

October 2nd, 2013

The Secretary
Ontario Securities Commission
20 Queen St. W., 22nd
Floor Toronto, ON M5H 3S8



By email: comments@osc.gov.on.ca

Dear Mr. Stevenson,

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

Thank you for the opportunity provided by the Ontario Securities Commission (the "OSC") to comment on this Consultation Paper. Women in Capital Markets ("WCM") is a strong supporter of the Consultation Paper's "comply or explain" approach as a first step to increasing the representation of qualified women on boards and in senior management roles for Canadian non-venture issuers.

WCM is a non-profit organization which advocates for the increased representation and advancement of women into senior leadership roles in the Canadian capital markets industry. Our membership is over 1000 members strong with women working in all segments of the capital markets and includes many of the most senior female executives in Canada's largest financial institutions.

We believe that addressing the underrepresentation of women on boards and in senior management in Canada is critical to the economic competitiveness of this country and to the quality and effectiveness of Canada's corporate governance. Furthermore, the lack of progress in increasing gender diversity on boards and in senior management has proven that a more proactive approach is required in Canada.

Our support for the Consultation Paper's "comply or explain" approach is based on the following:

1. The Business Case for Gender Diversity – Research has demonstrated that companies with more women on their boards and in senior management outperform those with fewer women.

There is a large body of research which has proven the business case for gender diversity on boards and in senior management. Credit Suisse tested the performance of 2,360 companies globally for a six year period and determined that companies with women on their board had higher return on equity, higher valuation multiples and better average growth.¹ McKinsey conducted a study of all European listed companies and found that those with a higher proportion of women on the executive committee and the board outperformed their sectors based on return on equity, operating profit and share price growth.²

1. Credit Suisse, Gender Diversity and Corporate Performance, August 2012

2. McKinsey and Company, Why Women Matter 2012

Catalyst's research on Fortune 500 companies demonstrated that companies with a greater proportion of women on their boards outperform those with fewer women based on return on equity, return on sales and return on invested capital.³

These studies clearly show the economic benefits of having more gender diversity on boards and in senior management. Canada's underrepresentation of women in these roles is an issue of economic competitiveness. Other countries have recognized the economic benefits of gender diversity on boards and in senior leadership and consequently have made significant progress increasing the representation of women. As a result, Canada has fallen behind in recent years in the international rankings of gender diversity on corporate boards.⁴

Canada needs to exploit the potential of its entire talent pool to be competitive on a global basis. We simply cannot be maximizing the potential of our talent pool when 50% of the population is not being considered for the vast majority of leadership roles that shape our economy. The fact that 43% of companies on the S&P/TSX have no women on their boards and 28% have only one woman demonstrates the sub-optimal use of the national talent pool and the deficiencies in the board recruitment process in this country.⁴

Bringing greater gender diversity to Canada's boards will not only have a positive economic impact, but will also improve corporate governance in this country. There has been significant analysis done with respect to the impact of greater gender diversity on boards and its correlation with better governance. More gender balanced boards are associated with enhanced independence and superior processes and criteria for measuring and monitoring management and board performance. Additionally, research has shown women prepare more conscientiously for meetings and are more assertive with respect to asking the difficult questions and on important governance issues such as evaluating board performance.⁵

There is an ample pipeline of women in this country who are ready to serve on boards and companies who insist on a gender balanced director candidate short lists will quickly dispel the myth that Canada does not have a highly qualified and talented roster of female directors.

2. The current laissez-faire approach with respect to gender diversity on boards is clearly not working and Canada needs to take a more proactive approach in order to increase the proportion of women on boards and in senior management.

History has demonstrated that the representation of women on boards and in senior management will not improve organically with the passage of time. Women have represented at least half of university graduates for 30 years (and now represent 60% of university graduates in Canada)⁶ and yet the representation of women in senior officer roles in public companies sits at 14.5%, a mere 5.5% of those companies have female CEOs, and only 10.3% of board seats are held by women.⁷

3. Catalyst, The Bottom Line, Corporate Performance and Women's Representation on Boards 2007

4. TD Economics, Get on Board Corporate Canada, March 7, 2013

5. Women on Boards, UK

6. Statistics Canada

7. Catalyst, 2011 Catalyst Census: Financial Post 500 Women Board Directors, March 2012 & Financial Post 500 List.

A more proactive approach to improving gender diversity in leadership and board roles is required to increase the representation and influence of women in this country. The “comply or explain” model is a logical and reasonable first step to address this issue. This approach is consistent with the OSC’s principles-based approach to regulatory implementation. Furthermore, this model has driven rapid progress in other countries without mandating quotas or more stringent regulatory intervention. The implementation of a “comply or explain” model in Australia in 2010 resulted in 100% increase in board seats held by women in 3 years (from 8% in 2010 to 15.7% in 2013).

WCM strongly supports the OSC’s recommendations in the Consultation Paper and we commend the OSC for initiating these important changes to the corporate governance framework.

WCM’s comments with respect to the specific questions in the Consultation Paper are as follows:

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

The “comply or explain” approach is the most appropriate model for increasing gender diversity on boards and in senior management in Canada at this time. Expanding corporate governance disclosure requirements to include gender diversity specifically is a logical first step and is consistent with the current OSC approach to regulatory implementation. However, progress on increasing the number of women on boards and in senior management needs to be monitored by the OSC on an annual basis and if we do not see a significant improvement in the statistics within 3 years other options should be considered.

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

WCM supports the disclosure requirements outlined in the OSC Consultation Paper and would add additional disclosure requirements which are outlined in the following question.

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.

WCM submits that companies should disclose measurable targets for gender diversity on the board and in senior management. Furthermore those targets should be associated with specific timeframes. Boards and management should be held accountable for the achievement of specific objectives with respect to gender diversity, just as they are for other strategic and operational objectives. The inclusion of measurable targets for the board and senior management will be a critical factor in the successful achievement of a critical mass of women in leadership positions who can influence their organization and allow it to reap the economic benefits of greater gender diversity. It is also critical to ensure the targets are extended to senior management, not only the board, as this will help build the pipeline of future female board members, as well as positively impact organizational performance.

Secondly, WCM submits that in order to allow for greater gender diversity on boards, companies will have to address the low turnover rates on boards in order to make room for new directors. We believe that disclosure on policies and practices with respect to tenure limits and board renewal are essential to increasing the representation of women on boards in a reasonable timeframe.

4. What type of statistics, data and/or accompanying qualitative information regarding the representation of women in their organizations 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?

WCM supports the OSC's model of disclosure and submits that disclosure of measurable objectives, as referenced in Question 3, should be required. Companies should disclose the data they have chosen to collect and track and their progress in advancing women in senior roles in the company.

5. What practices should the OSC recommend for facilitating increased representation of women on boards and in senior management? E.g. Gender diversity policy and comply or explain.

WCM submits that companies should also disclose whether they have a policy for advancing the representation of women in senior leadership and board roles. If the company does not have such a policy, the company should disclose why not and what risks or opportunity costs are associated with that decision. Formulating and communicating that policy, as well as providing measurable and monitored objectives for that policy, increases the awareness of the importance of having greater representation of women at all levels of the organization and demonstrates the board and senior management's commitment to achieving greater gender diversity. These policies will be integral to achieving the targets each company sets for the representation of women in senior management and on the board.

Conclusion

In summary, WCM strongly supports the OSC's "comply or explain" proposals on gender diversity and believe they provide a good first step in addressing the board and senior leadership gender diversity gap in Canada. The implementation of these measures is critical to increasing the competitiveness of the Canadian economy and will enhance corporate governance in this country.

Sincerely,



Jennifer Reynolds
President, Women in Capital Markets