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VIA EMAIL: nlee@bcsc.bc.ca

April 10, 2018

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

Dear Ms. Lee:

**RE: NATIONAL INSTRUMENT 58 -101 DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES
CONSULTATION**

We welcome the opportunity to respond to the Consultation on Disclosure Requirements in National Instrument 58-101 *Disclosure of Corporate Governance Practices* (the Disclosure Requirements) relating to Women on Boards and in Executive Officer Positions. British Columbia Investment Management Corporation (BCI) has actively participated in the regulatory dialogue on this topic for several years.

BCI is an asset manager with more than \$135 billion Canadian dollars in assets under management, making it one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 554,000 people in our province. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will provide strong and stable financial returns.

As a long-term investor, BCI relies on well-functioning capital markets. We believe it is our responsibility to contribute to the overall stability of the financial system. As an active participant in the capital markets, we address systemic risks with the expectation that our efforts will lead to greater stability and integrity within the markets. We regularly engage with regulators and advocate for legal and regulatory changes to ensure that principles of good governance are integrated into the regulatory framework.

Before addressing the specific questions in the request for comment, we would like to convey our view on the obvious fact that British Columbia (BC) has not adopted the Disclosure Requirements. With Alberta becoming a Participating Jurisdiction in December 2016, BC and Prince Edward Island (PEI) remain the only Canadian Securities Administrators (CSA) jurisdictions that have not adopted this disclosure. By becoming a Participating Jurisdiction, the British Columbia Securities Commission (BCSC) can send a signal to the capital markets that this is a matter of concern for investors and showcase BCSC's role in improving transparency and disclosure. Given the overwhelming academic evidence that suggests gender diversity leads to improved financial performance, boards, regardless of size or industry, have a responsibility to shareholders to implement a strategy that improves the gender

balance within their organizations. Although BC is dominated by the resource sector, boards require many skillsets, including accounting, legal and human resources, in addition to industry-specific expertise. Therefore, the dominance of the resource sector in BC is not a sufficient rationale for not pursuing additional diversity.

What are the benefits of the Disclosure Requirements?

BCI sees many benefits to disclosure on this topic, for both investors and issuers. As investors, we use the information disclosed to set the broader context of how the board thinks about refreshment and composition which informs our investment decision-making and voting processes. The Disclosure Requirements shine a light on how a board approaches recruitment of its members, determining their desired skillset, setting targets related to diversity, and the use of policies that encourage board renewal such as term limits. Boards should consider all these factors in a structured and professional way to ensure they remain effective over time.

Issuers on the other hand, are prompted to think about diversity at the board and senior management level, as well as establish policies and processes to improve diversity overall.

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 information provided by the Disclosure Requirements allows BCI to easily implement our Proxy Voting Guidelines, which specifically address diversity. As we note within our Proxy Voting Guidelines, BCI votes against Nomination Committee Chairs when we are not satisfied with the level of diversity on the board. For 2017, this resulted in 51 votes against Nomination Committee Chairs at Canadian companies. BCI also has a policy regarding board tenure, so we use the disclosure on this topic.

However, we would point out that the quality of the disclosure is a concern, as we have seen far too many companies relying on boilerplate responses, particularly when it comes to explaining why issuers have not adopted a diversity policy or targets for female representation. Meritocracy is often used as a rationale for these absences. We find this response disappointing as it suggests a lack of qualified female candidates. If no policies or processes are in place to identify a broad pool of candidates that go beyond traditional and informal networks, we fail to understand how the board can feel confident that they have indeed found the most qualified candidates. Smaller companies that do not want to expend resources on recruitment firms can tap into a wide variety of free resources that assist in identifying female candidates such as websites and databases designed for such purposes.

(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?

Several institutional investors in Canada, and around the world, have incorporated specific proxy voting guidelines to address the importance of a balanced and diverse board. This is evidence that investors see diversity as an important issue and that the information is used for the purposes of voting, engagement and in some cases, as part of an investor's due diligence processes.

The BCSC will also be interested to know that several institutional investors came together to release the attached Investor Statement of Intent that supports companies reaching an aspirational target of

30% by 2022. It also highlights that investors are committing to using their voice when making board election decisions and engaging with companies that are not meeting expectations. This statement was signed by Canadian investors managing over \$2 trillion in AUM.

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. We believe that securities regulators could increase transparency and improve the quality of disclosure coming from the Disclosure Requirements by taking a slightly more prescriptive approach. Currently, issuers are simply required to provide disclosure on certain topics. We believe NI 58-101 would be more effective if there were certain expectations or guidelines provided by the regulators to which the issuers would be required to comply or explain. For example, the guidelines could state that companies are expected to have a diversity policy and set targets, rather than asking if the company has a policy. BCI is supportive of aspirational targets of 30%, which in the Canadian context, seems achievable but still challenging for many companies to reach.

(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?

BCI feels that the current guidelines around the nomination process are too vague and lead to boilerplate language about maintaining an evergreen list with few details on how that list is generated. The guidelines could request disclosure on specifics such as: whether an external recruiter is engaged; any specific instructions given to recruiters around diversity expectations; external databases consulted; or informal networks utilized. The guidelines could also articulate an expectation for companies to have gender-balanced shortlists to ensure a broad pool is at least considered.

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?

BCI is supportive of diversity broadly and feel that it leads to improved decision-making beyond just gender diversity. However, we do not feel it can be regulated in the same way that gender diversity can, given the implication of sensitive personal information that often relies on self-declarations. We are supportive of policies that foster diversity broadly speaking and securities regulators can expand the disclosure to the policy realm as this aspect does not infringe on personal privacy.

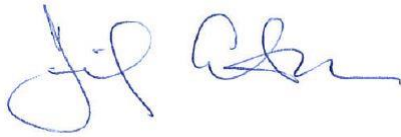
The Participating Jurisdictions may consider requiring issuers to present information in a standardized format for consistency and to permit staff to gather data in a more efficient manner. What are the benefits and challenges with providing the information required by the Disclosure Requirements in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

We can appreciate the staff resources necessary to gather such a large amount of data and while it is more efficient to have companies disclose in a standardized way for regulators, it is also easier for

investors to compare companies across a consistent set of indicators. We are supportive of this option provided it does allow for flexibility for those that want to add context to their responses.

Thank you for opportunity to respond to this consultation and do not hesitate to reach out if you require further clarification on any of the above.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jill Coulson". The signature is fluid and cursive, with the first name "Jill" being more prominent than the last name "Coulson".

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Enc: 30% Club of Canada Investor Statement of Intent