

April 10, 2018

Ms. Nazma Lee  
Senior Legal Counsel  
British Columbia Securities Commission  
P.O. Box 10142, Pacific Centre  
701 West Georgia Street  
Vancouver, BC V7Y 1L2  
[nlee@bcsc.bc.ca](mailto:nlee@bcsc.bc.ca)

Dear Ms. Lee:

**Re: BC Notice 2018/03: Consultation on Disclosure Requirements in National Instrument 58-101 *Disclosure of Corporate Governance Practices* relating to Women on Boards and in Executive Officer Positions**

We are writing in response to the BC Securities Commission (BCSC) request for comments on BC Notice 2018/03: Consultation on Disclosure Requirements in National Instrument 58-101 *Disclosure of Corporate Governance Practices* relating to Women on Boards and in Executive Officer Positions.

The Responsible Investment Association (RIA) is Canada's membership association for Responsible Investment. Our members, representing over \$10 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 and environmental impact.

There is a strong business case for higher levels of gender diversity on boards of directors and in executive roles. There is a link between diverse leadership and strong financial performance. Companies should be required to disclose information about gender diversity on boards and in senior leadership roles so that investors have more information in making investment and voting decisions.

We appreciate the opportunity to comment on this consultation. While it is true that BC-based TSX-listed and other non-venture issuers must comply with the Disclosure Requirement because they report in a least one Participating Jurisdiction, we believe it's important for BCSC to adopt the diversity disclosure requirements to align with those of the Participating Jurisdictions thereby promoting harmonized regulation across Canada.

We also welcome BCSC's request for input on how the current diversity disclosure requirements can be enhanced.

## **Answers to specific consultation questions:**

### **2. What are the benefits of the Disclosure Requirement?**

For RIA members, the Disclosure Requirements provide information required to assess the quality of the board and assist with making informed voting decisions on board composition. Investors can also learn from the disclosure how the board considers diversity in the nomination, selection and recruitment process. And by comparing year over year data, investors can see if any meaningful action is being taken to improve diversity. From the issuer perspective, companies are prompted to more seriously consider diversity and establish policies and processes to improve it.

### **3. With respect to how investors use the information provided under the Disclosure Requirements:**

***(a) Are the Disclosure Requirements providing investors with the information necessary to inform their investment and voting decisions? Are there any requirements that are not useful for such decision-making?***

The disclosure provided over the past three years has been useful for shareholder engagement. It has also led to more informed decision-making when it comes to how investors vote on the election of director nominees. Issuers should be encouraged to avoid boilerplate responses on why there are no or very few women on a board. Investors can't get a good view of how gender is taken in to account when disclosures are too general in nature.

***(b) How is information relating to gender diversity in the Disclosure Requirements incorporated into investors' investment and voting decisions? Do investors have formalized voting guidelines related to gender diversity?***

Disclosure Requirements are helpful from the corporate engagement perspective. They can enhance proxy voting decision making and can provide valuable information for dialogue with companies. Several of the RIA's members have formal voting guidelines related to gender diversity.

### **4. With respect to corporate governance guidelines:**

***(a) Should Canadian securities regulators develop and implement corporate governance guidelines (similar to the guidelines in NP 58-201) regarding gender diversity-related governance practices, such as board policies regarding the representation of women, board renewal mechanisms and targets?***

Yes, the CSA should develop and implement corporate governance guidelines regarding gender diversity-related governance practices. The current "comply or explain" regime does not provide guidance or best practices that issuers must comply with or explain why not. Best practices for gender diversity-related policies would be welcomed and useful.

***(b) There are currently guidelines regarding the nomination of directors in NP 58-201. Are the existing guidelines in NP 58-201 on the director nomination process sufficient, or would providing more specific guidelines be appropriate?***

The RIA believes the existing guidelines are insufficient. Boards should be expected to adopt a formal gender diversity policy, a board renewal policy, and consider gender balance when proposing or nominating board members. In addition, if a board fails to consider gender diversity in succession planning, the issuer should be required to explain why not, consistent with a “comply or explain” model.

**5. Should issuers be required to disclose whether they have policies related to diversity other than gender? If so, should Canadian securities regulators develop and implement a corresponding corporate governance guideline regarding policies related to diversity other than gender?**

While gender diversity has been the focus for many investors, we believe that companies should strive to have representation of all forms of diversity. Policies and initiatives that support increased levels of diversity on boards, in senior management and across the entire organization are welcome. However, these disclosures should avoid being prescriptive in nature.

**6. The Participating Jurisdictions may consider requiring issuers to present information in a standardized format for consistency and to permit staff to gather data in a more efficient manner. What are the benefits and challenges with providing the information required by the Disclosure Requirements in a prescribed format, such as a structured table or in an electronic format? Are there alternative ways to achieve consistency?**

A standardized format would provide comparable and consistent data, thereby enhancing the ability of investors to make informed decisions. However, some disclosure will require an accompanying narrative to provide a full picture and increase an investors understanding of a company’s status and progress on gender diversity.

We would like to thank you for giving us the opportunity to respond to your consultation. Please do not hesitate to contact RIA’s Director of Programs, Julie Ambachtsheer (416-627-8995, [julie@riacanada.ca](mailto:julie@riacanada.ca)), if you wish to discuss this letter in further detail.

Yours truly,



Dustyn Lanz  
Chief Executive Officer  
Responsible Investment Association