Who's at the table? Proposed diversity disclosure measures for financial institutions

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On February 15, 2025, the Department of Finance published the proposed Diversity Information Disclosure Regulations (the Proposed Regulations), presenting measures to require federally regulated financial institutions (FRFIs) to disclose information about certain groups (referred to as “designated groups”) in senior management positions at the FRFI.

Aiming to close a long-standing legislative gap, the Proposed Regulations will require distributing FRFIs to disclose diversity related information about their senior leadership. The stated goal of the Proposed Regulations is to provide stakeholders with a clear standardized vision of the composition of who is represented in decision-making roles as members of senior management.

The Proposed Regulations define “designated groups” and “member of senior management” as follows:

Designated Groups[1]	Includes, but is not limited to, women, Indigenous peoples,[2] persons with disabilities and members of visible minorities.
Members of Senior Management	• Chair and vice-chair of the board of directors • President • Chief executive officer (CEO) • Chief financial officer (CFO) • Any vice-president leading a principal business unit, division or function (such as sales, finance or production) • Any officer reporting directly to the board of directors, CEO or the chief operating officer

Proposed diversity disclosure regulations

Under the Proposed Regulations, FRFIs will be expected to publicly report on the implementation of several key areas of governance and representation:

- **Board term limits and renewal:** Adoption of term limits or other renewal mechanisms, along with a description of these mechanisms or reasons for not adopting any.
- **Written policy on director nomination:** Presence of a written policy for identifying and nominating candidates from designated groups, with details on the policy's objectives, key provisions, implementation measures and progress, and effectiveness, if any.
- **Consideration of representation:** How (or if) the level of representation of designated groups is considered in the nomination of directors and appointment of senior management. Alternatively, if representation is not considered, the reasons for not considering it must be disclosed.
- **Targets for representation of designated groups:** Whether specific targets for representation exist for the board and senior management; the progress toward these targets and reasons for not adopting any targets, if applicable. Notably, major subsidiaries representing 30 per cent or more of the consolidated assets or revenue of a distributing FRFI (major subsidiaries) must also disclose their targets.
- **Number and proportion of designated groups:** Disclose the number and proportion of directors and senior management members from each designated group. Major subsidiaries must also disclose these metrics.

Why now? The road to diversity disclosure

The shift towards increased transparency in leadership diversity has received regulatory support over the last decade through various avenues. Since 2014, most Canadian provincial securities regulators have required TSX-listed companies to disclose gender diversity on boards and executive teams. Building on this, in 2020, amendments to the *Canada Business Corporations Act* (CBCA) introduced new diversity disclosure requirements under a "comply or explain" model. This model requires that corporations either outline the representation of designated groups in leadership and disclose their diversity policies and targets or explain the absence thereof.

Now, with Bill C-29 receiving royal assent on June 20, 2024, the same principles will extend into the financial sector, amending the *Bank Act*, the *Insurance Companies Act* and the *Trust and Loan Companies Act* to require diversity disclosure by certain financial institutions.[3] The Proposed Regulations aim to implement these changes through clear and consistent guidance on the manner of implementation.

Have your say

The deadline to provide feedback to the Department of Finance on the Proposed Regulations, as part of a public consultation process, is **March 17, 2025**. Affected parties are encouraged to share their perspectives and help shape these new requirements.

Footnotes

[1] Designated Groups is defined with the same meaning as section 3 of the *Employment Equity Act*, SC 1995, c 44.

[2] First Nation, the Inuit and the Métis people are each considered to be a designated group and the information for each group must be reported separately.

[3] These changes are incorporated into the *2024 Budget Implementation Act*.

By

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