

**Disclosure Requirements Regarding Women on Boards and in Senior Management**

**General Comments**

There is widespread support for the concept that diversity of opinion, viewpoint and experience leads to better performance at the board and executive tables. The specific OSC proposals to track gender diversity on board appointments and oversight of the senior management talent development program are vital to achieving this diversity. We take issue with the view that board diversity is still relatively new for many firms and that they should be given more time to implement solutions. Change is overdue and action is needed now.

In general, this consultation paper provides a useful step forward in increasing the awareness of the value of greater gender diversity on boards and in senior management and the need for boards to focus on this as an important business objective. However “comply or explain” alone without meaningful target setting and reporting against those targets is unlikely to produce improved results from the current average of ten per cent representation. The statistics support the fact that little or no progress has been made in the past five years. Forty-six percent of publicly traded companies still have no female representation, making Canadian diversity lag behind all other OECD countries. This suggests that the recommendations need to go further to create any meaningful change.

Board oversight of talent management is core to a board’s duties and demands that action be taken to increase the number of women in senior management and executive positions. This will not only create the needed pipeline of women for future boards, but will also ensure that women are provided the opportunities to assume those critical roles and provide the experience and skills to effectively serve on boards. Gender consideration in the talent development management and succession planning process and policies will build a more robust and qualified feeder system for Board candidates. Targets and reporting have long been used in the management development area.

Finally, we would encourage widening the coverage of reporting companies. This would include extending the OSC requirements to subsidiary companies and be included in “best governance practices” for all privately held firms. Prime Minister Harper’s Advisory Council for Promoting Women on Boards, created to increase the participation of women on boards, provides the opportunities to champion a national goal and time frame and to lead by way of appointments to crown corporations and federally regulated bodies. Recommendations from this Advisory Council are anticipated this fall. Ideally, the OSC’s efforts would complement those of the federal government.

## **Specific consultation questions**

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

We would recommend that formal policies be developed in the areas of board renewal, board recruitment and in defining gender diversity.

#### ***Board Renewal***

Today's best practices in board governance have highlighted the need for board renewal. Board renewal takes many forms, but essentially it requires boards to take a critical look at the skills and expertise needed to provide effective oversight of an organization's strategic plan. Many, but not all, boards have developed a board matrix outlining the desired composition of skills. The board uses this matrix as a tool for determining the skills gap that must be filled as it renews or replaces its board members. Boards need to create more opportunities for women through a renewal process and we recommend that the OSC require the disclosure of a company's renewal policy.

We recommend that companies have a desired board skills matrix and clearly demonstrate how it plans to address any skills gap through its renewal policy. In constructing the matrix, organizations are encouraged to think beyond industry specific experience to the essence of the skills required. For example, instead of "Mining industry executive" or "Forestry industry executive", the skills and experience could be defined differently: "experience in regulated industries, capital intensive, safety-sensitive, multi-stakeholder, international M&A" etc. Thinking in broader terms will allow greater consideration of candidates.

Creating opportunities for women to sit on boards requires an examination of the use of term and/or age limits as part of the board renewal policy. A 2011 Korn Ferry study confirmed that in 2010, only 52 percent (of the companies included in the study) disclosed information regarding retirement ages or term limits. The study also noted that 15% of directors were 71 or older and this figure had been growing. At a minimum, we believe that the OSC recommend disclosure of renewal limits, including term and age, as part of an organization's renewal policy. We also believe that through a formal renewal process, opportunities will be created for women with the expanded implementation of term and/or age limits.

#### ***Board Recruitment***

We recommend that companies adopt a formal process for recruitment of directors. The renewal policy discussed above should include a requirement that there be an identification of a balanced number of men and women considered at the intake stage of the recruitment process. Research by Catalyst and others demonstrates that there is an ample supply of "ready now" women to fill current and near-future openings on corporate boards. Professional search firms and other organizations such as the Institute of Corporate Directors and Women on Board are key resources for any board interested in identifying capable and experienced women to serve on boards. As an example, The Canadian Board Diversity Council has launched the 'Diversity 50' program in 2012. Fifty board ready individuals were selected by the organization and

sponsoring CEOs of leading Canadian firms. Fifty additional individuals will be announced in the fall of 2013. Professional search firms may be more expensive but have the valuable advantage of broadening the candidate pool beyond the current directors' networks.

A direction setting practice could be implemented that encouraged each board member to identify a female candidate to be included for evaluation and consideration on the board slate. This will further add to the potential pool of candidates for consideration.

### ***Defining Gender Diversity***

Finally, we recommend that boards have a policy on diversity, which needs to include a clear definition of gender diversity, or it may lead to broader diversity considerations of geographic, skills, background, etc. Women are significantly underrepresented on boards relative to their representation in the population, in the workforce and in a companies' investor and customer bases. Previous approaches to defining diversity have been so broadly defined that it did little over the years to achieve any substantive increase in women representation on boards.

Other diversity considerations must be addressed over time. We acknowledge that if it is so difficult for women to make inroads on to boards, it must be even more difficult for other under-represented groups. We respectfully submit that it would be appropriate to move on to other diversity considerations only after we have "cracked this nut" for women.

The comments above focus on policies to increase the gender diversity of boards. Individuals in senior management positions become feeder stock for boards of the future. It is incumbent on boards in fulfilling their critical roles in the areas of board succession and talent management to ensure that women are given the same opportunities as men in their organizations to develop their potential, to assume the critical leadership positions and to be supported in realizing their aspirations. One of the biggest risk areas for boards in today's marketplace is talent management. To that end, we would recommend that the Human Resources Committee of the board require discussion of gender diversity as a standing item on their annual calendar and include a clear statement in the HRC charter on their role in providing effective oversight of the gender diversity targets for senior management and comparative compensation measures for women and men.

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

Disclosure requirements are essential in order to create effective change.

We recommend that disclosure include the three policies identified in response to question 1 above, notably a renewal policy, a recruitment policy and a gender diversity policy. Disclosure would include term and/or age limits, as well as, explanations for exceptions to any of the policies.

We recommend that disclosure of the company's policies on talent management be considered, both in the context of risk to the organization, and with respect to how it is addressing gender diversity within its senior management.

As discussed in response to question 3 below, we recommend that organizations set targets for women representation on their boards and in senior management (% of women relative to total board members and employees). As a result of this recommendation, we would recommend there be disclosure of these targets, disclosure of current metrics and the plans to close the gap, including a timeframe for achieving the targets. We would also recommend the inclusion of a description of why specific targets were chosen which could include factors such as the market in which the company operates and benchmarks against like sized organizations or crown agencies.

In situations where companies have set longer term targets, it would be expected that interim disclosures would include interim metrics and a description of progress.

**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 key shortcoming in the proposal is that issuers would not be required to set targets and measure progress against those targets. We recommend that companies be required to set and disclose targets. We are not recommending "quotas". We are recommending that each organization establish an internal target. The process and data considered in establishing the goals should be disclosed.

We recommend that organizations set internal targets that reflect the gender representation in the market in which the organization operates.

We are concerned that many companies believe that by appointing one female to their board that they have created gender diversity on their board. This mentality of "one and done" does little to creating true gender diversity on the board.

Consistent with an organization's strategy, we recommend that boards set ambitious goals and time frames to demonstrate how they will increase diversity of their board over time.

The OSC's role could be to suggest a timeframe for corporations to achieve specified targets. We recommend the following for consideration:

- Corporations disclose in the 2014 proxy circular their target of the number of board seats to be held by women. The date suggested to achieve the targets would be 2016. Consideration could be made for additional progress toward gender parity beyond 2016.
- Corporations comply or explain progress against established targets (2016) and set targets for subsequent years.

The OSC has a role to play in identifying the consequences of non compliance. For example, if there is no measurable progress by 2016, we would recommend that quotas be introduced by 2018. We also think it would be useful for the OSC to define success and would recommend that a modest target would be 30% by 2020. The reasonability of 30% by 2020 is assessed against the targets/quotas set by other jurisdictions including the UK (25% by 2015), France (40% by 2017), and Germany (proposal of 30% by 2018) to name a few. We believe that consideration

should be given to having a national target and that the OSC has a key role in influencing this outcome through this proposed disclosure and the work of the federal Advisory Council referenced in the General Comments. The Canadian Coalition on Good Governance also advocates for increased board diversity and supports the disclosure requirements combined with clear targets and timelines to achieve greater gender diversity.

CEO's need to be champions of gender diversity within their organizations. We recommend that the CEO's performance objectives include specific targets and timeframes for achieving gender diversity for the executive team and senior management. We recommend that this information is included in the company's disclosure documents, in the same way we have recommended board gender diversity targets be disclosed.

**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?**

We recommend that both the actual numbers and percentage representation of women on the board and in senior management be reported against internal objectives.

We also recommend that disclosure be required for subsidiary entities. Subsidiary entities are often where significant operations are housed, as opposed to the corporate entity. These organizations provide significant opportunities to increase women representation within senior management and for board members to gain experience. Disclosure of this information would be expected to reveal similar gaps in gender representation that need to be understood, analyzed and addressed.

**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?
- 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)?

Consideration should be given to non-ventures issuers of a certain size. These boards provide opportunities to gain experience.

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The comments contained in this submission reflect the views of the individuals above. These views are drawn from their experiences as current and past board directors of publicly traded, private and non-profit organizations in British Columbia and across Canada, as well as, their past experiences in senior executive roles, including as CEOs, Presidents, Chief Operating Officers and Chief Financial Officers. These women currently serve on the following local, national and international boards:

**Public**

AEGIS Insurance  
Encana Corporation  
Nordion Inc.  
CIBC  
Capstone Infrastructure  
Fortis BC Inc.  
New Flyer Industries  
Northwest Natural  
Post Media  
Potash Corporation of Saskatchewan  
Royal Bank of Canada  
Russel Metals  
SilverBirch Hotels and Resorts  
TMX Group

**Private**

Vancouver International Airport  
Vantage Airport Group  
Coast Capital Savings Credit Union  
TimberWest Forest Products  
Revera Inc. (privately held subsidiary of the Public Sector Investment Board)  
Delta Hotels and Resorts (privately held subsidiary of BC Investment Management Board)  
North Shore Credit Union  
Prince Rupert Port Authority  
Port of Metro Vancouver

Vancouver Board of Trade  
Mutual Fund Dealers Association of Canada  
Institute for Corporate Directors – BC Branch  
Transelec (Chile)

**Crown Agencies and Not For Profit**

BC Ferry Authority  
Insurance Council of BC  
Export Development Corporation of Canada  
Vancouver Coastal Health Authority  
Translink  
Powertech  
Canadian Airports Council  
Canadian Institute for Advanced Research  
EasyPark, Parking Corporation of Vancouver  
Core Area Wastewater Treatment Program  
Canadian West Foundation  
FitSpirit Ontario Advisory Board  
Centre for the Study of Democratic Institutions  
University of British Columbia  
Max Bell Foundation  
Vancouver Opera Association  
United Way of the Lower Mainland  
International Women's Forum  
Vancouver General and UBC Hospital Foundation  
Coast Mental Health Foundation