2021: 25%). The age data came in a bit higher, when compared to boards and audit committees with CPA audit committee chairs averaging 64 years old (2021: 65), but trending lower than the previous study.

In comparison to the previous data in 2021, there was a slight increase in the percentage of CPAs in audit committee chair positions.

 **754** ⁷⁴¹
companies

numbers from 2021

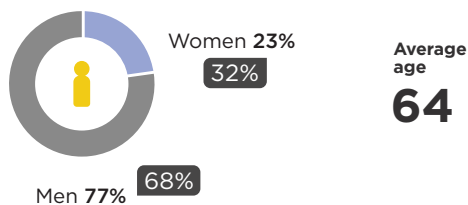
 **708** ⁷⁴¹
audit committee chair positions

70%
**71% of audit committee chairs
are a CPA**

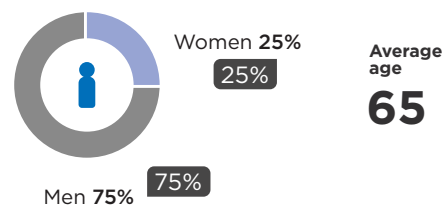


³ No data was available for 46 (2021: 10) of the original 754 (2021: 751) companies.

Audit committee chair facts

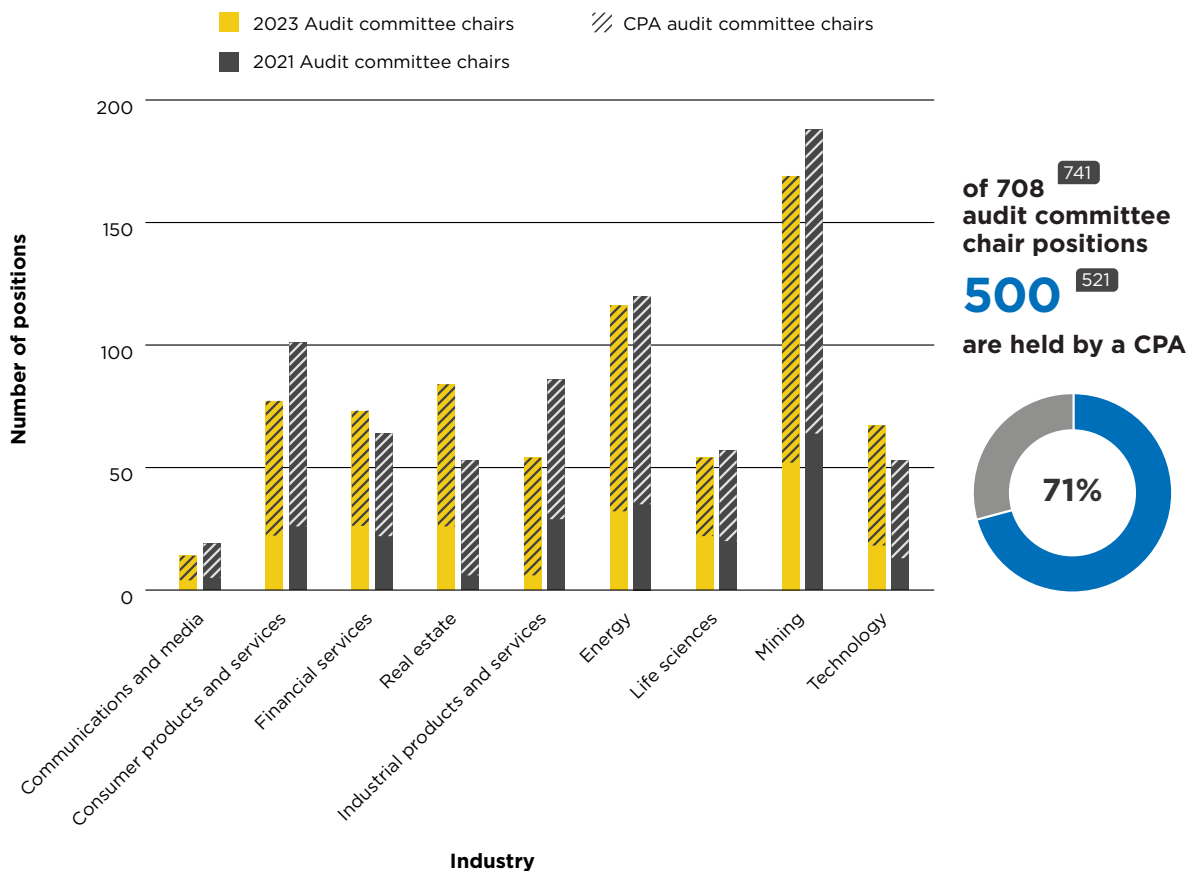


CPA audit committee chair facts



CPA representation among audit committee chairs

Industry	Number of positions		Number of positions held by a CPA		Percentage of positions held by a CPA	
	2023	(2021)	2023	(2021)	2023	(2021)
Communications and media	14	(19)	10	(14)	71%	(74%)
Consumer products and services	77	(101)	55	(75)	71%	(74%)
Financial services	73	(64)	47	(42)	64%	(66%)
Real estate	54	(53)	48	(47)	89%	(89%)
Industrial products and services	84	(86)	58	(57)	69%	(66%)
Energy	116	(120)	84	(85)	72%	(71%)
Life sciences	54	(57)	32	(37)	59%	(65%)
Mining	169	(188)	117	(124)	69%	(66%)
Technology	67	(53)	49	(40)	73%	(75%)
TOTAL	708	(741)	500	(521)	71%	(70%)



Moving in the right direction

By highlighting the presence of CPAs on boards and audit committees, we are pleased to demonstrate the confidence of corporate Canada in their value as integral contributors to good governance.

We also hope that raising awareness about the current composition of boards and audit committees will catalyze companies to embrace a broader range of age, gender and other elements of diversity in these senior decision-making roles. Not only will these companies benefit from the uniquely valuable skill set CPAs offer, they also stand to gain a financial, social and competitive advantage in business.

Reflecting on the existing landscape compared to the results from the first edition of the report, we are beginning to see a positive movement in trends. The results show an increase in the percentage of CPAs on boards, audit committees and in audit committee chair positions. Further, there has been an increase in the number of women CPAs on boards and audit committees.

As the importance of technology, ESG and data governance continues to evolve there appears to be a growing trend to add more distinct committees and recruit board and committee members with specialized expertise. This trend paves the way for more opportunities for CPAs to assume roles in corporate governance.

If you are new to the profession and have not considered to become part of a corporate board or audit committee, we hope these results inspire you to consider such a role in your career progression. The next generation of CPAs joining boards and audit committees have the power to make a difference, enhance the profession and help the companies that turn to them for their expertise. And the opportunities for learning and development we offer – including the Audit Committee Certificate and the Conference for Audit Committees and Corporate Governance – aim to enable just that.

This study provides a snapshot of the current state of CPAs in corporate governance roles. CPA Canada will continue to work to both understand and promote CPA membership on boards and audit committees, and to arm our members with the skills they will need to participate in the years to come.

Acknowledgments

The need to collect data about CPAs on boards became evident during a conversation with the advisory council for the Conference for Audit Committees and Corporate Governance. The conversation fostered a discussion on how CPAs are represented on boards in various industries, subsequently, a task force was formed and this study was born.

This report is a product of the taskforce consisting of KPMG in Canada's Jim Newton, FCPA, FCA, Women Get On Board Inc's Deborah Rosati, FCPA, FCA, ICD.D, GCB.D, CCB.D and Wendy Kei, FCPA, FCA, F.ICD, GCB.D. We are grateful to these members for the insights they have provided. We also acknowledge KPMG in Canada who partnered with us to collect these findings.

Feedback

Please send any comments on this study or suggestions for future studies to:

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