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Chair

Mr. Dan Ruimy

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• (0850)

[English]

The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)): I'd like to call the meeting to order.

Welcome, everybody, to meeting number 46 of the Standing Committee on Industry, Science and Technology. Pursuant to the order of reference on Friday, December 9, 2016, we continue our study of 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.

Today appearing before us we have the Honourable Navdeep Bains, Minister of Innovation, Science and Economic Development; along with John Knubley, deputy minister; and Mark Schaan, director general, marketplace framework policy branch, strategic policy sector.

Welcome, gentlemen. We are going to go right into it.

Minister Bains, you have the floor.

Hon. Navdeep Bains (Minister of Innovation, Science and Economic Development): Thank you very much, Mr. Chair. It really is an honour and privilege to be back here before the committee and to have an opportunity to talk about and address a very important piece of legislation, Bill C-25.

I am here with my deputy minister, John Knubley, and Mark Schaan, director general, marketplace framework policy branch, strategic policy sector, so I am surrounded by some very intelligent individuals who can address any specific and difficult questions.

Bill C-25 covers a lot of important ground. The bill will support efforts to improve diversity on corporate boards and in the senior management ranks of publicly traded companies. It will improve corporate governance. I am delighted that both official opposition parties have expressed support for this legislation.

We have already heard some thoughtful commentary on second reading. Many of you have also heard witnesses who have come before the committee as well, and I look forward to discussing this bill with the honourable members of this committee.

[Translation]

I'd like to begin with a reminder of the context in which we are bringing forward this bill.

Our government is committed to innovation for a better Canada—innovation that will create jobs, strengthen the middle class, and prepare Canadians with the skills they need for the jobs of the future.

As legislators, we have a responsibility to set the ground rules for doing business, and we can create the winning conditions for people and companies to innovate.

[English]

Our country is at its most prosperous when everyone has a fair chance at success. Bill C-25 addresses this goal by making important adjustments to the framework laws that govern the Canadian marketplace. These laws set out how corporations are organized, and they also promote investor confidence and a competitive marketplace.

The amendments in this bill will provide the foundation for how Canadian businesses operate in the 21st century, and they will align Canada's framework laws with best practices in jurisdictions around the world. If there is one key objective or message that I could convey about what this bill is trying to accomplish, it is that we truly want to promote best practices in Canada.

The first set of amendments contained in Bill C-25 aims to promote greater shareholder democracy. First, the bill will require corporations and co-operatives to hold annual votes to elect directors. Currently, the law permits directors to hold office for up to three years before a vote is required. Second, directors under the Canada Business Corporations Act will be elected individually, not as a slate or group of candidates. Third, the bill will permit shareholders to vote explicitly against a candidate in uncontested elections. The goal is to ensure that the voting process allows shareholders to have their voices heard in a meaningful way. Additionally, Bill C-25 will improve corporate transparency, eliminate outdated instruments of commerce, and modernize shareholder communications.

These changes will reflect the new norms and practices of a digital economy—I often tell people that now it's no longer the economy; it's the digital economy. The bill increases business certainty and flexibility. It will allow Canadian businesses to focus on what makes them most productive, efficient, and innovative.

Allow me to elaborate on the elements of the bill that address diversity in corporate Canada, because there has been a lot of debate and discussion around this aspect. It's not simply the right thing to do, but it's also good for business. Under-representation of different segments of our population in business is a drag on Canada's bottom line.

Our government places a high priority on innovation to create better skills, jobs, and opportunity for all Canadians. Regardless of one's gender, age, faith, background, orientation, or ability, we want to see every Canadian work to their full potential. In the boardroom, as in life, multiple perspectives can lead to innovative thinking and better performance. As I tell people, good ideas can come from anywhere and anyone. Innovation requires fresh ideas, and research shows that leaders who embrace diversity are more likely to have employees who contribute to their full potential.

[*Translation*]

Our government is committed to encouraging the full participation of those Canadians who are currently under-represented in the economy. To that end, Bill C-25 will require corporations to disclose to their shareholders the gender composition of their boards and senior management.

[*English*]

They will also be required to make public their diversity policies. Those corporations without diversity policies will have to explain why they don't have one, and that's a key component of this bill as well.

This amendment is aligned with measures that have already been adopted by most provincial security regulators, and it will apply to all publicly traded corporations incorporated under the Canada Business Corporations Act, regardless of which securities regulator they report to.

Some have commented that Bill C-25 does not provide an explicit definition of diversity—I've heard that from individuals, and I look forward to that conversation this morning. That's because our government has made a clear and deliberate choice to understand diversity in the broadest and most inclusive terms possible. Diversity can include a broad range of skills and experience. It can encompass people from all genders, geography, cultural backgrounds, and faiths, or even people with disabilities. Achieving greater diversity on boards and in senior management is an achievable and realistic goal. Take the Canadian Board Diversity Council, for example. It has established an annual list of qualified candidates who are “board-ready”. These candidates have a variety of skill sets, experience, gender, and cultural backgrounds that could be of great benefit to any board of directors.

The objective of this bill is not to be prescriptive or punitive. Rather, the objective is to mandate an open conversation about good corporate governance between companies and their shareholders. It also allows shareholders to hold the board accountable for how it promotes diversity in leadership positions, so it truly also provides an accountability mechanism. Bill C-25 is being introduced at a time when many organizations are already looking to recruit more under-represented groups to the highest levels of corporate leadership, and they're finding plenty of talent to choose from.

If I may digress for a moment, I've had an opportunity to travel internationally and within Canada. I can tell you right now that diversity is our strength. The fact that we have people from different backgrounds available and able to put forward their ideas in a meaningful way, in senior management positions at the board level, is a source of competitive advantage for Canada. For example, the Institute of Corporate Directors, along those lines, has a registry of more than 3,500 who have the skills, qualifications, and training to serve on corporate boards. To make it easier for companies to find the right people, the institute provides a referral service and offers to match companies with suitable candidates. We commend this effort. The story of “Oh, we're trying to promote diversity, but we can't find people with diverse backgrounds” I don't think applies in this day and age.

Some commentators have suggested that Bill C-25 should include gender-based quotas. Our government prefers, as a starting point, to adopt the approach taken by the U.K. and Australia. These countries have been successful in promoting diversity by adopting an approach called “comply or explain”. It requires publicly traded corporations to disclose their gender composition and diversity policies among their executive ranks. If they do not have a policy in place, they are called upon to explain why. That's the concept behind comply or explain. In fact, Bill C-25 is similar to the provisions in the U.K. corporate code, which does not define diversity but specifically includes gender diversity.

Some organizations have proposed voluntary targets to increase the participation of under-represented groups on corporate boards. These organizations include Catalyst Canada and the 30% Club, which promote the advancement of women in the workplace. These organizations are part of a broader movement that includes shareholders, provincial security commissions, and civil society.

● (0855)

In fact, support for this bill has come from the Canadian Coalition for Good Governance, the Ontario Teachers' Pension Plan, and the Ontario Securities Commission, just to name a few. With such broad-based consensus, I'm confident that corporate Canada will rise to the challenge of promoting diversity.

That said, our government's work does not stop with the passage of Bill C-25.

[*Translation*]

Once the bill becomes law, we are committed to monitoring the level of progress achieved by corporate Canada to promote diversity at the senior-leadership level.

[English]

In the event there's no meaningful change in the composition of corporate boards and executive ranks, our government is prepared to review Bill C-25. I've said this in the House and I want to repeat this again this morning as well. We're willing to re-examine the tools we have to be able to see meaningful progress. If appropriate we will consider additional action.

Finally I'd like to address a suggestion raised by some of my honourable colleagues. They suggest that Bill C-25 should address the issue of limiting executive compensation. I heard this again in the debate in the House as well. In 2014 the department held extensive public consultations on the Canada Business Corporations Act to ensure that its governance framework remains effective, fosters competitiveness, and supports confident investment. Over 80 submissions were received from a variety of businesses and legal stakeholders, and a wide set of perspectives was given on the issue of executive compensation, raising a number of complex issues that require further study.

As Bill C-25 covers the items from these consultations where views were most consistent—that was the objective, we wanted to find where there was common ground—the question of executive compensation may be dealt with on a future occasion.

● (0900)

[Translation]

This will allow for a more considered view as best practices and early pilots in other jurisdictions emerge and mature.

[English]

My honourable colleagues, our government is committed to growing the economy, creating jobs, and strengthening the middle class. As such we are building the right foundation for an inclusive and innovative Canada. We want to foster new thinking by harnessing the full talent and experience of all Canadians, and we recognize, as I said before, that diversity is our strength.

Bill C-25 ensures that we create the right conditions to keep Canada at the forefront of a global economy, and it will provide a transparent and predictable business environment for firms to innovate and grow.

[Translation]

I look forward to discussing this legislation with you.

Thank you.

[English]

The Chair: Thank you very much, Minister Bains. We're going right into questioning, starting with Mr. Longfield.

You have seven minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for being here today. It's always a pleasure to have you in the room so that we can talk about strategies together and have our disagreements around this table, and hopefully help you to inform yourself and your colleagues on best practices from our points of view as well.

On the way boards are elected, first of all, we're looking at the super-strategic role that we're playing here versus the strategic role, versus local business unit managers, or provincial or territorial managers, in terms of regulations. Could you talk about what super-strategic goals you have in changing the way boards are elected?

Hon. Navdeep Bains: I believe that we can create a unique value proposition that will differentiate Canada when it comes to our corporate governance structure. I believe this can be a competitive advantage for us. As I travel internationally, or even across Canada, it's become very clear that the number one ingredient for our success going forward, particularly in the global context—and you talked about the economy and the change and scope and speed of technology, the fact that there is a great deal of disruption—is investing in our people and talent.

When you look at our stats, the stats are pretty problematic in the current situation. For example, to illustrate this point, women hold only 13% of all seats on Canadian boards, and only 19.1% of those are *Financial Post* 500 companies, yet they make up 48% of the workforce. Think about that for a moment. If we were to change that drastically it would truly provide a competitive advantage for us. The thinking is that we value diversity; we promote multiculturalism; we have great social cohesion; and we're a country that is very clear about saying we're open to people, ideas, trade, immigration. How do we leverage that openness and see that reflected at the board level, in senior management? That's not only the right thing to do but it truly helps the bottom line, and there are numerous studies that reflect that.

When you talk about the global context I think that Canada can position itself as a world leader when it comes to corporate governance diversity and corporate governance practices, and that's really what this bill is all about. It's about introducing best practices so that we can strengthen what we want to achieve at the corporate level, both at the board level and at the management level. I think that is a competitive advantage for us.

Mr. Lloyd Longfield: Thank you, Minister.

I'm thinking of boards that I've served on. I've been on the boards of a few multinational corporations. I've been on the boards of some Canadian corporations. We've looked at the difference between strategic and tactical. That's where we always argued at the board table: how deep into the weeds we needed to get in terms of board governance and how to get some of the best practices on governance forward versus how many machines we needed in a plant, or management decisions.

At the last meeting we met with some of the department officials and we were talking about the difference between regulatory and statutory or legal definitions. When we talked about diversity, how much of that is within regulations and how much of that should be within legislation? We were trying to separate out the strategic versus the tactical.

• (0905)

Hon. Navdeep Bains: I agree with your assessment. The objective of a board is really to provide strategic advice to a corporation. The tactical decisions really should be left to management. The idea of a board is to oversee their fiduciary responsibility and they also look at long-term and short-term initiatives that will help the organization succeed. They ultimately are there to represent the interests of the shareholders. That's why shareholder democracy is such a key component of this bill as well.

I firmly believe when it comes to diversity, for example, we're trying to say that right now we want to see diversity better reflected in our governance structure. To put things in perspective, 59% still don't have written policies when it comes to diversity—I'm talking about corporations—and 45% of the listed companies do not even have a woman on their boards.

We're trying to say that we're trying to have a conversation here. We're trying to clearly send a direction on behalf of the government. We're trying to say, "Look, at a strategic level you need to really focus on diversity because this is obviously a key area of concern and also an opportunity as well."

I think we're trying not to be prescriptive. We're not trying to create more red tape. We're not trying to create additional hurdles and challenges, because the vast majority of these businesses are small and medium-sized enterprises. But we are trying to indicate very clearly to them that they need to move in this direction.

Mr. Lloyd Longfield: Thank you, Minister.

I'm also chairing the multi-party co-op caucus.

Hon. Navdeep Bains: Yes.

Mr. Lloyd Longfield: Co-ops' governance also have social goals. They also have environmental goals. One of the corporations I was involved with from England also had social and environmental goals in terms of board governance. During the review period some of these practices could come forward. You touched on review, but do you have some kind of sense of how frequently we could look at changes to regulations going forward, to maybe look at some of these social and environmental possibilities?

Hon. Navdeep Bains: I think overall the proposals that we brought forward under Bill C-25 are long overdue. The last time we made changes to our framework laws was in 2001. It has been a substantially long period of time since we brought these changes forward. I'm very proud that our government has taken action on this and that we've brought these changes forward.

Again, I think the committee can speak to the terms of when they want to see changes reflected in our framework, in our laws. Obviously, as I mentioned, there has been a tremendous amount of change in technology, there has been a lot of intense global competition, and therefore, we need to constantly re-examine and re-evaluate.

From my perspective, particularly when it comes to areas of diversity, I'd like to see meaningful progress in those areas. For example, I think five years presents a reasonable timeline where we can re-evaluate and determine what kind of progress we've made. Then, if we haven't achieved the outcomes that we want, how can we move forward in a meaningful way? What other tools do we have in

our tool box? That would be a suggestion I would have for the committee, but I would welcome hearing your thoughts.

Mr. Lloyd Longfield: That is better than twice every 40 years.

Hon. Navdeep Bains: Yes.

Mr. Lloyd Longfield: Thank you, Minister.

The Chair: Thank you very much.

We're going to move to Mr. Nuttall. You have seven minutes.

Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC): Thank you, Mr. Chair.

Thank you, Minister, for joining us today.

Perhaps I could pick up where Mr. Longfield left off in regard to outcomes. To be blunt, one of the criticisms that I've had of government as a whole, not specifically this government, is the lack of measurables that are put in place to determine whether goals have actually been achieved. In other words, are the bills that we're moving actually having an effect on the problem that has been determined to be there?

My question to you would be, what measurables do you have to determine whether this is a success or not and over what timeline? What are your targets? What are your measurables and what is the timeline in place on this?

Hon. Navdeep Bains: Thank you very much for that thoughtful question.

Just to put things into context, we looked at other jurisdictions to get an understanding of what their starting point was. I mentioned our starting point's around 13%, for example, when it comes to women on corporate boards right now. With a 48% workforce, that's just unacceptable. I'll explain why in a much more meaningful way, rather than just targets.

Specifically, on targets, we're at 13%, so that's the baseline now. If you look at the U.K., in about three to five years, it was able to double representation of women on boards from 12.5% to 26%. Australia went from 10.7% to 22.7%. We saw that kind of progress over a five-year period. I would say, based on those experiences, that would be a reasonable range in a specific target for a specific group.

Fundamentally, what I think this bill is trying to accomplish and what I think we need to be mindful of is that we are genuinely trying to promote diversity of thought and diversity of perspective. In order for a corporation and for management to really be able to be innovative, to be able to grow, to meet customer needs, and to be able to succeed in a changing environment, they need to have critical thinkers and a diversity of perspectives and ideas. Of course, these numbers matter and targets matter, but if you have true diversity of thought, I really believe that is a core ingredient of success for a corporation or management going forward. That's one of the intended outcomes of this legislation.

• (0910)

Mr. Alexander Nuttall: Thank you.

Just to confirm, your target would be 26% roughly, or to double it over a three- to five-year timeline. That's just for one objective.

Hon. Navdeep Bains: I was giving you examples of other jurisdictions and the outcomes that they've been able to achieve with a comply or explain model. I was giving you comparable examples.

Mr. Alexander Nuttall: Right. What's your target?

Hon. Navdeep Bains: First of all, it's not necessarily my target. What I genuinely want, overall and fundamentally at the corporate level, is to see society better reflected. If you look at it, some companies have a different situation.

For example, if you're a start-up company and you're just setting up with a few people, you tend to deal with family members, originally, or your key investors. To have a target for them may not be realistic. As they continue to grow and scale up, they become a more ambitious organization, more export-oriented and global, then I would think they should have a better reflection of diversity.

The point I'm making is that I have a macro, overall target within the corporate sector. I would like to see greater representation of women, of diverse backgrounds and, generally, of people with diverse perspectives. There are no specific targets for a small business or a medium business. We don't want to create that kind of prescriptive model, but we want to be very clear that we want to see diversity practices put forward. If they don't, they must explain their position.

Mr. Alexander Nuttall: My problem with that, Minister, is this. I know your background. I know you spent years in the private sector as well.

Hon. Navdeep Bains: Yes.

Mr. Alexander Nuttall: You probably went through change management in your own organizations. I'm guessing that at no time did those change management cultural changes not include specific measurables, because that's the world that you and I lived in.

I think the same type of approach needs to be taken here. I'm trying to understand. At the end of a five-year cycle, let's say, is it achieved, if you go from 13% to 17%? This is one bill on a very large issue, quite frankly, a humongous economy. Is that an achievement?

Hon. Navdeep Bains: That's a good question. What would success look like?

Mr. Alexander Nuttall: Yes.

Hon. Navdeep Bains: If we were to examine it five years from now, I would say going to 17% would not be a success, for example, to illustrate the point that you raised. I would say that we would also look at where we are versus our international peers. We would also look at, for example, the outcomes we achieved. How are we comparing with our international peers? Are we making meaningful progress? Do we see a trajectory and growth rate that's going in the right direction?

Those are the kinds of indications that I would be looking for to determine what success looks like. If we're moving in the right direction at a rapid pace, are we getting the right outcomes? How do we compare with other jurisdictions? Those are the types of considerations I would say would be applicable to determining what success looks like.

A modest increase would not be what success looks like.

Mr. Alexander Nuttall: I will derive from the answers that, since other jurisdictions and our allies have moved to double the number over a five-year period, that would be a good target and measurable for us over the next—

Hon. Navdeep Bains: I would say it's the bare minimum. That would be something that would definitely be reasonable, if not more. I think we can and should do better, and that's why I had the discussion with my colleague before about re-examining after five years. I think that provides an ample time period for us to examine and allow corporations, through the process of electing different boards, etc., ample opportunity to demonstrate meaningful progress. If they don't make it, then we come back, sit down, and figure out why they aren't making meaningful progress, what other tools we have, and how we continue.

There are two components, like you said. There's the target and there's also creating a culture.

• (0915)

Mr. Alexander Nuttall: Minister, can I just get one—?

Hon. Navdeep Bains: What we want to be able to promote is this culture of diversity, innovation, and inclusiveness.

Mr. Alexander Nuttall: I have one more question, and I'm running out of time here.

The Chair: You have 20 seconds.

Mr. Alexander Nuttall: The innovation committee you appointed has gone around the country, done their work, and brought back a 14-page report. It was put out sometime in December. I've now given it to this committee, because it wasn't circulated to this committee.

Hon. Navdeep Bains: It was made available on the website. It was available to the entire public.

Mr. Alexander Nuttall: What in there is tied specifically to this bill in terms of encouraging the number of women, or diversity overall, in boards and throughout organizations to encourage innovation?

Hon. Navdeep Bains: I think the number one issue that was raised—and I've mentioned this before—in all the consultations with innovation leaders when we travelled the country and when we've met with businesses and different orders of government, was really the focus around talent and people.

What was clearly reflected in those findings and discussions with innovation leaders is that we need to invest in people, create an opportunity to look at lifelong learning, and look at making sure we promote diversity. That's really reflected in the feedback we received, and it's obviously reflected in the bill we're presenting. Again, it's all about promoting diversity for better business outcomes, and of course, for innovation as well.

The Chair: Thank you very much.

We're going to move on to Mr. Masse.

You have seven minutes.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair, and thank you for being here, Mr. Minister.

Quite frankly, the notion of a five-year review is absurd. When you look at where we are right now, with the length and duration to actually pass this legislation and get a review, and if there's a requirement to look at legislation again, the most likely date is 2023-24. Also, that's if the Parliament of that day...because there will be an election in between, which will also mean there could be an extenuation of time that goes behind the normal process so you're most likely looking at late 2024, if not 2025. Then that Parliament has to actually make it a priority and start to do that review, as well. Also, if there are amendments, then you're probably looking at another two years to get it through the Senate and passed.

Here we have a situation where 35% of women have MBAs in Canada. I know that in previous questioning you mentioned that it would be a concern for you if it went down to 17%, but we're actually at 20% right now—and nearly 21%—so that would even be a step back.

You didn't mention in your remarks that there are other options. You didn't talk about the quota systems that have been legislated in Norway and France, which have by far the two highest responses because they're not just done with a big giant push of the button, so to speak. There are working arrangements that go into those models, and you haven't mentioned those. You did mention a few other nations, and one of them is already lagging behind us.

The problem I face is that the whole issue of diversity is a made-up definition they get to have. They get that type of a luxury, which isn't often provided for employers. Especially in my background as an employer for youth at risk, for diversity, and also for persons with disabilities.... Also, persons with disabilities—by the way, if you don't know—have a 50% unemployment rate. The margins for that are just totally unacceptable, and almost none are represented on any board, given that there are just a few examples out there.

Let's go to the question I'd like to ask. Company X decides, Mr. Minister, they know now what you're going to do is comply or explain. They have basically until 2024, or more likely 2026 or 2027, depending upon whether they really know the parliamentary process. They come back and it's up 1% or 2%. What specifically can you do if they basically just say that they don't know if they'll even be around on this board again, especially with the boards that have people coming and going and where education will be a constant requirement?

I actually find this entire process quite frustrating because this is a missed opportunity. I just want to know specifically what your powers are, or those of the new minister. Most likely it won't be you, because either you'll be Prime Minister at that time—which will destroy Canadians, but anyway I'm just joking—or you'll be something else. But the probability is that another minister most likely be sitting in this situation and somebody else like myself will be sitting here asking the question. What can you then do specifically to that company?

• (0920)

Hon. Navdeep Bains: First, I want to thank you for your question and your passion. I share that passion, and so do many of our colleagues at this table. We really want to see better representation at the board level, and that's why we're pursuing this piece of legislation.

To your first point with respect to the timeline of five years, I just want to highlight the fact that once this legislation is put in place we will allow companies ample time. As I mentioned, there is a shareholder democracy component to this as well, so we're going from slates to the individual election of the board, director, members, and so on.

The idea is that we will give them a few years to determine, first, what their policies are, and second, better representation. We have to give them a little bit of runway. I think a year or two might be too tight from my experience on boards, but I would like to hear your feedback on that in a few moments. I would say that we need some runway to determine what kind of progress they are making.

Second, with respect to the definition of diversity, I have a lot of confidence in market forces. If a company does a poor job of promoting diversity, it will have a negative consequence or impact on their bottom line; that's point one. Two, their peers who have a better diversity policy and better return on investment for their shareholders will be able to demonstrate that in a tangible way, and that will impact the company significantly as well.

This is not necessarily about what I can tell a company with respect to how to improve its bottom line. What I'm doing is creating a market condition where individual investors and shareholders can see that this company, for example, has a diversity policy and it really takes into account the diversity that drives innovation, growth, and a better return on investment. This other company does a very—

Mr. Brian Masse: No, and I get all that.

Hon. Navdeep Bains: —poor job with respect to diversity—

Mr. Brian Masse: I get all that, Mr. Minister.

Hon. Navdeep Bains: —and therefore the return on investment is very low.

I think that is a very—

Mr. Brian Masse: I know that, but you can't do anything under this legislation. The end result is that, basically, you're neutering yourself with this.

Hon. Navdeep Bains: No, I just explained that the comply or explain model has shown in other jurisdictions as well—

Mr. Brian Masse: No, I have those examples.

Hon. Navdeep Bains: I'm just saying that it's not standard policy —

Mr. Brian Masse: There's nothing you can.... Here's the thing. If market forces were so good, women in the workforce wouldn't now be earning 30% less than males.

Hon. Navdeep Bains: I'm not saying that market forces are perfect, but I—

Mr. Brian Masse: Well, it's definitely not perfect —

Hon. Navdeep Bains: Hence, why government—

Mr. Brian Masse: —because we've actually required definitions to stop discrimination based on race and ethnicity, and we also pump all kinds of money towards programs every year to try to dissuade that, not only in the workforce but in other places, because we still don't have an equal society. Market forces have not ended discrimination by any means or by any record in North America. In fact, it has taken legislation to do so.

I want to move quickly to say on pay with regard to CEO compensation. The average CEO made \$9.5 million in 2015. Essentially they eclipse ordinary workers within days of the new year. Why is it so difficult to get some type of a voting capability in there?

For example the CEO of Target.... It's a sad story. They came in. They bought up Zellers, which had a modest profit at that time and unionized workers, and now we have none of those stores. He walked away with \$60 million.

Hon. Navdeep Bains: There's a clear mechanism built into this process, which is all about shareholder democracy. The idea behind that is that if you are a shareholder and you have issues around compensation for the CEO, you can reflect that through how you select your board members. I think that mechanism of accountability is very important.

If I'm a shareholder, and you raise a concern about compensation for CEOs, then I can make that a very clear aspect of who I want to sit on the board to talk about that issue. There is a process to deal with that through the selection of board members who can deal with those issues and make sure that they reflect the wishes and the will of the shareholders, if that is a concern that they have.

The Chair: Thank you very much. We're going to move to Mr. Arya.

You have seven minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

Thank you, Minister, for coming here. You quoted something involving the low percentage of women on corporate boards. I have something else here too.

In the greater Montreal area, 37% of the senior leaders are women. In the greater Toronto area, 33% of the senior leaders are women, which is good but still needs improvement. When you look at Montreal for the racialized minorities who form 20% of the population, you will see that they make up only 1% of the leaders in large corporations. In the greater Toronto area, where 50% of the population is female and 58% of the population are visible or racialized minorities, racialized minorities account for only 12% of the senior leaders. When you look at white women compared to racialized women, you will see that the ratio is 70:1.

I know this bill is good for promoting diversity, including gender diversity, which is a very good thing, but I think we are missing a great opportunity here if we don't give the direction to the corporate sector that we want more indigenous people, more visible minorities, and more people with physical disabilities to be part of the senior management and the board.

What do you say about that?

● (0925)

Hon. Navdeep Bains: First of all, I'm a numbers person, so I want to thank you again very much for sharing those numbers because I think they're very important. Numbers tell a very compelling story.

There is some modest progress in some of our urban centres within the corporate world with respect to one area of diversity, which is a better reflection of women in management and at the board level. There is some modest success there, very modest, but there is some success there that we should recognize, as you have highlighted.

Just to take a quick step back, I think fundamentally one of the other outcomes and goals of this particular legislation is to really have individuals see themselves in a leadership role. If you look at our population, you talk about 20% being visible minorities, for example. If they work at a corporation and they don't see themselves reflected at the board and senior management levels, that has a huge impact on their ability to succeed going forward. It really creates these barriers that exist and perpetuates this notion that there's a ceiling, etc.

Those are legitimate challenges with respect to diversity as well, not only for the current context but for future individuals of different backgrounds who are entering the workforce as well.

Also, I've always said that I remember from my experience in the private sector that diversity, again, is not necessarily a reflection of checking off a box and making yourself feel good. It's really about how you provide better outcomes for your customers, how you create a better return on investment, how you drive better business practices, and diversity is very important for that as well. I've seen companies that embrace that do really well.

To answer the question specifically about wanting to see better representation of, in your example, visible minorities, that's the whole objective of this piece of legislation. It's in the diversity policy. It's saying we want you to talk about your diversity policy and if a company does a very poor job and just highlights on, for example, women and excludes visible minorities, aboriginal people, etc., I think it's to their own detriment, especially when their peers talk about this issue and are promoting this.

I'm very confident about our government's objective to promote diversity, in the broadest terms.... We're not here to prescribe diversity with a few key groups. We're not here to talk about diversity through a narrow lens. We want it to be as broad as possible. It's about skill sets. It's about background. It's about perspectives. It's about the different issues you bring to the table, but the bottom line is that the government has shown leadership through this bill to demonstrate that diversity is very important. We have shown leadership that you must have a diversity policy in place, and if you don't, you must clearly demonstrate why not.

I think that kind of public shaming, that kind of public accountability for corporations, is so important in getting them to change their behaviour, and to have better outcomes and see diversity properly reflected for all the different perspectives that you've highlighted, including visible minorities and aboriginal people.

Mr. Chandra Arya: Minister, you mentioned the Ontario Teachers' Pension Plan and others. There's a bit of consensus on this bill. We had a representative from the Ontario Teachers' Pension Plan board who is quite active and who I think is an expert in corporate governance. We also had a witness from the Diversity Institute.

The Ontario Teachers' Pension Plan person said that he needs direction from the government on what to include in the diversity policy, other than the gender diversity. He was looking for some sort of direction, some sort of thing in the bill or in the legislation. It was the same from Wendy of the Diversity Institute. She too said that we have to include some sort of definition or direction in the legislation. One of the suggestions was that a definition of diversity—other than gender diversity—may include in the legislation the designated groups mentioned in the Employment Equity Act. Why don't we consider that?

• (0930)

Hon. Navdeep Bains: That's a very thoughtful question, and I know we've had private conversations about this, so I'm glad you're putting it on the record as well.

To your point on the federal Employment Equity Act, it defines designated groups as women, aboriginal people, persons with disability, members of visible minorities, and for example, even the Charter of Rights and Freedoms sets out factors of discrimination based on race, national ethnic origin, colour, religion, age, or mental or physical disability, just to name a few, and that's not very exhaustive.

The point is that we already have those benchmarks. The point is that's already reflected in pieces of legislation, but I think diversity goes beyond that. As I mentioned, I think those are very important criteria. Those are very important factors, but if I'm a corporation I would go beyond that as well with respect to diversity.

I think that's the kind of imagination, that's the kind of thoughtfulness, that we want to see from corporations, because again, I think this is such a unique opportunity for Canada to really shine. By highlighting diversity at the most senior levels in terms of corporate governance and management, we can really differentiate ourselves.

When I travel now and when I go to China or India, these emerging economies, for example, they're no longer talking about being the jurisdiction of the cheapest products. They no longer want to produce cheap products or services. They want to produce innovative and smart products. In order to do that, they need diversity of thought, diversity of ideas, and diversity of perspective. This is why they look to us with a great deal of envy. It's because of our multicultural society, because of the fact that we promote diversity, because we have social cohesion. That's where I see a real value proposition for us. If we really promote diversity it will allow us to out-innovate and out-think a lot of our international competitors so that our companies can succeed. That's the objective of this legislation.

The Chair: Thank you very much.

We are going to move on to Mr. Dreeshen.

You have five minutes.

Mr. Earl Dreeshen (Red Deer—Mountain View, CPC): Thank you very much, Mr. Chair.

It's nice that you're here, Minister, to take some of our questions. The last time you were here you talked about inclusivity and how important it was and we were talking about under-represented groups. I think one of the aspects, one of the things we have been trying to discuss is how you can get more training into different areas. You had mentioned 3,500 women who are now part of a pool that one can access. Of course, there are so many other groups and we had spoken earlier about aboriginal groups and the great leadership that you see there. I think that's important.

I want to tie this a bit into our broadband study, because you talked earlier in your discussion about the digital divide and how important that was.

Hon. Navdeep Bains: Yes.

Mr. Earl Dreeshen: A lot of the training that you can get isn't somebody coming to some university or some corporate board training centre to get information. I'm wondering if you can give us a bit of an update of where we're going with that, and how the different institutions can help with training for those who are in more remote centres.

Hon. Navdeep Bains: Again, good ideas can come from anywhere, anyone. Urban centres do not have a monopoly on good ideas. I think we really need to leverage the expertise, creativity, and ingenuity that exists in many of our rural and remote communities across Canada.

With respect to the bill specifically, I'll speak to that and then I'll speak to the connect to innovate program as well.

With respect to the bill, it's really about modernizing shareholder communications. It's really about getting away from a paper-based process and taking advantage of digital technology and using technology to be able to communicate with shareholders. I think that's a very important development. As I was saying before, I think that's long overdue. This change is something that I think you'll find consensus on and that's reflected in your remarks as well.

It would allow rural and remote communities, individuals in those communities, if they have access to high-speed Internet and broadband connectivity, to be able to get that information in a timely manner and to be able to digest that information in a timely manner and act accordingly.

With respect to connect to innovate, I think that speaks to our government's overall commitment to do a better job of dealing with the digital divide. Every company now is becoming a tech company. We are part of a digital economy; therefore, we need proper infrastructure to help facilitate meaningful progress and growth in some of our rural and remote regions.

Mr. Earl Dreeshen: On the infrastructure side of it, and I was part of a conference call getting information on that, I'm concerned about whether or not we are going to end up losing other construction seasons as we extend all of the required work for this particular infrastructure. It's the immediacy of the infrastructure associated with this that I'm concerned about. Are there opportunities for us to get some information there?

• (0935)

Hon. Navdeep Bains: We extended it by five weeks to, again, deal with some of the challenges that some of the remote and smaller communities were facing in putting together a meaningful proposal. This is really about our desire to help those smaller, remote, and rural communities, but we're very confident that we can roll this out in a timely manner, that we can see not only meaningful investments in the short term but in the long term as well, and also leverage other investment opportunities.

This fund that we put forward is a \$500-million initiative from the federal government, but we'll leverage with the private sector potentially. We believe it can easily be up to about a billion dollars and that's a significant investment to the probably 300 to 400 targeted rural and remote communities that will benefit from it.

We obviously want to take advantage of the construction season. We obviously want to see this rolled out in a timely manner. We're working on this and it's a priority for our government.

Mr. Earl Dreeshen: Bill C-25 also speaks to a number of other items. Basically, we've been talking about the diversity of boards at this point in time, but it also talks about the prohibition of bearer shares, certificates and bearer share warrants and where that is going to go. I wonder if you can touch on that, the technical aspect of it and the rationale for doing this and how deep you plan on getting into analyzing whether or not that is successful.

The Chair: You have about 30 seconds.

Hon. Navdeep Bains: Very quickly...and if we have another opportunity I'd be more than glad to respond. If you're not happy with the answer, feel free to email me or my office and we'll be more than willing to provide you with a more thorough and detailed answer if you require it.

Basically, bearer shares are recognized as a convenient mechanism to facilitate money laundering and that is really the issue we feel is at hand. It's an outdated way of dealing with shares. We have been very explicit about eliminating bearer shares because of that primary concern. We, again, can provide you with technical details of how we plan to roll that out.

The Chair: Thank you very much.

We're going to move to Mr. Sheehan.

You have five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much.

I'll be splitting my time with Majid, as well.

First of all, Minister, thank you very much for presenting to us this morning. It was very informative.

During your presentation you talked about various groups that could be defined as involved in the diversity. One of the groups you talked about was age. My question is going to be around how Bill C-25 might engage young people or get young people involved, because young Canadians transcend a whole diverse group of people.

In your opinion, the changes to Bill C-25 bring about, will they be beneficial to engaging young Canadians?

Hon. Navdeep Bains: I hope so.

I am very familiar with the university and colleges model where, when they have a board of governors, for example, in that board of governors they have representation from the student body. If you look at corporations, I think they need to be very strategic and thoughtful about identifying young individuals who have a certain expertise and understanding of technology, trends, or understanding of certain tastes and aspirations of a certain market segment. That's so critical.

Companies need to be forward looking. They need to develop long-term plans. They need to have an understanding of where the market is going, where the trends are going, and where the opportunities exist. To have someone who is younger, who is potentially tech savvy, who understands the changing dynamic a bit differently from some of the individuals in a different age segment, brings in that diversity of thought that I was talking about, that diversity of perspective.

It's also very empowering for young people as well. I think to have that kind of dynamic and dimension is really important. It speaks really to what our Prime Minister has done. Our Prime Minister is the Minister of Youth. He fundamentally believes in empowering young people. He's created a youth council with which he often engages. He often works very closely with them to get their ideas.

Just recently in Calgary, I met with his youth council to talk to them about their views on innovation, their views on the economy, their views on government. It's incredibly impressive to hear their thoughts, their perspectives, which are often not heard in the House of Commons, for example, or often not heard with traditional stakeholders. They bring a very unique perspective. They have a lot of energy. They think in big terms, in a longer-term perspective. I think those are the kinds of qualities, those are the kind of attributes we need to see more of at the board level.

I'm hoping when we're talking about diversity that it's a dimension that companies really understand, appreciate, and focus in on because I think it will create opportunities for them going forward. At the same time, it empowers young people, which is a win-win situation.

Mr. Terry Sheehan: Very good.

Thank you very much.

Majid.

Mr. Majid Jowhari (Richmond Hill, Lib.): Thank you, Mr. Chair. Thank you, Mr. Sheehan.

Minister, welcome.

In your opening remarks, you talked about investor and shareholder confidence. Typically shareholders balance risk and reward and use indicators such as earnings per share. Can you shed some light on the rationale that you, in considering this bill, will use to increase investor-shareholder confidence in this matter?

● (0940)

Hon. Navdeep Bains: I think investors are always looking for areas of a good return. They're looking for a stable return on investments. They obviously want to see companies that are robust, that have earning growth potential year over year, that are innovative, and that understand market trends and can succeed going forward in the long run.

There have been numerous studies. There's been a fair amount of literature and data out there that demonstrate that companies that are more innovative succeed. They reinvent themselves. They understand market trends. In order to be innovative you need to be creative. You need to think outside the box. You need to think differently. You need to have a unique perspective. I think in order to achieve that you need to promote diversity. You can't simply have that diversity at an operational level. You need to have that diversity at a senior management level and at the board level.

I think that's what this bill really does well. It really promotes that idea of the diversity of thought, as I've said, diversity of perspective, and diversity of experience that would really allow companies to be more innovative. Especially now, the scope and speed of change is phenomenal. The number of companies that are basically becoming irrelevant because their business models are outdated and the number of companies that are emerging because they're finding new, unique opportunities are growing at a much faster rate than we've seen in the past.

That kind of disruption and change really requires diversity at the forefront for a company to succeed, to drive the innovation agenda. Ultimately, that leads to a better return on investments. I think investors look for that. I think this is clearly an area that's not only good for corporate Canada, I think it's good for Canada in general as we brand ourselves internationally as a destination that really promotes, again, our people and our ideas, that promotes diversity.

The Chair: Thank you very much.

We have a few more minutes left but I'm mindful of the time. I'm not sure if the minister has an extra 10 minutes.

Hon. Navdeep Bains: Chair, I just want to mention I'd be more than glad to accommodate. It's just that I have a cabinet meeting to go to, but if it's a few more minutes, I'm more than willing to accommodate.

The Chair: Okay.

Mr. Brian Masse: We started late, too.

Hon. Navdeep Bains: No, we did not. You arrived late, sir. I was here on time.

Mr. Brian Masse: No. I was here on time.

Hon. Navdeep Bains: I was here on time and we started at 8:45.

Mr. Brian Masse: No. I was here on time and I was sitting in a seat as you were up at the front glad-handing.

The Chair: Mr. Masse, we're wasting time. We're going to move on.

Mr. Lobb.

Mr. Brian Masse: You're going to allow the minister just to intercede here on the floor, then? I'm actually a committee member and was addressing that issue.

The Chair: I'm trying to get you your time on the floor, so if you want your time I'm trying to make that happen for you.

Mr. Lobb, you have five minutes.

Mr. Ben Lobb (Huron—Bruce, CPC): Minister Bains, in the legislation it says that a company “shall” have a diversity policy. Is that your interpretation of the legislation, it shall?

Hon. Navdeep Bains: I'm sorry, I didn't hear. Could you repeat that again, please?

Mr. Ben Lobb: That it shall have a diversity policy....

Hon. Navdeep Bains: Yes, if it does not have a diversity policy it should have a diversity policy.

Mr. Ben Lobb: If you shall not have one, what happens?

Hon. Navdeep Bains: Then you must explain to your shareholders why you don't have a diversity policy. That's the concept behind the bill.

Mr. Ben Lobb: Then after that, what happens?

Hon. Navdeep Bains: Ultimately I think the shareholders would put enormous pressure on the management board to ask significant questions at its annual general meetings.

Mr. Ben Lobb: Okay, but I think the flaw in that argument is that some of the largest shareholders in corporations are corporations as well, so you're asking someone who probably doesn't have a policy to enforce it with someone who doesn't have a policy.

If the government is so bold and we have a feminist Prime Minister and everything like this, why not say that by 2018 every publicly traded corporation on the TSX will have a diversity policy and any company that is wishing to issue an IPO—I just use publicly traded companies as my example—or any company that is doing an IPO must have a diversity policy before it does their IPO? Why not start there, with something bold?

Hon. Navdeep Bains: I think that when we formed the cabinet and we had 50% women in our cabinet that was a bold statement made by the Prime Minister.

Mr. Ben Lobb: Okay, but this isn't dealing with cabinet makeup in a government—

Hon. Navdeep Bains: No, let me finish this.

Mr. Ben Lobb: —we're talking about your bill.

Hon. Navdeep Bains: No, but if I can explain to you, with all due respect, you asked me a question.

Mr. Ben Lobb: Yes, you didn't answer.

Hon. Navdeep Bains: Allow me the opportunity to answer.

Mr. Ben Lobb: Go ahead.

Hon. Navdeep Bains: When you're talking about being bold and setting an example and changing the culture I think that we, at the government level, have demonstrated—

● (0945)

Mr. Ben Lobb: Then why not do it in the bill?

Hon. Navdeep Bains: Sorry, again you're not allowing me to answer the question.

Mr. Ben Lobb: Well, it's filibuster. You didn't answer the question.

Hon. Navdeep Bains: You're not allowing me the opportunity, sir.

Mr. Ben Lobb: Go ahead and try again.

Hon. Navdeep Bains: I will do my best. If you keep on interrupting, it may be a bit tricky.

As I said, the government and the Prime Minister led by example when we put forward a cabinet that reflected 50% women and 50% men. With respect to this piece of legislation, again, we're demonstrating very clearly, by showing leadership, how important diversity is. Not only did we have diversity in terms of the distribution between men and women, we had people of diverse backgrounds also in our cabinet.

This piece of legislation makes it very clear that diversity is very important. Again, the decision is ultimately made by the shareholders. They determine if they're happy with the diversity policy or not, and they will put the pressure on their board and on senior management because they understand that this will have an impact on their return on investment and on their shareholder earnings. I think that mechanism is very important and that's what we're here to promote.

Mr. Ben Lobb: Is it that much to ask a corporation to put a diversity policy...?

Hon. Navdeep Bains: That's exactly what we're doing.

Mr. Ben Lobb: But you're not putting any targets, you're not putting any dates on it, and you're saying they shall. You shall—

Hon. Navdeep Bains: We are asking organizations to have a—

Mr. Ben Lobb: —and then, by the way, report back to your board of directors and see if they shall do anything. Maybe they aren't doing anything.

If you look at the publicly traded companies that have a diversity policy, not very many of them have a majority of women on their boards, do they?

Hon. Navdeep Bains: Again, this is exactly what the bill is trying to accomplish. It is saying, you should have a diversity policy and if you do not have a diversity policy, then you must explain why not. Putting that kind of pressure on a corporation clearly will change behaviour and we've seen this in other jurisdictions.

Mr. Ben Lobb: Other jurisdictions have put targets on it, so we can differ on that.

The other one I want to talk about here briefly is the say on pay. Mr. Masse alluded to this. We see some executives with obscene payouts, pensions. Hunter Harrison would be a great example of one with an obscene payout.

Why shouldn't shareholders have a say on somebody who walks away with hundreds of millions of dollars? Why not do that and be bold? Who would argue with that? Certainly, it's not the workers in this country.

Hon. Navdeep Bains: I do believe shareholders have a say when they select their board of directors and their board of directors ultimately select the CEO or president, and who—

Mr. Ben Lobb: But let's go back to who the shareholders are, Mr. Bains.

Hon. Navdeep Bains: With all due respect, Mr. Chair, I'm trying to answer the question. Every time I try to answer the question, he interrupts me.

Mr. Ben Lobb: If you don't know, then I'll tell you. The shareholders of these companies are not grandma and grandpa down the side road. They are shareholders of equity companies, mutual fund companies, that also give their senior executives obscene salaries, pensions, and payouts. Why not have government put some clamps on this and bring it back into reality where it respects the worker and respects the investor, who does live on the side road and who has no say? Why not that?

Hon. Navdeep Bains: I'm glad to hear that the Conservative Party is now caring about workers. I'm glad to hear that it is talking about shareholders. I'm glad to hear that it's talking about the middle class.

I can tell you right now that we've been very clear that there's a mechanism in place for accountability with respect to CEO compensations at the board level. Shareholders have the ability to determine that and these shareholders are individuals.

Mr. Ben Lobb: You're putting the wolves in charge of the henhouse, sir.

The Chair: Your time is up.

You have the final two minutes, Mr. Masse. Keep it tight and brief, please.

Mr. Brian Masse: Thank you, Mr. Chair, and I will.

I think, though, that it's important to note that we haven't talked about beneficial ownership transparency. That's important and part of this. It's money laundering in Canada. In fact, more money laundering is taking place in Canada because we're known as, basically, a safe haven. In fact, what's taking place is "snow washing", and it's now described as a common element internationally.

It's ironic that the Minister of Finance at the G20 summit said:

We won't rest until we make sure that we're not only in compliance — but that we're doing a very good job understanding who owns what assets in our country, understanding what taxes people owe.

That's what Morneau said. I guess, maybe, the definitions of work and rest might be the ones that challenge here because, certainly given the Panama papers, this would be an excellent opportunity to write beneficial ownership transparency measures into this bill. We don't have them.

In fact, the *Toronto Star* did an exposé on what's taking place. Money laundering, as you know, is related to terrorist activity. It's related to drug trafficking, embezzlement—a whole series of things. It also, lastly, is inflating the Toronto and the Vancouver housing market. There are several aspects to this.

Exactly what enforcement is provided here, because I see nothing related to that? Why is the government so reluctant to do that, instead of following through on its commitments to the world?

• (0950)

Hon. Navdeep Bains: As you said, tax fairness, including issues of tax evasion and avoidance, is a central pillar of our commitment to middle-class Canadians. We've mentioned this on numerous occasions. Our government took action last April by investing \$444 million in the CRA—

Mr. Brian Masse: You know what? I mean, this is the thing.... He's talking about investment. This is how ridiculous this has become, and I think this is important—

Hon. Navdeep Bains: Mr. Chair, with all due respect—

Mr. Brian Masse: He's talking about investments—

The Chair: Mr. Masse.

Mr. Brian Masse: No, it's my time. He's talking about—

The Chair: No, actually, your time is up.

Mr. Brian Masse: He's talking about investments and previous actions, instead of a specific thing in a bill. We are talking specifically about a bill question, and he's talking about his government's investments.

The Chair: We are suspending for a few minutes while we go in camera for our committee business.

Thank you to the minister for presenting to us today. We'll be back in two minutes.

[Proceedings continue in camera]

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