

Canadian Coalition for
GOOD GOVERNANCE

THE VOICE OF THE SHAREHOLDER

April 10, 2018

Nazma Lee
Senior Legal Counsel
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
nlee@bcsc.bc.ca

Dear Ms. Lee,

Re: British Columbia Securities Commission Notice and Request for Comment (Request for Comment) re Consultation on Disclosure Requirements in National Instrument 58-101 Disclosure of Corporate Governance Practices relating to Women on Boards and in Executive Officer Positions

The Canadian Coalition for Good Governance (CCGG) is writing in response to the British Columbia Securities Commission's (BCSC) request for comment dated February 23, 2018.

CCGG's members are Canadian institutional investors that together manage over CDN \$3 trillion in assets on behalf of pension funds, mutual fund unit holders, and other institutional and individual investors. A list of our members is attached to this letter as Appendix 1. CCGG promotes good governance practices in Canadian public companies in order to best align the interests of boards and management with those of their shareholders. We also seek to improve Canada's regulatory framework to promote the efficiency and effectiveness of the Canadian capital markets.

As noted in the Request for Comment, British Columbia and Prince Edward Island are the only two Canadian Securities Administrators (CSA) jurisdictions that have not adopted the disclosure requirements regarding the representation of women on boards and in executive officer positions in National Instrument 58-101 *Disclosure of Corporate Governance Practices* (the Disclosure Requirements). While it is true that BC-based TSX-listed and other non-venture issuers must comply with the Disclosure Requirement because they report in at least one Participating Jurisdiction, CCGG believes it is important for BC to publicly express its support of the goals of the Disclosure Requirements as a matter of principle and further encourages the BCSC to adopt the Disclosure Requirements in order that issuers are subject to harmonized regulation across Canada.

CCGG provided comments to the CSA on the original proposals to amend NI 58-101 and Form 58-101F1 to require disclosure of women on boards of directors and in senior management and we believe those

comments, available [here](#) and [here](#), are relevant to the BCSC's current consideration of this matter. In addition, we attach as Appendix 2 a copy of CCGG's 2015 *Policy on Board Gender Diversity*.

CCGG also supports BC issuers and stakeholders having a voice in informing the future regulatory direction and actions that the Participating Jurisdictions may take to further enhance the existing diversity-related requirements.

It is CCGG's view, supported by extensive external academic research, that board diversity improves board quality and thus disclosure about diversity is integral in assisting investors in making investment and voting decisions. CCGG's support for the Disclosure Requirements was not intended to reflect the view that the lack of other forms of board and senior management diversity do not need to be addressed but rather CCGG believed that correcting the underrepresentation of half of the population was an appropriate place to begin. We welcome the consideration of forms of diversity in addition to gender reflected in some of the questions in the Request for Comment.

Consultation Questions

1. **Please discuss any experiences and challenges over the past three years with providing the information mandated by the Disclosure Requirements**

N/A

2. **What are the benefits of the Disclosure Requirements?**

For CCGG's institutional shareholder members, the Disclosure Requirements provide information relevant to assessing the quality of the board and help investors to make meaningful voting decisions on board composition. They also provide information as to whether boards and nominating committees are aware of the importance of gender diversity on board performance, as well as the research that shows the correlation between board and senior management gender diversity and corporate performance. Investors are also able to assess, by comparing year over year disclosure, whether any meaningful action is being taken to address a lack of diversity.

3. **With respect to how investors use the information provided under the Disclosure Requirements: (a) Are the Disclosure Requirements providing investors with the information necessary to inform their investment and voting decisions? Are there any requirements that are not useful for such decision-making?**

The Disclosure Requirements provide necessary information only if the spirit of the Disclosure Requirements is adhered to by issuers, that is, in essence, to provide information that will allow investors to assess whether the issuer sees the importance of gender diversity and is attempting to increase gender diversity in a meaningful way. Boilerplate responses by issuers, on the other hand, do not enlighten the reader. All of the Disclosure Requirements can be useful for decision-making if issuers are responding to them with the goal of enhancing gender diversity (see answer to question 2 above). It also would be helpful to require disclosure as to the number of director spaces that came open in a particular year and whether those spaces were filled with men or women.

(b) How is information relating to gender diversity in the Disclosure Requirements incorporated into investors' investing and voting decisions? Do investors have formalized voting guidelines related to gender diversity?

See answer to question 2 above. Yes, several of CCGG's members currently have formalized voting guidelines related to gender diversity in place and the number is increasing.

4. **With respect to corporate governance guidelines: (a) Should Canadian securities regulators develop and implement corporate governance guidelines (similar to the guidelines in NP 58-201)**

regarding gender diversity-related governance practices, such as board policies regarding the representation of women, board renewal mechanism and targets?

Yes. Since our 2013 response to the OSC's initial Staff Consultation Paper 58-401 *Disclosure Requirements Regarding Women on Boards and in Senior Management*, CCGG has advocated for the inclusion of gender- diversity corporate governance guidelines in NP 58-201. The current gender diversity regime cannot be accurately characterized as 'comply or explain', because the CSA does not set out any gender diversity policies or procedures as 'best practices' that issuers must comply with or explain why not.

(b) There are currently guidelines regarding the nomination of directors in NP 58-201. Are the existing guidelines in NP 58-201 on the director nomination process sufficient, or would providing more specific guidelines be appropriate?

CCGG believes that the existing guidelines are insufficient. CCGG recommends that section 3.14 of the guidelines be amended to state that in making recommendations, nominating committees should consider gender diversity of the board as a whole. We also believe that the guidelines should be amended to require that board mandates acknowledge a consideration of gender diversity as part of management succession planning. Consistent with a 'comply or explain' model, if the board does not consider gender diversity in succession planning then the issuer should be required to explain why not and identify the risks or opportunities associated with not doing so.

5. Should issuers be required to disclose whether they have policies related to diversity other than gender? If so, should Canadian securities regulators develop and implement a corresponding corporate governance guideline regarding policies related to diversity other than gender?

CCGG is of the view that issuers should be required to disclose whether they have policies related to diversity other than gender and that Canadian securities regulators should develop and implement a corresponding corporate governance guideline. The content of those policies should not be prescribed, however.

6. The Participating Jurisdictions may consider requiring issuers to present information in a standardized format for consistency and to permit staff to gather data in a more efficient manner. What are the benefits and challenges with providing the information required by the Disclosure Requirements in a prescribed format, such as a structured table or in an electronic format? Are there alternative ways to achieve consistency?

For types of information that lend themselves to a standard format, CCGG believes that should be a requirement, for example, responses to questions such as whether a company has a gender diversity policy and whether the policy includes a target. This will make the important action of assessing the progress of gender diversity much easier for regulators, investors and other stakeholders. However, there will always be a need for an accompanying narrative to a structured format, given companies' differing circumstances, to allow for explanations that will increase the readers' understanding of a particular company's situation, status and progress.

We thank you for the opportunity to provide our comments on the proposed amendments. If you have any questions regarding the above, please contact our Executive Director, Stephen Erlichman, at 416.847.0524 or serlichman@ccgg.ca or our Director of Policy Development, Catherine McCall, at 416.868.3582 or cmccall@ccgg.ca.

Yours very truly,



Julie Cays
Chair of the Board
Canadian Coalition for Good Governance

APPENDIX 1

CCGG MEMBERS

CCGG Members – April 2018

Alberta Investment Management Corporation (AIMCo)
Alberta Teachers' Retirement Fund (ATRF)
Archdiocese of Toronto
BlackRock Asset Management Canada Limited
BMO Asset Management Inc.
BNY Mellon Asset Management Canada Ltd.
British Columbia Investment Management Corporation (bcIMC)
Burgundy Asset Management Ltd.
Caisse de dépôt et placement du Québec
Canada Pension Plan Investment Board (CPPIB)
Canada Post Corporation Registered Pension Plan
CIBC Asset Management Inc.
Colleges of Applied Arts and Technology Pension Plan (CAAT)
Connor, Clark & Lunn Investment Management Ltd.
Desjardins Global Asset Management
Electrical Safety Authority (ESA)
Fiera Capital Corporation
Franklin Templeton Investments Corp.
Greystone Managed Investments Inc.
Healthcare of Ontario Pension Plan (HOOPP)
Hillsdale Investment Management Inc.
Investment Management Corporation of Ontario (IMCO)
Industrial Alliance Investment Management Inc.
Jarislowsky Fraser Limited
Leith Wheeler Investment Counsel
Lincluden Investment Management Limited
Mackenzie Financial Corporation
Manulife Asset Management Limited
NAV Canada
New Brunswick Investment Management Corporation (NBIMC)
Northwest & Ethical Investments L.P. (NEI Investments)
OceanRock Investments Inc.
Ontario Municipal Employee Retirement System (OMERS)
Ontario Teachers' Pension Plan (OTPP)
OPSEU Pension Trust
PCJ Investment Counsel Ltd.
Pension Plan of the United Church of Canada Pension Fund
Pier 21 Asset Management Inc.
Public Sector Pension Investment Board (PSP Investments)
RBC Global Asset Management Inc.
Régimes de retraite de la Société de transport de Montréal (STM)
Scotia Global Asset Management

Sionna Investment Managers Inc.
State Street Global Advisors, Ltd. (SSgA)
Sun Life Institutional Investments (Canada) Inc.
TD Asset Management Inc.
Teachers' Retirement Allowances Fund
UBC Investment Management Trust Inc.
University of Toronto Asset Management Corporation
Vestcor Inc.
Workers' Compensation Board - Alberta
York University