



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

April 15, 2014

Mr. John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

Dear Mr. Stevenson,

Proposed Amendments to OSC 58-101

This letter constitutes PIAC's response to the request of the Ontario Securities Commission for comments on the Proposed Amendments to OSC 58-101 dated January 16, 2014. PIAC welcomes this opportunity to comment further on the important issue of gender diversity for Canadian boards.

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

PIAC supports the view that board diversity is important to advance the aims of good corporate governance; and that having more women on boards fosters more robust board composition, which positively impacts performance. This view is supported by academic studies demonstrating a correspondingly higher return on equity for companies with higher percentages of women executives and women on boards.

Globally, the expectation for businesses to diversify their boards has become normative across the developed world. However, with only 10.3% of board seats held by women Canada ranks 16/44 countries (Catalyst 2014 study) which is an effective decrease from prior years (2012 GMI study), with the result that Canada is viewed as a laggard in this important area. To date, Canada has mostly promulgated a voluntary approach to the issue of gender equity on boards, with regulatory approaches advancing comply -or-explain processes for disclosure of gender equity; while an attempt to legislate (with BILL S-203 of June 21, 2011) gender balance on boards has effectively stalled.

Voluntary approaches, within the context of regulations or otherwise, are dependent upon boards' commitment to diversity to actively promote equitable recruitment processes. The 'tone at the top' will generally translate into action. 'Comply or explain' as a strategy is voluntary, and may require more robust reporting parameters in order to effect change.

We have amended our feedback slightly from our letter dated September 13th, 2013, in order to align with the proposed amendments. Please find the PIAC response to each of the seven recommendations and five questions below as follows:

Recommendations:

1) Require disclosure regarding director term limits or an explanation for the absence of such limits.

PIAC believes that board refreshment is a necessary precursor to increasing diversity and adding new perspectives to boards. While we are of the view that board refreshment is best facilitated through a robust director and committee evaluation process, we are not opposed to the adoption of enhanced disclosure requirements regarding term limits for directors. Enhanced disclosure will provide investors with a tool to assess an issuer's approach to director independence and board renewal. However, we believe that the adoption of term limits is not necessarily a best practice and that boards should be free to determine whether the adoption of such limits is appropriate for the issuer.

2) Require disclosure of policies regarding the representation of women on the board or an explanation for the absence of such policies.

PIAC supports the proposed amendments as boards' adoption of diversity policies will subsequently 'cascade' across companies to increase the probability of diversity in board recruitment practices.

3) Require disclosure of the board's or nominating committee's consideration of the representation of women in the director identification and selection process or an explanation for the absence of such consideration.

Please see the below response for recommendations 3 and 4.

4) Require disclosure of the consideration given to the representation of women in executive officer positions when making executive officer appointments or an explanation for the absence of such consideration.

In response to recommendations 3 & 4, PIAC supports the recommendation to disclose selection processes in order to reveal the depth and breadth of the pool of candidates under consideration for director positions and at the executive management level. As mentioned in our previous letter, while enhanced disclosure requirements may eventually advance gender diversity, PIAC believes that companies should strongly

encourage their nominating committees to cast a wider net for suitable candidates.

It follows that promoting greater diversity at the executive level will flow through to promote greater diversity at the board level. These disclosures will provide information necessary for an investor to understand an issuer's approach to gender diversity.

5) Require disclosure of targets adopted regarding the representation of women on the board and in executive officer positions or an explanation for the absence of such targets.

PIAC supports this proposal and suggests that the OSC require TSX-listed and other non-venture issuers to disclose any existing targets for the representation of women on their boards and progress made toward achieving those targets.

6) Require disclosure of the number of women on the board and in executive officer positions.

PIAC supports this requirement for enhanced disclosure for the number of women on the board; and in executive officer positions.

7) Conduct a review of compliance with any new disclosure requirements after issuers have provided this disclosure for three annual reporting periods.

PIAC supports this compliance review proposal, and furthermore suggests that the OSC consider measures to encourage and enhance compliance in the event of lack of progress after three annual reporting periods. Such measures could include: requiring term limits be implemented in order to stimulate board refreshment; and/or the imposition of quotas, policies to limit interlocking relationships on the board or to apply restrictions to director 'overboarding'. Companies should be encouraged to conduct rigorous individual director evaluations and avoid automatic re-nomination of directors.

Specific request for comment

Our comments on the specific questions for which comments are requested are set out below:

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

We generally support the additional disclosure requirements proposed and believe that enhanced transparency and disclosure should facilitate better corporate decision making.

2. 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?

PIAC is of the view that the Proposed Amendments should immediately apply to all non-venture reporting issuers.

3. 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?

While we are of the view that board refreshment is best facilitated through a robust director and committee evaluation process, we are not opposed to the adoption of enhanced disclosure requirements regarding term limits for directors. Enhanced disclosure will provide investors with a tool to assess an issuer's approach to director independence and board renewal. However, we believe that the adoption of term limits is not necessarily a best practice and that boards should be free to determine whether the adoption of such limits is appropriate for the issuer.

4. 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?

PIAC is supportive of a transparent and professional recruitment process which should include the disclosure of the credentials of all new directors.

5. 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 for non-venture issuers reporting publicly on informal unwritten policies adopted by their boards?

PIAC suggests that the term 'policy' should refer to formal and informal policies or practices and require that issuers describe their 'policy' irrespective of the form such policy or practice takes. In general, formal, written and board approved policies will encourage positive change and so are preferable to board and company reliance upon normative practices which may perpetuate the status quo. That being said, we believe

we should encourage disclosure of any form of policy or practice which publicly establishes the level of efforts made.

Thank you again for this opportunity to comment on this discussion paper. Please do not hesitate to contact Barb MacDonald, Chair of the Corporate Governance Committee (778.410.7112; barb.macdonald@bcimc.com) if you have any further questions.

Regards,

A handwritten signature in black ink, appearing to read "Michael Keenan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Keenan
Chair