

# Crown Corporations

A Field Guide



HANSELL LLP

# Crown Corporations

Crown corporations represent a critical but often overlooked component of the Canadian corporate landscape. Overseeing these crucial enterprises are crown corporation directors. In the last year alone, more than one thousand people from across Canada (and from outside of Canada) dedicated their time, energy, and expertise to serve as directors on crown corporation boards.

To better support crown corporation directors in improving the effectiveness of their boards, we have developed a quantitative and qualitative database which examines in-depth the boards, committees, and general governance practices of over one hundred of Canada's largest crown corporations.

From statutory provisions and financials to committee structure and board composition, this robust dataset offers substantial insights for crown corporation boards. Combined with our expert, independent legal and governance advice founded on over 30 years of working with Boards, Hansell llp is proud to offer unmatched service to crown corporation directors.

This booklet, incorporating analyses made possible by this data, provides a brief, high-level overview of the current landscape of crown corporation governance. We hope that it will offer some insight into the broader landscape of crown governance for both current crown directors and those considering service on a crown corporation board. All data is as of each crown corporation's latest fiscal year end for which an annual report has been published unless otherwise stated.



# Over one hundred

of the largest crown corporations in Canada  
representing each of the provinces, the territories,  
and the federal government.

# Crown Boards

For over 80 percent of crown corporations, legislation provides that all directors be appointed at the discretion of the government, sometimes based on the recommendation of the board.

In the remaining cases, however, at least some board members are appointed by or must be representative of stakeholder groups relevant to the crown corporation. The board of the **British Columbia Investment Management Corporation**, includes both government appointees and representatives selected from multiple stakeholder boards. For crown corporations in **Québec**, the appointment process is generally subject to legislation requiring that the Government consider “**expertise and experience profiles established by the board**” when appointing new directors.

Crown corporations generally trend toward smaller boards. The average size of a crown corporation board across Canada is eight directors, with only 27 crown corporations having more than ten directors total. The largest board identified in our collection is that of **Hydro-Québec**, which comprises sixteen directors.

**37%**

of crown corporation boards include one or more visible minority directors.

**30%**

of current crown corporation boards include one or more directors who has served on the board of an S&P/TSX Composite Index company.

**12%**

of provincial crown corporation boards include directors from outside the corporation’s province.

# Crown Board Size & Tenure

The following chart outlines the average size of crown corporation boards across Canada's jurisdictions (left-hand bars) and the average director tenure among the same (right hand bars).

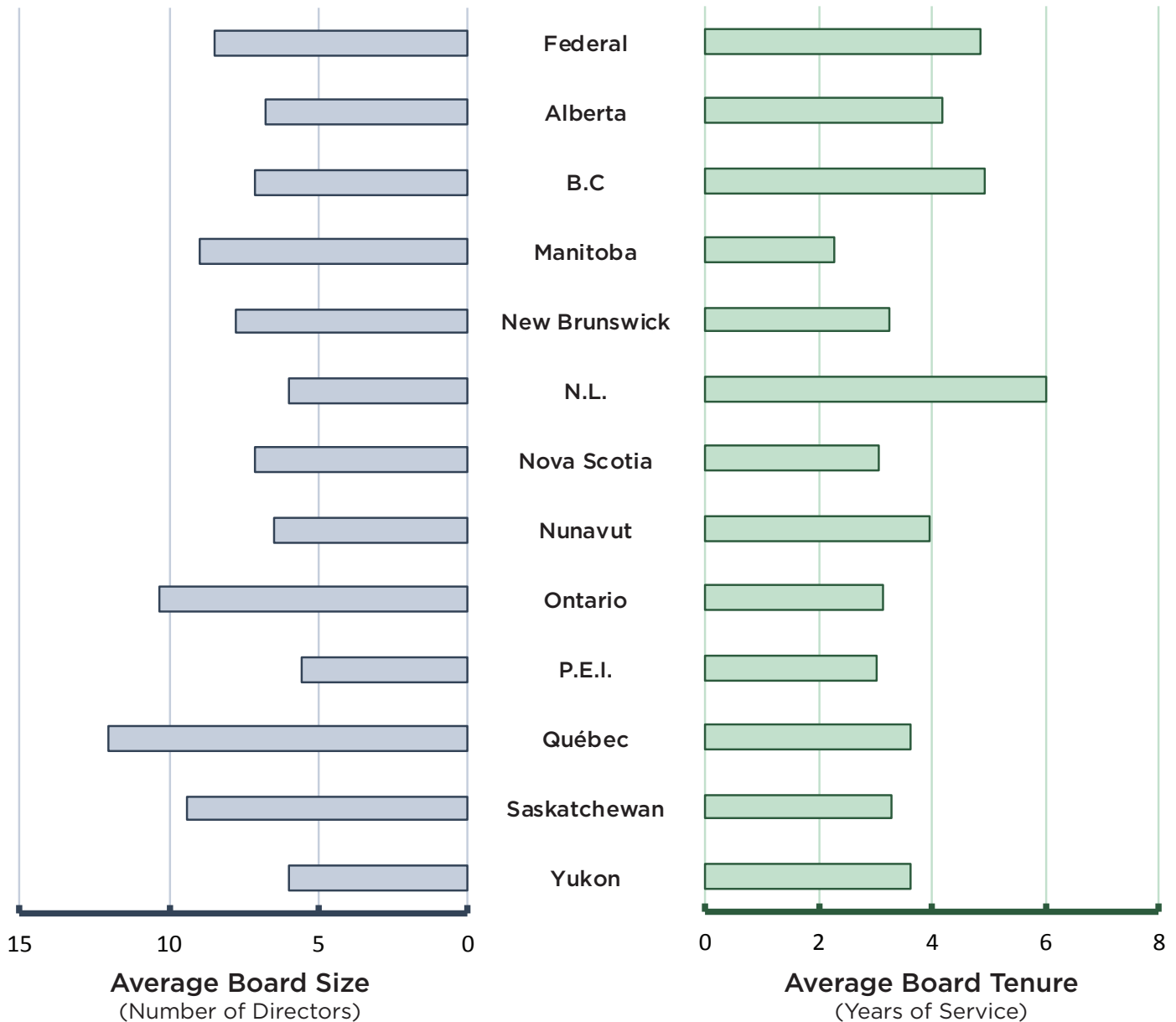


Chart excludes Northwest Territories and intergovernmental crown corporations due to limited sample sizes.

# Crown Directors

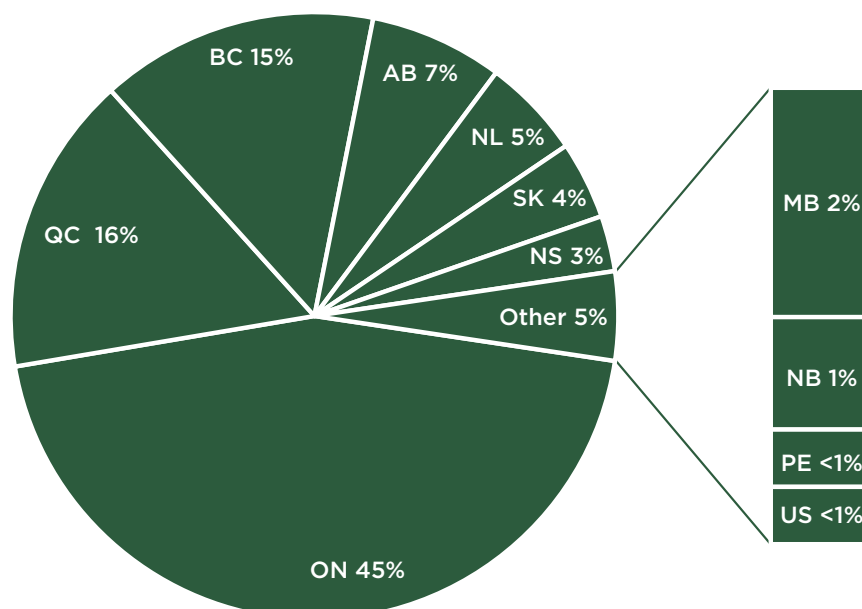
Among federal crowns, the aggregate director population largely reflects the relative populations of each province, although directors from Québec are somewhat underrepresented (23 percent of Canada's population versus 16 percent of federal crown corporation directors).

Across all crown corporations, Saskatchewan leads the country in gender diversity with 51 percent of provincial crown corporation directors being female. Conversely, only 22 percent of Prince Edward Island crown corporation directors are female.

With respect to visible minority directors, Nunavut represents a stark outlier relative to the rest of Canada.

## Federal Crown Director Residence

The chart below outlines the jurisdiction of residence of directors serving on the boards of federal crown corporations.



# Crown Director Diversity

The following chart outlines the relative percentage of female directors (left-hand bars) and visible minority directors (right hand bars), in each case indicated by the darker shading.

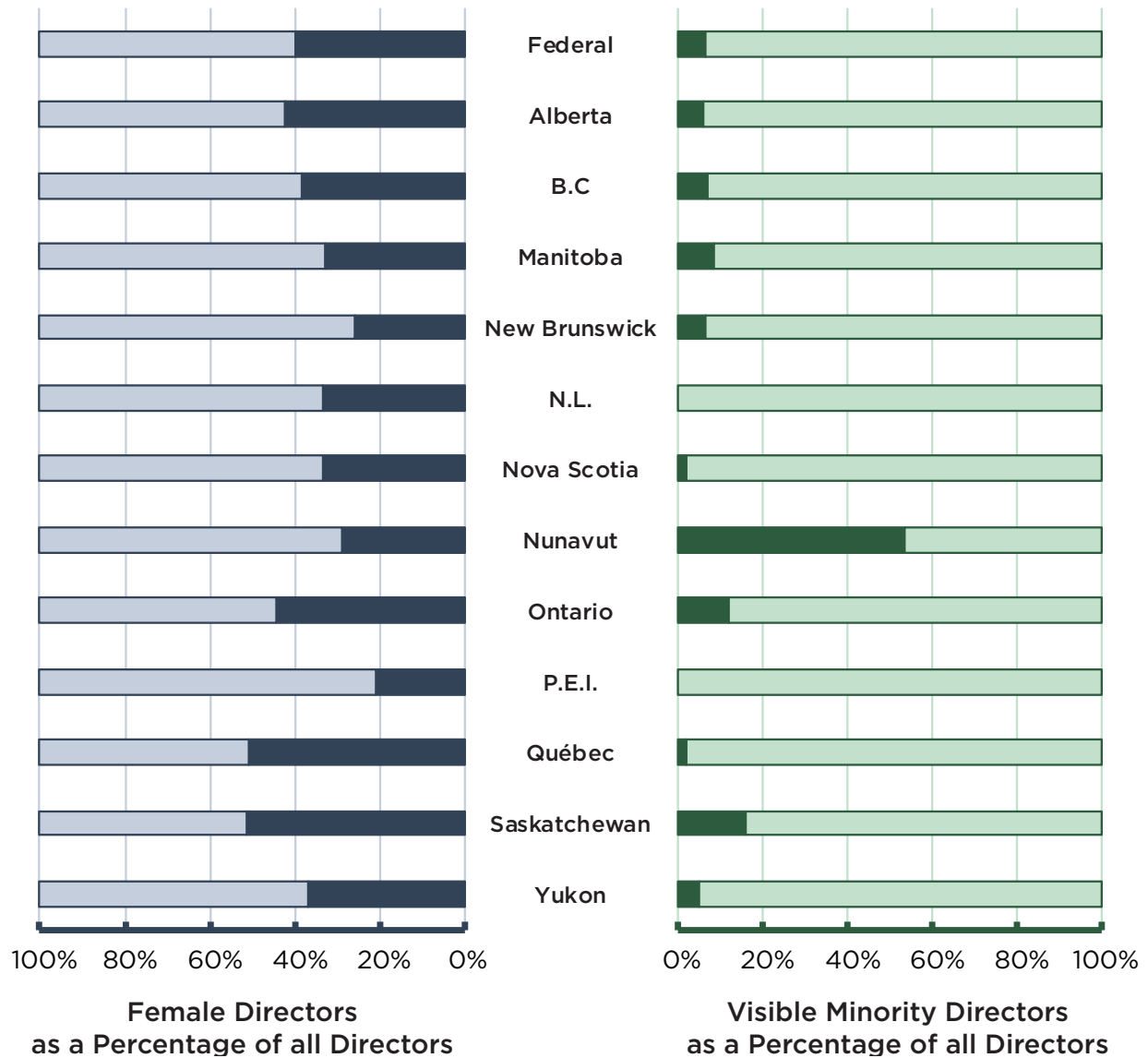


Chart excludes Northwest Territories and intergovernmental crown corporations due to limited sample sizes. Directors whose sex and/or visible minority status could not be determined have been excluded from the relevant chart(s).

# Crown Committees

Audit Committees have been established by all crown corporations within our data set. While many of these crowns are not subject to legislation explicitly prescribing Audit Committee membership requirements, most have nonetheless emulated practices found in the private sector by requiring that members be financially literate. Governance and Compensation committees have also been established by more than 80 percent of all crown corporations.

Nearly half of all crown corporations have established at least one committee with responsibilities which do not neatly fall under the typical categories (as outlined on the chart opposite).<sup>\*</sup> These committees tend to address issues or initiatives specific to the operation of that crown corporation — for example, the **Major Capital Projects Committee** of the board of **Columbia Power Corporation** (British Columbia), or the **Customer Experience Committee** established by the board of **Metrolinx** (Ontario).

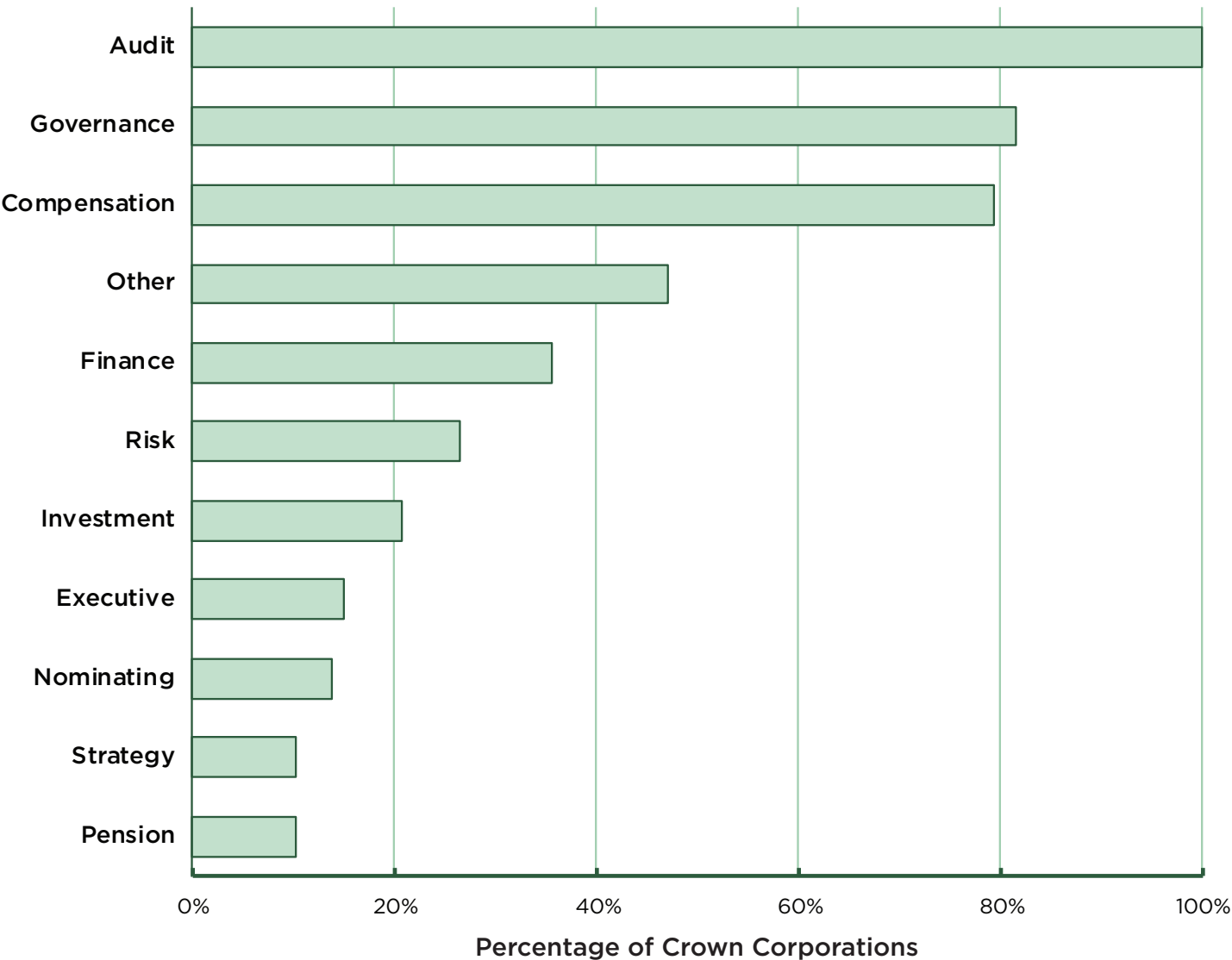
Crown corporation committees have a median size of four directors, though some – for example, the English and French language broadcasting committees of the **Canadian Broadcasting Corporation** – can include up to the entire board. Investment committees, in particular, tend to be among the largest of the common committee types.

Crown corporation directors tend not to shuffle between committees – rather, a director will typically find a committee and stick to it for the duration of their board tenure. This is evidenced by the fact that the average director tenure (4.3 years) is almost identical to the average committee tenure (3.9 years).



# Crown Director Committee Structure

The following chart outlines the percentage of crown corporations across Canada which have established each of the following types of committees.



This chart (and the analysis on the facing page) excludes crown corporations which did not disclose board committee structure or board committee membership.

# Crown Benchmarking

Our data set focuses on crown corporations designated as government business enterprises, as well as other crown corporations which, while not explicitly designated as business enterprises, nevertheless oversee substantial and important operations. Some examples from this latter category include **Atomic Energy of Canada Limited** (federal) and both the **British Columbia** and **Alberta Investment Management Corporations**.

Numerous avenues are available through which to benchmark the governance practices of a given crown corporation against a set of comparable entities. **Assets and revenue** can be used to establish size ranges; **jurisdiction** of incorporation and the **minister** to whom the crown is responsible can inform comparable regulatory and reporting requirements; and, to better understand board skill set requirements and related factors, we have established a number of "**sectors**" (outlined on the following page) which classify crown corporations according to their business line or operations.

In addition to these quantitative data points, qualitative factors – the nuances of a business mandate, the specific duties of a board, the more idiosyncratic aspects of director appointments – can be used to further refine a comparator group beyond numbers alone.

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We would be pleased to discuss how this data, combined with our expert, independent advice, can improve your board's effectiveness.

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# Crown Corporation Sectors

The following chart outlines the crown corporations included in our data set, grouped according to sector:



# What We Do

Hansell LLP and Hansell McLaughlin Advisory advise boards, investors, shareholders and management teams in crisis and other special situations, and in respect of their governance practices generally. We advise public and private companies, Crown corporations and other government-owned enterprises, and not-for-profits. We also strive to be thought leaders in key areas of governance that are of interest to our clients.

Our expertise covers legal, governance and communications issues. We are lawyers grounded in corporate and securities law with extensive experience in corporate transactions and challenges of all kinds, acting for the full range of stakeholders. We have worked with boards for more than 25 years. Our team understands issues of concern for directors and are alert to the potential exposure of any process to legal and regulatory scrutiny.

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**We provide sophisticated, independent advice  
on complex governance challenges.**

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We are frequently asked to assess or design the governance practices of various organizations and review the board's overall effectiveness. Unlike non-lawyer consultants, we offer legal advice in relation to governance practices. Our legal advice, as well as our communications with boards and members of senior management in connection with giving this advice, have the added potential protection given to privileged solicitor and client communications.

We are experts on practices followed by a wide range of organizations and on existing and emerging expectations of key stakeholders. Our advice is supported by our proprietary data sets, which allow our clients to benchmark their practices against their peers.

We possess a deep knowledge of government policy making which allows our clients to benefit from advice on a wide range of public affairs issues. We also address the issues management and communications strategy for enterprises facing internal or external threats.

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