



October 14, 2016

**Sent via electronic mail**

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**Re: Proposed amendments to National Instrument 58-101 *Disclosure of Corporate Governance Practices* and Form 58-101F1 *Corporate Governance Disclosure***

Dear Ms. Horn and Mr. Sabharwal:

We have reviewed the proposed amendments (the Proposed Amendments) to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (NI 58-101) and Form 58-101F1 *Corporate Governance Disclosure* (Form 58-101F1), and thank you for the opportunity to provide our comments.

The Responsible Investment Association (RIA) is Canada's membership association for Responsible Investment (RI). Our members, representing over \$1 trillion in assets under management, include financial institutions, asset management firms, mutual fund companies, advisors, investment research firms, pension funds, foundations and others. The RIA's members believe that the integration of environmental, social and governance (ESG) factors into the selection and management of investments can provide superior risk adjusted returns and positive societal impact.

We welcome the Alberta Securities Commission's (ASC) efforts to join the other members of the Canadian Securities Administrators who have already implemented the Proposed Amendments. The increased transparency stemming from the Proposed Amendments should help investors make investment and voting decisions. We do not believe that adopting such harmonized diversity disclosure requirements would represent a hardship or additional regulatory burden for Alberta companies, as most non-venture companies domiciled in Alberta appear to have an obligation to report to regulators that have adopted the Proposed Amendments.

There is a strong business case for higher levels of gender diversity on boards of directors and among executive officers than currently exists. A growing body of evidence links diverse leadership with stronger financial performance compared with more homogenous boards and executive teams. A recent working paper from the International Monetary Fund examined the link between gender diversity in senior corporate positions and financial performance of two million companies in Europe. It found companies with a higher share of women in senior positions had a higher return on assets, especially



for firms in sectors that employ significantly more women in their labour force and have greater demand for higher creativity and critical thinking.<sup>1</sup>

In addition, companies in the MSCI World Index with strong female leadership had a 36.4% higher return on equity as well as a 12.8% higher price/book value compared with companies without, according to a recent MSCI report.<sup>2</sup>

A 2015 report released by McKinsey & Co. also found that there was "a statistically significant relationship between a more diverse leadership team and better financial performance." In its analysis of hundreds of companies in the U.K., Canada, Latin America and the U.S., organizations with higher gender diversity were "15% more likely to have financial returns that were above their national industry median. Companies in the top quartile of racial/ethnic diversity were 35% more likely to have financial returns above their national industry median."<sup>3</sup>

While we are supportive of giving the "comply or explain" approach outlined in the Proposed Amendments an opportunity to promote higher levels of gender diversity, we would like to see a commitment from the ASC to revisit the "comply or explain" model outlined in the Proposed Amendments if there is no significant improvement in the number and proportion of women directors and executive officers three years from now. For example, the ASC might consider introducing a quota for the minimum number of women on a board (largest of 30% or 3 directors) and a target of 30% women executive officers might be suitable with a five to ten year phase in period.

Although there has been progress, most issuers are still a long way from reaching a desired level of gender diversity; however, we believe the Proposed Amendments are helping to close the gap.

We thank you for the opportunity to provide comments. Should you have any questions regarding this letter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Deb Abbey". The signature is written in a cursive, slightly slanted style.

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<sup>1</sup> IMF Working Paper, *Gender Diversity in Senior Positions and Firm Performance: Evidence from Europe*, March 2016 (<https://www.imf.org/external/pubs/ft/wp/2016/wp1650.pdf>)

<sup>2</sup> MSCI ESG Research, *Women on Boards: Global Trends in Gender Diversity on Corporate Boards*, November 2015 (<https://www.msci.com/documents/10199/04b6f646-d638-4878-9c61-4eb91748a82b>)

<sup>3</sup> Hunt, V., Layton, D., Prince, S., *Diversity Matters*, February 2015 ([http://assets.mckinsey.com/~/\\_/media/857F440109AA4D13A54D9C496D86ED58.ashx](http://assets.mckinsey.com/~/_/media/857F440109AA4D13A54D9C496D86ED58.ashx))

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