

Vancity Investment Management

July 12, 2023

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission, New Brunswick
Manitoba Securities Commission
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Superintendent of Securities Nunavut
Office of the Yukon Superintendent of Securities
Ontario Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

**RE: CSA NOTICE AND REQUEST FOR COMMENT, PROPOSED AMENDMENTS TO FORM 58-101F1
*CORPORATE GOVERNANCE DISCLOSURE OF NATIONAL INSTRUMENT 58-101 DISCLOSURE OF
CORPORATE GOVERNANCE PRACTICES AND PROPOSED CHANGES TO NATIONAL POLICY 58-201
CORPORATE GOVERNANCE GUIDELINES***

Introduction/Background

Vancity Investment Management (VCIM) is a subsidiary of Vancity Credit Union (Vancity). Vancity is a financial institution that is committed to doing its part to remove barriers that stem from systemic exclusion. VCIM aims to advance equity and anti-racism throughout our ESG investment process – this informs both our investment decisions and shareholder engagement activities. VCIM is a signatory of the *Canadian Investor Statement on Diversity and Inclusion* and believes that diversity on boards and at the executive officer level is a critical component of good corporate governance and an important component in addressing historical disparities.

- 1. We are consulting on two alternatives with respect to the requirement to provide disclosure on the approach to diversity (Form A and Form B). Which approach best meets the needs of investors for making investing and voting decisions? Which Form best meets the needs of issuers in describing their approach to diversity at the board and executive officer level? Do either of the approaches raise concerns for issuers? Are there certain requirements in either form that you find preferable to the equivalent requirement in the other form? Please explain.**

While VCIM supports the idea of standardized reporting (Form B) it may be challenging as it relates to diversity because the categorization of groups is fluid and complex. There are existing best practices and standards that should be drawn upon for consistency in reporting. Form B reporting should also allow some flexibility in the labelling of “designated groups”. Flexibility would allow for both organizational input (issuer) and input from the individuals being labelled.

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VCIM maintains a position that diversity disclosure should be based on self-disclosure. As such our values align to a reporting format that provides the option for individuals and issuers to determine their own categories and language. More flexibility with categories for self-disclosure can be integrated into Form B reporting since a member of a “designated group” may not wish to self-identify with the pre-determined language leading to a lack of disclosure in some cases. For example, there is currently no consensus on the term “racialized persons” and VCIM for example prefers the term “underrepresented groups” or “equity seeking groups”. Vancity also allows employees to select other (non-pre-determined) categories or the language they feel better describes their situation. Opting out of disclosure and/or reporting based on confidentiality concerns should also be allowed.

VCIM supports the more standardized approach that Form B reporting promotes because collecting specific outcome-oriented data leads to greater accountability which will expedite diversity efforts. If businesses are left to their own intentions (and able to determine which categories to report on) it will not lead to workplace impact and equity that investors such as VCIM seek. If businesses were to self-regulate, it would take longer to achieve the desired outcomes. Data collection is the first step in any meaningful diversity effort.

The disclosure of more rigorous data, metrics, plans and targets on diversity would benefit investors when they are trying to review a company’s practices on diversity. In this respect, Form B appears to better support an investor’s need for standardized and granular data however the challenges with implementing this approach need to be highlighted. Issuers should be mandated to report diversity metrics on designated groups, however, there also needs to be leeway for opting out of mandated disclosure, since some directors/executives may have confidentiality concerns. Most boards are 10 members or fewer and therefore anonymous self-reporting can lead to an individual’s status being exposed. Therefore, while we support boards being mandated to report diversity data, it may not be feasible to always disclose data in practicality (the “explain” option can provide issuers the opportunity to clarify why they have chosen not to report).

Robust diversity data disclosure would assist investors from a shareholder engagement perspective. For example, a company without any reported diversity objectives or diversity at the executive and board level may be targeted for engagement. Both Form A and B would provide insight into diversity information but in different formats. Form B reporting would clearly show how many designated groups already sit at the executive and director level. In other words, it would provide evidence of progress (or not) towards diversity in a clear and standardized tabular format alongside narrative explanations. VCIM follows proxy voting guidelines that stipulate that boards should have a minimum of 30% women and 20% Indigenous, Black, and People of Colour (IBPOC) representation, and if they do not, then issuers should have targets or plans to increase diversity. Form B disclosures would ensure this information is provided in a concise format (and help us avoid making guesses as to an issuer’s diversity metrics through the review of a company’s annual reports and pictures of board members for example). Leaving issuers to determine what “identified groups” are relevant to the business (Form A) will not lead to diverse outcomes in a timely manner, only providing insight into the current state rather than the progress and accountability of an organization.

The definition of what constitutes an “identified group” on Form A may be problematic. The definition as it stands now as per Form A “means a group of individuals with a shared personal characteristic, whose representation on the issuer’s board or in its executive officer positions has been identified by the issuer as being part of the issuer’s strategy respecting diversity but does not include women.” Further, in the “CSA Notice and Request for Comment” ([58101-CSA-Notice-and-Request-for-Comment-April-13-2023.pdf \(bcsc.bc.ca\)](#)), it is noted that issuers can determine “what aspects of diversity are most beneficial to that issuer in advancing its business and strategy”. This appears to leave issuers with too much flexibility to select (pick and choose) what categories they deem important to advancing their business and strategy. VCIM believes that issuers have an obligation to work towards representing the ethnic makeup of Canadian society in their executive ranks irrespective of their business endeavors.

Standardized reporting as proposed in Form B helps to demonstrate to the investor that the company has thought through the timeline and targets for increasing representation of each group. If this information is not provided, investors may not be able to ascertain whether an issuer has considered all the designated groups in its planning. It also encourages an issuer to develop a diversity strategy with more urgency.

Other considerations/recommendation:

- Include the use of consistent language to describe members of designated or identified groups. For example, Annex A refers to “racialized peoples” (Form B) and also “visible minorities” (Form A). Further, “visible minorities” is an outdated term and should not be used at all (VCIM prefers “equity seeking” or “equity denied” groups).
- The language “linguistic minorities”, feels colonial by way of assuming anything but English is a minority. VCIM recommends the term “equity seeking” or “equity denied”.
- The term “identified groups” and the definition “a shared personal characteristic” does not come across well. VCIM recommends replacing this term with “equity-seeking” groups.
- Although the use of the term “women” includes trans people, it might be worth stating that explicitly to encourage trans participation, for example, “women (including cis and trans-identifying)”.

2. Is information on the diversity approach and objectives of issuers with respect to executive officer positions useful for investors? Does this requirement raise concerns for issuers? Please explain. (Please refer to the table entitled “Approach to Diversity – Executive Officer Positions” in Annex A for a description of this proposed requirement)

Consistent with Vancity’s own diversity policy, VCIM maintains that self-disclosure of diversity metrics within the organization should be encouraged at all levels (director, executive, managers, and employees). It helps an organization gain an understanding of diversity and creates better and more robust diversity initiatives and supportive work culture. A high-level understanding of an issuer’s approach and objectives with regards to executive officer positions would be helpful, although it would not be necessary to see detailed policies at this level for investors to assess the strength of a company’s overall diversity program.

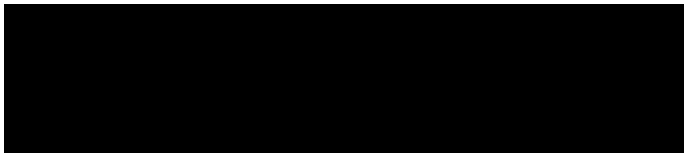
3. **Should issuers be required to disclose data about specified designated groups, consistent with the approach in Form B? Or should issuers be required to disclose data about women only and the identified groups for which they collect data, consistent with the approach in Form A? Please explain. (Please refer to the table entitled “Concept of Diversity” in Annex A for a description of “designated groups” and “identified group”)**

Yes, issuers should be required to gather and disclose data about specific “designated groups” (and if they do not report, issuers should provide an explanation for non-reporting). Diversity disclosure should extend beyond female representation otherwise it appears that female representation is the most highly regarded diversity metric. As mentioned above, however, issuers should be able to determine their own language for diversity categories based on what directors and officers are comfortable with (freedom to select their own terms whether it be “underrepresented groups”, “equity seeking group,” “racialized peoples”, etc.). Issuers should have leeway on how they wish to report and plan for diversity (whether it’s a policy, statement, objectives, etc.). If reporting on identified or designated groups is not mandated, it becomes too easy for issuers to dismiss certain “identified groups” as unrelated or unnecessary for their individual diversity plans. Addressing systemic inequality, economic disparity, and institutional racism in Canadian institutions requires that the workforce be representative of the Canadian population from entry level staff to the C-suite.

4. **Would it be beneficial to require reported data to be disclosed in a common tabular format? Does this requirement raise concerns for issuers? Please explain.**

The tabular format in Form B for reporting diversity metrics (current and planned) would be beneficial to examine information from a variety of issuers in a consistent format across a variety of companies. A common approach for reporting would facilitate ease of identifying diversity information from each issuer without having to sift through potentially lengthy narratives to identify whether diversity targets exist.

Please address any question or comments related to the above to [REDACTED].



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