



ICGN

International Corporate Governance Network
Inspiring good governance & stewardship

The Secretary
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Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
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26 September 2023

Dear Secretary and Me Lebel,

Subject: Proposed Amendments to Form 58-101F1 Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices and Proposed Changes to National Policy 58-201 Corporate Governance Guidelines.

The International Corporate Governance Network (ICGN) welcomes the Canadian Securities Administrators' (CSA) consultation on enhancing transparency regarding diversity on company boards and in senior executive positions, beyond gender, as well as other aspects of the board nomination and composition process. Given the rapid evolution of thought and practice in these areas, the consultation is timely and of critical importance.

Led by investors responsible for assets under management of around US\$77 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries – largely in Europe and North America, with growing representation in Asia. The ICGN Global Governance Principles, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

We note with appreciation that the CSA's gender-related disclosure requirements launched in 2014, combined with significant investor pressure, have produced more diverse boards in Canada.¹ Progress is underway, but much work remains to be done to establish policies and procedures that embrace diversity more broadly, beyond gender, and across the entire organisation. We agree with the CSA that diversity is an important consideration in investment and stewardship decisions, and that investors are calling for more relevant and comparable corporate disclosures on this matter.

Board nominations and renewal

We support the proposal to increase transparency on how the board evaluates new candidates and manages potential conflicts of interests, as well as the disclosure of a nomination policy.

¹ Andrew MacDougall, John Valley, Jennifer Jeffries, "[Diversity Disclosure Practices 2022](#)", Osler

In our view, companies should disclose how the board addresses board director renewal including, (but not limited to) term limits, the method by which the board both identifies and evaluates new candidates for nomination to the board, succession planning, tenure for the purposes of considering continued independence and how the board develops a diverse pipeline of candidates.

ICGN supports the disclosure of a board skills matrix, to be refreshed annually, and how each director meets the criteria. In response to question 1, we welcome the proposed amendments which would require the disclosure of the skills, knowledge, experience, competencies and attributes of candidates. This information is relevant for investors when voting on the nomination of board members. We believe that it should not imply disclosing confidential or sensitive information.

In its Global Governance Principles,² ICGN requests that companies conduct an annual evaluation of its board, to review its composition in alignment with the company's long-term strategy, succession planning and policy on diversity, equity and inclusion.

Finally, we recommend that the CSA maintains the requirement to disclose the responsibilities, powers and operation of the nominating committee. Indeed, the ICGN encourages companies to disclose mandates for all committees of the board.

Approach on diversity

We welcome the CSA's objective to increase transparency regarding diversity on the board and in senior management teams. Investors need this information when making investment and stewardship decisions.

Disclosures on diversity, among other information, are used by investors when assessing a company's value and represent financially material information. A board or senior management team that comprises a genuinely diverse group of individuals, with a broad range of perspectives, is likely to make better business decisions.³ It is also more likely to enjoy greater legitimacy among the company's stakeholders - including its workforce and customers. This is key to the long-term success of a company. Investors, depending on their mandates, are also increasingly interested in understanding the impact of a company on society. Diverse boards and management teams can help advance efforts to reduce discrimination, systemic racism, and social inequality more broadly.

Corporate sustainability disclosures are particularly useful for investors when they allow for comparison - across companies, sectors, markets, and over time to assess companies' progress. For this reason, in response to question 2, we see the benefit of the FORM B approach. It is also helpful that the designated categories in FORM B are aligned with those of the Canada Business Corporations Act. We would welcome the important addition of LGBTQ2I+ as a designated category, after appropriate consultation with this community to ensure any privacy or safety implications of voluntary self-identified disclosure is properly accounted for. We encourage the CSA to consult on and review the categories regularly. Furthermore, in response to question 5, we welcome the recommendation that companies disclose information in tabular format, to allow comparison and the processing of data. This can be complemented with qualitative disclosures, as proposed in FORM A, such as a narrative describing the company's strategy regarding diversity, equity and inclusion, to avoid a "check the box" exercise.

ICGN notes that the UK Financial Conduct Authority has adopted a rule on disclosures of ethnic diversity on the board and senior management, and that, in the United States, companies listed on Nasdaq must have at least two diverse directors. However, capital markets participants around the

² [ICGN Global Governance Principles](#), Principle 3

world are expanding their understanding of diversity and most regulators do not yet require extensive disclosures beyond gender diversity. We therefore commend the Canadian regulators for their leadership and look forward to the publication of the final rules. In the future, we hope that the International Standards Board (ISSB) will also focus on diversity, equity and inclusion reporting in its standards. Global investors' analysis would benefit from a global baseline - at least a lowest common denominator disclosed by all companies globally - which would still allow national regulators to require further disclosures and companies to voluntarily report a broader range of information.

We agree with the CSA that information related to diversity should be provided solely with the consent of the individuals involved - self-identification is of critical importance - and that diversity data should be released in aggregated form. Companies can encourage self-identification by building a culture in which employees feel safe making such declarations.

As regards executive officers, in response to question 3, we support the proposal to require similar disclosures on diversity. These individuals interact with the board regularly and significantly influence the company's strategy and operations, they are part of the succession planning, and are ultimately the potential CEOs and board directors of the future.

Finally, while we welcome the efforts to increase transparency on diversity on company boards and management teams, we encourage the CSA to go further, by recommending that boards hold management accountable for establishing and disclosing Diversity, Equity and Inclusion programmes for the whole company, and for reviewing results periodically. This could be part of CEO's KPIs. Such programmes, which should be developed with input from the workforce and relevant stakeholders, help foster an inclusive company culture. When established in a meaningful way, they also help develop high potential talent for future board director positions, thereby increasing diversity in the director candidate pool.

ICGN Global Governance Principles, Principle 3, recommends that *"Boards, and the workforce, should comprise a genuinely diverse group of individuals to ensure effective, equitable and inclusive decision-making in alignment with the company's purpose and taking into consideration the interests of relevant stakeholders. This includes individuals from different genders, age, ethnicities, nationalities, social and economic origins, professional skills and personal attributes. Boards should disclose and report against the company's policy on diversity, equity and inclusion to the extent permitted by law which should include measurable goals and period for achievement. The report should include an explanation of how the policy aligns with the company strategy and succession planning for the board and workforce."*

Thank you again for the opportunity to share our perspective. If you would like to follow up with questions or comments, please contact our Global Policy Director, Séverine Neervoort (severine.neervoort@icgn.org).

Yours faithfully,



Kerrie Waring
Chief Executive Officer, ICGN

Cc: Karin Halliday, ICGN Human Capital Committee Co-chair
Michela Gregory, ICGN Human Capital Committee Co-chair