



**ICGN**

International Corporate Governance Network

The Secretary  
Ontario Securities Commission  
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Toronto, Ontario MSH 358

**By post & email: [comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)**

30<sup>th</sup> September 2013

Dear Sir/Madam

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

We welcome the opportunity to respond to the above consultation. As an investor-led organisation of governance professionals, the ICGN's mission is to inspire and promote effective standards of corporate governance to advance efficient markets and economies world-wide. We do this through the following three core activities:

- **Influencing policy** by providing a reliable source of practical knowledge and experiences on corporate governance issues, thereby contributing to a sound regulatory framework and a mutual understanding of interests between market participants;
- **Connecting peers** and facilitating cross-border communication among a broad constituency of market participants at international conferences and events, virtual networking and through other media; and
- **Informing dialogue** around sound corporate governance practices and principles through the publication of materials, exchange of knowledge and advancement of education world-wide.

ICGN members are based in over 50 jurisdictions and include investors responsible for assets under management in excess of US\$18 trillion. For more information on the ICGN, please visit [www.icgn.org](http://www.icgn.org).

We recognise the importance of advancing the representation of women on boards and in senior management and having reviewed the Ontario Securities Commission's (OSC) Staff consultation we commend the OSC in encouraging the advancement of representation of women in this respect.

The ICGN position on gender diversity is reflected in Principle 2.2 of the ICGN Global Corporate Governance Principles (2009) which states:

*"Boards need to generate effective debate and discussion around current operations, potential risks and proposed developments. Effective debate and discussion requires...that there is a sufficient mix of relevant skills, competence, and diversity of perspectives within the board to generate appropriate challenge and discussion..."*

We attach our said document for your information.

The ICGN will be launching its Statement and Guidance on Gender Diversity on Boards in December 2013 ('ICGN Guidance' - attached) which details our approach to gender diversity on boards, in that we advocate a principles-based approach to improving gender diversity on boards and acknowledge that diversity, of gender and more broadly, is a key strategic issue. The ICGN encourages companies to disclose their objectives in this respect and, in cases of non-compliance, encourages investors to hold companies accountable for justifying this.

Gender diversity is a competitiveness issue for a company as a whole and a critical dimension of governance, both in the board's oversight of the enterprise and in the board's own composition and talent management. Increasing the representation of skilled and competent women on corporate boards will strengthen the corporate governance culture and ultimately contribute to value for all stakeholders.

Below are our responses to the specific consultation questions raised by the OSC:

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

The recommended policies by ICGN to improve and support gender diversity on Boards and in senior management are as follows:-

- (a) Shareholders should communicate the importance of gender diversity to regulators and exchange providers, encouraging them to establish their own policies regarding gender diversity on boards.
- (b) Regulators and exchange providers should establish a reporting policy on the number of women on boards.
- (c) Regulators or exchange providers (as the case may be), should require boards to report annually to shareholders on whether their company meets its own benchmark policies and, if not, to explain why the company has not achieved its benchmark or is not seeking to meet that benchmark.
- (d) Beyond engaging with individual companies, shareholders should also, where appropriate (either individually or in collaboration with others) make a constructive contribution to market-wide research and benchmarking studies that monitor trends in gender diversity within their particular jurisdiction.
- (e) Publication of this information at a trend level can be highly effective in securing the engagement of directors and other stakeholders in companies, without crossing the boundary into the realm of the Board's own discretion to seek the best candidates for its own particular circumstances.

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

ICGN's Guidance recommends the following disclosure requirements:-

- (a) Every company should disclose specific and measurable targets for achieving greater female representation within its senior management and board, and appropriately measure and report on progress in achieving such targets.

- (b) Companies should maintain and disclose an up-to-date skill matrix used to assess the current board; to consider the need for recruitment; and against which director candidates are assessed.
- (c) Companies should disclose the process for board succession planning, and the timeframe over which this is considered.
- (d) Companies should disclose their gender diversity policies for the board, senior management and across all operations, which should include policies on flexible talent management and encouragement of female inclusion in hiring and promotion.
- (e) Boards should provide oversight on diversity throughout the organisation and ensure that there is a discussion of diversity strategy and reporting across the organisation.
- (f) Companies should communicate to shareholders their aims and achievements in implementing gender diversity policies. In each annual report to shareholders, companies should disclose their progress in effecting female inclusion across all operations, including stating what specific policies have been put in place to develop gender diverse talent at all ranks of the company.
- (g) Disclosure initiatives should be put in place in order to ensure greater number of women progress to senior management roles within companies.

**3. *Are the proposed scope and content of the model disclosure requirements described in Part 4 of this consultation paper appropriate? Are there additional disclosures requirements that should be considered? Please explain.***

We believe that the OSC's proposed model discloses all notable requirements that should be included. The proposed disclosure requirements on women's representation constitute a significant step towards improving women's presence in corporate leadership.

**4. *What type of statistics, data and/or accompanying information regarding representation of women in their organization 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?***

We encourage non-venture issuers to disclose the total number and percentage of women on boards and senior management on an annual basis including within subsidiary entities. This would serve as material statistical information in order to measure the representation of women within the corporate sector.

**5. *What practices should be recommended for facilitating increased representation of women on boards and in senior management?***

We encourage companies to adopt the following practices designed to increase women's representation:-

- (a) *Evaluation and Recruitment*

The Nomination Committee should conduct a structured evaluation of the Board of directors on an annual basis to identify ways to strengthen the board's effectiveness, to assess gender balance, and to highlight gaps between the skills and background of existing directors and their optimal mix.

The Nomination Committee should also develop a succession plan for the board, recognising that new director recruitment should be conducted strategically to help replace the skill-sets of retiring directors.

The committee should report to the full board on how it takes gender diversity into account when nominating candidates to the Board. The Nomination Committee should identify and recommend candidates for new board members and the committee should seek a gender-diverse candidate slate, alongside age, background and experience. This will ensure that new directors are chosen from the widest possible group of qualified candidates.

The Board should include an annual assessment of its own performance in achieving greater female representation within its own ranks as well as within senior management. Given the important strategic value of gender diversity, the Board should also assess the performance of management in implementing gender diversity policies not just within senior management but across the company's entire operations.

The Board should consider requiring the relevant Board committee to address gender diversity and talent management as an explicit element of its oversight work, and to report to shareholders specifically on this.

*(b) Implementation and Culture*

Companies should establish programmes to address any failures to deliver levels of diversity that reflect the relevant wider society. Programmes to enable and encourage gender diversity throughout the organisation should encompass:

- Appropriately tailored recruitment policies
- On-going skills development and mentoring
- Human capital strategy development
- Flexible working and telecommuting opportunities

In order to be an effective and open organisation which draws on the skills and talents of all members of society, companies need to have in place approaches to gender diversity throughout their business. Doing so will deliver confidence to investors that this is an issue which management takes with genuine and appropriate seriousness. This will make it more likely that investors will also have confidence that a gender diverse Board is actually able to be effective.

The natural development of gender diverse staff through the organisation will help lead in due course to gender diversity at executive Board and full Board levels. This will provide further skilled and able non-executive women directors for other Boards.

Making female executives available for non-executive roles on other companies' Boards should be part of their development programme to accelerate the visibility and board-level skills of these executives.

(c) *Roles of Advisors*

Recruitment agencies should be challenged by Nomination Committees to look outside the common channels and existing networks to source female candidates. We encourage companies to advertise board vacancies in national and international media.

Recruitment advisors should take advantage of the numerous, databases of board-qualified women and they should expect recruiters to broaden their own proprietary databases to include more female candidates. These candidates should include women with senior operating and executive backgrounds, even though they may not have served as CEOs.

The OSC may think it relevant to include the results of ICGN's members survey on gender diversity (conducted in November 2012), included below as an annex, to its paper so as to support its position on gender diversity. We note that the OSC has not discussed the desirability, or not, of introducing binding quotas to improve the representation of women on boards and in senior management, an option which many of OSC's respondents may propose to be included.

This response has been prepared by ICGN's Shareholder Responsibilities Committee and should you wish to discuss any of the points that we have raised, please feel free to contact the Acting Head of ICGN, Kerrie Waring by email at: [kerrie.waring@icgn.org](mailto:kerrie.waring@icgn.org) or by telephone on: +44 (0) 207 612 7098.

Yours faithfully,



**Michelle Edkins**  
Chairman, ICGN Board



**Rita Benoy Bushon**  
Co-Chair, ICGN Shareholder Responsibilities Committee



**Paul Lee**  
Co-Chair, ICGN Shareholder Responsibilities Committee

Cc: ICGN Board Members  
ICGN Shareholder Responsibilities Committee

## **ANNEX: ICGN gender diversity survey highlights**

Around 15% of ICGN membership responded to the survey that we conducted in November 2012, from 20 different countries. This included 35% of responses from females, 57% of responses from males and 8% of unspecified responses.

Of those who responded, 66% were opposed to the introduction of binding quotas to improve gender diversity on corporate boards, 26% were in favour and 8% were uncertain. Of those, 24% of respondents who supported quotas recommended that an appropriate quota level would be 40%. In addition 63% of respondents asserted that it should be applicable to both non-executives and executives combined – i.e. not just non-executive directors.

Of those respondents who favoured an alternative approach to binding quotas, 49% preferred a comply-or-explain or self-regulatory approach. We also asked our membership which of the following actions would be most effective in increasing the representation of women on boards and the results are shown below in order of popularity:

1. Commitment by investors to encourage companies to include women in their recruitment activities.
2. Commitment by male directors to identify, mentor and support women on board membership.
3. The comply or explain approach.
4. Creation of databases coupled with a “support and mentoring network”.
5. The creation of quotas.

In terms of the role of investors in helping to encourage more gender balance on corporate boards, we asked which of the following activities by investors would be most effective in helping to ensure that diversity is properly embedded and the results are again shown below in order of popularity:

1. Regular dialogues on governance policies with the boards of investee companies.
2. Advocating high corporate governance standards, including those involving diversity.
3. Seeking development and implementation of diversity policies.
4. Developing voting guidelines on the appointment and re-election of board members for investee companies.
5. Using voting rights to effect improvements at the boards of investee companies.

A total of 93% of respondents asserted that it is the Board’s role to oversee a human capital management strategy that sets out clearly how diversity (and inclusivity) are promoted within the company and embedded within the corporate culture. Furthermore, 76% of respondents thought that the Board should explain its approach to incorporating diversity within the company on a comply-or-explain basis, whilst 72% of our survey respondents supported the view that recruitment agencies could improve the standards of board member selection in terms of transparency around company selection procedures for board membership.