

Oct 2, 2013

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

Re: Request for Comment: OSC Staff Consultation Paper 58-401, Disclosure Requirements Regarding Women on Boards and in Senior Management

Dear Sir:

This submission is provided in response to the above Request for Comment published on July 30, 2013.

Chartered Professional Accountants of Canada (CPA Canada) and Chartered Professional Accountants of Ontario (CPA Ontario) value the opportunity to respond to this OSC proposal and applaud the OSC for taking on this crucial topic. Chartered Professional Accountants of Canada (CPA Canada) was established by The Canadian Institute of Chartered Accountants (CICA) and The Society of Management Accountants of Canada (CMA Canada) on January 1, 2013 under the Canada Not-for-profit Corporations Act.

CPA Canada and CPA Ontario demonstrate evidence of our seriousness in this initiative through notable representation of women at senior management levels, on our governing bodies and on our many volunteer groups. We are actively involved in supporting boards of directors through activities of the Risk Oversight and Governance Board and provide resources and education to further women's advancement in the profession through our Women's Leadership Council.

We subscribe to the research presented in Consultation Paper 58-401 which highlights issues with gender diversity on boards and in senior leadership positions, and support your intention to go beyond just the board level. The OSC proposal will encourage representation by women on boards and in senior management. Movement in terms of the number of women in senior management will also serve to identify additional women as potential board members.

In theory we support a 'comply or explain' approach to disclosure about gender diversity in Canada, however we do request that the OSC also consider other diversity issues. We recognize that the OSC

undertook this initiative on gender equality at the direction of the Ontario government and has restricted the focus of its *Consultation Paper* to that of gender equality. We also understand the imperative to deal with the issue of gender under-representation on a timely basis. We recommend that the OSC evaluate the effectiveness of this approach within three years, assessing whether gender statistics improve and whether further action should be considered. Further we recommend that the OSC consider developing a consultation paper that deals with diversity issues more broadly.

The consultation paper quotes SEC Commissioner Luis A. Aguilar's May 22, 2013 speech, in which he stated "Numerous investors have made it clear that they are particularly interested in board policies regarding gender, racial, and ethnic diversity. And, for our capital markets to work, it is that information that they want to have in making voting and investment decisions." As well, in CSA Staff Notice 58-306 *2010 Corporate Governance Disclosure Compliance Review*, the CSA suggests issuers should consider whether the board considers diversity of experience, background and views when considering a candidate for appointment or election to the board. We look forward to the OSC addressing these broader diversity issues in a future consultation paper.

Below please find our responses to some of the questions posed in the Request for Comment.

If you would like to discuss our comments in more detail, please contact Karen Duggan, CPA, CA, at kduggan@cpacanada.ca or Gigi Dawe at gdawe@cpacanada.ca.

Yours Truly,



Kevin Dancey, FCPA, FCA
President & CEO
CPA Canada



R.N. (Rod) Barr, FCPA, FCA
President & CEO
CPA Ontario (ICAO)

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

Key barriers for women advancing into leadership roles have been identified and are widely accepted. We recommend that policies should address these identified barriers and could also involve leadership training, targeted coaching and targeted skill building.

Issuers should have a diversity policy in place that includes measurable objectives for implementing the policy, and annual disclosure requirements on progress made in achieving the objectives. To encourage issuers to prioritize gender diversity we suggest that this initiative could be included as a requirement under NP 58-201 - Effective Corporate Governance Guidelines and disclosure of their process as part of 58-101 - Disclosure of Corporate Governance Practices. Additionally, the OSC may consider addressing the gender diversity issue within the context of continuous disclosure obligations under 51-102, as a material social issue.

Issuers should also be required to set targets with respect to board and senior management gender diversity levels so that they have a clear goal to aim for and report against. This would provide data for issuers to measure themselves against in the future. There can be flexibility in the actual targets and where and when they should apply, but with caution, as the consultation paper notes that without targets progress in diversity is limited.

- **What practices should we recommend for facilitating increased representation of women on boards and in senior management?"**

The recommended practices in Section 4 of 58-401 are positive and a step in the right direction.

Issuers should also provide direction to search firms that outlines the expectation that diverse nominees be identified as potential candidates and that female candidates are interviewed as part of the selection process.

As well, there are useful programs presented from international jurisdictions. Cherry picking from those that best reflect our culture and principles based regulatory regime could be very effective. A positive example from the UK includes recommendation that companies create a "pool" of potential

board candidates who are well qualified to be appointed to Boards so they are prepared when a position becomes available.

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

The disclosure requirements outlined in Section 4 are an appropriate step.

To encourage more women in senior management positions and on the board issuers should be required to disclose a formal process that sets gender diversity targets against which they will measure themselves. This formal process should include specific steps the issuer and the board are taking inside the boardroom, in board evaluation and board member selection. It should also include steps to encourage human resources internally and search firms externally to support the issuer's process.

- **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)?**

Given the research that finds that diversity is both a value driver and a corporate responsibility, we believe the 'comply and explain' disclosure is appropriate and further, should apply to venture issuers as well as non-venture issuers. Notwithstanding, CPA Canada believes there are inherent risks associated with the 'comply or explain' model. We submit that simply offering principles and guidance is not sufficient, yet imposing quotas is extreme at this stage. Nevertheless, we sense that 'comply or explain' could be used as unofficial enforcement and as such, if issuers are unable to reach self-imposed targets they may be criticized or penalized. We urge the OSC to use caution when reviewing issuer's explanations so that they do not become de facto quotas.