

April 15, 2014

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

Re: Request for Comment: Proposed Amendments to Form 58-101F1, Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices (“Proposed Amendments”)

Dear Sir:

This submission is provided in response to the above Request for Comment published on January 16, 2014.

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. CPA Canada is the national organization established to support unification of the Canadian accounting profession under the Chartered Professional Accountant (CPA) designation. It was created by the Canadian Institute of Chartered Accountants (CICA) and The Society of Management Accountants of Canada (CMA Canada) to provide services to members of CPA, CA, CMA and CGA accounting bodies that have unified or are committed to unification.

CPA Canada and CPA Ontario demonstrate evidence of our seriousness in this initiative through notable representation of women at executive officer 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 recognize that this paper goes beyond the scope of the draft recommendations contained in the 2013 Consultation Paper. Recommendation # 5 includes the requirement that targets regarding the representation of women on the board and in executive officer positions be disclosed, or alternatively an explanation for the absence of such targets. As we noted in our response to the consultation paper,

“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.”

We believe the 'comply or explain' approach with respect to targets will encourage non venture issuers to adopt targets in each of the suggested areas. We support Recommendation #5 with respect to targets and believe that they will improve the progress in gender diversity on boards and in executive officer positions.

Further, given the research that finds that diversity is both a value driver and a corporate responsibility, we are confident that 'comply or explain' disclosure is appropriate and could be extended to venture issuers as well as non-venture issuers.

We understand the imperative to deal with the issue of gender under-representation on a timely basis. As such we support Recommendation #7, that the OSC conduct a review of compliance with any new disclosure requirements after issuers have provided this disclosure for three annual reporting periods. At that point, the OSC will be able to evaluate the effectiveness of the new comply or explain requirements in improving gender diversity on the board and in executive officer positions or assess whether further action should be considered.

Additionally, although we support the proposed 'comply or explain' approach to disclosure about gender diversity in Canada, 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* and *subsequent Proposed Amendments* to that of gender equality. We recommend that the OSC consider developing a consultation paper that deals with diversity issues more broadly.

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)

- **Are the scope and content of the Proposed Amendments appropriate? Are there additional or different disclosure requirements that should be considered? Please explain.**

The Proposed Amendments are appropriate. We believe the extension of the amendments into targets will result in increasing the number of women on boards and in executive officer positions. It must be recognized, however, that to achieve targets for women in senior executive positions, issuers will need to have policies and processes in place to advance women throughout the organization.

- **Should the Proposed Amendments be phased in, with only larger non-venture issuers being required to comply with them initially? If so, which issuers should be required to comply with the Proposed Amendments initially? Should the test be based on an issuer's market capitalization or index membership? When should smaller non-venture issuers be required to comply with the Proposed Amendments?**

In order to comply with the proposed amendments, almost every non-venture issuer will need to make some changes – by developing written policies, setting targets, providing information concerning women on their board and in executive officer positions. Phasing in implementation over a number of years will significantly reduce the effectiveness of the proposed amendments and add unnecessary complexity. We recommend a two-phased approach. In a comply or explain environment, all non-venture issuers should be required to comply with the proposed amendments immediately upon their effectiveness. The OSC should then facilitate a round-table of these issuers to discuss problems and provide best practices in resolving them. Based on the outcome of those discussions consideration should be given to requiring venture issuers to adopt the proposed amendments.

- **Do you agree that the Proposed Amendments requiring non-venture issuers to provide disclosure regarding term limits will encourage an appropriate level of board renewal?**

Given the slow pace of change indicated by respondents to the recent OSC survey, we believe that disclosure of the term limits is a good first step to encourage board renewal. Disclosure of term limits may act as a motivator for issuers to change board composition to one that reflects more diversity and may encourage progressiveness and impartiality. In line with Recommendation #7, that the OSC conduct a review of compliance with any new disclosure requirements after issuers have provided this disclosure for three annual reporting periods, we encourage the OSC to assess the effectiveness of a "comply or explain" approach to term limits. We also encourage the OSC to indicate in the proposals what next steps might be if there is no progress as a result of this approach.

- **In support of disclosure regarding director term limits, should there be greater transparency regarding the number of new directors appointed to an issuer's board and whether those new appointees are women? Specifically, should there be an additional disclosure requirement that non-venture issuers disclose: (i) the number of new directors appointed to the issuer's board at its last annual general meeting and (ii) of these new appointments, how many were women?**

This is not necessary and it can be gleaned from existing information. The concern is not how many of the new appointments are women but rather the proportion of women on the board and we encourage disclosure on that. The additional requirement could unfairly penalize entities who already have a significant proportion of women on the board and by virtue of this do not need to have as high a proportion of female appointees.

- **Item 11 of the Proposed Amendments requires disclosure of policies regarding the representation of women on the board or an explanation for the absence of such policies. The term “policy” can be interpreted broadly. Should the proposed disclosure item explicitly indicate that the term “policy” can include both formal written policies and informal unwritten policies? What are the challenges?**

If one purpose of the amendments is to allow investors to evaluate the performance of boards on a variety of issues, including the disclosure of policies regarding the representation of women on the board, then in order to allow for performance comparison amongst board, the term ‘policy’ should be defined.

To encourage more women in executive officer positions and on boards, 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. Informal unwritten policies may not be perceived to be strong enough to be effective. Formal unwritten policies should be transformed into written policies relatively quickly and easily.

We support a definition of the term policy which would include only formal written policies.

- **Other**

The recommendations to comply or explain with respect to gender diversity targets do not address when an issuer changes the target or introduces a new target. To ensure comparability amongst issuers, we suggest that the OSC consider providing guidance on the disclosure required when a target is adjusted. We urge the OSC to use caution when reviewing issuer’s explanations to ensure that adjustments to the targets are not routinely criticized or penalized.