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**EVIDENCE**

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**Chair**

**Mr. Dan Ruimy**



## Standing Committee on Industry, Science and Technology

Tuesday, February 21, 2017

• (0845)

[English]

**The Chair (Mr. Dan Ruimy (Pitt Meadows—Maple Ridge, Lib.)):** Welcome everybody to meeting number 48 of the Standing Committee on Industry, Science and Technology. We are continuing our fine work on Bill C-25.

Today we have with us Claire Woodside, director of Publish What You Pay Canada, and Mora Johnson, barrister and solicitor. From the centre for women in politics and public leadership, we have Clare Beckton, executive director.

We're just going to move right into it. You each have 10 minutes.

**Mr. Ben Lobb (Huron—Bruce, CPC):** I have a point of order, Mr. Chair.

There was a news article over the weekend from one of our colleagues on this committee about his certain thoughts about members of this party, and comments about responsibility for the Quebec shooting. I find that offensive.

I wonder if Mr. Arya would like to provide a comment about that at this time. Some members of this committee will have a problem looking him in the eye if he has to sit across from us, when he's making comments like that.

I don't know if he'd like to make a comment and clear the air before the committee starts.

**The Chair:** Does this have something to do with Bill C-25?

**Mr. Ben Lobb:** Yes, it has something to do with this committee. If he would like to make any comments now about it, because I would like to hear from him if he thinks that I or any of my colleagues are responsible for that.

Thank you.

**The Chair:** When we're talking about a point of order, it's in regard to rules being broken. I'm not sure what rule has been broken here.

**Mr. Ben Lobb:** Do you want to discuss this all meeting, or do you want to let Mr. Arya have a chance to provide a comment?

**The Chair:** It's a point of order that you've put on the table. As chair, I have to understand the point of order to see if there's an actual point of order where a rule has been broken.

Mr. Nuttall.

• (0850)

**Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC):** Mr. Chair, what Mr. Lobb is talking about is the relationships on this committee that we were hoping were getting better, and then we have such inflammatory comments coming forward blaming members of Parliament for the slaying of multiple individuals.

If I had said something of that nature—which I wouldn't but if I had—I'd want my colleagues to know that it was not something where I was going after them and then pretending I was going to work with them around the table. I think that's where Mr. Lobb is coming from.

I would love to hear those sentiments from Mr. Arya at this point.

**The Chair:** We have witnesses here, and we're going into the realm of debate while we have witnesses here. I still fail to see the relevance to Bill C-25, which is why we're here and why we have witnesses here.

After we're done with our witnesses, we do have time later on to have a debate about it. In so far as relevance to Bill C-25 and the fact that we have witnesses here, I'm failing to understand where we are with this today right now at this point.

**Mr. Ben Lobb:** Is your position then, as chair, that in the past every single point of order, point of clarification, any other point has been in order? Is that your position as chair then?

**The Chair:** When there's a point of order brought forward, we always—

**Mr. Ben Lobb:** I would argue that 99% of the points of order are not points of order. I'm giving Mr. Arya a respectful opportunity to clear the air before this committee starts. Any honourable member would want to do that, and you, as chair, would want to allow Mr. Arya one minute to clear the air before the committee starts.

Part of this committee is collegiality. If we have members of the committee saying things like he said, I think he would either want to clarify his statement, or confirm to me and the rest of this committee that this is his actual belief. It's going to take him 30 seconds. I don't think he needs to hide behind you, Mr. Chair. He's a big man. He can speak for himself.

I'll let Mr. Arya speak.

**The Chair:** If Mr. Arya would like to make a statement, that would be up to him, but we will not be getting into a debate over this.

If you choose to make a statement, go ahead, but then after that we will go to witnesses.

**Mr. Chandra Arya (Nepean, Lib.):** Mr. Chair, number one, the point of order is not relevant to committee business; however, I stand by every word I said in my S.O. 31 statement, which is publicly available. Anybody can read it. I'm not going to change any of the words I said in my S.O. 31 statement.

**The Chair:** There we go. All right?

We'll go back to our witnesses.

Ms. Woodside, you have 10 minutes. Thank you.

**Ms. Claire Woodside (Director, Publish What You Pay Canada):** Thank you.

Good morning, members of Parliament. Thank you for the opportunity to participate in today's hearing.

My name is Claire Woodside, and I'm the director of Publish What You Pay Canada. With me is Mora Johnson, barrister and solicitor, who has been providing us with some legal advice.

Publish What You Pay Canada is part of an international coalition of more than 800 civil society organizations working to increase transparency and accountability in the resource extraction sector.

The public disclosure of beneficial ownership is critical to the global fight against corruption. It will provide governments, citizens, journalists, law authorities, financial institutions, and businesses with information that will help them detect and avoid corruption. It is the first step Canada must take to eliminate the practice of "snow washing", discussed by Transparency International Canada at a previous hearing.

In the brief circulated this morning, Publish What You Pay Canada makes five recommendations for amendments and additions to Bill C-25. Here I will highlight three of those recommendations.

Firstly, Publish What You Pay Canada recommends that the CBCA be amended to require that non-distributing corporations submit a form to the federal corporate registrar with details of their registered shareholders and beneficial owners. This information should then be included within Corporations Canada's online database.

Secondly, Publish What You Pay Canada recommends amending Bill C-25 to prevent the misuse of bearer shares. The elimination of bearer shares has been identified domestically and internationally as a key step in efforts to increase beneficial ownership transparency.

Regrettably, the current drafting of Bill C-25 will not prevent the misuse of existing bearer shares; nor will it eliminate the shares, as has been stated within government. The current text of the bill prohibits the issuance of new bearer shares and allows for the voluntary conversion of existing bearer shares but does not require that individuals who hold bearer shares register those shares before exercising the rights attached to them.

To prevent misuse of such shares, Bill C-25 should be amended to require that all bearer shares be registered in advance of exercising rights associated with those shares, such as selling or pledging shares. Please see page three of the briefing note provided to you for proposed wording of the amendment. This change will ensure that

criminals are prevented from using existing bearer shares for nefarious purposes.

Publish What You Pay Canada's third recommendation proposes amending the CBCA to include higher sanctions for companies that wilfully fail to maintain records and disclose securities information. The current penalty of \$5,000 is not sufficiently dissuasive to incentivize companies evading these requirements for tax evasion or criminal purposes.

We recommend increasing the penalty to a maximum of \$1 million for companies acting in bad faith in not maintaining or disclosing adequate corporate records. A higher maximum fine will be an important tool in the hands of law enforcement. "Good faith" errors in reporting would not attract the maximum penalty. The higher penalty would be applied in those cases in which the controlling mind of the corporation intended to hide, destroy, or simply not collect legally mandated information.

The proposed amendments will have four important impacts. First, they will enable Canada to fulfill its international obligations. Second, they will help law enforcement detect and investigate crime. Third, they will help banks and other professions, such as real estate agents, comply with Canadian anti-money laundering requirements. Fourth, they will improve the business climate in Canada.

There is mounting global recognition of the critical role that beneficial ownership transparency plays in the fight against corruption and tax evasion. Simply put, beneficial ownership transparency makes it more difficult for individuals to use anonymous companies to commit crimes.

In June 2013, G8 leaders agreed to a set of principles on beneficial ownership transparency. These principles were then reflected in the G20 "High-Level Principles on Beneficial Ownership Transparency", agreed upon in 2014.

● (0855)

Despite these commitments, a 2016 evaluation by the Financial Action Task Force found that Canada is only partly compliant, or non-compliant, with beneficial ownership transparency recommendations.

While improving beneficial ownership transparency in Canada will require action by both provincial and federal governments, the onus is on the federal government to lead by example and create a public, centralized register of beneficial owners for federally registered companies. The amendment proposed by Publish What You Pay Canada will allow Canada to meet its international commitments and join its peers, including the U.K. and the EU, who have implemented or are implementing public beneficial ownership registries.

Second, increased beneficial ownership transparency will help law enforcement agencies detect crime and pursue criminals. In 2016, the Financial Action Task Force wrote:

Despite corporate vehicles and trusts posing a major [money laundering] and [terrorist financing] risk in Canada, [law enforcement agencies] do not investigate many cases in which legal entities or trusts played a prominent role or that involved complex corporate elements or foreign ownership or control aspects.

Determining the beneficial owner behind a corporation often poses an insurmountable problem for law enforcement agencies, yet anonymous companies are frequently at the heart of corruption and money-laundering schemes. A World Bank study of over 200 cases of grand corruption found that 70% included an anonymous shell company. Furthermore, the UN Office on Drugs and Crime estimates that between \$800 billion and \$2 trillion U.S. is laundered each year. Improved beneficial ownership transparency is critical to effective investigations involving corporations. This is likely why beneficial ownership transparency has, internationally, been supported by law enforcement bodies.

Third, under Canadian anti-money laundering laws, financial institutions, and other professions such as real estate agents, casinos, and accountants are required to exercise “know your customer” due diligence and report suspicious transactions to authorities. They are not just on the front lines of crime detection, but in many transactions, represent the best, or only, opportunity available for the state to detect suspicious activity. Banks and others are required to ask companies if they are representing third parties, but currently, there is no mechanism for them to verify beneficial ownership information and properly fulfill their due diligence obligations.

For banks and other professions, failing to fulfill anti-money-laundering obligations can result in regulatory fines and reputational costs. This has been seen in other markets, with HSBC, BNP Paribas, Raymond James, and others facing steep fines for violating anti-money laundering rules. Just recently, closer to home, FINTRAC fined an unknown bank \$1.1 million for failing to report a suspicious transaction.

A central registry will allow financial institutions and other professions to fulfill their anti-money laundering obligations in a more efficient and less costly manner.

Fourth, beneficial ownership transparency will help mitigate business risk and create a better business climate by enabling those transacting with corporations to know with whom they are really doing business, who the real person is behind the corporation. The CBCA, in allowing for the creation of limited liability companies with separate legal personalities has the benefit of encouraging people to create businesses. At the same time, it actually increases business risks.

While limited liability protects shareholders and business owners from risking their personal assets, it also limits the pool of money available to creditors, employees, and others if the business should run into trouble. In 2015, there were over 4,000 insolvencies filed by Canadian businesses, amounting to net liabilities of over \$5 billion, which have to be borne by unpaid creditors and unpaid employees. Creating public access to legal and beneficial owners of corporations will allow companies and financial institutions to know with whom they are really doing business, thus allowing them to reduce risk and make better business decisions.

Despite the numerous benefits, Canada has not joined the global efforts to address beneficial ownership. Instead, we have accepted the risks posed by an opaque system. This must change.

• (0900)

By accepting the amendments proposed by Publish What You Pay Canada, the federal government will demonstrate international and domestic leadership and ensure that Canada is not a magnet for tax evaders, money launderers, and those who finance terrorism.

Thank you.

**The Chair:** Thank you very much. That was just bang on time.

We're now going to move to Clare Beckton from the Centre for Women in Politics and Public Leadership.

You have ten minutes.

**Ms. Clare Beckton (Executive Director, Centre for Women in Politics and Public Leadership, Carleton University):** Thank you. I will be very brief on this.

I'm coming at this from a totally different part of the bill and from a totally different perspective as I was asked to do. Just to let you know, the centre works on advancing women's leadership in all sectors through research programs for advancing women, looking at barriers and opportunities, and creating awareness and partnerships. We are not an advocacy group. We will not put forward positions but look at what the possibilities are in different circumstances given what's being presented.

We have done a number of pieces of research, including recently “A Force to Reckon With: Women, Entrepreneurship and Risk”, looking at how women entrepreneurs look at risk, which is very important for the advancement of women in entrepreneurship, and I would also say, in terms of advancing women on boards, because these are a feeder group for potential participation on boards. We will now be looking at how women entrepreneurs look at innovation, because this is key to the Canadian economy.

One of the things we also did in 2012 was a benchmark study of women's leadership in Canada, and this looked at where women were across the various sectors in terms of senior leadership. When we looked at it, it came out that there was 29% of women, but only when you added in the public sector. When you looked at the private sector, it was 26%, and when you looked across the public sector, it varied from very low percentages in mining, resources, and construction to much higher in the financial sectors and the service industries. That continues to be the case as we look at what's happening in terms of board participation.

I've also been part of the Canadian Board Diversity Council, assisting with its founding through a grant from Status of Women, and I've also been part of their advisory board. One of the things the Canadian Board Diversity Council has been doing is mapping the changes in board representation. We know that we have a comply or explain regime in Ontario, and in a number of other provinces now, 10 other provinces, I believe they're now looking at whether that's been successful.

Just as an example, in 2015, looking at the Financial Post 500, there was 19.5% female representation on boards, and in 2016, 21.6%. Progress is slow at this rate. It will take quite a long time to reach that goal of 30% to 50%, which is what most people would say is appropriate representation.

When I was asked to come here, I took a look at Bill C-25, and this kind of legislation is designed to be a nudge to nudge corporate boards forward, as I'm reading it, without the imposition of quotas. I know that this committee has looked at various options, including quotas. There will be some who say quotas don't work. I think that we have evidence that quotas do work in some countries, depending on the length of time those quotas are given. If you have only a short period of time and corporate boards don't turn over very quickly, then it's not likely to be successful.

Whenever there's talk about there not being adequate feeder groups, we know that is not the case. There are more than enough very highly qualified women to serve on the boards that have positions in Canada. That is something that has been looked at through the Canadian Board Diversity Council, through Catalyst, and through other organizations that have ongoing lists of already pre-qualified women who have gone through.

When I looked at the bill, I looked at how it was put forward. It was put forward as a bill with, as one of its objectives, increasing gender participation on corporate boards that are under the Canadian Corporations Act. But when I looked at the actual legislation, there is no mention of the word "gender" in it. The word is "diversity", and diversity is not defined as it stands in the current legislation; it's left to regulations.

I tell corporations and others all the time that lumping diversity and gender together without articulating the need to have the larger participation of women on boards does not always work, because we know that women are not a diversity group; they are 50% of the population. As for diversity, yes, bringing women on boards will bring diversity, but if it's left only under the rubric of diversity, you may not get the numbers you're attempting to get.

• (0905)

One of the things the Canadian Board Diversity Council has advocated is aspirational targets. I'm not sure if there have been discussions at this table, but I think aspirational targets are very useful.

I'm not sure the legislation, as I read it, really requires an explanation. Did you actually look at diversity candidates? Did you actually look at women when you were choosing your board members? If you didn't, why didn't you?

Just to put it on the table, I am a lawyer. I practised law with the federal government for many years, and taught it, so I come at the

bill from a lawyer's perspective as well. There are some things in the existing legislation that I see as challenges that may not achieve the goals of the legislation, which I think are very positive goals that we need to be moving forward with.

I'll leave it at that. I know you have lots of questions, and we can have a good discussion as a result.

**The Chair:** Thank you very much.

On that note, we'll jump right into questions.

Mr. Arya, you have seven minutes.

**Mr. Chandra Arya:** Thank you, Mr. Chair.

Ms. Beckton, you mentioned the study on women's leadership in Canada and the fact that women were hired for 29% of the leadership positions. Did that study look into how many of the women were indigenous or in the visible minority category?

• (0910)

**Ms. Clare Beckton:** We know that when it comes to visible minorities and indigenous women, they are not at 29%. In fact they are below the representation that you would like to have in most of the industries. We didn't do a specific look. We will be looking at indigenous women when we look at women entrepreneurs and the innovation questions, but we did not do a specific deep look. We do know, however, that visible minority women, immigrant women, aboriginal women are under-represented in greater numbers than—

**Mr. Chandra Arya:** You're on the board of the Canadian Board Diversity Council.

**Ms. Clare Beckton:** I'm on the advisory committee.

**Mr. Chandra Arya:** You said you've been mapping board representation. Does that mapping consider or look into the number of indigenous women or visible minority women?

**Ms. Clare Beckton:** I don't have the report in front of me, because I don't speak on behalf of the diversity council, but when you look at the statistics on the number of visible minorities—they weren't segregated by women or men—the percentage of visible minorities on boards has been dropping as opposed to rising. That is something that's of grave concern in terms of looking at this.

When you look at the indigenous population, there certainly has been a great effort to try to increase the number of indigenous women and men on boards.

**Mr. Chandra Arya:** Do you agree that in addition to gender diversity in terms of women, we should also look into the subsection of gender diversity that considers indigenous women, visible minority women, and women with disabilities?

**Ms. Clare Beckton:** Absolutely. One should not assume that if you create gender parity, you will necessarily get parity of all the representative groups. I think it applies for both men and women. I think there's an under-representation of visible minority and indigenous men and women.

When we're looking at women, absolutely you have to take a slice down through and not assume that all women are equally represented when you add women to a board or when you're increasing the participation of women in senior executive positions in government.

**Mr. Chandra Arya:** You mentioned that the proposed regulations do not mention the word “diversity”, but I think they do mention gender diversity specifically.

**Ms. Clare Beckton:** In the regulations...?

**Mr. Chandra Arya:** Yes.

**Ms. Clare Beckton:** What I was saying was that it was not in the legislation itself.

**Mr. Chandra Arya:** Okay. Sorry. From what I understand, then, the word “diversity” and what it means may be defined in the regulations but not in the legislation.

**Ms. Clare Beckton:** Right. If the bill is put forward as trying to increase gender diversity, sending a signal in the legislation would be very important.

**Mr. Chandra Arya:** Do you think the word “diversity” should be limited only to gender diversity?

**Ms. Clare Beckton:** Absolutely not. Diversity should be given a broad definition. However, if you want to send a signal that you want to increase women's participation to 30% or 50%, you must make it clear that this is what your goal is, because you can have diversity on a board, or you can say that you have a diverse board, and yet you will not have the gender parity or the gender representation you want.

**Mr. Chandra Arya:** Okay, so you do agree that the word “diversity” should be beyond gender diversity.

**Ms. Clare Beckton:** Absolutely.

**Mr. Chandra Arya:** Maybe it can include the designated groups as defined in the Employment Equity Act, such as aboriginal people, visible minorities, people with disabilities, and other groups.

**Ms. Clare Beckton:** I think you also want to look at.... When you're looking at industry, you also want representation from regions and representation that differs based on age and background. When you add more women, for example, you will bring diversity, but you also have to be mindful of the other subgroups within women or men that may not equally share in that.

**Mr. Chandra Arya:** Thank you, Ms. Beckton.

Ms. Woodside, did I understand correctly that you want us to do away with limited liability corporations?

**Ms. Claire Woodside:** No.

**Mr. Chandra Arya:** Then what was it you mentioned? You explained the advantages of having limited liability corporations, as well as the disadvantages. What are you trying to say there?

**Ms. Claire Woodside:** That part of the statement was talking about the risks that arise for creditors and others due to limited liability. It did not speak of doing away with it. Obviously, that's a cornerstone of the free market.

• (0915)

**Mr. Chandra Arya:** I understand the risk. What is the solution that you were proposing there?

**Ms. Claire Woodside:** What we are saying is that creating transparent beneficial ownership of companies provides non-distributing companies, as well as distributing companies, with critical information about who controls those corporations, so when they enter into a transaction with a corporation, they understand who is actually behind that corporation and they mitigate their own risk.

**Mr. Chandra Arya:** Then what is the point of having a limited liability company? Let's say I have a limited liability company. In one company I make...and in the other company I have the regular transactions, and that limited liability company protects me. If companies want to know who the beneficial owner is, then what is the concept of a limited liability company?

**Ms. Claire Woodside:** Let me pass this to Mora.

**Ms. Mora Johnson (Barrister and Solicitor, Publish What You Pay Canada):** Thanks very much.

I just want to clarify that I'm a lawyer in a private practice. I provide advice to Publish What You Pay, but I'm actually speaking in a personal capacity today.

As you rightly say, you start a business.... Imagine you started as a sole proprietor, and then your business runs into trouble and you can't pay all of your creditors. Those creditors can go after your personal assets, including your home, so the CBCA and other corporate law statutes create limited liability to encourage people to enter into business.

**Mr. Chandra Arya:** Absolutely.

**Ms. Mora Johnson:** What this means is that when your business runs into trouble, and maybe you have to shut the business down, creditors just don't get paid.

**Mr. Chandra Arya:** Absolutely.

**Ms. Mora Johnson:** One of the challenges in the system is that currently there is very little information available about small corporations. There is more information about publicly traded corporations.

**Mr. Chandra Arya:** What are you proposing, again?

**The Chair:** Please answer very briefly, because we're out of time.

**Ms. Mora Johnson:** Some authors even suggest requiring non-distributing companies, small corporations, to provide audited financial statements, the way big corporations do, but Claire and Publish What You Pay are merely proposing that if you know who the actual owner of the company is, it will help you make better decisions when you enter into those contracts.

**The Chair:** Thank you. Maybe we can come back to that again.

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

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

Thank you very much for being here today to speak to this very important issue. Ms. Beckton, your centre studies women in politics and public leadership. I go back to something I mentioned earlier in this committee. Being involved with ParlAmericas, we would often have discussions with groups of women in politics about how to encourage more women to get involved. At that particular point in time, it was a snapshot where I believe somewhere between 80% and 90% of Canadians had female premiers.

When I speak with them—and I've known some of them—they definitely got their jobs because of talent. When they look at it, they say, “You don't need quotas; you just need to go with it.” But I understand, certainly on the corporate side, that we haven't seen any kind of real push that is going to encourage more women. Again, we've heard in testimony that there is a certain pool and some people might be on four or five different boards, and when they leave, they just keep recycling the same people.

How do we encourage more women to get involved on the board side in publicly traded companies? The women I know who are engaged in business are busy running them. I've talked to many of them, saying, “Why don't you expand or why don't you look into these things?” They say, “My interest is in the business that I'm starting and the businesses that I'm running.”

How do we encourage more women to be part of this other pool that seems to be recycling the same people?

**Ms. Clare Beckton:** I think you're asking it the wrong way around. How do we encourage, push, nudge, shove corporations into changing the way they recruit for their boards?

The onus should not be on women. There are many women who would love to serve on boards.

**Mr. Earl Dreesen:** How would we do that change in mindset for corporations? I know that's what this legislation is about, but how do we make sure that is what we get through the legislation we have?

• (0920)

**Ms. Clare Beckton:** Obviously, there are a number of choices when you're looking at legislation.

In many of them, like in Australia, they use a combination of reporting and then the legislation to back it up. When you require “comply or explain”—which is not clear in this legislation—you are required to give an explanation if you do not have the diversity on your board. It requires you to explain where you looked, who you looked for, and really put forward the kinds of searches you did in coming forward.

If you don't have that and you simply state the figures in an annual report, it doesn't tell you what's going on behind.... You need to change the way that you recruit. You need to ensure that when you send out your recruiters you're asking them to have women put forward as possible candidates on the boards.

I think another thing that's important is that if you do not have board terms, then it makes it very difficult. The turnover can be very slow, and some members can be there for longer periods of time. I'm a great believer in aspirational targets. I think it sends a message that there is a percentage you should be aiming for. Once you start getting more women on your boards, then it starts to change the

dynamic on those boards. I think it's very hard to encourage women if they're not seeing the change. It's no fun if you're the only woman on a board with 11 men. It's nothing to do with the men; it's simply to do with the approaches and the way that business is normally conducted.

I think there are a number of things that governments can do. We look at the Ontario Securities Commission, the comply or explain. I think you look at recommendations around term limits and what you are going to do with your boards. I think it's good governance. The leading practices on good governance now would say that term limits are important. Those are a number of factors.

We can certainly go out of our way, and there are a number of lists of women who would like to get on boards.

**Mr. Earl Dreesen:** From the same perspective, then, we're looking at how soon we should review what we have done once this is in place and we start to see what is happening on various boards. When do we then refocus again and do the assessment, whether it comes to legislation, so it comes back here, or to redo regulations?

How long a time frame is it going to take before you really have something to measure versus just having it that, theoretically, we should review it after so many years? What's the right time to—

**Ms. Clare Beckton:** I don't know that there's a right time.

For example, if you look at the Canadian Board Diversity Council, it has been doing an annual report looking at what's happening across each different industry. It takes leadership, as well. If you look at the financial sector and at the big banks right now, there's a real push. In leadership at BMO, Bill Downe has been very active with Catalyst. He's been taking a leadership role in advancing women in his own bank and advancing them at the corporate level.

We need to encourage that kind of leadership. You need to challenge the corporate world to exercise that kind of leadership. I think you need to keep an eye on what's happening on an annual basis. You may not want to do a full review, but you should be looking at what's happening through the statistics gathered by organizations like Catalyst and the Canadian Board Diversity Council, and if you're not seeing very much movement....

Also, take a look at the sectors. You will get the movement being increased, for example, by the financial sector, which has been moving much more quickly than other sectors, and then you will see the resource sector dragging at the bottom. You need to see where to put your emphasis, if you really want to make the change. You also have to look at where the largest number of board seats are, and there are a large number of board seats in the mining and resource sectors. That has been very male dominated.

**Mr. Earl Dreeshen:** Thank you.

Ms. Woodside, I want to talk somewhat about corporate governance.

Based on what you've seen, what kind of tangible progress has been made against money laundering and taxation schemes in countries that require beneficial owners to share the disclosure of their identity? Have we seen results where other countries have gone further than what we may be looking at in this legislation? If so, what have we seen, and what initiatives could we take from that to maybe add to what we have?

**Ms. Claire Woodside:** The first public registry is in the U.K. I think the results have been quite positive, but it hasn't been a long enough period to really measure them.

I think one of the ways you can see the differences across countries is through the evaluations conducted by the Financial Action Task Force. Generally, those evaluations find that countries that collect beneficial ownership in a centralized registry perform much better in terms of fighting money laundering and terrorist financing than countries that rely upon financial institutions and other professions to collect that information on their behalf.

This is really a decision by government to delegate a responsibility to other professions and to put it in their hands. It's a burden for those professions, such as financial institutions and others. In some cases, it's one that they really fail to fulfill completely, e.g., real estate agents, or that they struggle to fulfill, e.g., financial institutions. I think that one of the best places to look is through the Financial Action Task Force's evaluations.

• (0925)

**Mr. Earl Dreeshen:** Thank you, Mr. Chair.

**The Chair:** Thank you very much.

Mr. Masse, you have seven minutes, please.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

Thanks to our witnesses for being here.

I want to touch briefly here, Ms. Beckton, on your comments about gender not being identified in the legislation. How critical do you believe it is to have gender identified in the legislation itself? The minister... We've heard the discussion here about how it's supposed to be helping... You can even take their approach of, "Okay, we'll deal with diversity later; we're just going to deal with women." That seems to be the approach that's being made here. How important is having the definition of gender in the actual legislation?

**Ms. Clare Beckton:** I think it would send a much stronger signal if gender was specifically stated in the legislation. It was put out in the announcement of the bill and what the bill was intended to do. I

think it sends a very strong signal. If your goal is to increase representation of women on boards, then the message in the legislation should be very clear. You may have a provision that says gender and diversity, but I think it's important because I don't think it sends the right signal if it's only in the regulations. Regulations can be changed more easily than legislation, as we all know.

**Mr. Brian Masse:** In your concept of aspirational targets—I've been pushing this from day one of this bill's being tabled in the House of Commons—there was no review of this legislation. It's only been reviewed twice in 40 years. It's like a tumbleweed that just goes across the legislative landscape.

I'm looking at some potential amendment that would have some softer or maybe lower targets for the actual mandatory target requirements, and then "explain" in that lower percentile. Then there would be aspirational targets after that. If we keep the bill the way it is, the way the minister's tabled the bill, it's likely not going to be reviewed for another eight years, in terms of parliamentary process and so forth—even longer potentially—and there are no powers to the minister.

I'm looking at some other targeted areas, and then going from there. What would be your thoughts on somewhat of a mixed-model approach as a potential?

**Ms. Clare Beckton:** I think there are various options and ways that you can outline targets. Sometimes they're called "soft targets" or "aspirational targets", as we've been talking about. Those are ones that are put out as, "This is the ideal for where we would like you to be by such-and-such a year." You see the Ontario government put out targets. When Premier Wynne made her announcements last year, she set out targets in terms of provincial government appointees. Certainly, in terms of federal government appointees, there can be those targets. I think in terms of the corporate world, you do have a choice. You can go with aspirational targets or you can go with harder targets.

One of the reasons that the Employment Equity Act was successful in increasing numbers in the federal government is that there were targets. They were not hard targets. They were not targets that required legislation, which you can do. You can put it in legislation, you can put it in regulations, and you can also have the signal sent from the government that this is what they would like. There are various ways you can do it.

**Mr. Brian Masse:** I need to move on, but give me a quick answer on this, if you don't mind.

With regard to this, would a more modest quota model as a base element to build on for aspirational targets be something that might be palatable?

**Ms. Clare Beckton:** I think that you as legislators need to decide whether it's palatable. Certainly, quotas have been very effective in many countries in increasing women's representation in Parliament and on boards. Some will say that the northern examples were not good, but I think there the problem was that they didn't give them enough time to achieve those quotas.

**Mr. Brian Masse:** Thank you very much.

To Ms. Woodside and Ms. Johnson, really quickly with regard to Mr. Arya's comments and to follow up on them, my understanding—and correct me if I'm wrong—is that by having a model where there's more transparency for people who are investing, they will have to make better choices. It won't affect the person in terms of the business they have, but there'll be more transparency for the people who might get swindled into something, which is a problem of understanding what the record was in the past. Is that correct?

● (0930)

**Ms. Claire Woodside:** Yes. To give a better response, the reason courts do not pierce the corporate veil is not because they don't know who the owner is. It's because that's the legal doctrine. Because they have that information is not going to mean they're going to pierce the corporate veil. In the cases where they do, it's often related to fraud.

This information isn't going to change the way limited liability status works. It simply provides more information when consumers and businesses are entering into transactions. There is a reason the Canada Business Network has a blog entitled “How to verify that a business really exists”. That's because consumers and businesses actually have challenges verifying whether a business really exists.

There is a shift today towards more transparency. Requiring this information is completely in line with the privileges associated with limited liability status. It would not detract from those privileges but provide more information for individuals entering into business arrangements.

**Mr. Brian Masse:** I think this bill is an incredible opportunity. I think it's underestimated in its value and worth on several fronts for Canada. In fact, I think this is probably one of the most important pieces of legislation that we'll deal with in this tenure of Parliament.

With regard to bearer shares as well, that's one of the areas in which we can open up and comply with international law. Can you highlight why you think the bill's language on bearer shares is probably not satisfactory to those who want transparency, anti-corruption, and improvement? Basically, I'm looking at the language of bearer shares and how it could be improved in this bill.

**Ms. Claire Woodside:** One of the things to remember is that if Canada wants to go to the Financial Action Task Force and other international bodies and say, “We have eliminated bearer shares”, it cannot do that with the text of the current bill. That's something to keep in mind, because the text of the current bill does nothing to impact the existing bearer shares that are floating out there in the ether. If you're a criminal and you're holding a bearer share, you can still exercise the rights associated with those shares.

The amendments that Mora has helped Publish What You Pay Canada draft will ensure that if you're a criminal holding those shares, before you exercise those shares, you have to register them. It's simple. It's one further step to ensure that Canada can say it has taken every measure possible to eliminate bearer shares.

**Mr. Brian Masse:** Would doing that bring us closer to our G20 partners? That's not an extra step that puts Canada as an outlier, but it actually stops us from potentially becoming “snow washers” and is more appropriate, I guess, to our international agreements.

**The Chair:** We're out of time. Very briefly, please.

**Ms. Claire Woodside:** Canada is one of the last, or the last, G7 country to eliminate bearer shares.

**The Chair:** Thank you.

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

**Mr. Lloyd Longfield (Guelph, Lib.):** Thank you, Mr. Chair, and I'll be sharing my time with Mr. Sheehan.

Thanks for great presentations this morning from both groups.

I want to dive in a little further on what Mr. Dreeshen was leading towards, and that is the success rate of other jurisdictions—this is for Ms. Woodside—on distributing versus non-distributing transparency on targeting money laundering and tax evasion schemes. In other jurisdictions, like the EU, where there are 27 member countries that are more transparent now because of the legislation that they've put forward, you said that it's a little early to see success. Is there something they have been able to show so far, or is there something they're leading towards trying to show?

**Ms. Claire Woodside:** Yes. I think it's not too early to know that being able to share beneficial ownership across jurisdictions among law enforcement agencies is critical to detecting money laundering, terrorist financing, and cracking down on tax evasion. The evidence of that is very clear within many international studies that have looked at this. Even recently a study showed that the tax gap in Canada is up to \$50 billion. We know the amount of money and crime at stake is huge.

One of the things a public register does is narrow the field. It's a corruption prevention tactic. Obviously you're less likely to want to register publicly if you're a criminal, so you're closing the door to criminals. That's one of the steps.

The impacts at this point are hard to measure, simply put, because the public information in the U.K. has only been available for six months. But the knowledge that having a central registry of beneficial owners is very clear internationally. It's been identified repeatedly as one of the key elements that states must take to ensure that we're able to take effective action in those cases of tax evasion, money laundering, etc.

● (0935)

**Ms. Mora Johnson:** I'll add a quick point. One of the challenges with a complete opacity of privately held companies is that it's very difficult for law enforcement to detect suspicious transactions. For example, if it's just routine for numbered companies to buy mansions in Vancouver, and hundreds and thousands of people do it this way, it's very difficult for law enforcement to know which are nefarious and which are just regular transactions. As Claire says, when you create a more transparent business culture, which is ultimately what we're doing, it's much easier for law enforcement to see the outlier, the problem, and the suspicious transactions, and to investigate them.

**Mr. Lloyd Longfield:** Thank you. That will help us a lot in our report.

Ms. Beckton, I've been involved as a recruiter for boards. When I was a president of a chamber of commerce they'd ask who I knew. It was always word of mouth, and it was always who your network was. Is there a more formalized system that Canada has, or could have, that could help us to find women who want to be on boards who are on the sidelines right now?

**Ms. Clare Beckton:** Yes. We certainly recommend that if you really want to move toward getting more women on boards, you look to the organizations such as the Canadian Board Diversity Council, Catalyst, and other organizations that are creating and have created lists of pre-qualified women ready to serve on boards, as well as to seek recruiters and give them specific instructions that they need to find qualified women candidates who need to be presented.

I dare say that the old boys' network of who you know creates the same results. I think it's very dangerous for corporations, because they're getting the risk of same think, instead of bringing in a wide range of diversity.

**Mr. Lloyd Longfield:** That's a point the minister was making. We were trying to get diversity of thought through this legislation.

**Ms. Clare Beckton:** I also think it's important. If you look at other countries, Canada has fallen behind in its equality leadership. We used to be fairly high. Also, women on boards has fallen behind. The countries that have been successful have identified increasing women on boards as a key issue, and not simply lumping it into diversity.

**Mr. Lloyd Longfield:** We do have some tools to help companies find women then.

**Ms. Clare Beckton:** There are lots of tools out there. They just have to use them.

**Mr. Lloyd Longfield:** Or know they exist...

**Ms. Clare Beckton:** If you want to bury your head in the sand, you can, but the Canadian Board Diversity Council and Catalyst are well-known organizations. Knightsbridge does a lot of work around women. The headhunter firms know very well, and should know, if they are given specific directions on what to do.

**Mr. Lloyd Longfield:** Mr. Sheehan.

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

Thank you all for the presentation.

I had the honour of being on the pay equity committee earlier, and we landed that plane just recently. During those presentations we always heard about the inequity between the pay to women and to their male counterparts. But then when we delved into it and went into newcomers, it was worse. Then when we went to the indigenous community, it was the worst. It's always a concern for me, being from Sault Ste. Marie in northern Ontario with a wife and a daughter who are Métis.

Drilling down on what Lloyd was saying, how can we encourage those particular two groups, the newcomers and indigenous women, to be more involved in the boards, and how do we find them and encourage them?

**Ms. Clare Beckton:** I think those are really important questions. There are organizations, whether it's immigrant organizations or

indigenous organizations, that can help. I know that Roberta Jamieson, for example, has certainly presented names to the Canadian Board Diversity Council in terms of coming up with people who may very well be qualified to sit on these kinds of boards.

I think it's understanding those communities and how you get the information. You may not use the same information sources that you would use for other communities, so it is that awareness.

When I was increasing diversity in my organization with the federal government, I told my people to go out to different sources. Look for the leading immigrant women, for example, who are in business. Where are they? Who would likely be very good or very qualified to sit on boards?

It's the same in the indigenous... There are a number of indigenous women now who are running businesses and who may very well be positive candidates for sitting on other boards.

● (0940)

**The Chair:** Thank you.

Mr. Nuttall, you have five minutes.

**Mr. Alexander Nuttall:** Thank you, Mr. Chair.

I will focus on you, Clare. You mentioned a couple of things that resonated with me. I'm from a financial services background, from the banking sector. Now that I think about it, half of my bosses have been male and half have been female. It's not something I've thought about before. Certainly they are well ahead of the field.

There's one thing I've been very frustrated about here, coming from the private sector, and my colleagues are probably tired of hearing this. When you get here, targets are like these things that don't exist. Where I come from, you set a target, you work to plan, and you either succeed or you don't succeed. I've heard you talk about targets as well, not hard targets, because I don't believe in that—I think that's a “pie in the sky” plan—but certainly being able to measure your success.

For my colleagues across the aisle, could you give them an idea of what timeline and targets you'd like to see? I think we're at 13% right now in terms of the participation of women on boards.

**Ms. Clare Beckton:** I think it depends on who you're looking at. If you're looking at the Financial Post 500, you'll see it's around 20-point-something per cent. It will vary across the various sectors.

I think your target range needs to be in the 30% to 40%...and within the next five to 10 years. It can be done very quickly if you start requiring the boards to turn over more quickly, for example, by having board terms for many boards that simply don't have terms at the present time. As I said before, this is leading practice.

I think you need a minimum of 30% as your target, because you will not change the dynamic on a board without at least 30% women. The ideal is somewhere between 40% and 60% in the long run, but you're not going to have a target of 50% or 60% necessarily. You certainly need to go to 30% to 40%.

I would say you need to expedite it because it's been going very slowly despite the business case. The business case is crystal clear. There are so many organizations like McKinsey, Credit Suisse, Goldman Sachs that have pointed out the business case. It's really good business also to add women to your boards.

**Mr. Alexander Nuttall:** Certainly, and I think we're going to see some things coming down the line

Although I look much older, I'm a millennial. My generation doesn't really see those physical features as a thing one way or the other. As the next generation comes down the road, there's going to be a move by it as well.

You're saying five years, 30%, and 10 years, 40%, essentially, within those parameters.

**Ms. Clare Beckton:** Those are really good targets.

**Mr. Alexander Nuttall:** Okay. Were you discouraged that there were no targets associated with the marketing of this bill?

**Ms. Clare Beckton:** I think that if we really want it to be successful, there should be a signal sent out to the federally regulated industries to say that's what you're looking for. Otherwise, with a bill, at least as I see it in the legislation itself, that doesn't require an explanation. It's a very soft nudge. I think you need to have a push, not just a nudge.

**Mr. Alexander Nuttall:** As we move forward on this bill, this committee is going to make a recommendation back. Is there an opportunity for you or for others who've spoken with the minister to start pushing that type of target?

**Ms. Clare Beckton:** As I said, I'm not an advocacy group. I'm a centre for research in politics, so I don't lobby. I'll make that clear; I'm not a lobbyist. I give, however, my best advice when I'm asked to come before a parliamentary committee. When I'm asked by any member of Parliament or a minister, I will give them my best advice.

I'll leave it at that.

**Mr. Alexander Nuttall:** As to economic benefits, because I believe this was the original driver behind the bill—it's actually a bill from the previous government—the stats have been out, but they haven't been published very widely.

From your perspective, how do we get the information to Bay Street and to the public that these are facts of the data we've collected, not some talking point? How do we actually get the information out there so that people know it? Very few people realize the detrimental effect of having a closed shop.

• (0945)

**The Chair:** Respond very briefly, please.

**Ms. Clare Beckton:** I think you can put it out in some of the messages coming from here, as you put the bill out, that there's all sorts of evidence pointing to the significance and the economic advantage of having women and diversity on your boards. The studies are there, and if you're in the corporate world and you haven't read them, that's not a good thing.

**Mr. Alexander Nuttall:** Yes, for sure.

**The Chair:** Thank you.

We're going to move to Mr. Baylis. You have five minutes.

**Mr. Frank Baylis (Pierrefonds—Dollard, Lib.):** My questions would be for Ms. Woodside.

I'd like to understand and to draw out a bit more on the bearer shares concern. If I understand correctly, when this law is drafted, I can voluntarily give up my bearer shares, but I'm not obligated to. Is that the crux of the matter?

**Ms. Claire Woodside:** Yes. The current drafting means that if you have bearer shares.... For example, if you are a criminal, you could register them.

**Mr. Frank Baylis:** Hypothetically—

**Ms. Claire Woodside:** Hypothetically, if you were a criminal.

**Mr. Frank Baylis:** I'm a criminal hypothetically.

**Voices:** Oh, oh!

**Ms. Claire Woodside:** Or you could be a regular person and you might want to register them. You could have had them sitting in a safe for 20 years.

**Mr. Frank Baylis:** I'm a politician, but I'm not yet—

**Ms. Claire Woodside:** Not quite there, eh?

**Mr. Frank Baylis:** Is what happens right now that some person who is a holder of bearer shares can with this law request them, and the company must convert them; however, if I'm not interested in converting them, I don't need to and I can maintain the bearer shares?

**Ms. Claire Woodside:** Yes.

**Mr. Frank Baylis:** You're looking to change that provision. Can you elaborate on how you would like to change it?

**Ms. Claire Woodside:** We're looking to ensure that before an individual exercises the rights associated with those shares, they have to register them. They have to convert them.

**Mr. Frank Baylis:** For example...?

**Ms. Claire Woodside:** For example, they pledge them as a security or they cash them in.

**Mr. Frank Baylis:** Or they want to vote them...?

**Ms. Claire Woodside:** Sure, or they want to vote.

**Mr. Frank Baylis:** Or they want a dividend...?

**Ms. Mora Johnson:** Yes, that's another example.

Typically, the risk with the bearer shares, of course, is that if they're in the hands of, say, organized crime, they're like currency. They can be traded with organized crime groups, and there is no incentive for those who are using them in such a way—

**Mr. Frank Baylis:** Ms. Johnson, the way it's drafted right now, if I'm a...or let's say, if someone is a criminal, they can maintain the anonymity that the bearer shares provide them. This law does not reach in and stop that when they go to exercise.

**Ms. Mora Johnson:** That's the way I read it, that companies cannot issue new bearer shares—

**Mr. Frank Baylis:** That's the first part of the paragraph—

**Ms. Mora Johnson:** That's right.

**Mr. Frank Baylis:** —and you've added this second paragraph. Is that right?

**Ms. Mora Johnson:** Yes, that's right.

The other thing is, of course, that corporations may not even know who possesses them, by their very nature, so you can't expect corporations to—

**Mr. Frank Baylis:** The only way we can proactively enforce it is that, when they come up, we seize them.

**Ms. Mora Johnson:** Exactly.

**Mr. Frank Baylis:** That's what you're looking to do.

**Ms. Mora Johnson:** And they trade them in—

**Mr. Frank Baylis:** They are forced to convert them at that time.

**Ms. Mora Johnson:** That's correct.

**Mr. Frank Baylis:** There's no way I can tell a corporation to go out and change everybody. They don't know who has them.

**Ms. Mora Johnson:** Exactly.

**Mr. Frank Baylis:** But whenever they come up, at that point we want it enforced, not to be a right of a shareholder. They must convert them.

How does that align with other jurisdictions?

**Ms. Claire Woodside:** That's a good question. I don't know, because some other jurisdictions have eliminated bearer shares in the past. As to going through the process of elimination, I have to be frank. I'm not sure how other bearer shares have started to eliminate shares.

**Mr. Frank Baylis:** But the concept of the elimination of bearer shares is accepted in all G7 countries, is that correct?

**Ms. Claire Woodside:** Yes, and it extends much further, actually.

**Mr. Frank Baylis:** Much further, and the intent of this bill is to eliminate them. You're just saying that we haven't quite closed the little door. Is that right?

**Ms. Claire Woodside:** Exactly. There's a big loophole, essentially, right now in the legislation, in the sense that there can still be individuals who can exercise rights associated with bearer shares.

**Mr. Frank Baylis:** The spirit of the law is to remove the bearer shares and take them away, but we've left one door open where we're not forcing someone to convert them. You would suggest we close that door.

**Ms. Claire Woodside:** Yes. We would recommend that in order to ensure that Canada is doing everything it can to implement the FATF recommendations, to fulfill its global obligations around money laundering, that we take that extra step and close the door, so that if a hypothetical criminal does want to vote or cash in, or pledge shares, they just have to register them.

• (0950)

**Ms. Mora Johnson:** I'll just add something. I have in front of me the Financial Action Task Force recommendations that have been accepted by all FATF countries, including Canada and dozens of others. Recommendation 24 requires that bearer shares not be misused for money laundering or terrorism financing purposes. This is something that Canada is being held to internationally.

**The Chair:** Thank you very much.

We're going to move on to Mr. Lobb, for five minutes.

**Mr. Ben Lobb:** Thanks very much.

I think Mr. Arya is getting a little nervous from your recommendations there on corporate structures, and so forth.

I have a question for you and it's to do with the diversity policy. Either one of you can answer it, it doesn't matter.

I'm a middle-aged white guy. That's where I'm at. I have no problem putting in a target, putting in a little teeth into this legislation to address the shortcomings. Why are the Liberals afraid? You don't have to say why. Why isn't there more in this legislation to address this issue? Because to me, it says "shall" in the legislation, and shall is never going to happen.

Give me your thoughts.

**Ms. Clare Beckton:** I wasn't there when the legislation was crafted, and I would not presume to speak on behalf of any members of the government because I'm not in the government. It's something that warrants looking at very closely, whether you want to be the leaders and actually step forward and say we need to have specific aspirational targets. We need to be crystal clear that we are focused on gender, because that's been the success in other jurisdictions where they have made it crystal clear.

I think the Prime Minister has been very vocal in terms of equality and the desire to move forward. Certainly, when you look at some of the provinces, Quebec has been a leader in terms of its public appointments. It made it very clear that it was going to have the adequate gender representation in terms of its public appointments where it has control, and it has done that. I think that it is very important to state your intentions very clearly.

I can't speak about what the thoughts were going into it, but I can say what is certainly desirable moving forward.

**Mr. Ben Lobb:** Again, I know you're not a lobbyist, but would you have a recommendation, with your research, to make that specific part of the bill better?

**Ms. Clare Beckton:** I would certainly recommend that the word "gender" appear in the legislation itself, so that you're crystal clear that's one of the things you are doing. By adding gender, you're saying we want equitable gender representation on our boards.

We also want diversity, but equitable gender representation will bring diversity. You will get a range of diversity, but it doesn't preclude the possibility that you're adding from various different kinds of diversity, whether it's visible minority groups, indigenous, representation by region, age, or experience. There's a variety of experiences.

**Mr. Ben Lobb:** Right, and that's why people like Mr. Arya and the Prime Minister are hypocritical, because they go around saying all this stuff, but then when it comes time to actually put it to paper, there's no grit to them at all. That would be my problem with them.

The other thing I cannot figure out is, what is so difficult about a diversity policy? Why can't they cement that diversity policy criteria into your corporate mandate?

Can either of the groups here try to explain to me how this is putting such an onerous requirement on corporations that have hundreds of HR people, hundreds of lawyers, working for them? The Liberals can't even force themselves to put that in there as a mandated thing. I can't figure this out.

**Ms. Clare Beckton:** I'm not going to comment again on the politics, because that's not my role here.

**Mr. Ben Lobb:** I wouldn't expect you to do so, but actually on the diversity policy.

**Ms. Clare Beckton:** It's not simple, obviously. There have been many efforts by many corporations.

**Mr. Ben Lobb:** With all due respect, ma'am, there are many corporations that have it in. Bombardier—

**Ms. Clare Beckton:** Yes, but let me finish. It's not simple but it's very doable. It's doable when you have leadership from the top, when there's the will in the organization, and when they look at all of their processes: their hiring processes, their promotional processes, how they are doing in terms of equitable pay among the women and the men in their organization. You just have to look at why the banks and the financial sector are moving ahead. It is because there is strong leadership there.

It is very doable. It takes strong leadership. If that leadership isn't happening, then certainly governments have a major role in giving them a push. You can start with aspirational targets, you can start with the clear message that we want increased representation of women on boards, and if it doesn't happen within the specified period that you have targeted, then you need to look at harder measures. There is no reason for it not to happen. It's in the best interests of corporate Canada.

●(0955)

**The Chair:** Thank you very much.

We're going to move to Mr. Jowhari.

You have five minutes.

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

Welcome, witnesses. I want to thank you for the testimony you have provided today.

I want to ask for your input about a topic I'm quite passionate about and have taken a lead on with this specific bill.

As you know, in order to be able to determine the success of any legislation, we need to have the ability to review it. I want to know your thoughts on specific periodic review of the objective that's contained in this bill.

We'll start with Ms. Woodside.

**Ms. Claire Woodside:** Do you want to take it?

**Ms. Mora Johnson:** As I understand it, you're referring to a statutory mandatory review of the CBCA.

Speaking for myself, I would say the CBCA is a really critical act, and it's very powerful. As we know, limited liability is a major intervention in a free marketplace, limiting what's available to

creditors and others. I think, therefore, a regular review is very important to ensure that it optimizes....

I believe it's 10 years—is that right—in the current statute?

**Mr. Majid Jowhari:** There's nothing in the current statute.

**Ms. Mora Johnson:** My own personal view is that a statutory review—

**Mr. Majid Jowhari:** We've heard from some witnesses about three years, and we've heard from some witnesses about five years. I wanted to get your input as to the need for it to be legislated, as well as on the time frame you're suggesting and why you're making that suggestion.

**Ms. Clare Beckton:** I think there's much more in this legislation, obviously, than diversity and gender. It's a very important and large piece of legislation. If you really want to look at whether you are being successful with respect to your goals around gender and diversity, you need to be looking at what is happening on an annual basis to see whether it's progressing.

The world is changing very rapidly, much more rapidly than it has in the past, and so I think—

**Mr. Majid Jowhari:** I think the bill is suggesting that we are going to look at that on an annual basis; however, I'm talking about looking at the effectiveness of the bill itself, coming back and asking whether the act is really meeting the objective.

There is no time frame. There is no periodic review right now in the bill. I'm asking for your input. Should there be one, and if it's there, what period would you recommend?

**Ms. Clare Beckton:** I think there definitely should be one. I think for a full review, the norm is about five years.

**Mr. Majid Jowhari:** So you're saying yes for review, and five years is your recommendation.

We've talked about diversity, about gender, about the different percentages, and we've talked about various jurisdictions and how successful they have been. What other measures would you recommend we include as part of this bill, again, to assess the success of the bill in achieving its objective?

**Ms. Clare Beckton:** For me, it's the whole “explain”. If you're not complying, how are you doing? When you talk about putting in reports, annual or otherwise, there should be an explanation. How are you achieving it? Have you made diversity one of your priorities within the organization? Those are measures, and then there should be an explanation of how you are doing in every annual—

**Mr. Majid Jowhari:** We talked about diversity, and we talked about how one measure within diversity could be gender. I get that. What measures aside from gender diversity should be in there?

●(1000)

**Ms. Clare Beckton:** I'm not sure what you mean by “measures”. Are you talking about whether you are achieving diversity with respect to indigenous groups or visible minorities? You should be looking at all of those when you're looking at your percentages as the number is increasing on the boards.

**Mr. Majid Jowhari:** Let's talk about other measures that other jurisdictions have used and have either made great progress or are in the process of making great progress on, and that we could use as benchmarks and best practices.

**Ms. Clare Beckton:** I don't have that in front of me, but I think that the majority of others have set gender targets, i.e., have you attained 30% or 40%? We will look at what you're doing to get there. Setting those kinds of targets requires a measurement, because if you have no goal then it's very hard to measure. What are you measuring it against? If you say the target is 30% within five years and 40% within 10 years, then you have something to measure it against.

You can look at what the Canadian Board Diversity Council has done as one example. They have representative, proportional kinds of targets, whether you're looking at people who are visible minorities or indigenous, based on population.

I think one of you said you were on the employment equity committee, and employment equity has done that as well. Those are other measures you can put in there that are quite strong.

**Mr. Majid Jowhari:** Thank you. My time is over.

**The Chair:** Thank you very much.

Mr. Masse, you have two minutes.

**Mr. Brian Masse:** Thank you, Mr. Chair.

Really quickly, with regard to the diversity issue, we haven't even talked about persons with disabilities. Fifty per cent of the population who are registered and who want to work are not able to find employment. Those are the ones who are registered. It's a serious problem for this country.

With regard to that issue and also with regard to reviews—because I believe those are important when we start looking at mandates—are you aware that, if we went through this, and we walked the other groups through this, for this review right now that's been offered, five years has popped up, but nothing is in the bill right now? As it stands right now, this was presented in the House of Commons and to this committee with no amendment to this review. A five-year review would probably take about seven to eight years at a minimum to actually get back to a parliamentary committee, by the time you factor in elections and all the different anomalies that will take place along the way.

In the past, for newer legislation, I've introduced amendments to legislation that were for two years followed subsequently by five years and so forth. If we didn't review this legislation for another, I guess, seven or eight years, which is the quickest turnaround time for it, would that be a disadvantage for Canada, for our business community, and for our international obligations?

I'll ask both Ms. Beckton and Ms. Woodside to comment on that.

**Ms. Claire Woodside:** Publish What You Pay globally focuses a lot on corporate behaviour, corporate governance, specifically focused on the extractive sector. One thing we've seen change is that there has been so much pressure on corporate cultures to shift. There's pressure for transparency, there's pressure for openness, and there's pressure for diversity.

With that in mind, I see the benefit of a shorter review time so that Canada can ensure that Parliament is engaged in setting priorities for what we want Canada's business culture to be. That isn't totally encompassed within the CBCA, but the CBCA sets the tone. It sets a tone for the provinces. It sets a tone for those federally registered companies but also within Canada and for where Canada stands internationally. I see the benefit of a shorter review time, but also the benefit of a mandatory review time so that we ensure we regularly have these discussions about the act.

**Mr. Brian Masse:** For the record—

**The Chair:** Thank you.

**Ms. Clare Beckton:** I would just say that you don't need to wait five years to do your analysis. You should be doing it on an annual basis since some of the things you've set out, like gender and diversity, you would want to look at on an annual basis. You don't necessarily have to review the entire legislation, but look at some of the key elements you want to achieve. You can set a target where you absolutely must, but that shouldn't stop you from bringing back, on an annual basis, some of the areas where you have set targets and said, "These are things we really want to achieve." I would do that.

**The Chair:** Thank you.

We're done this round. We're going to have three more rounds of five minutes each and then we'll call it a day for our witnesses.

Mr. Baylis, you have five minutes.

• (1005)

**Mr. Frank Baylis:** Thank you.

I'd like to drill down a bit on the transparency issue. I understand that the United Kingdom is the only country right now that has published this data. Is that correct?

**Ms. Claire Woodside:** Yes.

**Mr. Frank Baylis:** They have collected it and published it for both public and private companies.

**Ms. Claire Woodside:** These data are already available in Canada for public companies through the CCDI. It is for non-distributing companies. It is also being collected in countries that are implementing the extractive industries transparency initiative. That's still in the process of implementation, for the resource extraction sector, more globally.

**Mr. Frank Baylis:** In the Canadian distributing...we'll call them "public companies", you say this is available. What if those shares are owned by a private company? It's available, but the beneficial shareholder is not necessarily available. Am I correct there or not?

**Ms. Mora Johnson:** There are different rules in the Canada Business Corporations Act for distributing and non-distributing corporations. There are also provincial securities rules that Claire was alluding to. Right now in Ontario, for example, anyone owning over 10% of voting shares is considered an insider under insider trading rules. That's a beneficial ownership. With that information, anything over 10% is disclosed.

The other thing is that under the CBCA, any person can get access to the registered shareholder list of a distributing, that is a public, company in the CBCA. That means any person, subject to the conditions and so on.

**Mr. Frank Baylis:** Those conditions are fairly narrow, if I was correct. Are they broad enough that anybody, even your real estate agent, could access them?

**Ms. Mora Johnson:** It is a process under section 21 of the CBCA. It's a process whereby a person can go to a company—so it's not collected by government—and pay a reasonable fee, swear an affidavit. There are conditions on uses. The uses have to be related to the corporation.

**Mr. Frank Baylis:** There is limited and—

**Ms. Mora Johnson:** There are some limitations, yes. For example, courts have looked at this provision and found that an inappropriate use would be using the information to target wealthy people to sell things to. For example, there's—

**Mr. Frank Baylis:** The courts have tried to balance a public-private aspect of it. If we were to publish that completely, make it completely public—and I understand it helps with respect to fighting crime—would it not expose those wealthy individuals to that type of harassment or lack of privacy?

**Ms. Mora Johnson:** When you look at privacy, there are statutes and principles that regulate it. The basic principle is that neither government nor corporations can release personal information unless that person consents or unless it's authorized by statute.

There are many cases where such information is available. That includes the CBCA. Any person—and people do this—can obtain this, and there's a lot of personal information available, including the number of shares.

**Mr. Frank Baylis:** Other jurisdictions you've mentioned in your brief are looking. They haven't done anything yet, but you mentioned France, Norway, United States, Australia. Can you speak to what they are looking at right now, what actions they have or don't have as public registry? What are they doing?

**Ms. Claire Woodside:** The EU has passed, and is now implementing, the fourth money laundering directive, which will require the centralized collection of information. I believe it has provisions for publication. There are jurisdictions that have looked at that. If you go on the U.K.'s beneficial ownership registry and you look up a person, you can see their date of birth, their name, their address are blacked out—

**Mr. Frank Baylis:** I know about the U.K., but you'd mentioned other countries like France, Norway, and Australia. Do you have anything about what they're doing?

**Ms. Claire Woodside:** Those countries are in the process of implementing. As to the exact kind of information, I don't know at this point what you'll be able to find out about each beneficial owner. They will have—

**Mr. Frank Baylis:** Are they doing a balancing between this right to privacy and public disclosure? Are these discussions being had in any of these other jurisdictions?

**Ms. Claire Woodside:** Yes, when the U.S. looked at this more seriously in the previous administration, there were definitely discussions about balancing. I think one of the challenges is that the balance is shifting on this particular issue. As corporate structures become more complex and as tax evasion and avoidance become a bigger issue, as does money laundering, those interests are shifting. I think that as a society we need to step back and reflect on how much

it has shifted and if the public interest now outweighs the privacy interests of those individuals.

The truth of the matter is, it is far less costly to share information through a public system. It provides access to all the authorities that need it, and also to journalists and citizens. For example, in Canada, securities commissions are not deemed to be law enforcement agencies. When they conduct an investigation into a company, they cannot access any beneficial ownership information. It reduces the barriers.

Developing countries that don't have an agreement with Canada to share information can access that information. I think now would be a great time for a parliamentary study of this issue and what steps Canada needs to take to address money laundering and tax evasion and how much there has been a shift on this issue.

● (1010)

**The Chair:** Thank you.

Mr. Lobb, you have five minutes.

**Mr. Ben Lobb:** I wondered if either of the groups here would comment on the residency requirement and whether the bill should firm that up. If you don't have any comments, it's okay. I just wondered if you had any comments on that.

There are no comments on that one.

Okay, what about say on pay? Have you any comments on that one?

**Ms. Clare Beckton:** What was that?

**Mr. Ben Lobb:** Say on pay, meaning whether boards should have any ability to have a say on pay for senior executives.

No? That's okay.

**Ms. Claire Woodside:** Unfortunately, it's not my area of expertise.

**Mr. Ben Lobb:** Fair enough. I just thought I would ask.

I wonder, Ms. Beckton, if you could give me some more comments on this legislation.

My opinion is that it should be a little tougher because we're not mandating to corporations in this legislation that 50% of their senior management has to be women, visible minorities, or anything like that. We're talking about boards of directors, the basic governance of a company. I'm not trying to diminish the importance of boards of directors because, obviously, they are vitally important to keep senior management on guard, but it just blows my mind that they aren't making this a little tougher on corporations, to encourage them to beef up their boards.

Even to Mr. Masse's point on people with disabilities, there is nothing in there on that either. Try going into some of these businesses and seeing how amenable they are to people with disabilities or other things. Do you have any comments on that?

**Ms. Clare Beckton:** To be effective, you need to have very specific legislation that articulates what the goal is. It would be enhanced by the addition of targets, whether they're in the legislation, or specifically stated when the legislation goes out.

Coming back to your statement about boards, I think boards are very important. The more gender representation and diversity you have on boards, the more likely you are to see that increasing and becoming a priority for the corporate leadership. Strong boards with good diversity will also ask the tough questions of their senior management in the corporations. They will ask the senior management what they are doing, because if they are not seeing it at the table....

I think that if you want to be effective, you need to have targets. You need to have measures. You need to have something that compels corporations to really look at what they're doing in terms of gender and diversity, and to be able to explain it and put it on the table, not only with their boards of directors or their shareholders but with the public at large, with Canada at large.

**Mr. Ben Lobb:** Fair enough.

I would encourage both groups here today, if you have amendments specifically around this area, to please send them forward.

I know that Mr. Masse or I would be happy to bring those amendments forward at committee when we go to clause-by-clause consideration, and we'll see if the Liberals have any courage to put them in or not.

**The Chair:** Are you done?

**Mr. Ben Lobb:** I am, thank you.

**The Chair:** You're welcome.

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

You have five minutes.

**Mr. Brian Masse:** Thank you, Mr. Chair.

I'll be quick just to make sure that even the committee understands this. If we get a review period, it could be spent as a matter of moments in a committee, it could be another full hearing, it could be an hour, and it could be scoped down to any particular item.

This committee has dealt with previous legislation. I've passed many amendments to legislation that have been basically a two-year review. It then gives the opportunity, say, for example, for the main body to come back or for interests from the government to give an update so to speak.

We could literally spend a half an hour on something, we could pass it in moments, or we could have full hearings. It's now a choice and it gives the minister some powers—and I think there were some people critical of my description of the minister's powers in this. It's like a carrot and stick approach. We're watching, and if there's some good behaviour that comes along in front of us, we'll get a chance to review that.

I want to quickly transition, though, over to the effects of what we could do against organized crime in this bill. I had a single-event sports betting bill that narrowly failed in Parliament. It was less

about betting on single sports than it was about getting rid of organized crime. In fact, we had ex-Interpol agents, ex-RCMP, ex-provincial police, in a series, who couldn't testify in their jobs but outside their jobs they were and had been working on it. The bill would have taken about \$10 billion away from much of the organized crime that was going to human trafficking, including the sex trade. That would eliminate money laundering for a series of different issues related to everything from drugs to anything under the sun. The most lucrative aspect of organized crime is single-event sports betting, and it's a global phenomenon in a sense that it is being addressed.

I'll turn to Ms. Woodside here.

Considering that Canada just signed the EU trade agreement and that the EU is well-advanced on this, we're described as an outlier. Now there's a term called "snow washing" related to Canada. By taking these steps and others that you're proposing in front of this committee, do you think the legislation would remove Canada's stigma of at least being, I guess, in the doldrums of an advancement of getting to organized crime?

• (1015)

**Ms. Claire Woodside:** Beneficial ownership opacity has been identified by the *Toronto Star*, which I think, had a part in coining the term "snow washing", by many groups in Canada, and internationally at different global forums, as the key issue in tackling organized crime, money laundering, and tax evasion.

This is the critical piece of information that authorities are missing, that people can't find out. Who is actually controlling a company? The evidence supporting this is very strong. The model that Canada has adopted or has decided to not change, to continue with, is one that relies upon financial institutions and other bodies to collect information and do the best they can to verify it, which they largely can't do. Then if authorities need that information, they access it from financial institutions and they share it internally.

One of the documents that has received insufficient attention in Canada is the Financial Action Task Force evaluation, which was released in October of 2016. In this evaluation, they called on Canada to give priority action to beneficial ownership, and they pointed out some important problems.

First, they found that Canada does not have mechanisms to verify information, so financial institutions can't do this. Financial institutions in other jurisdictions that have been engaged in these conversations have said they need this information and that they cannot verify this information independently. BMO, for example, has been a global supporter of a global beneficial ownership registry, which was launched last year by many different civil society organizations including the B Team, which is a business civil society organization.

This has been recognized by financial institutions in that it's very difficult for them to fulfill this obligation.

One of the things that could be done would be to look at the FATF evaluation, which points, firstly, to the verification of information. Secondly, it says that when that information is shared, the legal hurdles to sharing the information make it so slow that the RCMP is not getting information in a timely fashion, which is hampering investigations. We are pushing for a public registry and that will overcome all those legal hurdles. The evaluation points to that.

The third thing is that they're not investigating them at all, and you have to ask why. It's very difficult to investigate something when you don't have the information. In Canada, we do not want our authorities to give up investigating companies, because that's how the label of "snow washing" sticks.

• (1020)

**The Chair:** Thank you.

**Mr. Brian Masse:** My last question is very quick.

As the legislation stands, if unchanged, do you think it would be a loss for Canada, yes or no?

**Ms. Claire Woodside:** This is a really important missed opportunity as it stands.

**Mr. Brian Masse:** Thank you.

**Ms. Clare Beckton:** I think it would be very important to send a signal, loud and clear, that you want increased gender participation with some targets and some measures.

**The Chair:** Thank you.

On that note, thank you to our witnesses for a great testimonial hearing. We are going to break for two minutes, come back into committee, and discuss some committee business.

*[Proceedings continue in camera]*

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