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# **Diversity of Boards of Directors and Senior Management of Federal Distributing Corporations**

**2020 Annual Report**  
Corporations Canada

Canada 

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# About Corporations Canada

## Our mandate

Corporations Canada helps Canadians incorporate businesses, not-for-profit corporations and other corporate entities according to Canada's laws and regulations.

Our mandate is to provide a regulatory climate that maintains order and fairness in the corporate law arena. This ensures greater certainty in the marketplace and creates a business environment that is supportive of innovation and economic growth, while providing protection to individual Canadians.

Our mandate is derived from a number of statutes, principally the *Canada Business Corporations Act*, the *Canada Not-for-profit Corporations Act*, the *Canada Cooperatives Act* and the *Boards of Trade Act*.

## Our mission

Corporations Canada's mission is to contribute to a positive business climate in Canada by:

- Maintaining and administering a modern corporate law framework
- Delivering timely, innovative, client-oriented products and services

## Executive summary

As of January 1, 2020, Bill C-25 requires that distributing corporations<sup>1</sup> governed by the *Canada Business Corporations Act* (CBCA), including venture issuers<sup>2</sup>, provide their shareholders and Corporations Canada with information about the representation of women, Indigenous peoples (First Nations, Inuit and Métis), persons with disabilities and members of visible minorities on their boards of directors and among senior management.

This measure is to support the push for increased diversity on corporate boards and among senior management. Using a “comply or explain” approach, corporations indicate whether or not they have a policy on diversity. If so, they provide a summary of the policy; if not, they explain why not. This approach, while not prescriptive, enhances the conversation between management and shareholders about the benefits of diversity.

For 2020, we identified 669 distributing corporations required to disclose diversity information, although this number is approximate. We reviewed 469 proxy circulars<sup>3</sup> filed by distributing corporations between January 1, 2020, and December 31, 2020. This report presents the findings of that review, showing the levels of diversity on corporate boards of directors and senior management teams for the year 2020. It also explores some of the challenges encountered and steps taken to address those issues in the future.

- 1 A distributing corporation is one that issues securities to the public, such as shares or bonds, and is subject to continuous disclosure rules under provincial or territorial securities law or under the laws of a jurisdiction outside Canada. Distributing corporations are often listed on stock exchanges. See subsection 2(1) of the *Canada Business Corporations Regulations*, 2001 for a detailed definition. All instances of “distributing corporations” in this report refer to distributing corporations governed by the CBCA.
- 2 A venture issuer is an emerging company whose securities are listed on the TSX Venture Exchange or Canadian Securities Exchange.
- 3 A proxy circular is a document prepared by management to solicit proxies from shareholders in advance of a shareholders’ meeting. The circular gives shareholders enough information to make a decision on the issues they will be asked to vote on. It also provides them with information on the corporation’s governance practices.

# Findings



**50% of distributing corporations have at least one woman on the board of directors.**

- 16% have at least one member of a visible minority.
- 1.7% have at least one Indigenous person.
- 1.7% have at least one person with disabilities.



**14% of distributing corporations have set targets for the representation of women on their boards.**

- 1% have set targets for at least one of the other designated groups.



**Women hold 17% of board seats.**

- Members of visible minorities hold 4%.
- Persons with disabilities and Indigenous persons hold 0.3% each.



**32% of distributing corporations have adopted written policies relating to the identification and nomination of women on their boards.**

- 26% of have adopted similar policies relating to Indigenous peoples, members of visible minorities and persons with disabilities.



**Women hold 25% of all senior management positions.**

- Members of visible minorities hold 9%.
- Persons with disabilities hold 0.6%.
- Indigenous persons hold 0.2%.

These findings establish a baseline that will be used to measure progress over the years.

## Background

According to Employment Equity in the Public Service of Canada for Fiscal Year 2018 to 2019, 52.7% of the Canadian population available to work are women, 15.3% are members of visible minorities, 9% are persons with disabilities and 4% are Indigenous.<sup>4</sup> Several studies conducted over the years have shown that women, Indigenous peoples, people with disabilities and members of visible minorities are significantly under-represented in management positions in Canada.<sup>5</sup> However, “under-representation of different segments of our population is not only a question of fairness, but it may also have an impact on board quality and corporate performance.”<sup>6</sup>

To address those issues, Bill C-25, *An Act to amend the Canada Business Corporations Act, the Canada Cooperatives Act, the Canada Not-for-profit Corporations Act and the Competition Act*, received Royal Assent on May 1, 2018. Among other things, the Bill introduced amendments to increase shareholder democracy and participation, improve corporate transparency, and support the push for increased diversity on

4 The reference for these numbers is the workforce availability (WFA) estimate: <https://www.canada.ca/en/government/publicservice/wellness-inclusion-diversity-public-service/diversity-inclusion-public-service/employment-equity-annual-reports/employment-equity-public-service-canada-2018-2019.html>

5 Ted Rogers School of Management’s Diversity Institute. Diversity Leads 2020 – Diverse Representation in Leadership: A Review of Eight Canadian Cities. [https://www.ryerson.ca/diversity/reports/DiversityLeads\\_2020\\_Canada.pdf](https://www.ryerson.ca/diversity/reports/DiversityLeads_2020_Canada.pdf)

McKinsey (2018). Delivering Through Diversity. <https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>

Deloitte (2016). Reputation Matters: Developing Reputational Resilience Ahead of your Next Crisis. <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/risk/deloitte-uk-reputation-matters-june-2016.pdf>

Centre for International Governance (2017). Diversity Dividend, Canada’s Global Advantage. [https://www.cigionline.org/sites/default/files/documents/DiversitySpecial%20Report%20WEB\\_0.pdf](https://www.cigionline.org/sites/default/files/documents/DiversitySpecial%20Report%20WEB_0.pdf)

6 Regulations Amending the Canada Business Corporations Regulations, 2001: SOR/2019-258. Canada Gazette, Part II, Volume 153, Number 14, July 10, 2019. <https://gazette.gc.ca/rp-pr/p2/2019/2019-07-10/html/sor-dors258-eng.html>

corporate boards and among senior management. Since January 1, 2020, distributing corporations have been required to disclose information to their shareholders and to Corporations Canada on the diversity on their boards of directors and senior management teams. The Government of Canada's intention is for this disclosure to inform and promote conversations between corporate management and shareholders on this important issue to foster steady progress toward more diverse corporate leadership.

## What must be disclosed

Distributing corporations are required to report on the representation of four designated groups<sup>7</sup> on their boards of directors and senior management teams. A corporation's senior management team includes any of the following:

- Chair and vice-chair of the board of directors
- President of the corporation
- Chief executive officer and chief financial officer
- Vice-presidents in charge of a principal business unit, division or function, such as sales, finance or production
- Anyone who performs a policy-making function within the corporation

Distributing corporations must either disclose information about their policies and targets for the representation of the designated groups or explain why they don't have such policies or targets. Information to be disclosed includes, but is not limited to:

- Whether the corporation has adopted term limits or other mechanisms for board renewal
- Whether the corporation has a written policy on the identification and nomination of directors from designated groups and, if so, a description of the policy
- Whether and how the board or nominating committee considers diversity when identifying and nominating candidates for election or re-election to the board
- Whether and how diversity is considered when making senior management appointments
- Whether the corporation has set targets for representation on the board and among senior management for each of the designated groups and, if so, progress in achieving those targets
- The number and percentage of directors from each of the designated groups on the board and among senior management

The requirements under the CBCA are broader in scope than those under provincial securities legislation, which address only the representation of women on boards and in executive officer positions.

<sup>7</sup> Designated groups are defined in CBCA regulations the same way as in the Employment Equity Act. Designated groups include women, Indigenous peoples (First Nations, Inuit and Métis), persons with disabilities and members of visible minorities.

## Challenges in getting a complete picture of diversity in corporate leadership

While the CBCA and related regulations set out the disclosure requirements, they do not specify *how* distributing corporations should disclose this information. This lack of standardization, combined with other challenges such as incomplete or missing information, non-disclosure of intersectionality (i.e., when an individual is included in more than one group), and the fact that some individuals may be reluctant to self-identify as members of a designated group, make it difficult to compile accurate representation statistics. Some distributing corporations also filed their proxy circulars late. These delays may be related to COVID-19 measures that postponed many annual general meetings, affecting corporations' ability to gather the required diversity information.

To prevent some of these difficulties in future years, we published [guidelines](#) to encourage distributing corporations to disclose their diversity information annually in a more consistent manner.

## Other initiatives to increase diversity in corporate leadership

Corporations across the country should be continuously encouraged to recognize the benefits of bringing diverse backgrounds, experiences and perspectives into their decision-making processes. A number of initiatives have been put in place to advance and recognize diversity, inclusion and economic prosperity from coast to coast to coast. For example, the [50-30 Challenge](#) incentivizes Canadian organizations to increase the representation and inclusion of equity-deserving groups on their boards of directors, on their senior management teams and within their workplaces. Other measures mentioned in the 2020 Speech from the Throne were also put in place to promote diversity and inclusion, including [Canada's Anti-Racism Strategy](#) and funding for the [Black Entrepreneurship Program](#).

# Scope of review

## Description of the sample size

For 2020, we identified 669 distributing corporations that are required to disclose diversity information. This number is approximate and was derived by cross-referencing our database with the list of issuers provided by the Canadian Securities Administrators (CSA).

We reviewed the proxy circulars of 469 distributing corporations that were filed between January 1, 2020, and December 31, 2020. Of the proxy circulars reviewed, 85.9% included information on diversity. Of the 66 that did not include any diversity information, 53 were filed by venture issuers and 13 by non-venture issuers. It should be noted that venture issuers are not subject to gender disclosure requirements under provincial securities legislation, so the diversity disclosure requirements under the CBCA are the first to apply to them.

In this first year of filing, 289 distributing corporations filed their proxy circulars with Corporations Canada, while 180 filed with the System for Electronic Document Analysis and Retrieval (SEDAR). This is partly the result of technical difficulties some corporations had accessing our Online Filing Centre<sup>8</sup> and partly because of lack of awareness of the requirements to file with us. Some distributing corporations were under the impression that our [exemption from the filing of certain documents](#) exempted them from filing with Corporations Canada if they filed their proxy circulars with SEDAR.

8 The [Online Filing Centre](#) is a method of filing documents, accessible through the home page of Corporations Canada's website.

To make sure the process is more effective in 2021, we will continue to reach out to distributing corporations to inform and remind them of their obligations to file diversity information with us, including making them aware that the [exemption from the filing of certain documents](#) no longer applies. We have also eliminated the technical difficulties that limited some distributing corporations' ability to file through the Online Filing Centre.

## Challenges identifying distributing corporations

One of the challenges related to determining which federal corporations are “distributing” (and therefore required to disclose diversity information) is that corporations are required to self-report to Corporations Canada whether they are distributing or not. This reporting is only done once a year on their annual returns and there is often confusion about what “distributing” means. For example, many corporations self-reported as “distributing” if they were distributing goods or services.

There are also challenges related to determining when a distributing corporation is required to file a proxy circular, as the filing date is related to the annual general meeting date, which is different for every corporation. Distributing corporations are required to send diversity information to their shareholders and to Corporations Canada before their annual meetings; however, we become aware of the annual general meeting date only when the distributing corporation files its annual return, which could be up to a full year after the meeting.

To improve the identification of corporations that are truly “distributing” and to encourage greater compliance with diversity disclosure requirements, we will continue to reach out to all corporations that have identified as “distributing” — especially venture issuers — to ensure they understand the diversity disclosure requirements and know when and how to file their proxy circulars.

## Methodology

Most distributing corporations chose to disclose diversity information in a narrative way in their proxy circulars. We reviewed each proxy circular, extracted the required diversity information and compiled it. Corporations Canada considered the information as provided in the proxy circulars. The number of directors on the boards and total number of members of the senior management teams were considered as of the date of disclosure. References to “executive officers” were considered to be equivalent to “senior management”.

The following elements were *not* considered:

- Numbers and percentages regarding the future composition of the boards of directors (e.g., nominees for directors) or among senior management teams (e.g., candidates for promotion to senior management)
- Numbers and percentages for groups other than the designated groups
- Information that did not specifically relate to the diversity disclosure requirements

This method of reviewing the proxy circulars allowed us to address the challenges related to the lack of standardization in how the information was reported by ensuring diversity information was analyzed in a consistent way. It also allowed us to generate findings to establish a baseline against which progress can be measured for years to come.

# Findings

This section summarizes our findings in each of the following key areas:

- Term limits and other mechanisms for board renewal
- Written policies for identifying and nominating members of designated groups for directors
- Consideration of the level of representation of designated groups
- Targets for representation of designated groups
- Representation of designated groups among boards of directors and senior management teams
- Composition of distributing corporations' boards of directors and senior management teams

Findings are based on the 403 proxy circulars (160 from venture issuers, 243 from non-venture issuers) reviewed that included diversity information. The 66 proxy circulars that did not provide diversity information are not included in the findings. This establishes a baseline of the diversity of boards and among senior management as disclosed in 2020.

Most findings presented in this report are for all distributing corporations (venture issuers and non-venture issuers) that disclosed diversity information. However, for some requirements, the findings distinguish between the two types of distributing corporations. Where there are significant differences between the two, these may be explained by the fact that the diversity disclosure requirements are new to venture issuers.

It should be noted that, within each table, a corporation may be counted in more than one category. For example, in Table 1, a corporation could have a policy related to women, but no policies related to any other designated group.

## Term limits and other mechanisms for board renewal

16% of distributing corporations that disclosed diversity information have adopted some form of mechanism for board renewal. Most of these reported age limits, tenure limits or both.

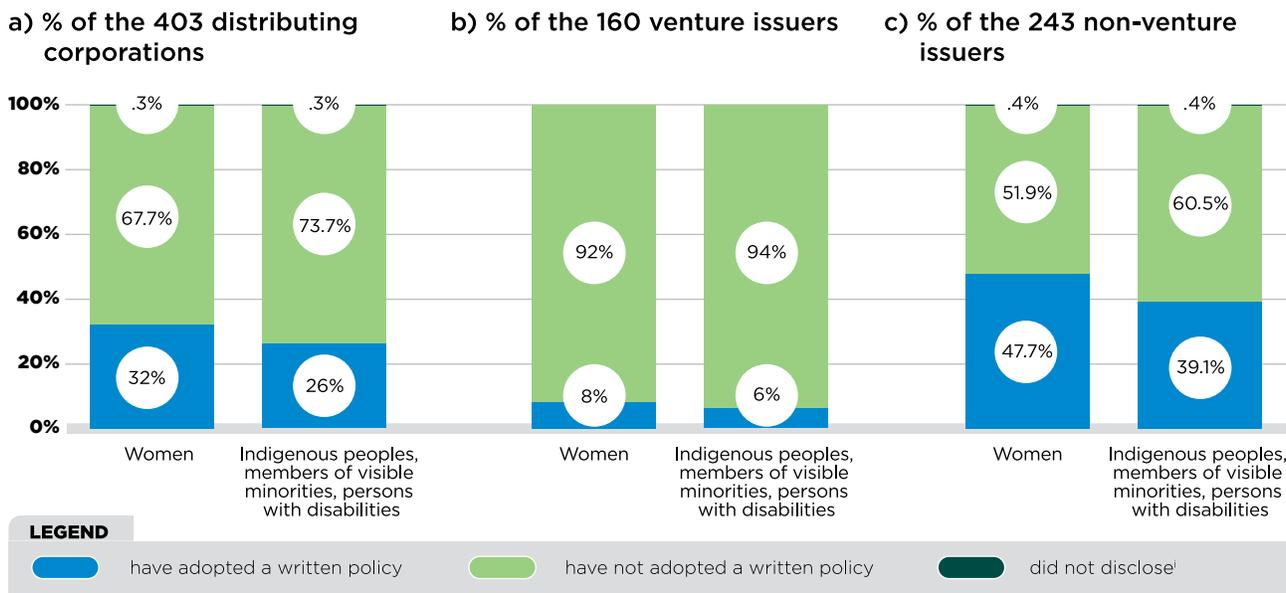
Among those that had *not* adopted term limits or other mechanisms for board renewal, the top three reasons cited were:

1. It forces valuable experienced and knowledgeable directors to leave
2. It reduces continuity or experience on the board
3. It's not required because the corporation regularly assesses board members for effectiveness

# Written policies for identifying and nominating members of designated groups for directors



**FIGURE 1.** Distributing corporations with written policies for identifying and nominating members of designated groups for directors



*i* “Did not disclose” includes corporations that did not disclose information on a requirement as well as those that included information not considered according to the methodology described earlier in this report.

Approximately one-third (32%) of the distributing corporations that disclosed diversity information have adopted written policies relating to the identification and nomination of women for directors, and 26% have adopted written policies relating to the identification and nomination of Indigenous peoples, members of visible minorities and persons with disabilities for directors.

However, there were substantial differences in the policy adoption rate between venture issuers and non-venture issuers. Non-venture issuers were six times as likely as venture issuers to adopt written policies relating to the identification and nomination of women directors (48% vs. 8%). Non-venture issuers were more than

six times as likely as venture issuers to adopt written policies relating to the identification and nomination of Indigenous peoples, members of visible minorities and persons with disabilities for directors (39% vs. 6%).

The main reasons provided for *not* adopting written policies relating to the identification and nomination of women for directors are similar for all distributing corporations (venture issuers and non-venture issuers):

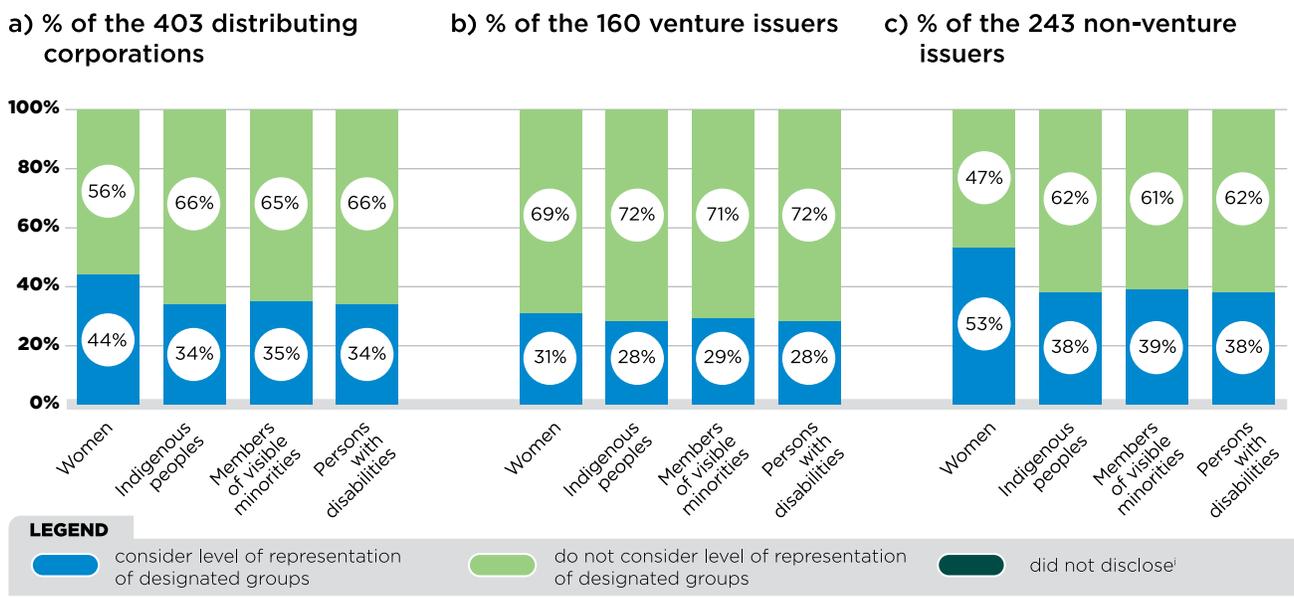
- The size and stage of development of the corporation makes it difficult to adopt a policy at this time
- Candidates are selected based on merit
- A policy is currently under consideration

# Consideration of the level of representation of designated groups

## Board of directors



**FIGURE 2.** Distributing corporations that consider the level of representation of designated groups on board of directors when identifying candidates for election or re-election



*i* "Did not disclose" includes corporations that did not disclose information on a requirement as well as those that included information not considered according to the methodology described earlier in this report.

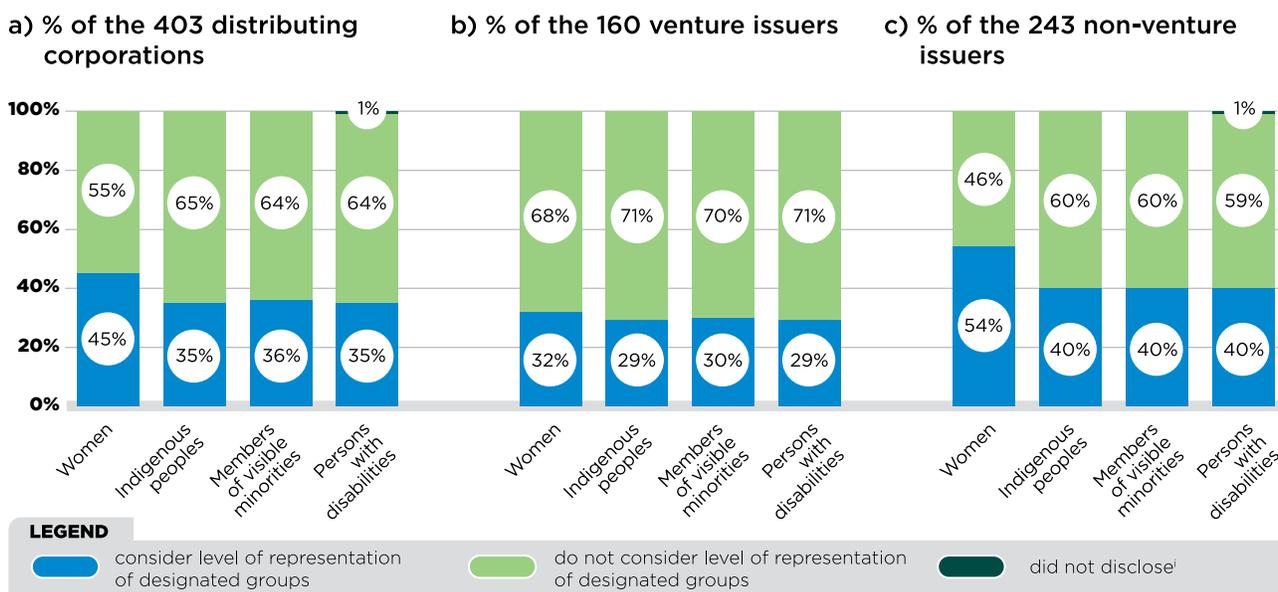
44% of distributing corporations that disclosed diversity information consider the level of representation of women on the board of directors when identifying and nominating candidates for

election or re-election. 34–35% of distributing corporations consider the level of representation of Indigenous peoples, members of visible minorities and persons with disabilities.

## Senior management



**FIGURE 3.** Distributing corporations that consider the level of representation of designated groups in senior management positions when identifying candidates for appointment



i “Did not disclose” includes corporations that did not disclose information on a requirement as well as those that included information not considered according to the methodology described earlier in this report.

The numbers were similar for senior management: 45% of distributing corporations that disclosed diversity information consider the level of representation of women, while 35–36% consider

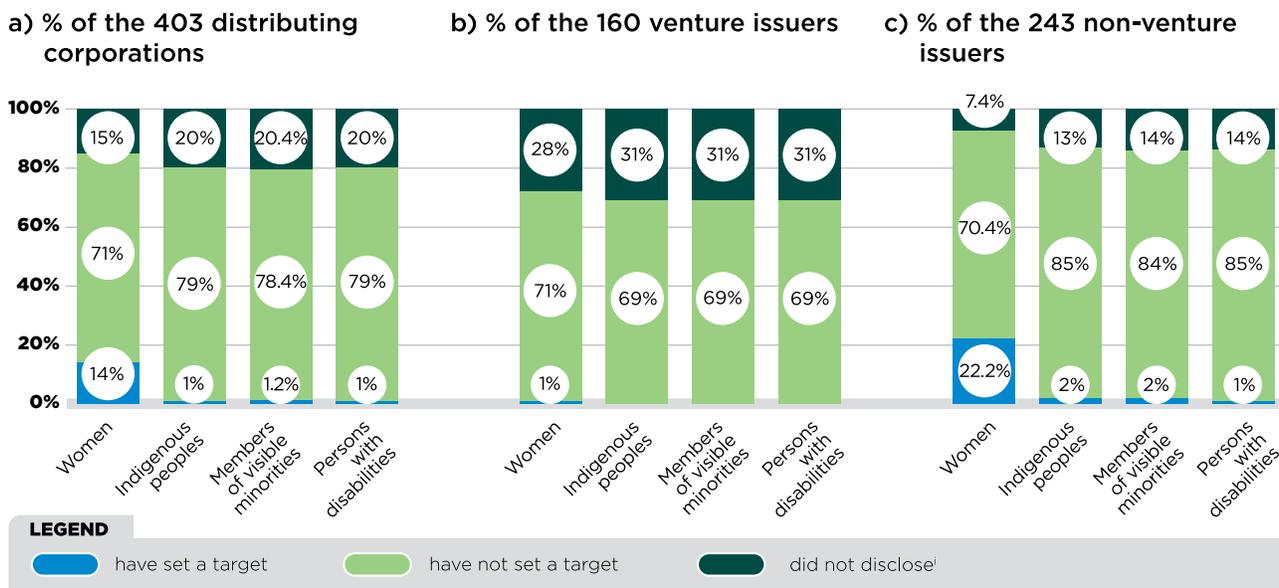
the level of representation of Indigenous peoples, members of visible minorities and persons with disabilities among senior management when appointing members of senior management.

# Targets for representation of designated groups

## Board of directors



**FIGURE 4.** Distributing corporations with targets for representation of designated groups on boards of directors by a specific date



i “Did not disclose” includes corporations that did not disclose information on a requirement as well as those that included information not considered according to the methodology described earlier in this report.

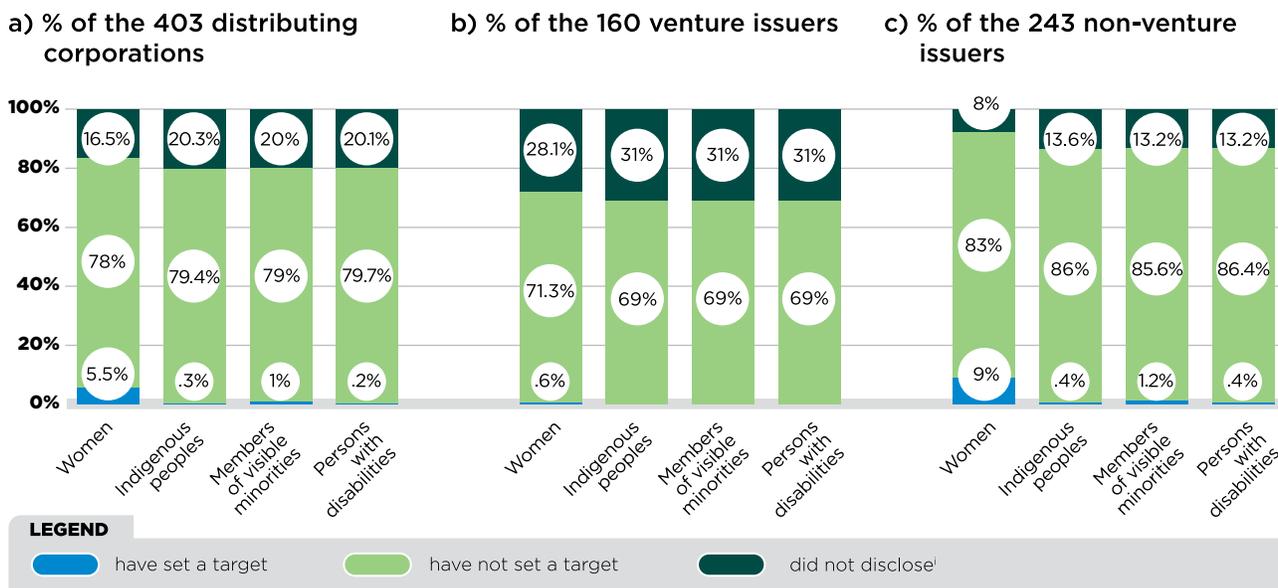
14% of distributing corporations that disclosed diversity information have set targets for the representation of women on their boards of directors – and 1% have set targets for the representation of Indigenous peoples, members of visible minorities and persons with disabilities.

Among distributing corporations that have *not* set targets, the main reasons provided were that candidates are selected based on merit and that the corporation or board is too small.

## Senior management



**FIGURE 5.** Distributing corporations with targets for representation of designated groups in senior management by a specific date



*i* “Did not disclose” includes corporations that did not disclose information on a requirement as well as those that included information not considered according to the methodology described earlier in this report.

5.5% of distributing corporations that disclosed diversity information indicated that they have adopted a target for the representation of women and an average of less than 1% have adopted a target for the representation of the other designated groups among senior management.

Among distributing corporations that have *not* set targets, the main reasons provided were that candidates are selected based on merit, the corporation or its management team is too small, and the corporation wants to select candidates from the broadest possible talent pool.

Among non-venture issuers, 9% set targets for the representation of women among senior management and 0.4% set targets for any other designated groups. 0.6% of venture issuers set targets for the representation of women and none set targets for any other designated groups.

## Representation of designated groups among boards of directors and senior management teams

**TABLE 6.** Level of representation of designated groups on boards of directors and senior management teams

<b>% of the 403 distributing corporations that:</b>	<b>do</b>	<b>do not</b>	<b>did not disclose<sup>i</sup></b>
Have at least 1 woman on the board of directors	50%	33%	17%
Have at least 1 member of a visible minority on the board of directors	16%	57%	27%
Have at least 1 Indigenous person on the board of directors	1.7%	71%	27.3%
Have at least 1 person with disabilities on the board of directors	1.7%	71%	27.3%
Have at least 1 woman in senior management	47%	33%	20%
Have at least 1 member of a visible minority in senior management	22.8%	49.6%	27.5%
Have at least 1 Indigenous person in senior management	1.2%	71.7%	27.1%
Have at least 1 person with disabilities in senior management	2.2%	70.7%	27.1%

<b>% of the 160 venture issuers that:</b>	<b>do</b>	<b>do not</b>	<b>did not disclose<sup>i</sup></b>
Have at least 1 woman on the board of directors	19%	52%	29%
Have at least 1 member of a visible minority on the board of directors	11%	51%	38%
Have at least 1 Indigenous person on the board of directors	1%	61%	38%
Have at least 1 person with disabilities on the board of directors	1%	61%	38%
Have at least 1 woman in senior management	25%	41%	34%
Have at least 1 member of a visible minority in senior management	15.6%	46.9%	37.5%
Have at least 1 Indigenous person in senior management	0%	62.5%	37.5%
Have at least 1 person with disabilities in senior management	0.6%	61.9%	37.5%

% of the 243 non-venture issuers that:	do	do not	did not disclose <sup>i</sup>
Have at least 1 woman on the board of directors	70%	21%	9%
Have at least 1 member of a visible minority on the board of directors	19%	60%	21%
Have at least 1 Indigenous person on the board of directors	2%	77%	21%
Have at least 1 person with disabilities on the board of directors	2%	77%	21%
Have at least 1 woman in senior management	61.7%	27.6%	10.7%
Have at least 1 member of a visible minority in senior management	28%	51%	21%
Have at least 1 Indigenous person in senior management	2%	78%	20%
Have at least 1 person with disabilities in senior management	3%	77%	20%

<sup>i</sup> "Did not disclose" includes corporations that did not disclose information on a requirement as well as those that included information not considered according to the methodology described earlier in this report.

## Composition of distributing corporations' boards of directors and senior management teams

In addition to looking at the broad level of representation among distributing corporations, we also reviewed the composition of their boards and senior management teams to see the proportion of leadership positions held by members of the four designated groups.

The following percentages are based on a total of 2,411 directors for distributing corporations (627 for venture issuers and 1,784 for non-venture issuers). For the senior management positions, the total number of individuals is 2,158 for distributing corporations (320 for venture issuers and 1,838 for non-venture issuers).



### Seats held by designated groups on boards of directors

#### Women

- Women hold 17% of board seats among the 403 distributing corporations that disclosed diversity information.
- Women hold 6% of board seats among the 160 venture issuers and 21% of board seats among the 243 non-venture issuers.

#### Visible minorities

- Members of visible minorities hold 4% of board seats among the 403 distributing corporations that disclosed diversity information.
- Members of visible minorities hold 4% of board seats among the 160 venture issuers and 4% of board seats among the 243 non-venture issuers.

### Persons with disabilities

- Persons with disabilities hold 0.3% of board seats among the 403 distributing corporations that disclosed diversity information.
- Persons with disabilities hold 0.3% of board seats among the 160 venture issuers and 0.3% of board seats among the 243 non-venture issuers.

### Indigenous peoples

- Indigenous persons hold 0.3% of board seats among the 403 distributing corporations that disclosed diversity information.
- Indigenous persons hold 0.3% of board seats among the 160 venture issuers and 0.3% of board seats among the 243 non-venture issuers.



## Positions held by designated groups in senior management teams

### Women

- Women hold 25% of senior management positions among the 403 distributing corporations that disclosed diversity information.
- Women hold 18% of senior management positions among the 160 venture issuers and 26% of senior management positions among the 243 non-venture issuers.

### Visible minorities

- Members of visible minorities hold 9% of senior management positions among the 403 distributing corporations that disclosed diversity information.
- Members of visible minorities hold 11% of senior management positions among the 160 venture issuers and 9% of senior management positions among the 243 non-venture issuers.

### Persons with disabilities

- Persons with disabilities hold 0.6% of senior management positions among the 403 distributing corporations that disclosed diversity information.
- Persons with disabilities hold 0.3% of senior management positions among the 160 venture issuers and 0.6% of senior management positions among the 243 non-venture issuers.

### Indigenous peoples

- Indigenous persons hold 0.2% of senior management positions among the 403 distributing corporations that disclosed diversity information.
- Indigenous persons hold none of the senior management positions among the 160 venture issuers and 0.3% of senior management positions among the 243 non-venture issuers.

## Conclusion

2020 was the first year that distributing corporations, including venture issuers, were required to disclose information to their shareholders and to Corporations Canada about the representation of the four designated groups (women, Indigenous peoples, persons with disabilities, members of visible minorities) on their boards of directors and senior management teams. It should be noted that provincial securities legislation also requires many public corporations to report on the representation of women on their boards of directors and executive officer positions, although venture issuers are not subject to those requirements. The CBCA's new diversity disclosure requirements allow assessment of corporations' current diversity and provide the basis for a discussion on ways to improve it.

The diversity information we received and compiled in 2020 establishes a baseline against which progress toward more diverse corporate leadership will be measured over the years. This first year's findings clearly show a disparity in the representation of designated groups on boards of directors and among senior management. 17% of all board seats are held by women, 4% by members of visible minorities, 0.3% by persons with disabilities and 0.3% by Indigenous peoples. Women hold 25% of all senior management positions, visible minorities hold 9%, persons with disabilities hold 0.6% and Indigenous peoples hold 0.2%. These results are in contrast to the diversity of the Canadian population available to work.

We recognize that the COVID-19 circumstances made it difficult for some distributing corporations to gather the required diversity information to prepare the disclosure. Some individuals may also have been reluctant to self-identify as members of a designated group. In some cases, distributing corporations were not aware of the new diversity disclosure requirements or that they had to send the information to Corporations Canada. The lack of standardization, incomplete or missing information, and non-disclosure of intersectionality made it challenging to compile and report on representation statistics.

Going forward, we will continue to reach out to all distributing corporations, especially venture issuers, to make them aware of the diversity disclosure requirements as well as how to file their proxy circulars with Corporations Canada. The process of filing proxy circulars online will be streamlined and the newly published diversity guidelines will help and encourage distributing corporations disclose their diversity information in a more consistent manner. Consistency in disclosure will:

- Enhance shareholder/management dialogue about the benefits of diversity
- Ensure diversity information is collected and analyzed consistently
- Enable a sound year-over-year analysis that will foster steady progress toward more diverse corporate leadership

In 2021, we will continue to review diversity information disclosed by federal distributing corporations. A second-year review will enable us to identify trends and monitor progress on the representation of women, Indigenous peoples, persons with disabilities and members of visible minorities on boards of directors and senior management teams.

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