



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

April 9, 2018

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

Dear Ms. Lee,

**RE: National Instrument 58-101 Disclosure of Corporate Governance Practices consultation relating to Women on Boards and in Executive Officer Positions**

The Pension Investment Association of Canada (PIAC) welcomes the opportunity to respond to the Consultation on Disclosure Requirements in National Instrument 58-101 *Disclosure of Corporate Governance Practices* (the Disclosure Requirements) relating to Women on Boards and in Executive Officer Positions.

PIAC has been the national voice for Canadian private and public pension funds since 1977 in matters related to pension investment and governance. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1.8 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries. PIAC's positions on public policy reflect the fiduciary framework in which member funds operate and its commitment to work in the best interests of plan members.

**Background**

PIAC has adopted corporate governance principles and guidelines for its members to promote sound governance practices, enhance long-term company performance and enhance confidence in financial markets.

We believe that boards should consist of members who have the experience, skills, competency, integrity and overarching commitment to represent long-term shareholder interests. Directors with diverse backgrounds, skills and experiences strengthen board performance. In this regard, boards should adopt a diversity policy and develop processes to identify candidates from diverse backgrounds in order to ensure that women and minorities are routinely considered for open directorships.

Age and tenure are also relevant factors to consider in the composition of boards and to facilitate renewal and diversity.

PIAC urges the BCSC – as one of two remaining provinces, along with Prince Edward Island, that have not adopted the Disclosure Requirements – to become a Participating Jurisdiction. Such an adoption would be a strong signal as to the importance of this issue, and would highlight the BCSC's efforts in enhancing board and senior management diversity in Canada.

## **Answers to specific questions**

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

PIAC sees many benefits to disclosure on this topic, for both investors and issuers. For investors, the Disclosure Requirements provide valuable information needed for investment decisions, not only on the representation of women on boards and in senior management positions, but also about how the board considers diversity in the nomination, selection and recruitment process as a whole. Furthermore, the disclosure provides investors with greater insights into how the board views its current skillset, and the desired set of skills needed going forward.

Issuers, on the other hand, are prompted to consider diversity, initially at the board and senior management level, but ultimately, this should lead to the establishment of policies and processes to improve diversity throughout the organisation.

### 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?*

PIAC notes that the disclosure provided over the past three years has been useful in facilitating engagement between its members and issuers, and has helped to improve the analysis and decision-making when it comes to how members vote on the election of director nominees.

However, while 94% of the 660 issuers that the CSA analysed in its most recent Staff Review have disclosed the required information, the quality of the information disclosed is variable, and has not generated the level of transparency desired.

PIAC notes that the information around processes and objectives is often of a general and boiler plate nature, especially in respect to the reasons why there are no or a limited number of women on boards or in executive positions. Investors therefore only have a partial view as to how gender is taken into account in the board nomination and renewal process and the reasons for not adopting a diversity policy or objectives.

In particular, it is disappointing to see the lack of women on boards and executive positions being justified by a lack of qualified women or generic statements on nominees being put forward based on merit. We believe boards that truly embrace an inclusive approach are able to find qualified women, as many Canadian companies have been able to do. The ample number of women in the workforce, along with the many director education course have created a wide pool of qualified women candidates. Boards should expand their horizons by considering alternative or non-traditional sources to identify qualified women candidates.

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

The information provided with regard to the representation of women on boards and in executive positions has been integrated and used in voting decisions and engagement activities, as stated above. While the information provided has been helpful, there is room for improvement to better understand how issuers take into account gender in their recruitment and renewal processes.

PIAC has adopted corporate governance principles and guidelines for its members to promote sound governance practices, including those related to the enhancement of gender diversity. In addition, many of PIAC's members have their own formal voting policies on gender diversity.

#### 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 mechanisms and targets?*

Following the three-year disclosure exercise, PIAC believes that the approach advocated by the Disclosure Requirements is not prescriptive enough to generate the expected progress with respect to diversity and board renewal. PIAC believes that the guidelines in NP 58-201 be amended to formally establish diversity and renewal expectations of boards.

*(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?*

PIAC believes that NP 58-201 should be amended to specifically provide for boards to:

1. Adopt a policy to: i) foster diversity, and in particular gender diversity, on the board and in senior management positions; ii) adopt an objective to have at least 30% of female representation on boards and in executive positions, noting that such an objective is not a quota; and iii) provide meaningful disclosure on progress/results achieved in respect of the representation of women on boards and executive positions.
2. Adopt a board renewal policy, taking into account, on an annual basis: i) the age and tenure of each board member, to ensure a balance between more experienced directors and those who can bring a fresh perspective to the board; ii) the number of boards on which directors serve and their attendance rate to ensure that directors can effectively fulfil their duties and responsibilities; iii) director performance via a rigorous evaluation process; and iv) the skills and competencies required to support the strategic objectives of the company.
3. Consider gender balance when proposing or nominating board members, together with disclosing the number of women on the list of potential candidates considered for the board seat or the executive position.

Companies would be required to confirm that they have adopted these guidelines, failing which, they would have to describe, as required:

1. The measures adopted by the board to remedy the lack of diversity.
2. How the board brings together a range of appropriate perspectives, knowledge and experiences to support optimal decision-making.
3. How the board is renewed to ensure its optimal composition.

We believe that such an approach would convey clear, but not prescriptive, expectations to issuers, recognizing the evolution of governance practices in recent years.

Finally, securities regulators should provide references to banks of candidates focused on diversity to support companies in their recruitment efforts.

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?

PIAC supports diversity in all of its forms. While gender diversity has been the focus of many investors' attention, and will continue to be, companies should strive to enhance the representation of all forms of diversity across the entire organization. We support the disclosure of initiatives and policies that have been implemented in order to increase the levels of diversity on boards and in senior management roles. PIAC therefore

believes that Canadian securities regulators should widen the scope of current diversity disclosure requirements to include all forms of diversity.

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?

PIAC supports the presenting of information in a standardized format. One of the benefits of this for investors is that it provides comparable and consistent data in a useful format (and as the Request for Comment highlights, it allows the efficient gathering of data for further consumption). However, one of the challenges of requiring data to be presented in this way, particularly in table format, is that it may not provide a full picture. Therefore PIAC recommends allowing some flexibility in how issuers disclose information so that any data table can be complimented with a narrative section.

We would like to thank you for giving us the opportunity to share our comments. Please do not hesitate to contact Susan Golyak, Chair of the Investor Stewardship Committee (778-410-7448, [susan.golyak@bci.ca](mailto:susan.golyak@bci.ca)), if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,



Brenda King  
Chair