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September 29<sup>th</sup>, 2023

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Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission  
New Brunswick Superintendent of Securities  
Department of Justice and Public Safety, Prince Edward Island  
Nova Scotia Securities Commission  
Office of the Securities Commission of Newfoundland and Labrador  
Office of the Superintendent of Securities, Northwest Territories  
Office of the Superintendent of Securities, Yukon  
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RE: CSA Notice and Request for Comment – Proposed Amendments to Form 58-101F1 Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices and Proposed Changes to National Policy 58-201 Corporate Governance Guidelines

Ladies and Gentlemen:

Morningstar Research, Inc. welcomes the opportunity to comment on the Proposed Amendments to Form 58-101F1 Corporate Governance Disclosure of National Instrument 58-101 Disclosure of Corporate Governance Practices and Proposed Changes to National Policy 58-201 Corporate Governance Guidelines dated April 13, 2023.

Morningstar Research, Inc. is a leading provider of independent investment research, and our mission is to empower investor success. Our acquisition and integration of the Sustainalytics business is not only a testament to our commitment in sustainable investing, which encompasses facets of diversity, equity, and inclusion. We offer insights in this comment letter from the perspective of an ESG data provider, a research firm covering equities and investment funds, and lastly as an issuer of US-listed stock that is broadly in support of ISSB reporting standards.

We also [note our comments](#) regarding a 2021 proposal put forth by NASDAQ regarding diversity disclosures at the board level for which we were supportive. Echoing the sentiment of this letter, we are in support of increased required transparency when it comes to diversity beyond gender at the board levels of an issuer.

We respectfully address the questions set forth in the CSA's request for comment below:

**1. The Proposed Amendments would require the disclosure of the skills, knowledge, experience, competencies and attributes of candidates that are considered and evaluated. Does this requirement raise concerns for issuers regarding disclosure of confidential or competitively sensitive information? Please explain. (Please refer to the table entitled "Board Nominations" in Annex A for a description of this proposed requirement)**

From the perspective as an issuer of publicly traded equity, we do not believe that disclosing details about board candidates would raise confidentiality concerns. The backgrounds and competencies of board nominees are generally made available in the proxy voting process. Though not broadcasted publicly, interested investors can find this information today in historical proxy records. We don't believe repeating similar information in an annual filing would change any privacy concerns, assuming due respect is given to candidates' rights to disclose information voluntarily.

**2. We are consulting on two alternatives with respect to the requirement to provide disclosure on the approach to diversity (Form A and Form B). Which approach best meets the needs of investors for making investing and voting decisions? Which Form best meets the needs of issuers in describing their approach to diversity at the board and executive officer level? Do either of the approaches raise concerns for issuers? Are there certain requirements in either form that you find preferable to the equivalent requirement in the other form? Please explain.**

From the investor perspective, Morningstar believes that Form B clearly offers comparability between issuers, as alluded to in the request for comment. A standardized approach results in a shorter time to collect information and derive analytics for what investors ultimately utilize to make investment decisions.

We note importantly here that Morningstar has a competitive advantage in collecting non-standardized data and then applying our frameworks to normalize it and create utility for investors. However, this competitive advantage is superseded by our mission to empower investors, for which we believe that a regulator mandated standardized data set is immediately more useful.

Morningstar's concerns around Form B largely center around nuances around multi-national Canadian

issuers who have board members and executives in other geographical areas (particularly those not in North America) where the prescribed groups in Form B do not carry the same meaning, which will affect the intent of the regulation. Moreover, cultural sensitivities in other markets, or even within various cultural groups within Canada may prevent the degree of disclosures proposed in Form B.

The immediate utility of this new set of data speaks directly to the trend in personalized investing, reflected in Morningstar's own development of tools and frameworks to help investors find funds that suit their non-financial preferences. As investors increasingly demand to invest in line with personal values and beliefs, this type of data would add transparency for interested investors. Moreover, it allows investment fund managers to systematically integrate this information into their investment processes. In concept this would increase capital flow to companies with diverse boards, assuming Morningstar's view that a diverse board enhances corporate governance and reduces risk.

**3. Is information on the diversity approach and objectives of issuers with respect to executive officer positions useful for investors? Does this requirement raise concerns for issuers? Please explain. (Please refer to the table entitled "Approach to Diversity – Executive Officer Positions" in Annex A for a description of this proposed requirement)**

Yes, the diversity approach and objectives of issuers are useful inputs for investors. Morningstar Sustainalytics' research methodology uses this information at present in assessing the degree of material risk inherent in an investment. Our ratings reflect our view that effective corporate governance policies around board nomination and having a well-planned strategy to elect a diverse board, reduces the amount of materially financial risk inherent in the company.

We also note that policies around executive compensation, a common shareholder proposal item on proxy voting ballots and an input to our ratings methodology, is directly linked to DEI policies, further exemplifying the demand for more transparency of this type of information to investors.

**4. Should issuers be required to disclose data about specified designated groups, consistent with the approach in Form B? Or should issuers be required to disclose data about women only and the identified groups for which they collect data, consistent with the approach in Form A? Please explain. (Please refer to the table entitled "Concept of Diversity" in Annex A for a description of "designated groups" and "identified group")**

Re-iterating Morningstar's preference for Form B, we believe that data should be disclosed around specified designated groups to facilitate comparability.

**5. Would it be beneficial to require reported data to be disclosed in a common tabular format? Does this requirement raise concerns for issuers? Please explain.**

Echoing response in # 2, we absolutely encourage a tabular format. In fact, we encourage the entire form to be submitted in XBRL or iXBRL format which is widely consumable and can be quickly distributed via many service providers.

Sincerely,

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Morningstar Research Inc.

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ESG Policy Research Director, Government Affairs  
Morningstar UK Limited

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