



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

May 13, 2019

Robert Day  
Senior Specialist Business Planning  
Ontario Securities Commission  
20 Queen Street West  
22nd Floor  
Toronto, Ontario M5H 3S8

By email: [rday@osc.gov.on.ca](mailto:rday@osc.gov.on.ca)

Dear Mr. Day,

**Re: Notice 11-785 – Statement of Priorities**

Thank you for this opportunity to respond to the OSC's proposed 2019-2020 Statement of Priorities.

PIAC has been the national voice for Canadian private and public pension funds since 1977 in matters related to pension investment and governance. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$2 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries. PIAC's positions on public policy reflect the fiduciary framework in which member funds operate and its commitment to work in the best interests of plan members.

We appreciate the OSC sharing its priorities for the coming year and providing the opportunity to comment. We monitor this Draft and final Notice annually, as well as the Report Card on the OSC's performance against its priorities. The transparency and accountability in these publications is fully supported by PIAC.

We support the OSC's priorities of: promoting confidence in Ontario's capital markets, reducing regulatory burden, facilitating financial innovation and strengthening the

Commission's capabilities. We note once again that the OSC has set out an extensive and ambitious program of objectives and deliverables to align with each priority. We are, however, disappointed to see no priorities related to corporate governance, reporting and disclosures of environmental, social and governance (ESG) risks by issuers, say-on-pay, and gender diversity.

In commenting on the Statement of Priorities issued for 2017-2018 and 2018-2019, we supported the OSC's objective to reduce the regulatory burden for issuers and observed the ongoing focus to reduce regulatory burden as expressed in CSA Staff Notice 81-329 Reducing Regulatory Burden for Investment Fund Issuers as well as CSA Staff Notice 51-353 Update on CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers. We support the work of the Burden Reduction Task Force established in OSC Staff Notice 11-784: Burden Reduction and the first public roundtable held in March 2019. PIAC is closely watching this initiative and will provide comment as necessary on behalf of its members.

Notwithstanding our support for burden reduction, it should not be advanced at the expense of other investor protections which the Commission previously established as priorities but has not yet completed. We refer specifically to corporate governance, ESG risk disclosure and gender diversity; themes we commented on previously. We do not see sufficient improvement here, either in regulatory guidance nor issuer behaviour, for the Commission to abandon these priorities and therefore urge they be reinstated in the work plan. In regulating ESG disclosure, the OSC could reduce the burden to issuers given the many disparate disclosure frameworks that exist. The OSC should therefore develop concise regulations for ESG disclosure.

### **Diversity**

Gender diversity on boards and in executive officer positions was a priority in 2018 when the Commission committed to review related disclosure requirements. The OSC also identified it as a priority beginning in 2014. On behalf of shareholders and investors, PIAC believes the Commission should provide direction to issuers regarding its expectations for transparency regarding issuers' practices to achieve gender equality in upper management and governance. We reiterate our comments on the 2018-2019 Statement of Priorities that the current low proportion of women on boards ignores the extensive talent pool of women with the required business acumen, experience and education to assume senior roles within organizations. Accordingly, we suggest the OSC put gender diversity back on the agenda as a priority.

### **Advisory Vote on Executive Compensation ("Say on Pay")**

In our prior response to the draft Statement of Priorities, we requested the OSC include mandatory Say on Pay for issuers which we reiterate here.

The Say on Pay vote is an enormously useful tool for issuers and investors to assess shareholders' acceptance of the corporation's approach to executive compensation, and it

offers an important means of communication between shareholders and issuers. We believe Say on Pay aligns with the OSC's mandate to foster fair and efficient capital markets, and its desire to be a modern securities regulator. Globally, Say on Pay is recognized as corporate governance best practice and Canadian investors should be able to benefit from this practice when investing in Canadian issuers. However, Canada remains the only G7 country not to require Say on Pay on the ballot, notwithstanding the recent amendments to the Canada Business Corporations Act (CBCA) proposed in the federal government's omnibus budget implementation bill.

In offering shareholders the option to directly approve or disapprove executive compensation, Say on Pay provides a precise and transparent mechanism for shareholders to communicate their views and concerns, as opposed to the less transparent option of withholding votes for the election of directors who are members of the compensation committee. The level of shareholder support expressed through Say on Pay clearly communicates shareholder views, allowing boards of directors to respond more effectively and proactively to concerns. Say on Pay facilitates informed views regarding executive compensation structure, its quantum, the circumstances under which payments will be made, and the rationale underpinning compensation structure.

We are disappointed this important issue, which is fundamental to good corporate governance, remains a less significant, less urgent issue to the OSC. To support the OSC's goals to be an effective and responsive securities regulator, to align with international best practice standards and the anticipated CBCA amendments, and to elevate investor confidence, we again request the OSC include mandatory Say on Pay for issuers in the 2019-2020 Statement of Priorities.

### **Systemic Risk Oversight**

PIAC commends the OSC for continuing to monitor financial stability risks and trends, improve market resilience, and reduce the potential risk of global systematic events. As stated in our response to the 2018-2019 draft Statement of Priorities, financial system regulators should require companies to disclose their exposure to material economic, environmental and social risks, including climate change, in alignment with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

PIAC is encouraged by the OSC and CSA's efforts to engage market participants on this matter but are disappointed to see limited progress. We recommend the OSC include information on such risks in its investor education outreach program.

### **Technology and Staff Initiatives**

PIAC supports the OSC's priorities regarding cybersecurity, development of data management analytics capabilities and strengthening the skills of its workforce, which collectively are necessary in a data driven and analytical framework. Cyber attacks particularly have the potential to cause systemic disruption inconsistent with stable capital

markets. Identifying measures that raise awareness and strengthen cyber resilience among issuers is welcome to the extent the risk of disruptions and loss of value to investors can be mitigated.

Thank you for the opportunity to respond to the proposed 2019-2020 Statement of Priorities.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Allen', written in a cursive style.

Deanne Allen  
Chair