

May 16 2019

Ms. Maureen Jensen, Chair  
Ontario Securities Commission  
20 Queen Street West, 22<sup>nd</sup> Floor  
Toronto, ON M5H 3S8

Dear Ms. Jensen:

Thank you for the opportunity to comment on the Ontario Securities Commission's (OSC) *2019-20 Draft Statement of Priorities*. We appreciate the accountability to issuers and investors inherent in sharing the OSC's draft plan, as well as the clear articulation of both priority areas and expected outcomes. We also appreciate the substantial work that goes into developing a set of manageable priorities in light of the many issues and concerns that fall within your mandate.

The Shareholder Association for Research and Education (SHARE) is a Canadian leader in responsible investment services, research and education for institutional investors. Since its creation in 2000, SHARE has carried out this mandate by providing active ownership services, including proxy voting and engagement, education, policy advocacy, and practical research on issues related to responsible investment and the promotion of a sustainable, inclusive and productive economy. Our clients include pension funds, mutual funds, foundations, endowments, faith-based organizations and asset managers across Canada with more than \$22 billion in assets under management.

We would like to offer the following comments and recommendations regarding the *2019-20 Draft Statement of Priorities*:

**Promote Confidence in Ontario's Capital Markets**

We commend the OSC and CSA for their continued effort to monitor systemic risks such as climate change and their impact on financial stability. We encourage the OSC to continue with its consideration of new disclosure requirements with respect to risk oversight and management, including climate-related risks, and we are eager to engage on behalf of our clients to provide further input into that process.

Despite current regulatory requirements to report material information in financial filings, the CSA's 2018 climate disclosure review found that many companies are not reporting specific climate change-related disclosure in their regulatory filings even though in many cases such information is material to investor decision-making. The issue calls out for regulatory clarity. As noted in *CSA Staff Notice 51-354*,

*Some users indicated that when issuers do not disclose material climate change-related risks or a relevant discussion on the matter in their regulatory filings, they are often unsure as to whether the issuer has: (i) performed an informed analysis of the impacts of climate change and determined they are not material; or (ii) substantially overlooked climate change as a potential source of material risks to their business. As a result, these users were of the view that issuers should be required to disclose whether they specifically considered climate change-related risks and opportunities in their materiality assessments and if they concluded that such disclosure was not material, to provide disclosure to this effect.*

Through specific disclosure requirements, securities administrators have an opportunity to help market participants understand the risks and opportunities that climate change presents, and in so doing, promote confidence in Ontario's capital markets, as a jurisdiction where the systemic risk represented by climate change can be confidently addressed by investors.

The Staff Notice also found a lack of consistency in the information being reported in regulatory filings and elsewhere. We believe that both the urgency of the issue and the current state of disclosure calls for more than just guidance. It calls for new investor-friendly disclosure obligations that provide consistent, meaningful and comparable information from issuers. The final recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) are the best starting point for considering new disclosure obligations. The TCFD recommendations provide a clear and logical framework for CSA to adopt with strong backing from the global financial community. To keep pace with global developments, we would like to see the OSC update its guidance, guidelines and disclosure requirements in line with the TCFD recommendations.

### **Reduce Regulatory Burden**

We welcome continued discussion aimed at reducing the regulatory burden, but trust that the goal of this process is not a quantitative reduction in regulation but a qualitative re-design of regulatory systems to promote effective capital formation with heightened risk awareness and resiliency for both investors and issuers. One step that we would like to see included within that process is for the Ontario Securities Commission to take steps to develop new regulations that answer the need for a comprehensive, consistent, comparable, and cost-effective ESG disclosure regime.

Issuers are currently faced with multiple and sometimes contradictory voluntary frameworks for reporting of ESG information, either developed by investors and investor-focused institutions or

service providers, or by issuers, trade associations, and other institutions. These initiatives and approaches have arisen because there is no regulated framework for reporting ESG information in Canada. Absent a comprehensive, consistent, comparable, and cost-effective reporting framework, the accountability of issuers to their share owners for corporate performance and good governance is undermined, and each Canadian issuer is left with the burden of navigating this maze of standards.

A regime for consistent, comprehensive, comparable and cost effective ESG disclosure would build on the precedent of disclosures established in recent years in *National Instrument 58-101: Disclosure of Corporate Governance Practices* regarding the representation of women on boards and executive officer positions of TSX-listed issuers. *NI 58-101* should be expanded to require disclosure of the board's processes for identifying, assessing and managing salient environmental, social and systemic risks, management's role in assessing and managing risks, and how these processes are integrated into overall risk management. Salient ESG risks and opportunities would include climate change, social inclusion, gender representation and pay gaps, environmental and resource efficiency, and decent work and human capital management.

Disclosure requirements could be accompanied by new or supplemental guidelines in *National Policy 58-201 Corporate Governance Guidelines* that address corporate governance of salient ESG risks and opportunities. The OSC may also consider specific requirements in its planned process of streamlining financial, MD&A and AIF reporting.

While these additions to disclosure rules will add to the regulatory requirements expected of issuers, they will effectively *reduce* the practical burden on issuers by creating a common and reliable disclosure framework rather than the piecemeal approach that dominates Canadian markets today.

### **Strengthen Our Organizational Foundation**

We were pleased to see the *CSA release Notice 13-103 on National Systems Renewal* on May 2 2019 and look forward to commenting on the renewal process. To summarize here, we note that while the current SEDAR system allows filings in XML format for XBRL filings and XLSX format for certain exempt market filings, the vast majority of filings are in PDF format and therefore not machine-readable or searchable. This may have been an appropriate approach to balance the needs of issuers and the public at the time that the system was established, it is our view that technological changes should allow for efficient disclosures by issuers in machine-readable and consistent formats that make usage of the information easier for investors. We urge the OSC to consider technological advances and make appropriate revisions to *National Instrument 13-101* and the *SEDAR Filer Manual* to make data more easily accessible for investors.

Thank you once again for the opportunity to review and comment on the OSC's *2019-20 Draft Statement of Priorities*. While we have only commented on a few of the priorities in the *Draft Statement*,

this should not be construed as a lack of support or interest in the considerable work the OSC is doing in other areas. For example, in prior years' submissions<sup>1</sup> we have discussed our strong interest in the introduction of a requirement for issuers to conduct an annual advisory shareholder vote on executive compensation ("Say on Pay"), and in the introduction of new regulations related to disclosure of gender diversity on boards and in executive officer positions. Without elaborating further here, these continue to be priorities for our clients and we hope that the OSC will likewise see them as priorities for Canadian capital market regulation.

If you have any questions or would like to discuss these proposals further, please feel free to contact me at any time. I can be reached at 416-306-6453 or by email at [kthomas@share.ca](mailto:kthomas@share.ca).

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Thomas', with a stylized, cursive script.

Kevin Thomas  
Executive Director  
Shareholder Association for Research & Education

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<sup>1</sup> [https://www.osc.gov.on.ca/documents/en/Securities-Category1-Comments/com\\_20180523\\_11-780\\_share.pdf](https://www.osc.gov.on.ca/documents/en/Securities-Category1-Comments/com_20180523_11-780_share.pdf)