

CSA Multilateral Staff Notice 58-307
*Staff Review of Women on Boards and in Executive Officer Positions –
Compliance with NI 58-101 Disclosure of Corporate Governance Practices*

Date: September 28, 2015

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Executive Summary

On December 31, 2014, the securities regulatory authorities in Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Québec, Saskatchewan and Yukon (collectively, the **Participating Jurisdictions** or **we**) implemented amendments (the **Rule Amendments**) to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (the **Rule**) that require non-venture issuers to disclose on an annual basis:

1. the number and percentage of women on the issuer’s board of directors (the **board**) and in executive officer positions;
2. director term limits or other mechanisms of board renewal;
3. policies relating to the identification and nomination of women directors;
4. consideration of the representation of women in the director identification and nomination process and in executive officer appointments; and

5. targets for women on boards and in executive officer positions.

The Rule Amendments state that if a non-venture issuer has not adopted the above mechanisms, policies, or targets or does not consider the representation of women, it is required to explain its reasons for not doing so.

The Rule Amendments are intended to increase transparency for investors and other stakeholders regarding the representation of women on boards and in executive officer positions. This transparency is intended to assist investors when making investment and voting decisions. This Staff Notice reports the findings from our review of the corporate governance disclosure of non-venture issuers as it relates to the Rule Amendments and provides guidance to assist issuers in areas where the quality of their disclosure needs improvement.

As of June 2, 2015, there were 886 reporting issuers listed on the Toronto Stock Exchange (TSX) and subject to the Rule. Of these, 722 had a year-end between December 31, 2014, and March 31, 2015, and released disclosure on corporate governance by July 31, 2015. This Staff Notice summarizes the findings of our review of the corporate governance disclosure of these 722 issuers as it relates to the Rule Amendments.

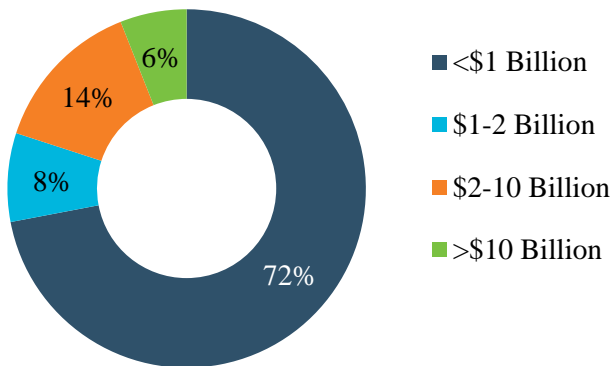
Among the issuer sample, we found that:

- 49% have at least one woman on their board
- 60% have at least one woman in an executive officer position
- 15% have added one or more women to their board this year
- Over 30% of the issuers with a market capitalization above \$2 billion have adopted a written policy for identifying and nominating women directors
- Of those with written policies, 48% disclosed that they were adopted or updated this year
- 60% of the issuers with a market capitalization above \$2 billion have two or more female directors
- 19% have adopted director term limits, while 56% have adopted other mechanisms of board renewal

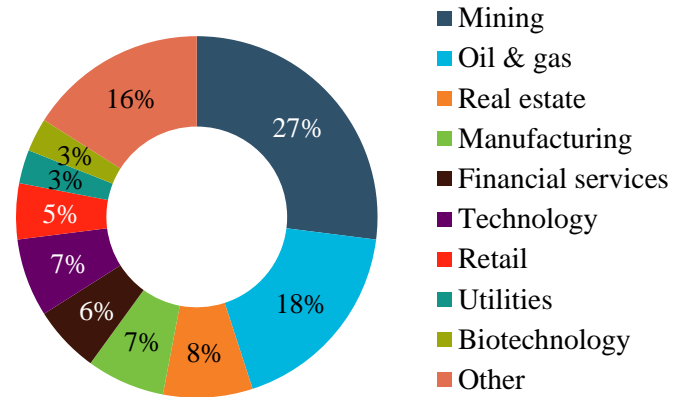
Scope of Review

The Participating Jurisdictions examined the corporate disclosure from 886 TSX-listed issuers that are subject to the Rule. Of these, 722 issuers had year-ends between December 31, 2014 and March 31, 2015, and filed information circulars or annual information forms by July 31, 2015. These 722 non-venture issuers comprise the sample for this Staff Notice. The market capitalization of most of the issuers in the sample is below \$1 billion (72%). Almost half of the sampled issuers are in either the mining or oil and gas industries, with other industries fairly evenly represented. The results of our review did not vary significantly by region. Issuer size and industry were the most significant indicators of whether issuers adopted initiatives to increase the representation of women on their board or in executive officer positions.

Market Capitalization in Sample



Industries in Sample



Although they are outside the scope of this review, many non-venture issuers with year-ends outside December 31 to March 31 disclosed their policies concerning the representation of women on their board and in executive officer positions. The banking industry has generally been an early adopter of diversity initiatives and most banks have already disclosed their policies regarding the representation of women on their board and in executive officer positions. However, given the timing of the banking industry’s year-ends, the results from only one bank have been included in the sample.

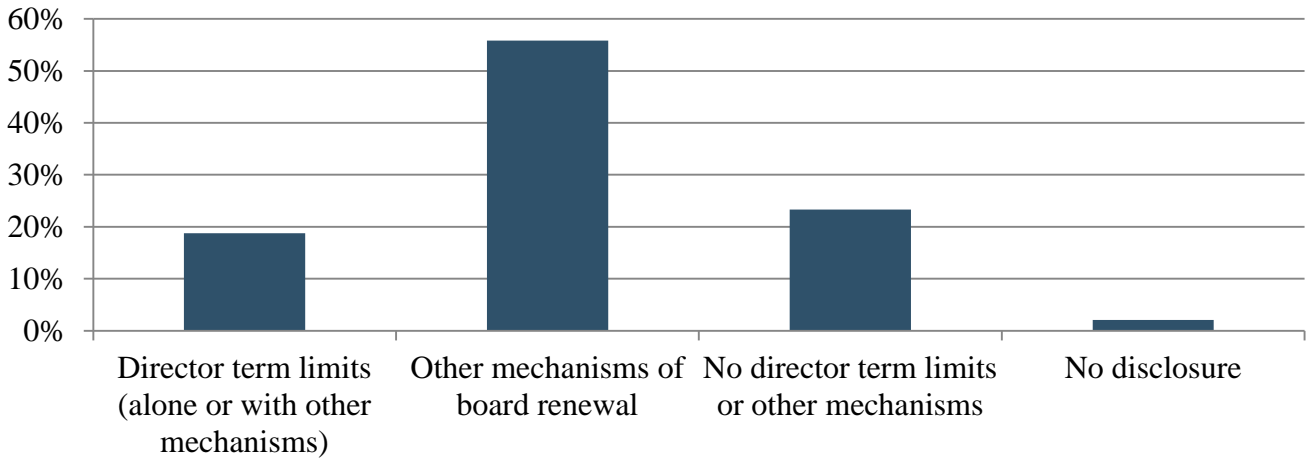
Findings of Review and Guidance

Director Term Limits and Other Mechanisms of Board Renewal

To encourage board renewal which contributes to the effectiveness of a board and provides opportunities for qualified candidates, item 10 of Form 58-101F1 *Corporate Governance Disclosure (Form 58-101F1 or the Form)* requires that a non-venture issuer disclose whether it has adopted director term limits or other mechanisms of board renewal or disclose why it has not adopted a mechanism of board renewal.

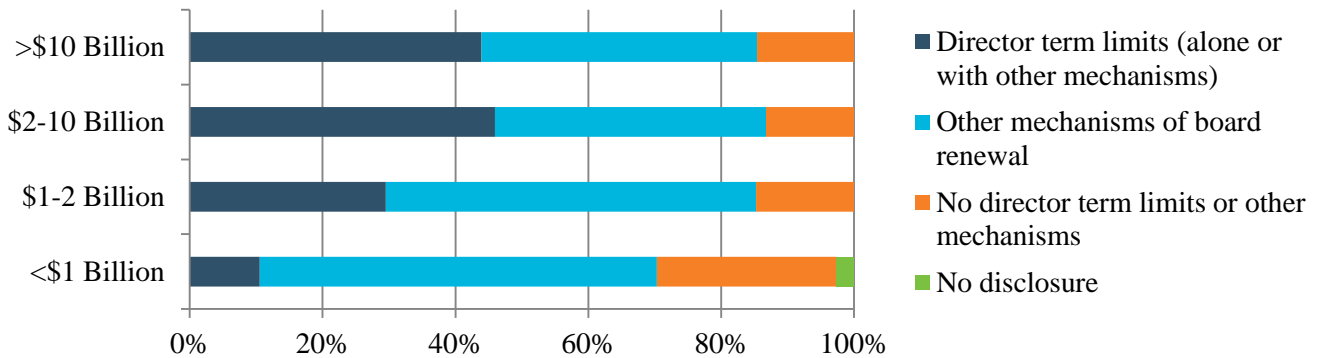
Only 19% of issuers in the sample adopted director term limits, while 56% reported that they had adopted some other mechanism of board renewal but not director term limits. The most commonly cited mechanism of board renewal was some form of annual board assessment.

Director Term Limits and Other Mechanisms of Board Renewal



Issuers with market capitalizations below \$1 billion were more likely to adopt board renewal mechanisms other than director term limits. In contrast, issuers with market capitalizations above \$2 billion were more likely to adopt director term limits.

Director Term Limits and Other Mechanisms of Board Renewal, by Issuer Size



Of the 137 issuers that reported having term limits, 53% set an age limit, 24% had a tenure limit and 23% had both.

Issuers in the sample without director term limits or other mechanisms of board renewal provided several reasons for not adopting board renewal mechanisms (set out in chart below).

Reasons Cited for Not Adopting Director Term Limits or Other Mechanisms

Director term limits reduce continuity or experience on the board (51%)
Director term limits force valuable, experienced and knowledgeable directors to leave (39%)
Director term limits are arbitrary mechanisms (35%)
Issuer regularly assesses board members' effectiveness (29%)
Annual elections are sufficient (21%)
Industry or issuer is unique and board wants to retain knowledge (21%)
Would not be in issuer's or shareholders' best interest (20%)
Board is new or small so board renewal mechanisms unneeded (7%)
No explanation provided (7%)
No correlation between term of service and actual board renewal (6%)
Currently under consideration (5%)

Guidance on Disclosure of Other Mechanisms of Board Renewal

Item 10 of Form 58-101F1 requires a non-venture issuer to describe any other mechanisms of board renewal that the issuer has implemented. This description should not simply state that there is a board assessment process but should also discuss how the assessment relates to board renewal. Below is an example of how this requirement may be met.

Disclosure Example: Board Assessments as an “Other Mechanism of Board Renewal”

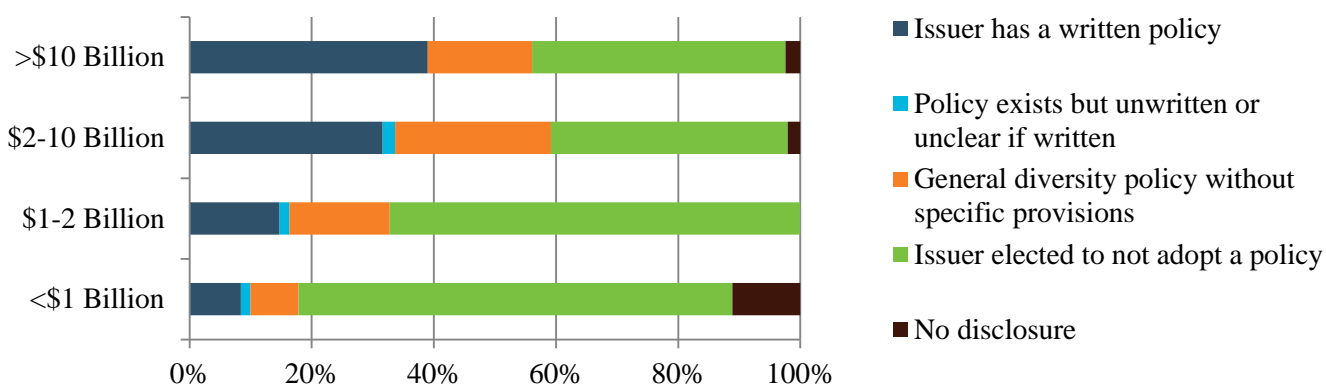
To ensure adequate board renewal, the Governance and Nominating Committee is responsible for conducting annual director, Board and committee assessments. These rigorous assessments evaluate the tenure and performance of individual directors and review the composition and effectiveness of the Board and its committees. Assessments include a skills matrix to ensure the Board possesses the requisite experience, expertise and business and operational insight for the effective stewardship of the Corporation. Assessments also consider whether there are women on the Board and its committees. The Governance and Nominating Committee conducts an annual confidential survey of each director regarding his or her views on the effectiveness of the Board, its committees and the Chair. The results of the director, Board and committee assessments and a summary of the confidential survey are reported to the Board and the Chair together with recommendations from the Governance and Nominating Committee for improving the composition of the Board. The Board has demonstrated the effectiveness of its approach as 3 new directors, or 33% of the Board have been appointed since 2012.

Adoption of a Written Policy Regarding the Representation of Women on the Board

Item 11 of Form 58-101F1 requires a non-venture issuer to disclose whether it has adopted a written policy relating to the identification and nomination of women directors, and to provide details in respect of the policy. Of the issuers in the sample, 14% clearly disclosed the adoption of a written policy, whereas 65% disclosed that they had decided not to adopt a written policy.

There were substantial differences in the adoption rate between issuers of varying sizes. Issuers with a market capitalization of \$1-2 billion were almost twice as likely to adopt a written policy relating to the identification and nomination of women directors as issuers with a market capitalization of less than \$1 billion. Further, issuers with a market capitalization above \$2 billion were more than twice as likely to adopt a written policy as issuers with a market capitalization of \$1-2 billion.

Policy Adoption, by Issuer Size



Of the 100 issuers in the sample that disclosed written policies concerning the representation of women, 98% indicated that gender was specifically considered when making board selections and 47% set specific quotas or targets for female directors. Almost half of the written and disclosed policies were reported as having been adopted or updated in the past year.

Overall, the policy adoption rate was consistent across the country, but varied considerably by industry. The insurance, utility, communications and entertainment industries had the highest policy adoption rates at roughly 30%, while the oil and gas, technology, biotech, hospitality and environmental industries had the lowest rates, at less than 10%.

Guidance on Disclosure of the Adoption of a Written Policy Regarding the Representation of Women on the Board

Of the sampled issuers, 11% disclosed a general diversity policy without specific provisions for the identification and nomination of women directors. Disclosure of general policies without specific provisions relating to the identification and nomination of women directors may not meet the requirements of the Rule. Below is an example of this type of deficient disclosure, which does not include the detail required by item 11(b) of Form 58-101F1.

Deficient Disclosure Example: General Diversity Policy

The board has adopted a diversity policy, given its commitment to the principles of diversity and its recognition of the importance of diverse backgrounds, skills, and experience and the representation of women when considering potential candidates who have the core skills and qualities for serving on our board. The board works with the corporate governance and nominating committee when assessing candidates and considers all of these characteristics.

Item 11 of Form 58-101F1 requires a non-venture issuer to disclose whether it has adopted a written policy relating to the identification and nomination of women directors and, if so, to summarize the policy's objectives and key provisions. Item 11 also requires a non-venture issuer to specifically disclose the measures taken by the issuer to effectively implement its policy, how the issuer measures the effectiveness of its policy, and the issuer's progress in achieving the objectives of its policy. Below is an example of how these requirements may be met.

Disclosure Example: Policy Regarding the Representation of Women on the Board

The board has developed and approved a written board diversity policy (the Diversity Policy). The Diversity Policy does not include a target number or percentage of women on the board because candidates for the board are selected based solely on merit. The board is, however, committed to an identification and nomination process that will identify qualified female candidates.

The company is committed to a merit based system for board composition, which requires a diverse and inclusive culture. The Diversity Policy provides that, when identifying suitable candidates for appointment to the board, the company will consider candidates on merit using objective criteria with due regard to the benefits of diversity and the needs of the board. The Diversity Policy also requires the company to engage a search firm to assist the Corporate Governance and Nominating Committee in identifying candidates for appointment to the board. In accordance with the requirements of the Diversity Policy, the search firm will be directed to include female candidates in its list of potential candidates and female candidates will be included in the board's list of potential board nominees. The Corporate Governance and Nominating Committee is responsible for annually reviewing the Diversity Policy and assessing its effectiveness in promoting a diverse board. The Corporate Governance and Nominating Committee is required to report the results of its review and assessment of the Diversity Policy to the board on an annual basis.

Of issuers with a policy concerning the representation of women on their board, 67% discussed the measures taken to ensure the policy has been effectively implemented as required by item 11(b)(ii) of Form 58-101F1. In addition, an issuer must disclose its annual and cumulative progress in achieving the objectives of its policy and whether, and if so how, it measures the effectiveness of its policy, as required by items 11(b)(iii) and (iv) of Form 58-101F1. Below is an example of how these requirements may be met.

Disclosure Example: Progress and Effectiveness of the Policy Regarding the Representation of Women on the Board

The Corporate Governance and Nominating Committee is responsible for monitoring compliance with the Diversity Policy. The committee will measure the representation of women on the Board and in executive officer positions on an annual basis and report to the Board with respect to the Company's annual and cumulative progress in achieving the key objectives of the Diversity Policy. To measure the effectiveness of this policy, the committee will review:

- the number of women considered or brought forward for both board and executive officer positions; and
- the skills, knowledge, experience and character of any such women candidates to ensure that women candidates are being fairly considered relative to other candidates.

Consideration of the Representation of Women in the Director Identification and Selection Process

In the sample, 60% of issuers disclosed that they considered the representation of women on the board as part of their director identification and nominating process, but only 42% of these issuers specifically explained how this was considered.

For issuers that disclosed that they did not specifically consider the representation of female directors on the board in their identification and nomination process, the most common reason given was that the issuer seeks the best candidates, regardless of gender (84%). Most issuers cited more than one reason. Other reasons cited include: considering the representation of women on the board would not be in the issuer's or shareholders' best interest (11%); and the issuer wanted to select candidates from the broadest possible talent pool (4%).

Guidance on Disclosure of the Representation of Women in the Director Identification and Selection Process

Item 12 of Form 58-101F1 requires an explanation of whether, and if so how, the board or nominating committee of a non-venture issuer considers the level of representation of women on the board in identifying and nominating candidates for election or re-election. The following is an example of how this requirement may be met.

Disclosure Example: Considering the Representation of Women in the Director Identification and Selection Process

In identifying suitable candidates for nomination to the Board, the Corporate Governance and Nominating Committee will consider candidates on merit using objective criteria and with due regard for the benefits of diversity on the Board. In an effort to promote the specific objective of increasing the representation of women on the Board, the Diversity Policy requires that the selection process for suitable candidates must involve the following steps:

- a list of potential candidates for the nomination must be compiled and must include at least one female candidate; and
- if a female candidate is not selected by the end of the selection process, the Board must be satisfied that there are objective reasons to support its determination.

Consideration of Representation of Women in Executive Officer Appointments

Just over half of the sampled issuers (53%) disclosed that they considered the representation of women when making executive officer appointments. Of these issuers, only 38% explained how they considered the level of representation of women.

Of those issuers that did not consider the representation of women in executive officer appointments, 88% stated that their selection was based on merit. Most issuers cited more than one reason. Other reasons cited were: considering the representation of women is not in the issuer's or shareholders' best interest (13%) and the issuer wanted to select candidates from the broadest possible talent pool (7%).

Guidance on Disclosure of Representation of Women in Executive Officer Appointments

A non-venture issuer is required by item 13 of Form 58-101F1 to explain whether, and if so how, it considers the level of representation of women in executive officer positions when making executive officer appointments. The following is an example of how this requirement may be met.

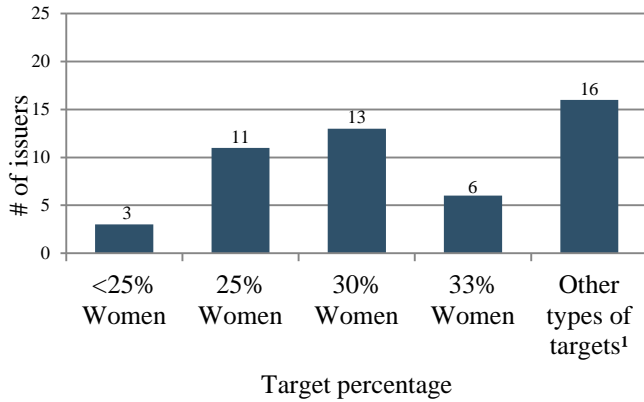
Disclosure Example: Considering the Representation of Women in Executive Officer Positions

We are committed to equality of opportunity and are taking concrete steps to increase the representation of women in management within the Corporation. These include: proactively identifying talented individuals for leadership training programs and encouraging them to apply for more senior roles; developing flexible scheduling programs and other family friendly policies for mid-career women to assist with recruitment and retention; identifying top talent and implementing development plans for high-potential women, which include matching women that aspire to management positions with established executive mentors.

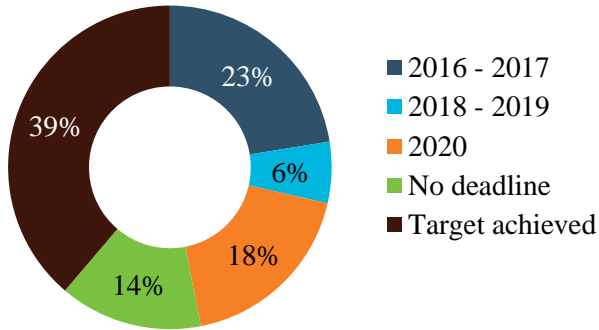
Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

Few issuers in the sample disclosed that they had formal targets for the appointment of women to the board or to executive officer positions. Only 49 issuers, or 7% of the survey group, set a board target and only 11 issuers, or 2%, set an executive officer target. Of issuers with board targets, 39% had already achieved their stated target.

Adopted Women on Board Targets



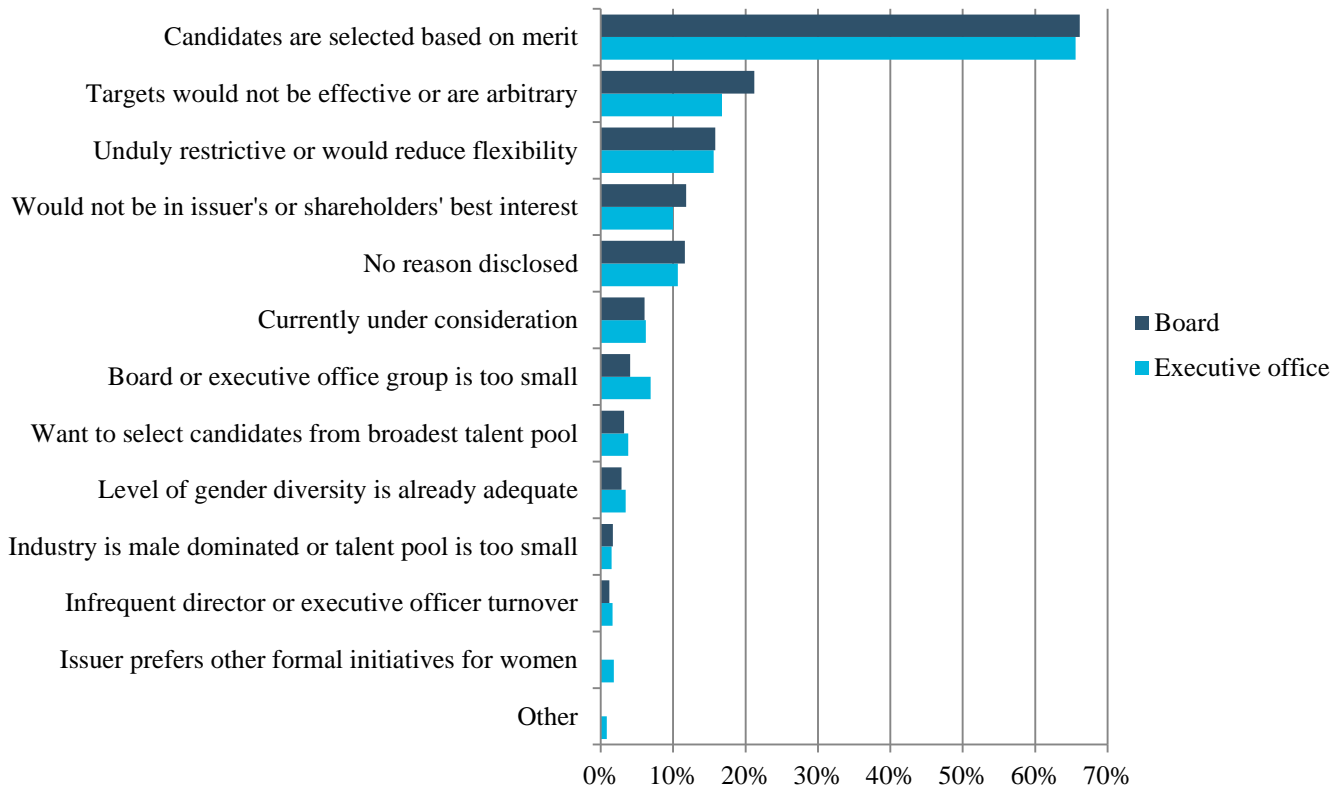
Completion Years for Women on Board Targets



Of issuers without targets, 66% cited merit-based selection as their primary reason for not adopting targets. A variety of reasons were given by sample issuers for not adopting targets for the appointment of women to the board or to executive officer positions.

¹ Includes targets set for a number of board members without specifying the size of the board and targets set for only a portion of the board such as the independent directors.

Reasons Cited for Not Adopting Targets for Women



Guidance on Disclosure of Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

Item 14 of Form 58-101F1 requires a non-venture issuer to disclose whether it has adopted targets regarding women on their board or in executive officer positions. If targets have been adopted, the issuer must disclose its annual and cumulative progress in achieving the targets. The following are examples of how these requirements may be met.

Disclosure Example: Progress towards Board Targets

In adopting the Diversity Policy the Board has made increasing the representation of women on the Board a priority for future Board member appointments. Specifically, the Corporation has set a target of increasing the number of women on the Board to two (25%) by 2017 and a minimum of three (38%) by 2020. Management and the nominating committee will build and maintain a list of potential qualified women for consideration as future Board appointments.

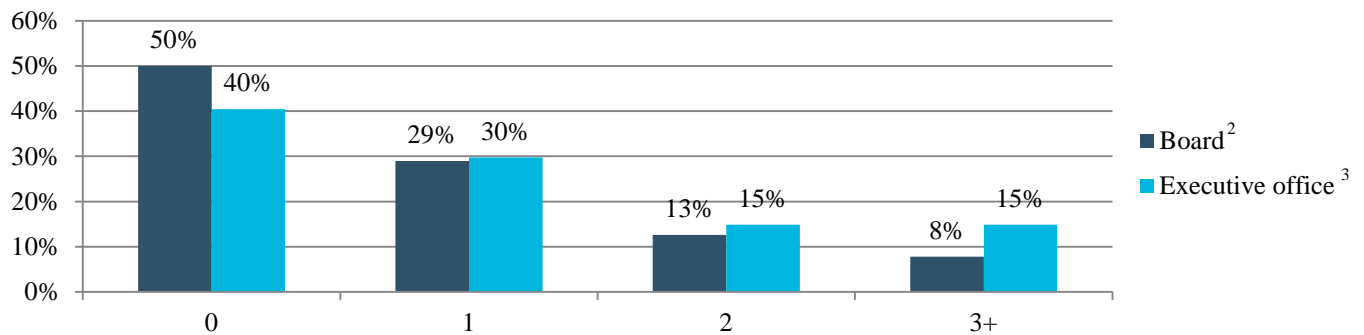
Disclosure Example: Progress towards Executive Officer Targets

As 38% of our employees are female, the Company's goal is to have a third of our executive officers be women by 2020. Currently, 16% of our executive officers are women and 35% of the senior managers in the pipeline for executive officer positions are women. To achieve our goal, the company has a plan to strengthen and support this pipeline to increase the number of women executive officers. Rather than instituting a target or quota for executive officers, we have emphasized the importance of developing our internal talent pipeline at both the management and executive level.

Number of Women on Boards and in Executive Officer Positions

Item 15 of Form 58-101F1 requires a non-venture issuer to report both the number and proportion of women on its board and in executive officer positions with the issuer and major subsidiaries. Either the number or percentage of women on the board was disclosed by 88% of issuers in the sample and 85% presented either the number or percentage of women in executive officer positions.

Number of Women on Boards and in Executive Officer Positions



² Based on 722 issuers.

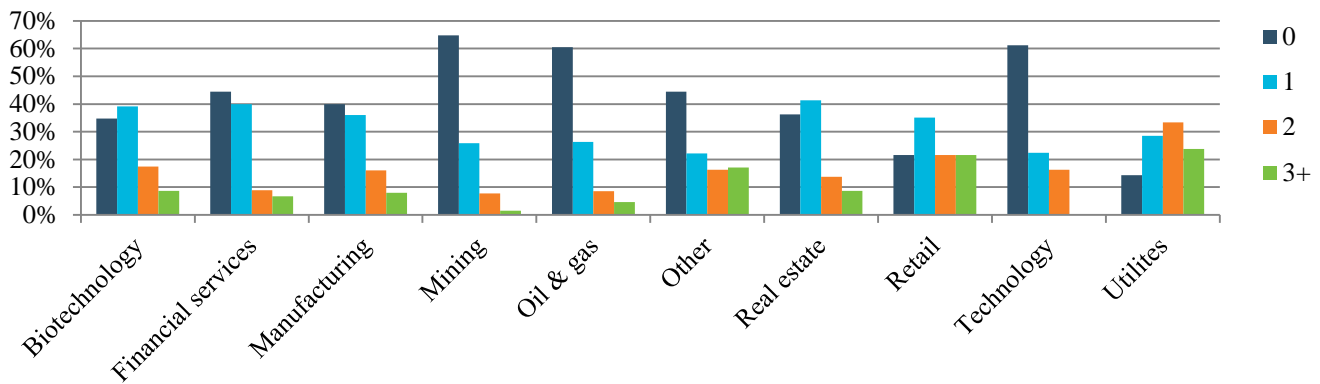
³ Based on 598 issuers that provided the number of women in executive officer positions.

Of the issuers sampled, 15% added one or more women to their board in the past year.⁴

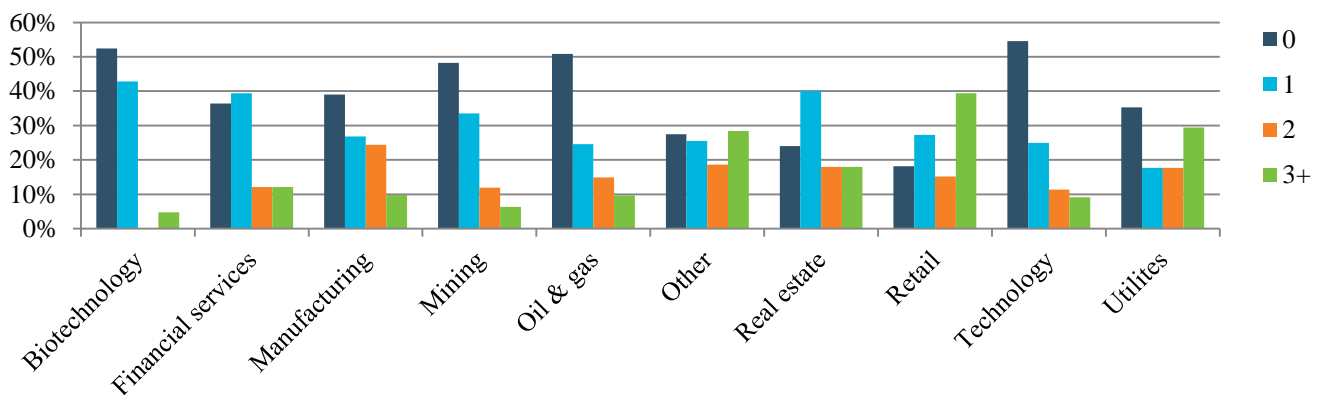
In the sample, 60% of issuers with a market capitalization over \$2 billion had at least two women on their board and 59% disclosed having at least two female executive officers. In contrast, 62% of issuers with a market capitalization under \$1 billion had no women on their board. Of these smaller issuers, 48% also reported having no women in executive officer positions although 21% had two or more women in executive officer positions.

The number of women on boards and in executive officer positions varied significantly by industry. The utilities and retail industries had the most women on their board, with 57% and 43% of issuers, respectively, having two or more female directors. The utilities and retail industries also had the fewest boards with no women on them at 14% and 22%, respectively. The mining, oil and gas and technology industries had the most issuers with no women on their board of directors, at 60% or more each. Approximately 50% of issuers in the biotechnology, mining, oil and gas and technology industries do not have any female executive officers.

Number of Women on Boards, by Industry



Number of Women in Executive Officer Positions, by Industry



⁴ For the purposes of this Staff Notice, in order to identify any changes in overall representation of women on boards, we took the slate of nominees, where possible, as the current year's number of board members compared to the actual number in the prior year.

Guidance on Numbers Reported

Although Form 58-101F1 does not mandate the format in which non-venture issuers report the number of women on their boards and in executive officer positions, we believe that reporting current and prior year numbers together in a table may increase the clarity of disclosure for investors and other stakeholders and also simplify ongoing reporting for issuers on annual and cumulative progress towards targets, if applicable. We expect the disclosed numbers to reflect the number of women and total persons on the board and in executive officer positions as of the date of the information and the target column should reflect the target in effect for the disclosure period, or indicate that no targets have been adopted.

Below are examples of tables that can be used by non-venture issuers to report in a clear manner the number of women on their boards and in executive officer positions, targets, if any, and their annual and cumulative progress towards those targets.

	Board Positions				Executive Officer Positions			
	Target	# of Women on Board	Total # of Board Members	%	Target	# of Women Executive Officers	Total # of Executive Officers	%
Fiscal 2016	*%	*	*	*%	*%	*	*	*%
Fiscal 2015	*%	*	*	*%	*%	*	*	*%
Fiscal 2014	N/A	*	*	*%	N/A	*	*	*%

Issuers with major subsidiaries may include a more detailed table, as below, to report on the number and proportion of executive officers of the issuer and its major subsidiaries that are women.

	Executive Officer Positions (Parent and Subsidiary)									
	Target	# of Women Executive Officers at Parent Issuer	Total # of Executive Officers at Parent Issuer	%	# of Women Executive Officers at Subsidiary	Total # of Executive Officers at Subsidiary	%	Combined # of Women Executive Officers	Combined Total # of Executive Officers	%
Fiscal 2016	*%	*	*	*%	*	*	*%	*	*	*%
Fiscal 2015	*%	*	*	*%	*	*	*%	*	*	*%
Fiscal 2014	N/A	*	*	*%	*	*	*%	*	*	*%

Conclusion

The purpose of this Staff Notice is to publish the findings of our review of the corporate governance disclosure resulting from the Rule Amendments. Our review indicates that many non-venture issuers require additional guidance concerning the level and detail of disclosure that is necessary to satisfy the requirements of the Rule. This Staff Notice also provides guidance aimed at improving issuer disclosure in order to further the goal of increasing transparency for investors and other stakeholders regarding the representation of women on boards and in executive officer positions. This transparency is intended to better inform investment and voting decisions.

We will continue to evaluate the corporate governance disclosure of non-venture issuers to ensure that meaningful disclosure is provided regarding the representation of women on boards and in executive officer positions and to measure if the disclosure ultimately achieves its intended purpose of increasing transparency.

Questions

Please refer your questions to any of the following people:

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