

September 29, 2023

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Financial and Consumer Services Commission, New Brunswick
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities Superintendent of Securities
Ontario Securities Commission
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Re: Request for comment on proposed amendments to Form 58-101F1 of National Instrument 58-101 *Disclosure of Corporate Governance Practices* and proposed changes to National Policy 58-201 *Corporate Governance Guidelines*

Chartered Professional Accountants of Canada (CPA Canada) appreciates the opportunity to comment on the Canadian Securities Administrators' (CSA) proposed amendments to Form 58-101F1 of National Instrument 58-101 *Disclosure of Corporate Governance Practices* and the proposed changes to National Policy 58-201 *Corporate Governance Guidelines* (Proposed Amendments).

CPA Canada is one of the largest national accounting organizations in the world, representing more than 220,000 members. It works collaboratively with the provincial, territorial and Bermudian CPA bodies, as it represents the Canadian accounting profession, both nationally and internationally. This collaboration allows the Canadian profession to champion best practices that benefit business and society, as well as prepare its members for an ever-evolving operating environment. CPA Canada also actively supports the independent structure of accounting, audit and assurance, and sustainability standard setting in Canada by providing funding, staff and other resources.

CPA Canada is a strong proponent of greater diversity at all levels within an organization, and we believe it is integral to the success and competitiveness of Canadian businesses. We have done extensive research on corporate governance and sustainability reporting trends, practices and challenges, and issued many resources on these topics. Most recently, we published [State of Play: Study of Social Disclosures by Canadian Public Companies](#) (Social Disclosure Study), which focuses on the topics of human capital management, diversity, equity and inclusion (DEI), community engagement, human rights, and Indigenous matters. A number of the findings from that research may be relevant to the CSA's project. For example, we

note that a significant majority of companies we reviewed (72 per cent) provided data on racialized groups and disclosed a target related to DEI.

In developing our response, we considered relevant local and international developments and consulted with several of CPA Canada's advisory committees with relevant experience and insights. The advisory committees consulted consist of directors, preparers, assurance providers and investors. Our response does not cover all questions asked but rather focuses on overarching considerations related to the proposed approaches to diversity disclosures.

Key Messages

We recognize that there has been increased demand for disclosure of corporate practices and performance related to diversity, particularly at the board and executive officer level. It is important that companies' performance and disclosures related to diversity be improved and enhanced. We also acknowledge that this is a complex and evolving area. There is wide recognition that greater diversity is a laudable goal and should be accompanied by more disclosure, but there is uncertainty regarding the best approach to achieve advancements. There are also concerns over privacy considerations, labelling of personal characteristics and the potential for unintended consequences.

We strongly recommend that there be a harmonized approach across the CSA as a lack of uniform Canadian regulations would result in much higher compliance costs for issuers and confusion for users.

We note that there are a number of related international initiatives that have taken place recently or are taking place concurrently with the CSA's request for comment on the Proposed Amendments. For example, the International Sustainability Standards Board's (ISSB) recent [Request for Information Consultation on Agenda Priorities](#) (ISSB Agenda Consultation), as well as the upcoming work by the U.S. Securities and Exchange Commission (SEC) to enhance disclosure requirements for human capital management and corporate board diversity, as reflected in its [Spring 2023 regulatory agenda](#).

Considering the above-noted factors, as further explained in this letter, we believe the CSA should consider the results of the ISSB's Agenda Consultation and the SEC's expected proposals for enhanced diversity disclosure before proceeding. Consistent with the CSA's stated support for the ISSB and its development of a global baseline for sustainability disclosures, there is a need to align Canadian disclosure requirements for diversity with any future global standards to the greatest extent possible.

Given the complexity of the topic of diversity and the varying circumstances of issuers, we do not think that a 'one size fits all' approach to disclosures is appropriate. Form A provides transparency and greater flexibility for issuers to adapt their disclosures to their unique circumstances. It is also more consistent with the principles-based approach adopted by the ISSB, which will allow issuers to more easily align their disclosures with any future global standards. We also acknowledge that the standardized approach prescribed under Form B, which requires disclosure for specific designated groups, provides more comparability and the data to assess progress against stated policies, which is desirable from an investor perspective.

Further details on key issues we have identified are outlined in the remainder of this letter.

Consideration of local and international developments

CPA Canada supports the work of the ISSB to develop a global baseline of sustainability reporting standards. We also note that the ISSB has been strongly supported by the CSA and the International Organization of Securities Commissions. However, it is unclear to us how the CSA's project has considered the future work of the ISSB. Given that the ISSB Agenda Consultation includes human capital as a potential area for research in its workplan with DEI as a potential priority topic, we would encourage the CSA to work closely with the ISSB on any future projects in this area. If the ISSB Agenda Consultation concludes that human capital will be the next topic it will focus on, then the progress on research or standards could be timely (given the speed at which the ISSB's inaugural standards IFRS S1 and IFRS S2 were developed and issued). There are also developments in Canada that need to be considered, such as the establishment of the Canadian Sustainability Standards Board.

Additionally, proposals for enhanced disclosures are expected to be issued by the SEC in the next 12 months for human capital management (October 2023) and corporate board diversity (April 2024) according to its Spring 2023 regulatory agenda. Given the close linkages between Canadian and U.S. capital markets, including the prevalence of cross-listed issuers, it is critical for the CSA to carefully consider proposed disclosure rules by the SEC.

Companies and investors operate on a global scale. Therefore, like other public disclosures, it is important to have consistent global reporting standards and requirements for diversity disclosures, to the extent possible. We have consistently heard from companies that addressing differing disclosure requirements in the multiple jurisdictions they operate in is burdensome. Given the international momentum for global sustainability standards, and a number of initiatives in other jurisdictions, we encourage the CSA to provide more frequent and detailed communications on their plans for future projects on sustainability-related topics.

Feedback on Alternate Proposals

When discussing the merits of each proposal, we received mixed feedback. We heard support for Form A on the basis that it should result in enhanced and transparent disclosures, while providing issuers with the flexibility to provide information that is most appropriate to their unique circumstances. It provides more flexibility for issuers operating globally to adapt their disclosure to meet requirements under current or impending international standards and other regulations. We also note that Form A requires the same information on the diversity approach and objectives with respect to executive officer positions as would be required for the board, which will help address the issue of building appropriate talent pipelines.

Some issuers indicated support for Form B and that it would not result in significant additional burden, however, many of them were often already subject to the Canadian Business Corporations Act (CBCA) requirements for DEI disclosure. With only about 29% of reporting issuers being incorporated under the CBCA, it appears that Form B would result in a more significant change for a large proportion of issuers.

Based on our consultations, Directors' views of Form B also varied. There were concerns about the lack of flexibility in compliance. We also heard concerns about the credibility and completeness of the diversity data that would be provided by issuers as it relies on self-identification by individuals, so we recommend that the CSA do further work to understand these issues.

Additionally, as outlined in our Social Disclosure Study, there has been a significant evolution in DEI terminology used to describe various populations and groups in Canada, and this space is constantly evolving. Form A provides greater ability to adjust to these evolutions.

Indigenous Perspectives


Through our research and consultations on the development of sustainability disclosure standards and regulations over the past few years, we have consistently heard that more work and outreach needs to be done with Indigenous peoples to understand how their perspectives should be considered. We encourage the CSA to better understand how Indigenous perspectives can inform the development of any amendments to the disclosure requirements.

Other Considerations

Should the CSA proceed with implementing amendments, we suggest that it evaluates the impacts of the disclosure regime after a certain period, like the approach taken for disclosures related to women on boards and in executive officer positions. This will give the CSA the ability to evaluate whether the amendments are achieving their intended purpose and providing investors with decision-useful information, and to determine whether further action should be considered. It will also establish a baseline of information that can be built upon and allow the CSA to evaluate the implications of other international diversity-related standards setting and regulatory initiatives.

Thank you for the opportunity to comment on this proposal. We would be pleased to share further insights and answer any questions you may have. Please contact Rosemary McGuire, Vice-President, Research, Guidance and Support (rmcguire@cpacanada.ca).

Yours truly,



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