February 28, 2019

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
comments@osc.gov.on.ca

Dear Madam/Sir:

Re: OSC Staff Notice 11-784: Burden Reduction

We have reviewed the OSC Staff Notice 11-784 *Burden Reduction* released on January 14, 2019 (the "Staff Notice") and we thank the Ontario Securities Commission ("OSC") for the opportunity to provide you with our comments.

CCGG's members are Canadian institutional investors that together manage almost $4 trillion in assets on behalf of pension funds, mutual fund unit holders, and other institutional and individual investors. CCGG promotes good governance practices in Canadian public companies in order to best align the interests of boards and management with those of their shareholders. We also seek to improve Canada's regulatory framework to strengthen the efficiency and effectiveness of the Canadian capital markets. A list of our members is attached to this submission.

CCGG supports the Task Force's goal of reducing unnecessary regulation but only to the extent that any reduction is consistent with the Task Force's mandate, as described in the Staff Notice, which explicitly recognizes the importance of protecting investors and the integrity of capital markets when considering suggestions to eliminate rules and processes.

Overview/General Comments

CCGG is pleased that the OSC and the other members of the Canadian Securities Administrators ("CSA") are initiating near term policy projects with respect to the burden reduction initiatives described in CSA Staff Notice 81-329 *Reducing Regulatory Burden for Investment Fund Issuers* and CSA Staff Notice 51-353 *Update on CSA Consultation Paper 51-104 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* ("Update on CSA Consultation Paper 51-104").

In the investment fund context, CCGG is looking forward to the expected publication of proposed rule amendments by the CSA in March 2019, with respect to the removal of redundant information in select disclosure documents and the minimization of the filing of documents that may contain duplicative information.

In the context of reducing regulatory burden for non-investment fund reporting issuers, CCGG submitted a detailed response to the request for comment on CSA Consultation Paper 51-104 in July 2017, which is available here ("July 2017 Submission"). We note that CCGG expressed support in principle for two of the six near term policy projects identified for further action in the Update on CSA Consultation Paper 51-104: revisiting certain continuous disclosure requirements, and enhancing electronic delivery of documents. CCGG looks forward to participating in the CSA's policy-making process as these initiatives move forward.

In accordance with CCGG's mandate, our comments will address only those questions from the OSC's Notice 11-784 survey ("Survey") that we consider to be significant for institutional shareholders from a governance perspective. Our responses refer to the numbering contained in the Survey.

Survey Question #19: Are there ways to enhance and improve how investors experience disclosure provided: (i) before they invest; (ii) as part of on-going disclosure; and (iii) by registrants.

As highlighted in the July 2017 Submission, CCGG is supportive of initiatives to reduce unnecessary regulation provided that such regulatory reductions do not compromise investor protection. CCGG is supportive of the CSA's proposed policy project to review current MD&A form requirements and potentially consolidate them with financial statements in the AIF and is of the view that such consolidation has the potential to reduce cost and duplication for issuers while increasing consistency and clarity for investors.

Similarly, CCGG is also supportive of the proposed CSA project to review enhancing electronic disclosure and moving toward a default electronic delivery of documents, provided investors retain a right to "opt in" to receive a paper copy.

We also believe that enhanced enforcement of existing disclosure requirements (e.g. regarding executive compensation) would benefit institutional investors.

CCGG is, however, not generally supportive of proposals that would reduce the timeliness and utility of information provided by issuers and has previously expressed concern with such proposals, including in its July 2017 Submission. By way of example, CCGG did not support extending less onerous venture issuer regulatory requirements to non-venture issuers; reducing the number of years of audited financial statements in non-venture prospectuses from three years to two; reductions in quarterly reporting for reporting issuers; and removal of the BAR disclosure (in particular the financial statements of the business acquired and the pro forma financial statements).

Institutional investors require information from issuers in order to make sound investment decisions and to monitor investments. They also require information to fulfil their fiduciary obligations to beneficiaries and clients, as well as to monitor and hold issuer management and boards to account. Whether or not a regulatory requirement is considered unnecessary or unduly burdensome must consider not just the requirements of the issuer but also the needs of institutional investors to obtain accurate, transparent, relevant and timely information.

CCGG is of the view that reductions in regulations that impact the information available to institutional investors should only be undertaken cautiously and based on empirical evidence that no harm is likely to occur to investors as a result of the reduction.

Survey Question #20: Suggestions for Modernizing Information Provided to Investors Because of Regulatory Requirements.

In its May 28, 2018 submission on the OSC Statement of Priorities ("May 2018 Submission"), available here, CCGG made the case for the inclusion in the 2018-19 OSC Statement of Priorities of a review of disclosure oversight of environmental and social sustainability risks, including climate change, with specific recommendations to the OSC with respect to the disclosure that investors are interested in receiving.

CCGG is pleased that the OSC acknowledged in its *2018-19 Statement of Priorities* that there is a growing level of interest in and importance of disclosures in these areas and indicated it will continue to monitor and assess the appropriateness of disclosures and whether new or added forms of disclosure are required. CCGG is also pleased to note the OSC referred to CSA Staff Notice 51-354 *Report on Climate Change Related Disclosure Project*, published in April 2018, which found that both issuers and investors identified a need for further education and refreshed guidance on environmental reporting. In addition, investors identified a need for new disclosure requirements[1]. In light of these findings, the CSA has identified that it will be pursuing two areas of policy focus:

1. New guidance and education to assist issuers in complying with their existing disclosure obligations which may include:

[1] Section 5.1 of CSA Staff Notice 51-354 *Report on Climate Change-Related Disclosure Project* at p. 33 (Hereinafter, "Staff Notice 51-354").

- guidance on entity-specific risk factor disclosure, including legal/regulatory, physical, transitional and reputational risks associated with climate change, and their financial impact on revenues, expenses, cash flows, assets and liabilities,

- further guidance on trends and uncertainties associated with climate change,

- further guidance with respect to the definition of material information to be applied by issuers when assessing climate change-related risks and opportunities,

- guidance in relation to the governance and management oversight of climate change-related risks, and

- additional initiatives to educate issuers with respect to climate change-related risks and opportunities, such as seminars and publications, as well as reviews of climate change-related disclosure as part of the periodic continuous disclosure reviews conducted by CSA jurisdictions.

2. New disclosure requirements in the following areas:

    - disclosure of issuers' governance processes in relation to material risks and opportunities, including the board's responsibility for oversight and the role played by management; and

    - disclosure of how the issuer oversees the identification, assessment and management of material risks [2].

CCGG is supportive of both these initiatives. Governance processes and board and management oversight of climate change related risks are highlighted by the CSA as areas for review in both projects, which is consistent with the recommendations in the CCGG's *The Directors' E&S Guidebook: Practical Insights and Recommendations for Effective Board Oversight and Company Disclosure of Environmental and Social (E&S) Matters*, available here.

CCGG encourages the OSC to move forward with the CSA on these initiatives in the context of its work on reduction of regulatory burden because a clear and comprehensive disclosure regime is in the interests of both issuers and investors. New guidance and/or new disclosure requirements should contribute to a reduction in the amount of time spent by issuers on interpreting disclosure compliance and may also potentially reduce the amount of one-off information requests from investors to be managed by issuers. For

[2] Sections 5.2 and 5.3 of Staff Notice 51-354, at pp. 35-38.

investors, new guidance and/or new disclosure requirements should provide appropriate, timely and consistent information needed to evaluate the impacts of environmental, social and governance factors on an investment decision or with respect to performance monitoring.

We look forward to participating in these initiatives as they move forward.

Conclusion

In summary, we believe that meaningful steps can be taken to reduce regulatory burden through the policy projects launched under the Update on CSA Consultation Paper 51-104 which focus on the consolidation of duplicative information and enhanced electronic access. We believe these initiatives can improve relevant disclosure for investors.

When considering burden reduction initiatives, CCGG is wary of conflating the concepts of "burden reduction" with an "improved regulatory environment" and encourages the OSC to provide empirical evidence that no harm will result from the removal of information from the regulatory framework. This is consistent with the Task Force's mandate as stated in the Staff Notice "to consider and act on any suggestions to eliminate unnecessary rules and process while protecting investors and the integrity of our markets".

Finally, CCGG encourages the OSC to consider modernization of the disclosure oversight of environmental and social sustainability risks, including climate change, in the context of its burden reduction initiative, given that issuers and investors are mutually supportive of the need for new guidance and education in this area, and investors are supportive of enhanced disclosure requirements.

In closing, CCGG would be pleased to participate in the March 27, 2019 roundtable.

We thank you again for the opportunity to provide you with our comments. If you have any questions regarding the above, please feel free to contact our Executive Director, Catherine McCall, at (416) 868-3582 or cmccall@ccgg.ca or our Director of Policy Development, Sarah Neville at (416) 847-0523 or sneville@ccgg.ca.

Yours very truly,

Marcia Moffat
Chair of the Board
Canadian Coalition for Good Governance

CCGG Members 2019

Alberta Investment Management Corporation (AIMCo)
Alberta Teachers' Retirement Fund (ATRF)
Archdiocese of Toronto
Aviva Investors Canada Inc.
BlackRock Asset Management Canada Limited
BMO Global Asset Management Inc.
Burgundy Asset Management Ltd.
Caisse de dépot et placement du Québec
Canada Pension Plan Investment Board (CPPIB)
Canada Post Corporation Registered Pension Plan
CIBC Asset Management Inc.
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Fiera Capital Corporation
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NAV Canada Pension Plan
Northwest & Ethical Investments L.P. (NEI Investments)
Ontario Municipal Employee Retirement System (OMERS)
Ontario Teachers' Pension Plan (OTPP)
OPSEU Pension Trust
PCJ Investment Counsel Ltd.
Pension Plan of the United Church of Canada Pension Fund
Pier 21 Asset Management Inc.
Public Sector Pension Investment Board (PSP Investments)
QV Investors Inc.
RBC Global Asset Management Inc.

Régimes de retraite de la Société de transport de Montréal (STM)
Scotia Global Asset Management
Sionna Investment Managers Inc.
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