March 21, 2014

The Secretary
Ontario Securities Commission
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The Investor Advisory Panel appreciates the opportunity to provide comments on “Proposed Amendments to Form 58-101F1 Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices.”

The Panel supports the approach to disclosure as set out in the Proposed Amendments. Research indicates that there exists a significant positive correlation between corporate performance and gender diversity on corporate boards. As such, gender diversity is a governance issue that is relevant to investors’ decision-making.

We find the scope and content are appropriate to providing sufficient and relevant information to readers with respect to gender diversity on boards and in senior management. [Question 1] The requirement to “comply or explain” is useful and consistent with current practice related to other aspects of corporate governance. It will enable readers to form their own opinions with respect to an issuer’s practices and policy intentions.

With respect to the disclosure of term limits, the Panel is not in a position to predict whether disclosure of term limits will “encourage an appropriate level of board renewal” or not. However, disclosure of term limits will allow investors to assess a key aspect of board governance, a practice that the Panel would see as useful to investors. [Question 3]

With respect to “targets”, we caution that disclosure that is focused strictly on gender may result in a distorted view of an issuer’s governance policy intentions, and ask that further consideration be given to this requirement. In addressing board composition, for example, there are a myriad of factors that a nominating committee will consider as it sets out to recruit new members for a board. Best practice requires a competency assessment, or skills matrix, for the board as a whole to be considered. A potential board member’s gender and cultural and ethnic background are often important to selection, but are not the only considerations.
It would be unfortunate if the disclosure requirements for gender diversity “targets”, framed as they are, were to mischaracterize an issuer’s strategic governance intentions as to board and senior management composition. Whilst there is other information that an issuer must disclose about board member selection, there are no specific quantitative disclosure requirements for other selection criteria, including other aspects of diversity.

The Panel would be pleased to answer any questions you may have about these comments.

Yours truly,

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Investor Advisory Panel

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