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Ontario Securities Commission Staff Consultation Paper 58-401 *Disclosure Requirements Regarding Women on Boards and in Senior Management*

Dear Sirs/Mesdames:

Thank you for the opportunity to comment on the Ontario Securities Commission (OSC) Staff Consultation Paper 58-401 detailing proposed disclosure requirements regarding women on boards and in senior management.

Canada is a nation that counts diversity as one of our greatest strengths, and in order to realize our potential for growth it is imperative that our reporting issuers commit to increasing the diversity of our business leadership. Studies have shown the positive impact diversity can have on innovation, growth and profitability in business. The results of the Credit Suisse Research Institute study of gender diversity also correlate board diversity to increased resilience as it found that “stocks with greater gender diversity on their boards...tend to perform best when markets are falling.”¹ In today’s globalized market it is necessary to have a diversity of perspective and experience in order to benefit from effective and balanced decision making. We commend the OSC for these proposed regulation changes. Canada stands to benefit by following the example of countries that have recognized and instituted policies on the diversity of boards and senior leadership positions.

KPMG supports the need for regulatory action to facilitate improvement in this area. Transparency, measurement, and accountability are keys to successful change and progress in increasing diversity. KPMG is proud to support a commitment to these principles and has demonstrated this commitment through signing the Catalyst Accord².

While much attention has recently been paid to the issue of gender diversity, we encourage you to broaden the definition of diversity as it relates to board and senior management to include gender, ethnicity, age, and cultural background. We believe boards and senior management stand to benefit from a diversity of perspectives that goes beyond gender.

1. What are effective policies for increasing the number of women on boards and in senior management?

In order to realize the goal of increasing the representation of women on Canadian boards and in senior management, we recommend that each non-venture issuer be required to adopt:

¹ Credit Suisse Research Institute, Gender Diversity and Corporate Performance (August 2012).

² <http://www.catalyst.org/catalyst-accord-women-corporate-boards-canada>



- i. A performance model whereby diversity is a strategic priority. We believe that Chair of the board should be accountable to communicate the business case for diversity to the rest of the board and the CEO. The Chair of the board should be responsible to create a model for board diversity which includes goals and timelines for achievement. Goals for senior management representation should be embedded into CEO business accountabilities.

For Canadian businesses to adopt diversity as a strategic business priority, accountability for advancing diversity boards and in senior management and for driving inclusion as a part of workplace practices must rest with the board Chair and CEO, respectively. The CEO should report to the board on the diversity practices and progress against goals annually. This progress should be tied to the CEO's annual evaluation and compensation.

- ii. A diversity policy which aims to increase the diversity of the board and senior management. The policy should include:
 - recruitment and selection guidelines to ensure recruitment from a diverse pool of candidates
 - inclusion of diversity as a consideration of the skills and competencies required by the board and senior management
 - a plan to review the effectiveness of the policies annually
 - identification of programs to assist in the development of a broader pool of skilled and experienced candidates (e.g., board mentoring, sponsorship of emerging female leaders, etc.)
 - information on board succession (e.g., terms, nomination process, etc.).
- iii. A measurable goal for increasing board and senior management gender diversity. While the "comply or explain" model will serve to draw attention to the issue of diversity, we feel that a further step of setting a measurable goal is necessary to see true advancement. We recommend that non-venture issuers establish a goal to increase the representation of women on boards to 25% by 2017 consistent with the Catalyst Accord. In addition, we recommend that non-venture issuers establish a goal to increase the representation of women in senior leadership to be consistent with the representation of women in their organization as a whole.
- iv. An annual progress report detailing specific actions taken to comply with policies.

2. What type of disclosure requirements regarding women on boards and in senior management would be most appropriate and useful?

Transparency and measurement are keys to success in achieving better diversity on boards and in senior management. KPMG supports the proposed disclosure requirements set out in OSC Staff Consultation Paper 58-401. Specifically, we believe non-venture issuers should disclose:

- i. Details of their diversity policy both for board and senior management diversity.
- ii. Measureable goals against board and senior management gender diversity. As noted above, we recommend non-venture issuers adopt a goal to increase of board gender diversity to 25% by 2017 and senior management gender diversity to a level consistent with the representation of women in their organization.
- iii. Annual report on progress against the goals and execution of the diversity policy



- iv. If goals have not been met, an explanation as to the reasons and plans to comply in future.
- v. We believe that for these disclosures to be meaningful to an investor, non-venture issuers should disclose the percentage representation of women in their organization as a whole, in senior executive positions and on the board for the last three years.

3. Are the proposed scope and content of the model disclosure requirements described in Part 4 of this consultation paper appropriate? Are there additional or different disclosure requirements that should be considered? Please explain.

The proposed scope and content of the model disclosure requirements are appropriate with the additional content recommended above. In addition, we recommend that the measurement data proposed in OSC Staff Consultation Paper 58-401 be provided for a three year period to allow investors to make a meaningful assessment on the progress an organization has made.

4. What type of statistics, data and/or accompanying qualitative information regarding the representation of women in their organization should non-venture issuers be required to disclose? Should such disclosure be reported for the non-venture issuer only or for all of its subsidiary entities also?

As outlined in OSC Staff Consultation Paper 58-401, non-venture issuers should be required to disclose the proportion of:

- female employees in the whole organization
- women in senior executive positions, and
- women on the board.

Additionally, we recommend that non-venture issuers disclose:

- i. Details of the diversity policy
- ii. Goals for the increase in gender diversity on the board and in senior management level
- iii. Annual report on progress against goals outlined in the diversity policy and goals
- iv. If goals have not been met, an explanation as to the reasons and plan to comply in future
- v. Statistical gender representation data for a three year period

We believe that this information should be disclosed for the non-venture issuer and that by definition this includes all of its subsidiary entities.

5. What practices should we recommend for facilitating increased representation of women on boards and in senior management?

- **For example, should we recommend that non-venture issuers have a gender diversity policy? If so, should we set out recommended content for the policy?**

Non-venture issuers should have visible and transparent commitments to increasing the diversity of their boards and senior management. We encourage the OSC to provide non-venture issuers



with a model policy or guidance as to what should be included in a diversity policy. The policy should include:

- i. a statement of commitment to diversity at the board and senior management level
- ii. recruitment and selection guidelines to ensure recruitment from a diverse pool of candidates
- iii. inclusion of diversity as a consideration of the skills and competencies required by the board and senior management
- iv. goals for an increase in the gender diversity of the board and senior management
- v. a plan to review the effectiveness of the policies annually
- vi. identification of programs to assist in the development of a broader pool of skilled and experienced candidates (e.g., board mentoring, sponsorship of emerging female leaders, etc.)
- vii. information on board succession (e.g., terms, nomination process, etc.)

We also recommend that diversity in senior management be included in CEO accountabilities and that boards complete a review of board recruitment and selection committee practices with a focus on how to include considerations of diversity and how to diversify the pool of potential candidates.

- **Should non-venture issuers be required to comply with the recommended practices or explain why they have not complied (i.e. a “comply or explain” model of disclosure)?**

Yes, the “comply or explain” model of disclosure can be used but we believe that to truly change the representation of women on boards and in senior managements, a non-venture issuer should set and disclose goals and their progress to achieving them on an annual basis.

In addition, we recommend a program checkpoint after five years to assess if the “comply or explain” model has had a significant impact on the objective of the regulation to diversify Canadian boards and senior management.

In closing, KPMG fully supports the proposed disclosure regulations outlined in OSC Staff Consultation Paper 58-401. These regulations are an important step to ensure that Canada fully benefits from a diversity of perspective and experience on Canadian boards and senior management.

Thank you for the opportunity to comment on OSC Staff Consultation Paper 58-401. Should you wish to discuss our comments in more detail, we would be pleased to respond.

Yours truly,

William B. Thomas, FCPA, FCA
Chief Executive Officer & Senior Partner