

1 This is the unedited transcript of the roundtable discussion of OSC Staff
2 Consultation Paper 58-401 Disclosure Requirements Regarding Women on Boards
3 and in Senior Management on October 16, 2013 which we received directly from
4 the transcriber. We are posting the transcript in this form to make it
5 available as soon as possible.

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7 ONTARIO SECURITIES COMMISSION

8 LA COMMISSION DES VALEURS MOBILIÈRES DE L'ONTARIO

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11 ROUNDTABLE DISCUSSION RE
12 WOMEN ON BOARDS AND SENIOR MANAGEMENT

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17 DATE: Wednesday, October 16, 2013
18 HELD AT: Ontario Securities Commission
19 22nd Floor, 20 Queen Street West
20 Toronto, Ontario

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22 BEFORE:

23 Howard Wetston (OSC Chair)
24 Maureen Jensen (OSC Executive Director)
25 Mary Condon (OSC Vice-Chair)

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PANELISTS:

Aaron Dhir (Osgoode Hall Law School)

Pamela Jeffery (Canadian Board Diversity Council)

Alex Johnston (Catalyst Canada)

Eric Lamarre (McKinsey & Company Canada)

Jim Leech (Ontario Teachers' Pension Plan)

Stan Magidson (Institute of Corporate Directors)

Kathleen Taylor (Royal Bank of Canada)

Annette Verschuren (NRStor/Cape Breton University)

1 --- Upon commencing at 9:00 a.m.

2 CHAIR WETSTON: Good morning to all,
3 and welcome to the Roundtable on our Consultation
4 Paper, "The Representation of Women on Boards and
5 Senior Management of TSX-listed Companies".

6 Special thanks to you all here, this
7 impressive group of panelists who bring their
8 professional and personal perspectives to our
9 discussion.

10 As you all know, we issued a
11 Consultation Paper for comment on July 30th. We
12 received 90 comment letters. I mention this only to
13 suggest that there is such a great level of interest in
14 this matter.

15 A few comments by way of introduction,
16 and then I will deal with some housekeeping matters.

17 Public companies, TSX-listed companies,
18 are of enormous importance to Canada's capital markets
19 and to the national interest. The representation of
20 women on these boards and in senior management engages
21 legitimate corporate governance initiatives that affect
22 the national interest. Indeed, the momentum to improve
23 corporate governance has increased in many countries,
24 and the composition of boards is one area where there
25 is impetus for change.

1 In the U.K., I reviewed this report,
2 and a number of you have seen this, by the Association
3 of Chartered Certified Accountants, ACCA. In that
4 report, they stated as follows: that the increased
5 attention on the participation of women acknowledges
6 the importance of gender diversity in broadening the
7 skills and perspectives of boards and accessing - and
8 this is important - a talent pool that has been under
9 utilized.

10 Corporate governance is being reformed
11 as the international business landscape is being
12 reshaped by an accommodation of market volatility,
13 globalization and innovation. Collectively, these
14 forces are driving new societal values, needs and
15 expectations. Amid all this momentum for change, we
16 are seeing governments and regulators respond with
17 corporate governance reforms. This is essentially an
18 exercise in legitimacy and modernization and
19 potentially addresses important economic and social
20 realities. So listening here is essential, and an open
21 line of consultation is critical, which brings us back
22 to this Roundtable this morning.

23 So I am co-moderator; I am not chairing
24 this Panel. So I am with Mary Condon, who is Vice-
25 Chair, and Executive Director Maureen Jensen on my

1 right. We have brought together a great panel to share
2 their insights and discuss the proposals in our
3 Consultation Paper. I'm just going to introduce them
4 very quickly and then do some housekeeping.

5 Aaron Dhir, Associate Professor at
6 Osgoode Hall Law School; Pam Jeffery, who is the
7 founder of the Canadian Board Diversity Council; Alex
8 Johnston, Executive Director of Catalyst Canada; Eric
9 Lamarre, Managing Director and Partner, McKinsey &
10 Company Canada; Jim Leech, who is President and CEO of
11 Ontario Teachers' Pension Plan; Stan Magidson, who is
12 the President and CEO of the Institute of Corporate
13 Directors - he's spent some time with us a number of
14 years ago at the OSC; Kathleen Taylor, the newly
15 appointed Chair of the Board of the Royal Bank of
16 Canada; and Annette Verschuren, my Cape Breton friend,
17 Chair and CEO of NRStor and Chancellor of Cape Breton
18 University and a number of corporate boards, Air Canada
19 and Liberty Mutual out of Boston, based in Montreal.

20 So I want to thank all of you for
21 participating in our Roundtable. We certainly
22 appreciate your generosity with your time, your
23 expertise and your ideas.

24 So we're going to explore some of the
25 major themes identified in our paper; namely, the

1 business case for advancing the representation of women
2 in boards and in senior management; number two,
3 effective policies and practices for increasing the
4 number of women on boards and in senior management; and
5 three, the types of disclosure requirements that would
6 be most useful and whether our proposed model as
7 enunciated in our Consultation Paper is appropriate.

8 Our hope is that today's discussion
9 will further our understanding of the issues and inform
10 our final recommendations which will be made to the
11 Minister of Finance and Minister Responsible For
12 Women's Issues in Ontario.

13 So here is how the agenda will unfold.
14 Eric Lamarre will begin with short remarks about the
15 business case for increasing the representation of
16 women. Next, Maureen will moderate the discussion on
17 effective policies and practices. Mary will then lead
18 the dialogue about disclosure requirements.

19 Panelists are welcome to take part in
20 these discussions throughout the agenda. Our
21 discussion is being transcribed, and the full
22 transcript will be posted on the OSC website after it
23 has been edited.

24 During each segment, the audience can
25 write questions on cards provided. Staff will bring

1 them to the Moderator. There also will be time at the
2 end of the agenda for Q&A.

3 So obviously, the call-out is cell
4 phones. Please turn them off, if you don't mind. We
5 are taking photos at this event which may be posted on
6 our website or used for OSC corporate materials. If
7 anyone objects, please let us know. Note that this is
8 a public event and members of the media are in
9 attendance, and we're pleased that that is the case.

10 So I think I can now turn over the
11 segment of this consultation to Mr. Lamarre.

12 Thank you for coming. And over to you,
13 sir.

14 MR. LAMARRE: Good morning, everybody.

15 We started at McKinsey research on
16 gender diversity back in 2007 and actually published
17 five major research papers. They were called "Women
18 Matter", 1, 2, 3, 4 and 5.

19 In the No. 1 research paper we had
20 tried to look at the empirical evidence of women's
21 representation on management teams and boards and
22 whether there was an empirical correlation with
23 financial performance of these companies. We found
24 that relationship, and others that had done the same
25 kind of analysis later on have also found the same

thing.

What we found most interesting, though, in doing that research is we found another relationship which was really between high-level representation of women on management teams and boards and what we call "organizational health", which is really a number of dimensions that characterize whether an organization is healthy. So you will imagine things like employee mobilization, a sense of direction, a sense of renewal. On every single one, on every single dimension, the companies that had a higher representation of women in their organization and boards had stronger organizational health. In particular, three dimensions really stood out: a stronger sense of direction in the organization, a more supportive leadership, and a higher motivation level of employees.

For us, that was actually an important finding because we had known all along in our research that strong organizational health correlated with company performance.

In "Women Matter" Nos. 2 and 3, we started to ask ourselves why was there this link, and so we looked at the leadership behaviour or attributes that women have versus men, and they are different.

Three stood out. Women tend to be more

1 focussed on people development, they tend to be sharper
2 in setting expectations and fairer on rewards, and they
3 are perceived as stronger role models. All three of
4 these started to resonate with our research of stronger
5 direction orientation, stronger sense of leadership,
6 and a higher degree of motivation.

7 So it started to make sense that a
8 higher mix of women in the organization and on boards
9 would translate into a set of leadership attributes
10 that they displayed that are different than men,
11 complementary, and started to make for a stronger
12 organization. So that linkage to the organizational
13 make-up started to unveil itself.

14 In "Women Matter" Nos. 4 and 5, the
15 last two pieces of research, we asked ourselves: Well,
16 if this is evident and largely recognized, why isn't
17 it happening in organizations? What's missing? Why
18 isn't that make-up increasing faster than we see it
19 today?

20 This is where we started to really
21 focus on not just the top of the organization, which is
22 the board and the executive team, but throughout the
23 organization and this notion of looking at a pipeline
24 and figuring out from the day of recruiting all the way
25 to seats on the boards where are all the bottlenecks in

1 the organization.

2 In that analysis, we found that some of
3 these bottlenecks tended to be country-specific,
4 cultural elements of a given country; many were
5 company-specific. So a bank would have different
6 bottlenecks than a consulting firm, for example, at a
7 different place, different biases, and it started to
8 suggest a set of actions that are more targeted in
9 nature.

10 What was true, though, is what made the
11 difference in the end in companies that were performing
12 better is CEO commitment, visible commitment with
13 clear targets and clear actions set by the CEO; a
14 measurement system, not just measurement of the
15 fraction of women on boards and senior management teams
16 but throughout the entire organization, to really
17 pinpoint where the bottlenecks are and to unlock the
18 bottlenecks in the organizations, so a stronger set of
19 measurement systems to point to the opportunities in
20 the organization, to improve performance; and then a
21 set of initiatives are targeted, so development
22 programs, HR processes, supporting infrastructure.
23 Often different, because the bottleneck would be
24 different.

25 And so that's what we found in our

1 research.

2 In summary, strong empirical evidence,
3 that was clear. Really, it boils down to different
4 leadership attributes that women bring versus men, and
5 I am sure if we were looking through a different
6 diversity lens we would find probably something similar
7 although possibly different characteristics.

8 Lastly, a winning formula: CEO
9 commitment, strong measurement system of the
10 bottlenecks in the pipeline, and a set of targeted
11 actions that are sustained over time.

12 CHAIR WETSTON: Thank you so much.
13 That is very helpful. We're going to go to our next
14 speaker.

15 MS. JENSEN: What we have decided to do
16 is split the morning up. Mary and I are going to take
17 different parts of this discussion to lead it. So the
18 first piece follows the questions that were asked in
19 the Consultation Paper. I'm going to ask some
20 questions around the policies and practices to the
21 panel members, and then Mary will move on and then talk
22 about disclosure, what kind of disclosure and a
23 measurement.

24 So we'll start off with the structural
25 barriers around board appointments. I'm going to ask

1 Annette to start.

2 The question is: What are the root
3 causes for the lower level of representation of women
4 on boards and senior management? In your remarks, if
5 you could particularly talk about the need for people
6 to be CEOs, to be considered for boards.

7 MS. VERSCHUREN: Thank you. Great,
8 Eric, to go behind you because I am in total agreement
9 with what you are saying.

10 I ran Home Depot for 15 years, and I
11 saw barriers for women in the marketing departments, in
12 the operations departments, et cetera, and we
13 instituted succession planning and really focussed on
14 getting women taking those risks, getting women into
15 these positions. We have to build the pool because
16 more and more will float to the top as a start.

17 So the visibility of women is really
18 important, and I think women can do more to become
19 visible. I believe stepping up and really becoming
20 more visible and marketing themselves better I think is
21 a really positive thing.

22 I think they need to take on the
23 tougher assignments. And it has to come from the CEO,
24 it really does. I believe future companies are going
25 to be judged on their corporate responsibility, how

1 they deal with the environment. The social agenda is
2 causing changes, needed changes in terms of board seats
3 and senior executives of teams.

4 I think one of the things that I did,
5 I have been a board member since I was 30 years old,
6 and it was because Crown corporations wanted to have
7 more women on their boards, and I took advantage of
8 that.

9 I also took advantage of a great friend
10 of mine, Purdy Crawford. When I joined Imasco, I made
11 a deal with him. I said let me get operational
12 experience; put me in a corporate staff position, but I
13 really want operational experience. And I got to run
14 the Den for Men, which is a small retail chain, and
15 that resulted in building confidence, running a small
16 operation, but that operational experience really gave
17 me a lot of confidence. So ask for it more. I think
18 women need to do that, and I see a movement in that
19 direction, which I really am excited about.

20 You need to understand the P&L, there's
21 no question, in terms of really recognizing that that
22 has to be a problem.

23 Other barriers? Look, I have been in
24 the coal mining business, I've been in the tobacco
25 business, I've been in home improvement. These are not

1 sectors dominated by women. They are tough, they are
2 challenging, but I did well in them, and I did well, I
3 believe, because I was comfortable and challenged in
4 them. I was alone many times.

5 But women see things through a
6 different lens, and I believe the lens is changing in
7 corporate boards. I think the social agenda, whether
8 it is the environment, whether it is the organizational
9 health of an organization, all these things are
10 becoming more important, and women are very good at
11 this, as you have proven in your six studies. How many
12 more do you need to do? And how many studies have you
13 done on men's performance at board levels alone?

14 I think that would be an interesting discussion as well
15 because I really believe a combination of men and women
16 is so absolutely strong, not one group dominant. I see
17 great progress.

18 I was talking to one of the
19 Commissioners. To give kudos to my Cape Breton partner
20 over here, there are six women Commissioners, and they
21 say that the mood in that boardroom is so open, so
22 direct and so positive for the men and women in that
23 organization.

24 So I think shareholders are starting to
25 look more closely at social responsibility, I really

1 do. I think capitalism as we knew it in the past is
2 changing, and I think women can really help out in that
3 movement, and I think that we are extraordinarily
4 important to help companies get to where they need to.

5 I think, as I said, the roles of
6 companies are evolving.

7 Just on CEOs, only 40 percent of CEOs
8 are board members. I think it is wonderful to have
9 operational experience on a board, no question about
10 that, but I see really great strength in specialty
11 areas, CFOs of companies. I see legal, I see the
12 marketing teams, HR. Anybody that has gone through a
13 major re-organization with an HR leader, it's quite
14 amazing. So I think we have to recognize that this is
15 changing, and I again go back to international
16 experience being extraordinarily important. So I don't
17 think we should get caught up on having to be a CEO.

18 I ran a division of Home Depot, it was
19 a big responsibility, but I got on these boards and I
20 contributed to these boards and felt comfortable on
21 these boards as I got through them. But, look, I
22 think it is time, it is time that we expand this.
23 We have been at the same point for too long. So I
24 think the business case is there, has been there for
25 many, many years, and I think it is time really to get

1 on with it.

2 MS. JENSEN: Any other comments? Do
3 you want to pick at the thread on root causes for the
4 number of women on boards that we have in corporate
5 Canada, or should we just move on to the next question?
6 I encourage people in the audience to write questions,
7 and we will then pose them through this practice here.

8 Next, I would like to move on to
9 Kathleen and ask you: What do you believe are
10 effective policies and practices for increasing the
11 number of women on boards in Canada?

12 MS. TAYLOR: The best practices around
13 diversity and gender of all kinds are many and varied,
14 I would say. Lots of companies do extremely well
15 although there doesn't seem to be a model blueprint,
16 but there are some factors that stand out.

17 Eric and Annette have mentioned,
18 dealing first with women executives in management
19 ranks, for sure the diversity agenda begins with the
20 CEO. We talk about tone from the top in all matters of
21 governance, and diversity policies of an organization
22 are no different.

23 When you are a female CEO, it is pretty
24 obvious either in your company or in your industry, as
25 was my case in hospitality, that the diversity agenda

1 could start with you. It was very easy for people to
2 look to you for guidance in that area. But it's true
3 whether you are a male or female CEO.

4 So if we turn our attention to the RBC
5 case, Gord Nixon is the champion of the diversity
6 initiative at RBC, has been for 12 years. When he
7 first took over as CEO, he established a Diversity
8 Council, made this an important feature for the time
9 that he spent with his senior managers, and so very
10 senior people in all the business divisions participate
11 on the Diversity Council with real accountabilities,
12 real goals as part of their day-to-day management. So
13 very visibly driven from the top of the business.

14 The second area that I talk to people
15 about is the need for diversity to be fully integrated
16 into the talent management processes of an
17 organization. Diversity is something that you do
18 sometimes very tactically, sometimes a side-of-the-desk
19 endeavour. It will largely be a marginal activity for
20 most people, but if it is focussed really at the heart
21 of your talent management processes, your people
22 development process, your succession plans for the
23 executive ranks, and you have real, tangible medium-
24 and long-term goals around diversity, people pay
25 attention to that, they work toward it, it's

1 meaningful. People in the organization can come to
2 rely on that focus, and it really sends a message of
3 energy and renewal throughout an organization.

4 There are a number of issues within the
5 talent processes: sponsorship, mentorship - people
6 talk about those; having programs that are devoted to
7 those, that highlight the need for that. Men and
8 women, we all need coaches in our lives, people who can
9 help us as we move along. But really formalizing those
10 elements.

11 And then the last one, also a very
12 broad area, is corporate culture. You have to be
13 fostering a culture of diversity that drives
14 inclusiveness.

15 At RBC, one of the core values is
16 diversity drives growth and innovation, and there is a
17 fundamental belief that the organization gets stronger
18 every day as a result of the focus on diversity and the
19 inclusion that goes along with diversity. It is really
20 those two taken together that will drive a very, very
21 powerful element.

22 If we move that along to what is
23 happening in the boardrooms as we choose directors,
24 I think many of the same rules would apply. The board
25 chair needs to be focussed on thought diversity at the

1 board level, and with that comes gender diversity as
2 well as all other kinds of diversity, which I know
3 we'll talk a little bit about later today, and so the
4 board chair, the nominating governance committee has to
5 have this as a focus, and the board itself can play an
6 overriding key role in making sure that it keeps its
7 eyes focussed on that.

8 We have had a diversity guideline at
9 RBC for many, many years now targeting more than
10 25 percent women; we're almost at 30 percent right at
11 the moment, five of us on the board now female. And I
12 think that that's an important factor.

13 I do think it is also important to say
14 you can't get too fixated on percentages. The most
15 important thing for boards is to have the right people
16 at the table at the right time constantly focussed on
17 renewal and diverse expertise, and so as you go through
18 that, percentages will fluctuate, but within a range.
19 There is nothing wrong with focussing on that and
20 coming to some company-specific determination of what
21 constitutes critical mass.

22 I think that one of the things we see
23 in business and boards is that when women are there in
24 sufficient numbers there is a catalyst for change in
25 that thought process, and so it is important to think

1 about what the size and shape of that is for your
2 organization and get to the right point on that.

3 Also, this is a little bit outside the
4 context of what a board can do, but to Annette's point,
5 I think that our corporate leaders in Canada can be
6 doing more to encourage our young executives to take on
7 board work earlier on in their lives. I joined the RBC
8 board when I was 44 - very, very young, I thought, at
9 that time; I certainly think now, looking back.

10 But the learning experience, from an
11 executive development perspective, that I was able to
12 bring back to my main role as the leader of Four
13 Seasons was absolutely invaluable. I think if we think
14 of these types of external engagements as career
15 development, as executive development, no different
16 than an Executive MBA for some people, in many cases it
17 can be more valuable in the form of hands-on
18 experience. Freeing up a lot of our very talented
19 young people to get on with the business and helping to
20 engage with other companies will indeed start to begin
21 the process of changing.

22 MS. JENSEN: You've talked about the
23 importance of CEO commitment to gender diversity at the
24 board level and the chair's commitment. Both you and
25 Annette talked about issues on the supply side, how to

1 ensure that you have board-ready women available.

2 Let's talk a bit about the demand side.

3 And this is open to anyone. What do you think are some
4 of the practical ways that a company can encourage
5 diversity at the board table? For example, the
6 nominating committee, what are some of the things they
7 can do differently than are being done today?

8 MS. TAYLOR: I think there are a lot of
9 new things going on. I happened to be at an event last
10 evening with a large group of women, and we were
11 talking about searches that various companies have
12 going on at the moment, and a couple of the women
13 indicated that the searches that they are working on
14 for their boards are women only, and so they have asked
15 their search firms. This has become a focus for them.
16 Now, whether this is a board need or in response to the
17 initiatives that are going on here, we can debate that
18 and talk about it, but there is no question this has
19 become top of mind.

20 But even if that is not where your
21 board is at, ensuring that your search firm -- and I do
22 think that the use of external advisors when you are
23 trying to hone in on the best candidates is a useful
24 thing to do. Making sure that they know that your
25 board is focussed on the best available candidates from

1 all areas of the economy, men, women, other visible
2 minority candidates, whatever it is, just getting the
3 best list, but also making sure they are focussed on a
4 diverse list so that you are not simply focussed on one
5 type of person. I think that is one thing that is a
6 very easy thing to do as each board goes out for its
7 next search.

8 MR. DHIR: So, so far this has been a
9 really helpful discussion, both on root causes and then
10 on corresponding practices.

11 On root causes, back to that, perhaps
12 one thing that hasn't yet come out in the discussion is
13 the issue of implicit cognitive bias and the biases
14 that we all share. Harvard University has a wonderful
15 online tool where you can measure your own bias. In
16 thinking about today's meeting before getting on the
17 plane, I ran one for myself and was quite amazed to see
18 how biased I really am.

19 So the issue then becomes: How do we
20 address this in corporate cultures?

21 Eric, I know you've thought a lot about
22 this so I was wondering if you could bring that to the
23 table.

24 MR. LAMARRE: We were discussing this
25 just before the start of the event. I think this is an

1 area where we haven't done enough research to
2 understand where are the biases in the organization.
3 I don't think anybody is going into their job saying,
4 "Oh, I'm going to make sure I don't promote any women
5 today." Nobody does that - at least, nobody in any
6 organization that I know.

7 But actually, when you start to look at
8 the data, and we have done some of this in our own
9 organization just to look at how we were recruiting,
10 for example, and how many times out of a sample set we
11 would give offers and no offers and see whether there
12 was a gender bias but any other type of biases in that,
13 and just supplying this information back to the
14 recruiters, to the partners doing recruiting so that
15 they could self-diagnose their own bias in the
16 organization.

17 So I think this is an area. There are
18 a lot of initiatives we can take, you know, more
19 programs this, more programs that, but I think we
20 haven't hit enough at the core of this, and I am
21 increasingly going in that camp, that there are some
22 inherent biases in organizations that we are not aware
23 of as individuals, but when the data is played back in
24 a manner that opens your eyes, then you become
25 consciously aware, and then there is a chance for

1 change in behaviour.

2 So I would like to see more on that, to
3 provide tools to organizations so that their management
4 line, not just the top five or ten in the organization
5 but everybody in a management position, can have a
6 chance to figure out what those biases might be.

7 MS. JOHNSTON: I don't think we have
8 got a wealth of information on the bias, but one of the
9 things we do and a number of people do is try to create
10 a body of evidence, and one of the things we have been
11 doing for a number of years is tracking MBA grads, men
12 and women, since 2008.

13 What is useful about the evidence,
14 about what companies can do with that evidence, I'll
15 just table three quick points. What we found when we
16 looked at men and women with comparable work experience
17 going into their MBA with comparable MBA credentials
18 and with similar aspirations and we isolate the things
19 like kids, no kids, willingness to take on
20 international assignments, right out of the gate women
21 are being offered jobs at a slightly lower level than
22 their male counterparts, on average a \$5,000 salary
23 difference in compensation out of their MBA degree.

24 What I found really instructive last
25 fall was a report we put out on hot jobs. We looked at

1 the critical components of career advancement, and one
2 of the things we identified was hot job experience.
3 All of the participants - we are talking about 10,000 -
4 out of about a thousand participating in this report
5 said they were getting hot job experience. A "hot job"
6 is mission-critical to the organization, significant
7 budget, significant number of direct reports.

8 What we found is women were being put
9 into management training programs early and were there
10 for longer than their male counterparts, but once they
11 moved out of those they weren't getting comparable file
12 experience to advance.

13 So a couple of things happened.

14 We looked at the details. On average,
15 men's budgets were twice that of their female
16 counterparts, three times the number of direct reports,
17 substantially more exposure to senior executives.
18 Everyone in this room understands the value of those
19 three things.

20 What that enables companies to do is
21 not say I understand my biases, but I need to look in
22 the organization at where these barriers are starting
23 and figure out how we are making our decisions. It
24 enables companies to have the right kind of
25 conversation.

1 There are tons of things you can do in
2 companies, and I know RBC has taken a really keen
3 interest in unconscious bias to develop better
4 strategies. As a starting point, get the evidence and
5 start to look in your company at the critical places
6 whether career advancement starts to sort of go on two
7 different paths, address those, and you will find that
8 your talent development starts to be a lot more
9 effective and successful than it is today.

10 MS. TAYLOR: I think one of the keys
11 around the subject of unconscious bias is the stigma
12 associated with the concept of unconscious bias.
13 Really, all of us, as you point out, Aaron, come every
14 day with a set of biases that were formed as a result
15 of our experiences, our history and our upbringing.
16 Some of those are good biases, but some of them can get
17 in the way of sound decision-making.

18 I think, to Alex's point, it is the
19 awareness around what are potential biases in the
20 workplace and then work to target those and work
21 through them, because they will always exist. It is
22 not an idea that people will come with blank sheets of
23 paper to work and somehow be moulded. Everyone brings
24 their own experiences, as diverse as that may be, which
25 is the power of a collective, but then figuring out how

1 to get everyone to accept that those biases are part
2 of how they are made, part of what creates the value
3 as an individual and working with them to make sure
4 they are not getting in the way of good decision-making
5 is a very, very important step.

6 MS. JENSEN: And it is important, I
7 think, to realize that diversity at the board table -
8 and I just mean diversity of thought and diversity of
9 bias - makes for better decision-making because you
10 don't all have one bias.

11 In particular on boards, I have a
12 question from the audience. Should term limits be
13 mandated for board members to help with the demand side
14 of women on boards? Anyone want to talk about that?

15 MS. TAYLOR: I think term limits as a
16 matter of governance have been thought to be
17 advantageous for boards for some time, not specifically
18 as it relates to the diversity issue but more as it
19 relates to the renewal issue and the need for a
20 constant evaluation of independence of a board from
21 management. So this is a conversation that has been
22 going on for a long time. It is now new in the arena
23 of diversity. Whether it will help to promote more
24 diversity I think does depend a little bit on how it is
25 then used as you move into the next generation.

1 MS. JENSEN: Yes, it's been a
2 discussion that's been under way for a long time for a
3 variety of reasons.

4 MR. LAMARRE: I would actually look at
5 this almost the other way around. I think in any job
6 that we do, any job, there is usually a bit of a
7 ramp-up period before you start to be effective.
8 I don't know exactly how long for a board member, but
9 let's call it a couple of years. And there is certain
10 period of time at which point you are no longer
11 effective because you've been in it so long you can't
12 see things anymore.

13 CHAIR WETSTON: It's called your "best
14 before date".

15 MR. LAMARRE: Exactly. I don't know
16 what that date is for board members. So, for me, the
17 notion of term limits is just good governance. That's
18 it, full stop. It doesn't need to be viewed as a
19 mechanism to drive more diversity on boards although it
20 can obviously help for that, but that would seem to be
21 the wrong reason to do it. The right reason to do it
22 is to get a more effective board.

23 MS. VERSCHUREN: I agree with Eric a
24 hundred percent. I have seen chairs make changes on
25 boards that I've been on that had the seven years and

1 then stay for life. It is changing, and as there are
2 more demands on boards I think there is going to be a
3 natural turnover. People are going to want the best
4 people on their board, and that should automatically
5 happen. We have many good boards, a lot of good
6 internal surveys. We judge each other's performance,
7 and shareholders judge us. So that would be my comment
8 as well.

9 VICE-CHAIR CONDON: So is the question
10 of term limits, then, something that securities
11 regulators in our roles should be focussing on? It is
12 not something that we directly raised in our
13 Consultation Paper, which is, as we know, focussed more
14 on disclosure obligations, but is that something that
15 securities regulators have a role to do in terms of
16 moving the dial on corporate governance practices?

17 MR. MAGIDSON: I think that certainly
18 there is a lot of merit in considering term limits, but
19 I would suggest I think what we're talking about here
20 generally is what I will call "behavioural science".
21 I don't think this is an accounting exercise.

22 The perspective we have at the ICD is
23 generally not to legislate what you must do, but
24 rather, encourage good governance practices. So I
25 would suggest that term limits is certainly something

1 boards should really consider and see whether it is the
2 right answer for their companies and boards.

3 We prefer to see much more rigorous
4 board evaluations done such that there really is rigour
5 in terms of do we have the best people on our board,
6 or, to borrow Howard's phrase, have they reached their
7 "best before" dates. I think that that would be a way
8 of actually pruning things in your boardrooms so that
9 you actually had the right configuration that
10 corresponds to your matrix in a high-performance board.

11 So certainly, it is part of a potential
12 toolkit, and some companies may consider it is the
13 right way to go. It's easy, it's kind of calculable.
14 There is no discretion; it happens. But we generally
15 don't favour the idea of governments know what's right
16 for the particular business.

17 MR. DHIR: I agree with Stan that term
18 limits are something that boards should consider.

19 Picking up on Mary's point, I think
20 that a potential disclosure provision on term limits
21 could assist companies in nudging them towards that
22 consideration.

23 I do think it is an important part of
24 the puzzle, one part that has to work in conjunction
25 with the other items we have talked about. I am just

1 mindful of the Consultation Paper, and at page 5 it
2 talks about the TD economics report, which showed that
3 from 2009 to 2011 women filled only 15 percent of the
4 entrance seats. So we have to be mindful of that as
5 well.

6 MS. JENSEN: So we are talking about
7 gender diversity on public companies, so I think I
8 would like to turn it over now to Jim and pose a
9 question about: What role do investors play in
10 encouraging diversity at the board table and, in
11 particular, institutional investors, because they are
12 so dominant in the Canadian market?

13 MR. LEECH: Certainly. As a global
14 investor, we have always had the long-held view that
15 good governance is good business. We kind of start
16 with that. Companies with good governance practices
17 usually make better decisions. So, how do you get the
18 board to be making the best decisions, or what is the
19 composition of that body to have the proper debates and
20 proper analysis, et cetera?

21 Our conclusion on that is that we must
22 try to make sure and encourage companies to get
23 qualified directors and to choose them from as diverse
24 a pool as possible because we think diversity of views
25 at the table and getting away from group-think gets you

1 to the right place.

2 Diversity to us is not just gender, but
3 that is the question on the table. I think, from our
4 perspective, a diverse pool means nationality, gender,
5 all of the experiences that you have. But we are
6 talking about gender today.

7 Looking at the Canadian experience, it
8 is not a very good track record. We have been slow to
9 increase diversity on the boards, and gender diversity
10 is probably the best place to start.

11 We were asked the question, to respond
12 to the paper that the OSC put out, and our view is,
13 looking at the evidence, it is clear to us, the
14 McKinsey Report and others, that better boards have
15 more diversity, and that's what we as institutional
16 shareholders should be pushing.

17 MS. JENSEN: I would like to also then
18 ask the table - and I will focus first on Annette and
19 then to the rest of the group - what do you think
20 should be the role of the securities regulator in
21 mandating diversity at the board level?

22 MS. VERSCHUREN: I think this question
23 is bit of a diversion. Look, I think the real issue
24 for which we are here today is to improve Canadian
25 companies, and I am convinced beyond a reasonable doubt

1 that putting more diversity on these boards, having
2 more women in C-suites really improves the performance
3 of companies.

4 And shareholders are demanding more
5 transparency. They are. I think it is going to help
6 investors make decisions when they see what the make-up
7 of their -- and every time I look at a board I look at
8 senior corporate officers and I look at what the
9 make-up of the board is. I think, to Jim's point,
10 we're becoming more global, we are becoming more
11 diverse. We really need this to happen.

12 The facts are that we're not making any
13 progress. The facts are that of public companies in
14 2009 10.3 percent have women on their boards, and today
15 it is that same number. So who is going to do
16 something about this? Catalyst has taken an
17 initiative.

18 In a perfect world, I would love a
19 bunch of CEOs, a bunch of chairs in Canada to drive
20 this, to push it. I really think what they are doing
21 in the U.K., the 30 Percent Club, is very interesting
22 and very positive. That would be a perfect world. But
23 in the absence of that...

24 We are not seeing progress even in
25 Crown corporations. I think they have gone down three

1 percent, co-operatives up a little bit, private
2 companies a little bit better over that period of time,
3 but we are not making progress. So comply or explain,
4 I think the concept of it creates transparency.

5 Some companies have a long way to go,
6 but if you go from zero to one, wow, what an impact
7 that would be. I saw some numbers that Alex put
8 together, just one additional person on the board, and
9 the outstanding boards that have none, bring the number
10 up to close to 15, 20 percent. So from one to two.

11 It is true having more diversity on
12 boards really does enrich the conversations, does
13 enrich the diversity of thought and I really think
14 filters through better decisions on the issues.

15 There are so many good reasons why
16 businesses should be on board. I argue about
17 productivity a lot, and I say: Why is Canada's
18 productivity lower than other countries? Do we have
19 enough participation from our all groups? Do we have
20 enough leadership at the top representing the strength
21 of this country?

22 I think we are held back a bit because
23 we don't have the diversity of thinking at the tops of
24 our organizations. And I see some sectors doing better
25 than others.

1 Gord Nixon, putting you as Chair of the
2 Board, Kathleen, was just a great day in Canada. It
3 was a real event for all of us that saw this happen.
4 It is really quite exciting. But there needs to be
5 more. What can we do to make that happen?

6 The SEC looks at the nominating
7 strategy in the United States of public companies; they
8 want to see progress on those. So there are examples
9 of different ways in which institutions are looking at
10 themselves.

11 And I think the Ontario Securities
12 Commission: Be brave. We have to move the needle.
13 And do something about it.

14 MS. JENSEN: So we are proposing comply
15 or explain, and many other countries have tried
16 different types of encouragement for setting targets.

17 Any comments about lessons that we can
18 learn from other countries?

19 MS. JEFFERY: I'd like to speak to
20 Australia because I think that's a really interesting
21 model.

22 As we know, in Australia, on
23 January 1st, 2011 they put in place a comply-or-explain
24 approach. We have been watching that very carefully at
25 the Canadian Board Diversity Council because when we

1 talk to directors we know that corporate directors
2 don't want quotas. In fact, our latest research that
3 we did this summer, which we have shared the finding in
4 the submission, indicates that 38 percent of FP500
5 corporate directors want the status quo. Our research
6 is now showing 62 percent don't favour the status quo
7 anymore with eight percent favouring quotas and
8 54 percent supporting comply or explain.

9 I don't think we would have had that
10 result three years ago. So if you look at that result
11 where there is an appetite that corporate directors
12 have for comply or explain, from that survey we did we
13 had almost 400 directors respond from across the
14 country. That's really terrific. So that's the
15 environment we're now in.

16 So if we look at Australia with their
17 comply or explain, what we find very interesting is
18 that they had a review done, and that review was
19 published in March of this year. So this was the first
20 full year that publicly listed companies on the
21 Australian Stock Exchange had the opportunity to
22 implement those board diversity policies, and what it
23 discovered was that 90 percent, 90 percent, of those
24 publicly listed companies in Australia now have a
25 diversity policy in place.

1 What's also interesting is that when we
2 contrast that to companies here, our research shows the
3 number is 18 percent. So what is it that Australia has
4 done through their comply-or-explain approach to move
5 the needle, which was pretty close to where we were, to
6 90 percent?

7 What they did is they introduced this
8 comply-or-explain approach, but they've said that in
9 hindsight they needed to have greater specificity
10 around measurable objectives. So we really would like
11 to see a comply-or-explain approach. It's what the
12 Canadian Board Diversity Council members want, it's
13 what Women's Executive Network members want, but we'd
14 like to see the specificity to ensure there is
15 transparency so that at the end of the day we're not
16 talking about this still in five years or ten years;
17 we're actually moving the needle and getting the
18 results to drive shareholder value and better corporate
19 performance.

20 We're not saying all this, it's not
21 diversity for the sake of diversity. We're saying this
22 because we need to drive better corporate performance.
23 And other countries are leading the way.

24 VICE-CHAIR CONDON: It's a perfect
25 segue. Thank you, Maureen.

1 As you know, we do have a suggested
2 model that we have set out in our Consultation Paper,
3 and it's a model that identifies headline types of
4 disclosure that we might propose issuers provide. It
5 is a model that gives a fair amount, indeed a large
6 amount of flexibility and economy to individual issuers
7 to, first of all, decide whether to disclose in the
8 first place, and secondly, what they're going to
9 disclose about their own approach to gender diversity
10 at the senior management and at the board level.

11 So can we start with you, Pamela, in
12 terms of the conversation about the flexibility that's
13 being offered to issuers to pitch the disclosure
14 according to their own self-imposed targets or their
15 own self-imposed policy? Is that too much flexibility?
16 Is that appropriate for where we are in Canada at the
17 moment? Is there something else, some other way in
18 which we should be making this a little more directed?

19 MS. JEFFERY: We think that the
20 flexibility is right because we look at sectors and we
21 see there are great differences that we all know of.
22 So finance and insurance companies are really leading
23 the way, at about 23 percent of their board seats held
24 by women, whereas our research also showed that
25 7.7 percent of mining, oil and gas company board seats

1 are held by women.

2 So we're looking across sectors, and we
3 are seeing some sectors are leaders and some are
4 laggards. So what is the kind of approach that's going
5 to work to bring all up?

6 What we like is the flexibility.

7 However, what we want to see is that companies do put
8 in place a diversity policy and they report on it. So
9 we're very interested in seeing that diversity policy
10 published not only in an annual or proxy circular but
11 also on a company web site and also in an annual
12 report. We want to see greater transparency so that we
13 see what they are thinking in terms of their diversity
14 policy, we see what makes sense for their businesses,
15 then we look at what their targets are, and then we
16 have watched as they've moved towards those targets.
17 It's an opportunity for shareholders and others to keep
18 companies accountable because at the end of the day,
19 you know, we have all said it, it's all about
20 performance. So that's what we like about Australia,
21 but we also like what they're doing in the U.K.

22 We think another important piece of it
23 is an annual review.

24 So following the Lord Davies Report, we
25 know there's been an annual Davies Review, and we like

1 that a lot because, again, it's an opportunity to keep
2 the issue at the forefront, an opportunity for
3 companies to use the opportunity to bring the best and
4 the brightest to their boards. So I think we have got
5 a lot to learn from Australia and the U.K. in respect
6 of the specificity, in respect of annual reviews.

7 In the U.K., they've also recommended
8 that companies disclose they have not retained an
9 external search firm. A bunch of folks have talked
10 about the rigour of the process and how important the
11 rigour of the process is. We certainly would like to
12 underscore how important that the process of
13 identifying and recruiting new directors be rigorous
14 with the assistance of a search firm that has the
15 ability to bring in candidates that are beyond the
16 current directors' own networks. That's really the
17 crux of the issue, is identifying those candidates that
18 are not in the directors' own networks.

19 VICE-CHAIR CONDON: Well, certainly,
20 one of the issues that has been raised in the comment
21 letters so far is the question of if there is a
22 disclosure policy of this kind put in place what's
23 going to be the role of the regulator in doing the
24 follow-on compliance assessment. So I want to get to
25 that issue in a moment.

1 But are there any other comments just
2 on the threshold question of whether in this
3 consultation we have pitched the level of disclosure
4 appropriately?

5 MR. MAGIDSON: Two thoughts, Mary, if I
6 might. One is in 2011 ICD put out a diversity paper,
7 and we called for Corporate Canada to voluntarily
8 embrace adopting diversity policies. I regret to say
9 it really didn't take. So I think that your stepping
10 in here is a very logical extension. I think you will,
11 as a regulator, provide legitimacy to the request, so I
12 think it's very timely an approach as a natural
13 extension of what we think is a very good practice.

14 I agree with Pamela that global
15 experience is showing that comply or explain is having
16 success. The question is will it be sustainable or
17 not, and that's where you start to talk about when do
18 you need to review this or not.

19 Finally, what we really like about
20 comply or explain is that, again, it's not somebody
21 telling business or Corporate Canada or organizations
22 what the right answer is. You are essentially allowing
23 the market to go to work here. I think you are going
24 to find that there will be leaders and laggards, and I
25 actually like the phenomenon in Canada to be one where

1 business is embracing this because it's good for
2 business, it's good for social reasons, it's good for
3 global competitiveness, and it's not being done to
4 comply with the rule. That might be idealistic, but to
5 my mind, it's worth trying this and seeing whether
6 companies will really embrace the competitive advantage
7 that we think this will bring to them. It sounds like
8 RBC is already on that train.

9 VICE-CHAIR CONDON: Just to press on
10 this issue because there's a question from the audience
11 which focuses on the fact that -- the comment that's
12 made is the reality is that over the past ten years
13 little change has occurred, and there's a lack of a
14 desire to change.

15 Is it your view, Stan, that the
16 difference here is that the regulators imposing a
17 disclosure requirement or requirement to have a gender
18 diversity policy will be enough of a push to get people
19 to really focus their attention on this issue?

20 MR. MAGIDSON: I think the single most
21 important contributing factor this rule will have is
22 that it forces this discussion onto the boardroom
23 agenda. You can't ignore it. You have to put out a
24 public disclosure document to say this will be on the
25 agenda, what is our approach to diversity. Companies

1 will actually have to sit down and decide whether
2 they're going to embrace diversity, they want to be
3 leaders, laggards, or say we're choosing not to comply
4 because we don't believe in it.

5 Someone once said, you know,
6 "Sunlight's the best disinfectant." I think we start
7 there.

8 MS. JOHNSTON: Two quick comments.

9 One, I think that if you look at even
10 what a draft regulation has done in terms of changing
11 the conversation, it's pretty dramatic. When I think
12 back to last February when we put out our census
13 results at the time tracking women senior officers on
14 boards, you know, I joked when I saw them that I had to
15 drink a case of Red Bull to go out and speak
16 enthusiastically about the future because there was no
17 progress.

18 But I think when I look at what's
19 happened in the short period of time in six months just
20 because of the draft regulation there's a lot of people
21 who are in the grey zone and who are pretty close to
22 being there.

23 I had a very small focus group of sort
24 of twenty or so companies. We launched an initiative
25 at Catalyst. We're asking companies to set their own

1 goal, a voluntary commitment to help raise the average
2 of women board directors on FP500 companies to
3 25 percent. Based on our census, we're at 14.5
4 percent.

5 When I look at what they've done,
6 completely different goals. They disclosed to us --
7 they can make it public if they want to, but they don't
8 have to. It's very clear to me when they disclosed a
9 goal that it's a meaningful goal, that it's a stretch
10 target. It takes different forms. It might be the
11 executive committee, it might be the executive board,
12 depending on the organization, but their behaviour is
13 changing. They're not doing this simply for optics.
14 They are legitimately having a conversation internally
15 around the goals, what's realistic, and how they're
16 going to get there. The real work isn't setting the
17 goal; the real work is everything that happens after
18 setting the goal and organizing ourselves to support
19 these companies and getting to a 25 percent, 30, 35
20 percent and moving forward. And that's a completely
21 different conversation. We're not there yet.

22 But when I look at what you have done
23 single-handedly simply in putting out a draft
24 regulation, we're having a completely different
25 conversation today than we would have been and that we

1 were six months ago.

2 VICE-CHAIR CONDON: Thank you for that
3 reinforcement.

4 MR. LAMARRE: I think it's a great
5 point. We are talking a lot more about it over the
6 last six months since that's out. So I think that's
7 great.

8 The advantage of being the laggard
9 country on this issue is that you can actually look at
10 others. Pam has highlighted the Australian model.

11 When you actually revisit the data,
12 there's really sort of two models -- well, three models
13 out there: those who do nothing, those who go to a
14 comply-or-explain model, and we would put Australia,
15 Denmark, Sweden, U.K. into this. What's the
16 experience? Well, it's about one percentage point gain
17 per year on boards, okay? So one percentage point gain
18 per year. So if you were at 10 percent, you know, next
19 year you're going to hope to be at 11 and 12 on
20 average. That's what they've achieved with a fairly
21 tight band.

22 We could ask ourselves is that quick
23 enough for us, and then if you answer no to that, then
24 you go to the quota system, and those that have had
25 quotas with sanctions - so, you know, France, Norway;

1 we've spoken a lot about those in the papers recently -
2 obviously, they jump instantaneously to that number
3 because there are sanctions coming along with those.
4 Those that didn't have sanctions but still quotas
5 didn't move any better than the comply or explain,
6 actually moved worse in some instances.

7 So I think, at least for me, it's a
8 no-brainer first step to go to comply or explain. We
9 will get improvement, hopefully more than these other
10 countries have had. Hopefully, you'll find a way to
11 put the right amount of teeth into the proposal to get
12 that to happen. And then let's revisit in three or
13 four years whether we are happy with the progress.

14 MR. LEECH: As many of you know,
15 Teachers in its submission actually said let's skip
16 this intermediate step that we don't think is going to
17 work and let's give companies seven years to get there
18 and make it a listing requirement, so pushing it a
19 little bit farther.

20 It was interesting. How we got there
21 was a real concern over the lack of progress because,
22 as this paper pointed out, we rank behind Turkey and
23 Poland right now, which isn't exactly the place I think
24 we want to be, particularly when we tie this directly
25 to governance and performance.

1 Even those jurisdictions, as Eric said,
2 who have had disclose or comply-or-explain rules have
3 really not made an awful lot of progress. What happens
4 is they bumble along like this, and then finally the
5 patience runs out and people say, no, we're going to
6 regulate it, and you get a big jump in the last year.
7 That's what happens. So our thinking was let's set
8 that target, let's set it out far enough, seven years
9 out, and let's all be working towards that.

10 The conversation around the table was
11 interesting. As this was debated, part of it was
12 wouldn't it be great if it was voluntary, but we didn't
13 think we were going to get there.

14 The other comment was, you know, we
15 have been to enough Catalyst dinners already where
16 somebody stands up and says how wonderful this is and
17 we should be doing it, and nothing changes.

18 So our view was if we really want --
19 you asked us a question. If you're serious and you
20 really want to make that difference and you really
21 believe in it, then set it up for seven years from now
22 as a target, and people have to get there. And it's a
23 listing requirement.

24 In our view, it's really just a matter
25 of time for you getting there, so you can either use

1 the current proposal and see where you get in three or
2 four years, and then I think our view is that you will
3 be likely compelled to put it into statute.

4 VICE-CHAIR CONDON: So, Jim, I know
5 that one of the things that people would be concerned
6 about, and this came through a little bit in the
7 comment letters, is different issuers are at different
8 sizes and sophistication. We are targeting this to
9 TSX-listed issuers, but even within that group there's
10 clearly a span.

11 We as regulators need to consider the
12 whole terrain. So is there a concern that if we went
13 with the proposal that you are making that smaller
14 issuers would have trouble with that kind of target
15 approach?

16 MR. LEECH: And perhaps the scale of
17 the approach must happen in that case. I mean, I think
18 the average board is nine or ten of the larger
19 TSX-listed companies, so our thinking in our proposal
20 is that we should be aiming to have three. There's
21 lots of evidence around that suggests, one, that
22 individual comes in as a representative of that gender
23 at the board; two, at least she's got somebody to help
24 her out on it. But once you hit a body of three, the
25 concept of them representing a gender or a particular

1 community goes away and you're being looked at as a
2 professional who has views on everything not just
3 gender issues.

4 VICE-CHAIR CONDON: Aaron or Pamela, do
5 you have any comments that you want to add to this
6 discussion in particular? Pam has already referenced
7 the global context, but is there any other evidence
8 that we can bring to bear about how these sorts of
9 policies have worked in other jurisdictions?

10 MR. DHIR: Yes. So my academic work
11 over the last couple of years has focused both on
12 looking both at quota-based regimes internationally and
13 disclosure-based regimes. So what that has meant is I
14 travelled to Norway a couple of years ago and did
15 research interviews with directors who were subject to
16 the quota law, and then I've also spent a lot of time
17 reading corporate disclosures that came as a result of
18 comply-or-explain provisions.

19 I won't say anything about the quota
20 stuff now, but I'm happy to talk about it later on if
21 people like.

22 On the disclosure stuff, I guess we see
23 two models. We see comply-or-explain, and we see just
24 you-must-comply rules, so the SEC rule.

25 So on comply or explain

1 internationally, it's really early to say because
2 the empirical studies are just starting to come out
3 now. As Pamela mentioned, there was a report that just
4 came out in March, the KPMG report, and its tone was
5 very positive on the disclosures.

6 That said, there was also a report that
7 came out just a couple of months later, a BlackRock
8 report, and it was much less enthusiastic. So it
9 characterized two-thirds of the ASX 200s disclosure as
10 just simply perfunctory, and it said about 20 percent
11 were not even meeting their de minimus obligations.
12 That led BlackRock to conclude, look, boards just
13 aren't taking this issue seriously.

14 There's actually a third report that
15 just came out in August written by two Irish academics,
16 and it was a sample actually of five different
17 comply-or-explain regimes, so Spain, Norway, Australia,
18 Belgium and the U.K. In that study, the authors were
19 just cautiously optimistic. They found in the data
20 that there has been positive progress on representation
21 but that the pace is just absolutely sluggish and
22 uneven.

23 So I think so far the empirical
24 evidence is sort of -- we're not seeing resounding
25 endorsements. When we think about that, I think it's

1 important to think about the empirical work that's been
2 done on comply or explain generally; like, outside of
3 the diversity context. While I certainly support a
4 robust comply-or-explain regime, there's no magic that
5 comes just because it's comply or explain.

6 Now, the theory - and this has sort of
7 been alluded to in the comments - is that comply or
8 explain will sort of catalyse a deeper, intra-firm
9 discussion and reflection. There is some social
10 psychology research to suggest that if you have to give
11 justifications to third parties - in other words, the
12 explain part - then you're going to think much more
13 carefully about what you have to say. But it's not a
14 foregone conclusion, and to the extent that the
15 evidence in comply or explain is a little bit not quite
16 what we would want to see, we need to think about the
17 experience of these jurisdictions.

18 So most of the jurisdictions covered in
19 the Consultation Paper are European jurisdictions, so
20 the regulators don't really play a serious role in
21 reviewing the actual content of the disclosures.

22 So for this to potentially work, I
23 think there has to be diligent engagement with the
24 actual disclosures. I think that comes out in a few of
25 the comment letters - in the Canadian Coalition for

1 Good Governance, Canadian Board Diversity Council, also
2 in Teachers. I think detailed, interpretive guidance,
3 rigorous reviews of the disclosures, and that's stuff
4 the OSC has done. I mean, you've done that on
5 corporate governance, you've done that on environmental
6 reporting.

7 I think that while the primary
8 responsibility on that does lie with the regulator, it
9 should be shared as well by civil society organizations
10 that are working in this area. So, for example,
11 Calvert publishes a score card each year on disclosures
12 under the SEC rule.

13 On that, I'll just say that on the SEC
14 rule -- and we know from the Consultation Paper that
15 the SEC chose not to define "diversity" out of a fear
16 of being too prescriptive. So I've studied the S&P
17 100's disclosures since the U.S. rule has been in
18 effect, and my main finding is this.

19 When not given regulatory guidance,
20 firms most frequently speak in experiential terms, so
21 director experience, director qualifications, director
22 skills, et cetera, not in socio-demographic terms like
23 gender and race. In the sample from my study, probably
24 only about 50 percent thought that way.

25 So I think while I'm mindful of some of

1 the comment letters that have come in suggesting the
2 OSC not be too prescriptive, I think the SEC example --
3 well, the proof is in the pudding on that.

4 MS. JEFFERY: So, Aaron, when you're
5 speaking of the success of comply or explain, I think
6 you're seeing the measurable objectives that have been
7 set through numerical gender diversity targets, and
8 that's something that we'd like to see. We'd like to
9 see actual numeric, actual and percentage based on
10 board seats.

11 So when we looked at your excellent
12 submission, Jim -- and the Canadian Board Diversity
13 Council is saying much the same as you are saying.
14 What we're saying is 30 percent by 2018, 20 percent by
15 2015. So we're actually a couple years sooner hoping
16 to see that 30 percent.

17 But that's why we think we really need
18 to have an annual review done each year so that if
19 we're not hitting that 20 percent by 2015 and we're
20 nowhere close to 30 percent by 2018, then we think
21 there needs to be further action taken because our
22 latest research, that we will be releasing next month,
23 shows that we will not be anywhere close to gender
24 parity until 2097 at this pace of change here between
25 half a percent and a percent a year. So 2097, we're

1 all dead, and our children are dead, and our
2 grandchildren. So let's get on with T.

3 VICE-CHAIR CONDON: Thank you. Alex,
4 can I bring you into the conversation? I know in our
5 conversation yesterday you were mentioning that
6 Catalyst had prepared some figures that sort of tried
7 to capture how many board seats would need to be
8 turning over over the next few years in order to meet
9 certain targets. Can you comment on that?

10 MS. JOHNSTON: Yes. We did this
11 because we wanted to break down the issues. So what we
12 found in having this conversation is people tabled a
13 number of obstacles. One, there aren't enough women.
14 We always say there are 800 women senior officers in
15 FP500 companies today. That doesn't include women in
16 professional service firms, doesn't include women in
17 public service, public sector, doesn't include someone
18 like Annette who is no longer in that role. So you're
19 probably talking about somewhere between 1,500 and
20 2,000 women with the kind of experience you're looking
21 for.

22 We've got about 5,000 FP500 board seats
23 today; it's closer to 4,700. We would need to get to
24 25 percent - in our census we're at 14.5 percent -
25 90 more women a year for the next five years. So out

1 of 5,000 boards seats we need 90 more women a year to
2 get to 25 percent for the next five years. That seems
3 very manageable.

4 When you break it down for people, it
5 takes away the 'where are the women, there just aren't
6 enough qualified women, we're talking about thousands
7 and thousands of women we need to appoint every year.'
8 Nope, we're talking about 90 women every year. That
9 really puts it into a context, I think, for most people
10 where they can understand this is a very manageable
11 issue.

12 To Pam's point, when I looked at this,
13 to get to 25 percent right now it will take two
14 decades. So unless something changes it will take us
15 two decades to get to a quarter of women on board seats
16 for FP500 companies. And I don't think anyone's
17 comfortable with that.

18 MS. VERSCHUREN: Some sectors are doing
19 much better than others. I would say that the banking
20 industry may be at 40 percent over a period of time.
21 There's real diversity of sectors here. You know, the
22 mining, oil industry is very dominated by males. So
23 these are sectors that I think are going to have to go
24 probably at a different pace to build up that pipeline
25 that we talked about and really do a lot of work.

1 One of the things that will be
2 interesting is to do -- CEOs and chairs are very
3 competitive. What about establishing and taking
4 progress in sectors and seeing whether we can encourage
5 a really competitive, positive look at improving
6 performance in their sector? So again, flexing it a
7 little bit different, but is that another way to help
8 expose the reality of the situation and really get more
9 targeted, not by developing quotas, but more targeted
10 in terms of looking at sectors? Because we need to
11 celebrate.

12 I know we go to Catalyst and we
13 celebrate, but we need to celebrate more the great
14 progress of some companies in terms of women in
15 C-suites. Jim Leech is a great example of that, but do
16 we hear enough of that? No, we don't. We don't hear
17 that publicly talked about.

18 Why is that? Why are we talking about
19 this issue now? Because, you know, the leader of the
20 province decided to direct these guys to take a look at
21 this. That's why we're here today. And I think it's
22 the best conversation about this issue since I've been
23 around.

24 So, again, how do we create the
25 conversation, the annual plan, the sectoral analysis?

1 How do we find ways in order to talk about this more?

2 Because I think that will cause change to happen.

3 MS. TAYLOR: Annette, I think you're on
4 to something. A lot of people have mentioned the
5 leadership of the banking sector, and it is, in fact,
6 true, but the financial institutions have been at this
7 for a long, long time. I mean, this has been a
8 20-something-year initiative since the introduction of
9 the Employment Equity Act back in 1986. Disclosure
10 clearly has been part of what all of the institutions
11 have had to do.

12 But I'll hark back to some comments
13 made earlier about best practices. Along with those
14 disclosures came an internalization of measures of
15 progress and accountabilities for management around
16 measures of progress and the integration of these
17 programs deep into all of the business units of these
18 companies. It's the knock-on effect of each of those,
19 the tone at the top, if that's the OSC in this
20 initiative, that then has to work its way down to the
21 point where companies are actually reporting not only
22 their policy but the progress and how they envision
23 that in the work that is being done.

24 So it is something that will take time
25 to take hold, but there's no question that there are

1 some very good models of how this type of framework has
2 worked well and has made significant progress for
3 companies over time. Some of those models, it's true,
4 are international, but some of them are right here in
5 Canada, and we can learn from them.

6 MS. JENSEN: So we've heard a lot about
7 in general in business you focus on what you measure,
8 so we're talking about measurement. Who should be
9 measuring this? Should the regulator be measuring it
10 and publishing? Or who else should do it? Should we
11 leave it to academics, and Catalyst, and Canadian Board
12 Diversity Council?

13 MS. JOHNSTON: I don't think you need
14 to. I'm always surprised, quite frankly, at how --
15 there are five or six great lists that are really great
16 resources. I'm always surprised in some ways that
17 limited knowledge about those resources.

18 I was out west two weeks ago, and we
19 were talking about comply or explain, and there was
20 push-back from someone around the table, and she kept
21 saying, "You just need to sell the business case," and
22 I said, "The business case has been around for years."

23 So the business case is well-travelled
24 territory. If people want to get the business case,
25 it's available. If people want to see the breakdown of

1 companies, breakdown by sector, breakdown by province,
2 who is a zero, who is a 1, who is a 2 in terms of
3 boards, all that information is available. I don't
4 think you need to recreate the wheel.

5 I think what you're doing right now is
6 putting pressure in the right place, in the right way,
7 on companies to move the conversation into the
8 boardrooms and set a structure to meet a target.

9 I think beyond that, in terms of
10 measuring I do think annual reviews and accountability
11 is hugely important, and I think that's the
12 conversation that you need to have as a regulator.

13 I think in terms of slicing and dicing
14 the numbers, there's a ton of stuff available. I don't
15 think we necessarily need to formalize that. I think
16 we need to make sure that that is out there and public
17 and a useful resource for people looking at this
18 issue - investors, shareholders groups, et cetera, et
19 cetera.

20 VICE-CHAIR CONDON: Can I just get some
21 clarity, though, on this issue? Because I think it's
22 going to be important for us in our discussions later.

23 Is the suggestion that we require
24 issuers to set their own targets and then measure
25 themselves towards meeting those targets, or are we

1 doing something less than that where we just say
2 disclose what you're doing, disclose what you're doing
3 around numbers of women currently on your board and in
4 senior management, disclose what you do around
5 selection processes and so on?

6 So is the suggestion that we would
7 actually require issuers to set their own targets?

8 MS. JOHNSTON: Yes. We're going to
9 talk about measurement at the end, but I think unless
10 you have a specific target we're back to where we were
11 nine months ago and no one's really having this
12 conversation in a meaningful way.

13 MS. VERSCHUREN: How is that done,
14 though? How would you see that? How would you
15 envision that happening? You're asking the companies
16 to set their targets for diversity over periods of
17 time, over...?

18 VICE-CHAIR CONDON: Obviously, we would
19 have to do more thinking on how granular we were
20 prepared to get in our approach to this, but it could
21 be fairly high level in terms of you make your own
22 decisions on those issues, you make a decision about
23 whether you are going to talk percentages, you're going
24 to talk numbers, you're going to talk numbers of years,
25 and then we would see what the disclosure looked like

1 and monitor that over time.

2 But there are more or less prescriptive
3 things that you could do around that.

4 MS. VERSCHUREN: I think there are
5 sectors that really need to do a lot of work. To
6 Kathleen's point, it takes time. If we start pushing
7 numbers on boards and C-levels when the pipelines
8 aren't developed and the talent is not developed, we're
9 just going to hurt ourselves. So I'm a believer in
10 introducing this now, comply or explain, take a look at
11 it in two or three years, and then we could take a
12 number of steps. But I think that's the approach.
13 That would be my recommendation.

14 CHAIR WETSTON: Did you consider,
15 before you respond to that, that that's a baby step?

16 MS. VERSCHUREN: Comply or explain?

17 CHAIR WETSTON: Well, generally you say
18 let's take time, which regulators do often, and need to
19 for obvious reasons. But is that, in your mind, the
20 kind of step that may be required in this circumstance
21 to engage the type of change that you are seeking?

22 MS. VERSCHUREN: I think that it's a
23 journey for a lot of people, and I think engagement of
24 the people that are making the decisions has got to be
25 greater.

1 This would be a smaller step than going
2 right to the 30 percent that Jim's organization is
3 recommending, no question about that, but I think it's
4 a serious indication that a commission is really
5 interested in looking at that, and it could give
6 companies some breathing space to get to where they
7 need to in developing women at the more junior levels
8 to get them up to the C-suite, because I think that is
9 the big issue.

10 MR. DHIR: So I do agree with the
11 proposition of regulators asking for us to set
12 measurable objectives, and there is regulatory
13 precedent for this. We see this in the comply/explain
14 models of the U.K., of Germany, of Australia, of the
15 Netherlands. It is being done.

16 I think the concern that Annette has
17 expressed is a good one, but I think it can be captured
18 within just the inherent structure of comply or
19 explain. If firms aren't able to meet their own
20 objectives because of the sector, et cetera, they're
21 able to explain that fact, and that starts a
22 conversation with the regulator that I think is very
23 helpful.

24 I also think - and this came out in a
25 couple of the comment letters - that it would also be

1 helpful to have firms report on the number of women
2 that were considered for vacancies, the number of women
3 that were interviewed for vacancies. The whole slate.
4 That came out in a couple of letters, and I thought
5 that was a really nice suggestion as well to accompany
6 this.

7 MS. JOHNSTON: We did put a flag to
8 this when we launched the Catalyst Accord, and I love
9 what the U.K. is doing, but it's an arbitrary number,
10 it's 30 percent, and people are being asked to commit
11 to a 30 percent goal across the board. We didn't feel
12 that was the right model for us because from a sector
13 perspective people are in different places.

14 But the bottom line is 46 percent of
15 public companies today have no women on their boards,
16 period. That is not where we want to be. If you look
17 at it like that, I think what we are encouraging you to
18 look at is more or less the model that we have adopted
19 with more teeth, even more teeth.

20 I think if you are saying to a mining
21 company you have zero, you figure out what's realistic.
22 Is it 15 percent? Is it 20 percent? It's probably not
23 40. We set a very defined time frame of 2017 because
24 we said it has to be a -- it's not 20 years, it's
25 really sort of five-year increments.

1 Unless people, in my view, are setting
2 a number, they're not organizing themselves to meet a
3 specific goal. They do it in every other part of their
4 business that matters. If you believe the business
5 case and you feel this is a business imperative, set a
6 goal and organize yourselves like you would with any
7 other priority to meet it. It doesn't have to be a
8 one-size-fits-all.

9 Do you think as a commission you need
10 to think of what you think is optimal from a governance
11 perspective in terms of average? I don't know what
12 that number is. And then I think you're asking
13 everyone to do that, and it will look different. It
14 will look different for financial institutions, it will
15 look different for mining companies, but everyone over
16 the course of three to five years should be showing
17 progress in meeting it.

18 VICE-CHAIR CONDON: Because it directly
19 relates to your comments, Alex, can I pose a question
20 from the audience, which would be: Should the OSC
21 suggest the targets; that is to say, should they do the
22 proactive work of saying within this sector we think
23 this is a reasonable target, within some other sector
24 it's a different target, or is that, in your mind,
25 getting too far down the road of prescription?

1 MS. JOHNSTON: I just honestly don't
2 know if you're well equipped to do that, and I don't
3 think anyone is. I think in some sectors leaders have
4 a much better sense of what is realistic.

5 I also don't think right now they're
6 motivated to get there. I think that if you start
7 analysing sectors and trying to become experts in what
8 the right number is in mining, what the right number is
9 in oil and gas, what the right number is in retail and
10 finance, we might be having this conversation for a lot
11 longer than I hope we are.

12 MR. MAGIDSON: I really just want to
13 corroborate everything Alex has just said. I think the
14 idea of companies being able to set their own
15 measurable objectives is the way to go. We may be
16 surprised that some are doing quite well and starting
17 to lead the way we are without us having to determine
18 what success is out of the gate.

19 The other point here is just to again
20 reinforce when it comes to -- you asked about when to
21 review this? Maybe to avoid any confusion, I think you
22 need this comply-or-explain process time to germinate
23 and take hold. Let's set ourselves up for success
24 versus failure. So when we talk about annual reviews,
25 are we saying that in one year you're going to

1 determine whether or not comply or explain has
2 succeeded or not, or are you doing something different?
3 I'm not sure where the annual review comes in here.

4 I think if we're talking about perhaps
5 looking at various disclosures and OSC highlighting
6 some disclosures you thought were terrific and putting
7 out ideas for models, this is a good process, but in
8 terms of actually saying has this worked, I think we
9 would be naive to think that in one year you're going
10 to get the yardsticks moving the way you want.

11 I think you're talking a three-year
12 look, a four-year look, a five-year look, whatever it
13 is, but give Corporate Canada time to embrace this with
14 the right push and encouragement and the right kind of
15 spotlight and you may well surprise yourself.

16 MS. JEFFERY: I'd just like to weigh in
17 on that question of the annual review because I'm
18 looking to the U.K., I'm looking at the annual reviews
19 that are released, and my understanding now is that the
20 U.K. has moved significantly since the release of the
21 first Davies Report, in no small part due to the
22 transparency and accountability that FTSE companies
23 have because of the annual review.

24 The annual review encourages them to
25 continue to move down the road. Now six of the 100, so

1 six of the FTSE 100 do not have a single woman on their
2 board; 43 percent of the TSX companies do not have a
3 woman on their board. So I'm hard-pressed to see what
4 harm an annual review would do.

5 MR. MAGIDSON: I guess, Pamela, I'm not
6 saying there's anything wrong with Canadian Board
7 Diversity Council or Catalyst putting out the numbers
8 annually, for sure. I just don't see the regulators
9 weighing in on it. That was my thought. The measure
10 is terrific. Anybody can do the research and should do
11 it. That's good information. But not a regulatory
12 review was my thought.

13 VICE-CHAIR CONDON: I think we're
14 almost ready to open up for other audience comments,
15 but before we do that, can I just address one other
16 issue just to make sure that we get the input that we
17 need on this?

18 As you know, the Consultation Paper
19 suggests that the proposal would be that issuers
20 provide disclosure on an annual basis in four areas:
21 policies regarding representation of women on the board
22 and in senior management; consideration of the
23 representation of women in director selection;
24 measurement regarding the representation of women in
25 the organization, specifically on the board and in

1 senior management.

2 The third area of disclosure,
3 consideration of the representation of women in the
4 board evaluation process, that was the feature of our
5 proposal that seems to me from a look at the comment
6 letters to have got the most mixed response, and so I
7 wonder if any of the commentators or panelists have any
8 comments or any light that they want to shed on this
9 issue.

10 MS. VERSCHUREN: So just to clarify,
11 when the boards do their own surveys, the question is
12 should we talk about diversity?

13 VICE-CHAIR CONDON: Right. So in
14 whatever board evaluation process a board has set up
15 for itself, should issuers be disclosing how much
16 gender diversity was considered in that process?

17 MS. VERSCHUREN: I think it should be.

18 VICE-CHAIR CONDON: You do.

19 MS. VERSCHUREN: I do.

20 MR. LAMARRE: But what was the
21 controversy about? Just maybe to help us out.

22 VICE-CHAIR CONDON: A number of
23 commentators I think suggested that a board evaluation
24 and the process that boards use to evaluate themselves
25 is, I assume, a very internal issue, and so for us to

1 require disclosure of what the results in general of
2 the board's self-evaluation was was perhaps going a
3 little bit too far. That was sort of a general point.

4 Then, specifically to sort of disclose
5 to what extent boards are evaluating themselves around
6 how much gender diversity there is was also I think a
7 little bit too prescriptive on our part.

8 MR. LAMARRE: So is it about the
9 elements that were used in the evaluation, or is it
10 about the results of the evaluation?

11 VICE-CHAIR CONDON: The issue would be
12 what would be your advice on what we should --

13 MR. LAMARRE: I think I would be
14 cautious around the results because at that point you
15 could basically guarantee that you are no longer going
16 to get effective evaluation.

17 MR. MAGIDSON: That was the exact
18 concern that we have expressed in our letter. You
19 really want, I think, complete candour in evaluations,
20 and if there was any sense that one's evaluation were
21 publicly disclosed in some way, you'd put a chill on
22 that. So we just didn't think it was sufficiently
23 accretive to take on the cost of that. That was the
24 thought.

25 VICE-CHAIR CONDON: Pamela, did you

1 have a response to that, or you're happy with the
2 discussion so far?

3 MS. JEFFERY: I am wondering if there's
4 somewhere where we could meet in the middle on this
5 because when I read that TD economics report that came
6 out in March and they talked about the Rooney Rule and
7 the experience in the U.S., I found that very
8 interesting, and I wonder -- you know, in 2002, despite
9 70 percent of National Football League players being
10 black, there were only three minority coaches or
11 general managers out of 32 teams. So they put in place
12 the Rooney Rule, requiring all NFL teams to interview
13 at least one minority candidate when filling a head
14 coaching position, and the status changed dramatically
15 because there was a requirement that at least one
16 candidate be considered.

17 So is there a way to meet in the middle
18 on this so that we're achieving the improved
19 performance because we're getting the diversity of
20 candidates into the process to be evaluated for the
21 board seats?

22 MR. MAGIDSON: I wonder, Pamela,
23 whether it's already in the proposal in the sense that
24 there is disclosure sought on how you compose your
25 board and how the nominating committee does consider.

1 So the selection I think is already dealt with in the
2 proposal; it was just whether or not you want to delve
3 into the evaluation of directors. I think it's there.

4 VICE-CHAIR CONDON: I think those
5 comments have been extremely helpful to us, and so I
6 think we're ready to open up to audience participation
7 more generally.

8 MS. JENSEN: We have several questions
9 from the audience already. We have two Staff members
10 with microphones if anyone wants to ask a question
11 directly.

12 CHAIR WETSTON: We have a lot of very
13 good questions. We can't get to them all in the time
14 frame, but what I want you all to understand is we will
15 consider all these questions as we think through these
16 issues through this consultation. So I don't want
17 anyone to think we are ignoring any of this. It's been
18 very helpful.

19 MS. JENSEN: One question that has come
20 up from a variety of people in the audience is: Is it
21 appropriate just to be talking about women in this
22 initiative, or should we be thinking about broader
23 diversity?

24 MR. DHIR: That's a great question,
25 whoever raised it.

1 I'm mindful of the fact that the OSC
2 has a particular mandate on this project that came from
3 the government. I think it would be great on this if
4 in its report back to the government the OSC made it
5 clear that a number of the comment letters submitted by
6 stakeholders - and we're talking about stakeholders
7 like BMO, KPMG, Telus, the Canadian Bankers
8 Association, the Institute of Corporate Directors -
9 made it very clear that they think the regulation
10 should go beyond women and gender.

11 MS. TAYLOR: I guess I would just offer
12 that in practice in organizations that are really
13 working on this, it does. Diversity of all kinds is
14 considered in talent management processes where these
15 programs are in effect and successful.

16 In a country like Canada, that seems to
17 be extremely appropriate, given the make-up of our
18 consumer base, unemployment base, and ultimately, that
19 broader view I think is what most companies do look at
20 as they look at diversity generally.

21 Different measurements probably for
22 different organizations, depending on where they are in
23 that spectrum, but nonetheless, I think that you find
24 with companies that are on this that the broader
25 definition is, in fact, what they're focused on.

1 MR. MAGIDSON: I guess I would echo
2 really Kathleen's and Aaron's comments and just add
3 that it's interesting that when we surveyed our
4 membership we actually broke it down by gender, and on
5 this issue both the female and male population
6 indicated they thought the consideration should be
7 broader than just women.

8 I want to make it clear, though, the
9 ICD is very much in favour of what is being done here.
10 We just think, to Kathleen's point, that we now live in
11 a global environment and in a very diverse and rich
12 city where we think that to not use this opportunity to
13 embrace diversity writ large would be missing
14 something, and I think it's achievable. It's not to
15 suggest we dilute the focus on the measure of gender
16 diversity. That needs to be part of the guidance as to
17 what you have to talk about. But there's a broader
18 opportunity here, and I think we try and embrace it if
19 we can.

20 MR. LEECH: Our concern in looking at
21 this - because, as we said, to us diversity is
22 experience, is nationality, is ethnicity and gender -
23 the gender one just jumps off the page at you. Fifty
24 percent of the population and fifty percent of the
25 board --

1 MS. VERSHUREN: Underrepresented.

2 MR. LEECH: I mean, it just jumps off
3 the page, and I guess we're going to eat this elephant
4 one bite at a time. We might as well take on the one
5 that is most obvious and staring us all in the face and
6 that we have been talking about for a long, long time
7 and making no progress.

8 MS. JEFFERY: I agree with Jim as well.

9 In fact, when we surveyed our members,
10 91 percent saw that tackling the gender diversity gap
11 was an important first step, and then once we address
12 this...

13 What's interesting is we survey every
14 year FP500 directors, and so our members show a decline
15 in self-reported visible-minority board representation,
16 a decline. So this is an issue, it needs to be
17 addressed, clearly; but we feel that we should move
18 forward on the gender-based first and then move forward
19 on the next.

20 MS. JOHNSTON: I'll just say the two
21 aren't mutually exclusive, and when I saw the question
22 it reminded me of a conversation I had a couple of
23 weeks ago with a journalist who was doing a story on
24 the Queen Bee syndrome, the myth that women don't help
25 other women.

1 We went through the evidence, and the
2 evidence clearly shows that that's not the case; men
3 are helping women, women are helping women, but women
4 are helping women somewhat more than men are helping
5 women.

6 Her next question was, well, hasn't
7 that changed, because 15 or 20 years ago women were
8 sabotaging each other? And I said, "Where is the
9 evidence for that?" I thought we are now changing the
10 conversation because we have something concrete in
11 front of us that refutes a very powerful myth.

12 The two are not mutually exclusive. We
13 are there. Jim may think I'm delusional, but I am
14 optimistic, and maybe it's the Red Bull, but I feel
15 like what people are referring to is the tipping point
16 and we are close to it.

17 I don't want to shift the conversation
18 to turn it into a battle between gender versus
19 diversity and what matters more. It is about what
20 matters more. There's a large pool of people out there
21 who are board-ready. We know that we're not doing as
22 much as we can to leverage our talent. Our focus at
23 Catalyst is women. It's a legitimate focus. The focus
24 of many people around this table is focused on getting
25 more women directors in place as well. They're not

1 mutually exclusive. Let's not change the rules of the
2 game, let's not change the conversation and dilute it.
3 Let's keep moving forward with the kind of conversation
4 we're having, and if it changes we are talking about it
5 will apply to women and more broadly to diverse
6 candidates.

7 MS. JENSEN: We have also had that
8 discussion internally, and we think that any gains that
9 we make here, any changes that we actually can move
10 forward into corporate culture will also help the
11 diversity discussions writ large.

12 So another question: Is allowing the
13 sector argument a red herring? Is it assuming that
14 only qualified directors come from the same sector?
15 Isn't that contrary to good governance and diversity of
16 thought?

17 MS. VERSCHUREN: I've worked in the
18 coal mining business and other male-dominated
19 businesses. There's no question. I mean, I think one
20 of the big challenges -- I remember when I told the
21 headhunter that I wanted to get on another board
22 because I wanted to learn about finance, so I got on
23 the Liberty Mutual board, but that company saw the
24 talent I had in retail, in marketing and other areas.

25 So I think that maybe it could be a red

1 herring, maybe we need to push those groups harder, but
2 I think bringing in outsiders to those boards is what
3 their challenge is, I really do. It is the pipeline
4 issue, I think, in those cases. And so how do we move
5 them faster? How do we get them faster?

6 I'm not defending it at all. I'm just
7 saying, look, we've got different levels of progress
8 across the board and how do we get everybody playing
9 the game. I think a bit of competition amongst
10 sectors, making it a positive as opposed to a defensive
11 position makes a lot of sense.

12 VICE-CHAIR CONDON: Can I just put
13 forward one question from the audience, which is quite
14 a general question and perhaps not really answerable in
15 detail, but the question is: How do we ensure that
16 this initiative isn't just the flavour of the day and
17 that after this spate of attention it will be business
18 as usual?

19 MS. TAYLOR: I think that one of the
20 things that we keep hearing from everyone is that this
21 is a long-term focus for companies. Jim started, I
22 think, with "good governance is good business." That's
23 probably an expression that will never go out of
24 fashion, and if you think that thought diversity, which
25 then drives gender diversity and other forms of

1 cultural and experiential diversity, is good
2 governance, then that can never go out of flavour
3 either. So I think it is a little bit about embedding
4 the notion that thought diversity, constant renewal,
5 constant re-examination is great business and drives
6 great performance, then that way of thinking about
7 board development/succession, executive
8 development/succession, becomes second nature. That's
9 ultimately the key for these programs to be
10 sustainable, is that they have to be literally
11 embedded, adopted, and become a culture of the
12 businesses that they're working on.

13 It is something that takes constant
14 focus, there's no question. Even if you look at
15 organizations that have done a great job on this,
16 managers will tell you that at certain points in time
17 the progress plateaus, something new is required. It's
18 no different than your innovation agenda. Something
19 new has to come to drive the power and the plot
20 forward. So it is just focus, focus-focus-focus, and a
21 continued, as you say, embeddedness in the core values
22 of the businesses that we are running and overseeing.

23 MS. VERSCHUREN: I think the agendas
24 around boards are changing. It used to be very focused
25 on P&L, performance of assets in the companies.

1 I think the issues of the environment, of diversity, of
2 health, of safety are really changing the agendas of
3 the board. So I see a real need lined up with this
4 push for more diversity and more women on the board
5 because they can make an extraordinary contribution
6 here.

7 MR. MAGIDSON: Just a couple of
8 thoughts. I think if you start with this comply or
9 explain, the real indication that you are going to
10 assess success or failure down the road, people know
11 this is a live issue, and in the longer term, for me,
12 real success is you won't even need this rule because
13 it will become second nature that diverse boards are
14 the way to go. For me, actually this issue falling
15 away is success but for the right reasons.

16 MS. JOHNSTON: I think in the
17 international context that this right now is as sexy a
18 corporate issue as we have in securities regulation.
19 My poor father published a number of books on
20 securities regulation, and he dedicated them to his
21 daughters. We're like, "Oh, my God, it's so boring."

22 But the international context is
23 significant. We did not find religion early, we found
24 religion at the midway point. I think the countries
25 that we're looking at have their pedal to the metal.

1 I think that when you look at the three approaches
2 internationally, voluntary in the U.K., compliance in
3 Australia, and quotas in parts of Europe, when I say
4 they're all working, they're all working because of the
5 numbers underneath. Board appointments are shifting,
6 and that is a huge indicator. They're not letting up.
7 We don't know yet whether those are going to be the
8 right models, hugely successful, but they are clearly
9 showing us progress is being made, and we are not going
10 to be, I don't think, in the Canadian context in two
11 years or three years comfortable turning a blind eye to
12 this and going back to where we were. I think the
13 context has changed pretty dramatically, and we've got
14 to position ourselves within that context.

15 CHAIR WETSTON: I had a question that I
16 just want to reply to very quickly about a decision
17 that I wrote about two years ago. I found it
18 interesting that it was brought to my attention because
19 it's about materiality and information overload as a
20 result of disclosure responsibilities, mostly in
21 secondary disclosure.

22 The point I wanted to make about that
23 decision, whoever wrote it, was this: Disclosure is
24 not the issue. What we have is a lot of comprehensive
25 disclosure. What we want is comprehensible disclosure.

1 That was the point of that decision. So whoever wrote
2 that question, that's really my summary of that
3 decision.

4 MS. JENSEN: I have a question here
5 about whether this initiative should apply to
6 non-Venture issuers. This person suggests that the
7 rule should apply to Venture issuers and to
8 subsidiaries. The reason is that small company boards
9 provide an opportunity for women with less experience
10 and it's a stepping stone to larger boards.

11 What do you think about that?

12 MR. LEECH: My initial reaction is that
13 to suggest because a company is small they shouldn't
14 have qualified directors is kind of bothersome on that
15 issue. I think you need qualified directors at all
16 sizes of businesses.

17 VICE-CHAIR CONDON: Can I just lob in
18 another issue though, which is: Do we need to consider
19 separately the question of boards where there's a
20 controlling shareholder in the sense that the norm
21 would be that the controlling shareholder would have a
22 high degree of power around who the board members are?
23 Is that something that we need to take into account in
24 thinking about these issues?

25 MS. VERSCHUREN: Put more female family

1 members on the board?

2 MR. LEECH: My initial reaction is you
3 don't need to differentiate.

4 MR. MAGIDSON: Just on that point.

5 Again, this is about diversity. I think it helps to
6 have some different perspectives.

7 I think we actually made a point on
8 this in our comment letter, that we thought that for
9 non-Venture issuers, those that are TSX-listed, we
10 thought this approach should apply. Doesn't matter if
11 you're small or a large, big-board-listed issuer.

12 I think question really was: Should we also have this
13 apply to the Venture issuers, the small-board issuers.

14 I would say there that reasonable
15 people can differ, and I think if I was crafting policy
16 here, I don't know what the right answer is, but I'd be
17 looking at the pros and the cons.

18 On the one hand, I'm with Jim that
19 what's good for the goose is good for the gander, so
20 why would you distinguish; on the other hand, if the
21 Venture's purpose is to seed start-up companies that
22 are focused on getting their first order in the door or
23 just contending with public listing, the question is:
24 Do you put one more item on the agenda that they must
25 consider?

1 My recollection is on the Venture
2 issuers, if I'm right - I may be wrong on this - but
3 I think you don't even require financial literacy on
4 their audit committees, so someone's made a decision
5 that you had to calibrate differently for a small cap
6 that's just starting out.

7 It may be that you'll go that route,
8 I'm not suggesting what's right or wrong, but you need
9 to consider the cost/benefits in that small cap space
10 where effectively it's a private company venturing out
11 into the public market as a graduating exercise to the
12 big board. Question mark.

13 MR. LEECH: Just to clarify my
14 response, no, I'm not suggesting that requirement be
15 imposed on the Venture. I was objecting to the
16 principle that Venture companies become a training
17 ground for people. I'm saying, no, directors of
18 Venture companies should be the best qualified you can
19 find, not a training ground.

20 MR. LAMARRE: I think maybe just to
21 add, I think you ought to stay true to something that
22 was said today, which is we're here to make Canadian
23 companies better, which means we want to construct
24 better boards, and there is an underlying belief that
25 diversity will drive that. Then, after that, why would

1 you start to differentiate and say exception here,
2 exception there, exception there. If it's true, it's
3 true.

4 MS. JEFFERY: If we get back to that
5 topic of sector differences, when we do our look at
6 all of the sectors in the country and we look at
7 mining, oil and gas companies, they have the largest
8 percentage of FP500 board seats. So because they're at
9 7.7 percent, I think a question we need to ask is: How
10 can we encourage those companies? Because that's what
11 we need to do in order to move the needle because of
12 the large number of board seats they have.

13 At the Council when we have been
14 holding roundtables with directors, and we've held 20
15 in the last 24 months, at each of these roundtables we
16 talk about board diversity/best practices, and we are
17 articulating a point of view, which is having 10
18 individuals around a table who are all former CEOs of
19 the same industry isn't necessarily helpful to driving
20 corporate performance. So our definition of diversity
21 is one that is management experience, industry
22 knowledge, functional area of expertise, age and
23 geography. Our definition of diversity also includes
24 such considerations as gender, visible minority and
25 Aboriginal status.

1 So I think we need to figure out how we
2 can encourage those companies to look beyond their own
3 industry and to look beyond C-suite prior roles to get
4 at a cadre of skilled, credentialed individuals who can
5 bring discrete functional areas of expertise to the
6 boards. I think if we can figure that out -- and there
7 are examples, many of them. If we can figure that
8 piece out, then we're really going to move.

9 So we're advising boards that in order
10 to do that look beyond individuals who are former CEOs,
11 look at particular skills that are lacking on your
12 board when you look at your skills matrix, and identify
13 candidates that have those particular skills along with
14 a broader set of skills that would make them effective
15 directors.

16 MS. JENSEN: So look broader than just
17 experience. Look for skills.

18 MS. JEFFERY: Yes. Yes, that's our
19 message for those companies that are in sectors where
20 fewer than one in 10 board seats are held by women.

21 MS. JENSEN: Thank you very much. On
22 that note, I think we will end the Roundtable.

23 CHAIR WETSTON: Obviously, I want to
24 thank everybody for coming and your interest in
25 participation in the Roundtable.

1 I have to thank Staff who are with us
2 here today who organized this. They did a tremendous
3 amount of work to organize this Roundtable. Obviously,
4 they deserve our credit for putting this together. We
5 really appreciate it. So thank you very much.

6 (Applause)

7 I want to personally thank all of you
8 for spending your time coming here today. It's
9 obviously clear that this is an important issue for us,
10 and the quality of the debate and representation today
11 has been very, very helpful. It's going to help us
12 understand the issues. We have a lot of questions to
13 consider.

14 I also want to single out the Ontario
15 government's leadership. Obviously, we look at this as
16 a partnership. We have tools to accommodate
17 initiatives, and the Ontario government recognizes
18 that, but I want to single out their interest and their
19 leadership in this matter.

20 We're going to make recommendations.
21 This Commission will make recommendations to the
22 government this fall. If we decide to proceed with
23 disclosure requirements, as discussed today, we will
24 publish these changes in our corporate governance
25 disclosure rule which we have for a 90-day public

1 comment period. Those of you who participate in
2 securities regulation know that period well.

3 I think this Roundtable has been very
4 productive.

5 Just one quick comment about regulatory
6 intervention. It must be seen, I think, as an
7 instrument of public good. We need to think long term
8 as securities regulators. Regulatory intervention must
9 accommodate and accelerate social and economic
10 objectives and outcomes, and that's obviously a
11 purposeful belief that we have with respect to
12 intervention.

13 So I think, as I said, this Roundtable
14 was very productive. It certainly gave us some new
15 perspectives to think about. I really want to thank
16 you all for participating and thank everybody who came
17 today to hear this very insightful discussion. So
18 thank you so much. (Applause)

19 --- Whereupon proceedings adjourned at 11:02 a.m.

20
21 I HEREBY CERTIFY THE FOREGOING
22 to be a true and accurate
23 transcription of my shorthand notes
24 to the best of my skill and ability.

25

26 CAROL DENMAN, CSR
27 Chartered Shorthand Reporter