July 28, 2017

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The 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
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

The Secretary
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Dear Sir/Madam:

Re: CSA Consultation Paper 51-404
Considerations for Reducing Regulatory Burden for
Non-Investment Fund Reporting Issuers

We have reviewed the CSA Consultation Paper 51-404 (“Consultation Paper) released April 6, 2017 and we thank the Canadian Securities Administrators ("CSA") for the opportunity to provide you with our comments.

CCGG's members are Canadian institutional investors that together manage approximately $3 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.

Overview

CCGG supports efforts by the CSA to consider ways to reduce undue regulatory burden on issuers while ensuring that investor protection is not compromised. The challenge, of course, is to determine which regulations meet the definition of "undue"[1] and from whose vantage point that determination is made. CCGG's focus is on ensuring that institutional investors have the information they need to make good investment decisions and to monitor those investments.

In principle, reducing regulation can benefit both issuers and investors. For example, reducing the burden on issuers by consolidating and clarifying certain disclosure and promoting accessibiity may enhance investor protection by improving the quality of disclosure. Any corresponding reduction in expense to the issuer that gets passed through to the shareholder is also beneficial to shareholders. Information, however, provides institutional investors with the primary means of fulfilling their fiduciary obligations to beneficiaries and clients and holding management and boards accountable. CCGG is of the view that regulators should err on the side of caution when considering reducing regulation and that the information available to investors should be reduced only when it can be clearly shown that it is "undue" and that no harm is likely to result to investors. Obtaining and considering empirical evidence on the impact of reducing regulation should be part of the discussion.

In accordance with CCGG's mandate, our comments will address only those items in the Consultation Paper that we consider to be significant for institutional shareholders from a governance perspective. Our responses refer to the numbering contained in the Consultation Paper.

2.1 Extending the application of streamlined rules to smaller reporting issuers

4. Would a size-based distinction between categories of reporting issuers be preferable to the current distinction based on exchange listing? Why or why not?

A size-based distinction would not be preferable to the current exchange listing distinction because it would introduce complexity and uncertainty into what is currently a simple and straightforward method for investors to know which regulatory regime applies to which issuers. Further uncertainty will be introduced if an issuer's size fluctuates. The number of questions posed in the Paper in connection with this issue show the sorts of concerns that would have to be addressed:

- What measures could be used to prevent reporting issuers from being required to report under different regimes from year to year?

[1] Oxford dictionary defines "undue" as "unwarranted or inappropriate because excessive or disproportionate".

- What measures could be used to ensure that there is sufficient transparency to investors regarding the disclosure regime to which the reporting issuer is subject?

- How could we assist investors in understanding the distinction made and the requirements applicable to each category of reporting issuer?

The current distinction should not be replaced by one without the same virtues of clarity and simplicity.

6. *If the current distinction for venture issuers is maintained, should we extend certain less onerous venture issuer regulatory requirements to non-venture issuers? Which ones and why?*

Less onerous venture issuer regulatory requirements should not be extended to non-venture issuers. In our August 2014 submission to the CSA in connection with proposals to establish less onerous disclosure and governance requirements for venture issuers, we were opposed to certain of the proposals even for venture issuers on the basis that with access to public markets comes accountability responsibilities. As we have stated in the past, in CCGG's view, smaller companies are not in less need of robust governance practices and the risk to investors of the lack thereof does not diminish with the smaller size of the company. We would argue on the same basis that less onerous requirements should not be extended to non-venture issuers. CCGG opposes extending to a broader group of companies the less stringent corporate governance and disclosure requirements applicable to venture issuers, such as less executive compensation disclosure, lesser standards of audit committee independence, or a higher threshold for significant acquisition reporting.

We note in this regard that requiring lesser disclosure from venture issuers and smaller non-venture issuers risks increasing the cost of capital for those issuers because less disclosure tends to provide less comfort for investors, making the investments harder to assess and therefore riskier with a corresponding demand for higher returns. If less onerous disclosure is extended to smaller non-venture issuers it may work against such issuers because investors may be less likely to invest in these riskier endeavours. As one of our members stated, "information gives confidence".

Again, we believe that having different regulatory regimes apply to issuers listed on the same exchange would create confusion and misunderstanding.

2.2 Reducing the regulatory burdens associated with the prospectus rules and offering process

7. Is it appropriate to extend the eligibility criteria for the provision of two years of financial statements to issuers that intend to become non-venture issuers?

CCGG is opposed to reducing the number of years of audited financial statements in non-venture IPO prospectuses from three years to two. Making an investment decision based on publicly available information is challenging enough under the existing reporting regime. Having three years of data is considered important to discern whether a given year is representative of "normal" results, to gain confidence regarding the company's stability and to analyze revenue trends. Ideally, it would be possible to provide financial statements for a whole business cycle. Reducing the disclosure to two years reduces investors' ability to draw comparisons and carry out comprehensive analyses.

(b) Streamlining other prospectus requirements

9. Should auditor review of interim financial statements continue to be required in a prospectus? Why or why not?

CCGG believes, yes, the review requirements should continue. The review provides additional comfort to investors, analysts and regulators as to the accuracy of the statements.

2.3 Reducing ongoing disclosure requirements

18. Does the BAR disclosure, in particular the financial statements of the business acquired and the pro forma financial statements, provide relevant and timely information for an investor to make an investment decision? In what situations does the BAR not provide relevant and timely information?

Our members believe that BARs provide relevant and timely information for making investment decisions. In particular, one of our members has advised that the financial statements are useful because they contain certain asset specific information in the notes to the financial statement that can be lost on merger/amalgamation. In the case of acquisitions of public companies, including financial statements should not be considered burdensome since these statements are historical and already filed.

CCGG is of the view that pro-forma financial statements are critical because they provide information that investors cannot create themselves and so need guidance from companies.

(b) Reducing disclosure requirements in annual and interim filings

23. What are the benefits of quarterly reporting for reporting issuers? What are the potential problems, concerns or burdens associated with quarterly reporting?

We believe that in order for investors and analysts to have timely financial information available to them, the current quarterly reporting obligation should be maintained. While the argument that quarterly reporting encourages short term thinking on the part of boards and management and discourages a long-term perspective is intuitively appealing, CCGG's members generally view the information provided by quarterly financial statements to be important and relevant. Timely and on-going information is essential to assessing and monitoring the quality of an investment.

A March 2017 study by the CFA Institute Research Foundation, *Impact of Reporting Frequency on UK Public Companies*, looked at the impact of the UK experience where mandatory quarterly reporting was initiated in 2007 and discontinued in 2014 and found "no reason to believe that removing quarterly reporting requirements would stop companies from engaging in short-termism (i.e., sacrificing long-term investment opportunities in order to bolster short-term earnings results.)".[2]

[2] Interestingly, even after they were no longer required to do so, most companies kept reporting quarterly.

There also is value in maintaining consistency with the U.S., where quarterly reporting is required. Issuers which are dual listed will have to continue to comply and issuers whose peers are subject to quarterly reporting requriements are likely to continue to supply quarterly financials to remain competitive for investor attention. A move to semi-annual reporting could have an impact on the market value of Canadian issuers in comparison to U.S. counterparts where more frequent reporting is available.

CCGG is of the view, however, that providing voluntary quarterly *guidance* can in fact impact long term thinking in a negative manner since it risks incentivizing management and boards to make decisions that focus on meeting that guidance rather than focussing on long term strategy. We suggest that instead of removing the quarterly reporting obligation, the CSA may want to take steps to discourage the provision of voluntary quarterly guidance.

24. Should semi-annual reporting be an option provided to reporting issuers and if so under what circumstances? Should this option be limited to smaller reporting issuers?

We do not agree with only semi-annual reporting for any reporting issuer for the reasons noted above. All companies should provide disclosure on a consistent basis, to avoid some issuers having information in the public domain while others do not.

2.4 Eliminating overlap in regulatory requirements

29. Should we consolidate the MD&A, AIF (if applicable) and financial statements into one document? Why or why not?

We believe that there is an opportunity to reduce regulatory burden, reduce cost and improve disclosure to investors by reviewing current MD&A form requirements and potentially consolidating them with financial statements and the AIF. The multiplicity of disclosure in this regard is in many ways duplicative, potentially contradictory or ambiguous, and can lead someone unfamiliar with the disclosure regime to overlook relevant disclosure.

2.5 Enhancing electronic delivery of document

32. The following consultation questions pertain to the "notice-and-access" model under securities legislation and consideration of potential changes to this model:

(a) Since the adoption of the "notice-and-access" amendments, what aspects of delivering paper copies represent a significant burden for issuers, if any? Are there a significant number of investors that continue to prefer paper delivery of proxy materials, financial statements and MD&A?

CCGG’s institutional investor members prefer electronic delivery of materials. However, we recognize that some retail Investors may prefer paper delivery and believe that they should still have that option. We believe that it would be appropriate at this point to adopt a policy whereby those wanting paper delivery must “opt in”.

(b) Do you think it is appropriate for a reporting issuer to satisfy the delivery requirements under securities legislation by making proxy materials, financial statements and MD&A publicly available electronically without prior notice or consent and only deliver paper copies of these documents if an investor

specifically requests paper delivery? If so, for which of the documents required to be delivered to beneficial owners should this option be made available?

Yes, we believe that paper copies should be provided only if an investor specifically requests paper delivery. This should apply to all public documents like proxy materials, annual reports, financial statements and MD&A.

Conclusion

In summary, we believe that meaningful steps can be taken to reduce regulatory burden through consolidation of duplicative information which we believe can have the positive effect of improving relevant disclosure for investors. However, we do not believe that quarterly reporting of financial statements should be replaced by semi-annual reporting. We also do not believe that the less onerous disclosure requirements currently applying to venture issuers should be extended to any non-venture issuers.

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, Stephen Erlichman, at 416.847.0524 or serlichman@ccgg .ca or our Director of Policy Development, Catherine McCall at 416.868.3582 or cmccall@ccgg.ca.

Yours very truly,

Julie Cays, CFA
Chair of the Board
Canadian Coalition for Good Governance

CCGG Members – July 2017

Alberta Investment Management Corporation (AIMCo)
Alberta Teachers' Retirement Fund (ATRF)
Archdiocese of Toronto
BlackRock Asset Management Canada Limited
BMO Asset Management Inc.
BNY Mellon Asset Management Canada Ltd.
British Columbia Investment Management Corporation (bcIMC)
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.
Colleges of Applied Arts and Technology Pension Plan (CAAT)
Connor, Clark & Lunn Investment Management Ltd.
Desjardins Global Asset Management
Electrical Safety Authority (ESA)
Fiera Capital Corporation
Franklin Templeton Investments Corp.
Greystone Managed Investments Inc.
Healthcare of Ontario Pension Plan (HOOPP)
Hillsdale Investment Management Inc.
Industrial Alliance Investment Management Inc.
Jarislowsky Fraser Limited
Leith Wheeler Investment Counsel
Lincluden Investment Management Limited
Mackenzie Financial Corporation
Manulife Asset Management Limited
NAV Canada
Northwest & Ethical Investments L.P. (NEI Investments)
OceanRock Investments Inc.
Ontario Municipal Employee Retirement System (OMERS)
Ontario Pension Board
Ontario Teachers' Pension Plan (OTPP)
OPSEU Pension Trust
PCJ Investment Counsel Ltd.
Pension Plan of the United Church of Canada
Pier 21 Asset Management Inc.
Public Sector Pension Investment Board (PSP Investments)
RBC Global Asset Management Inc.
Régimes de retraite de la Société de transport de Montréal (STM)
Russell Investments Canada Limited
Scotia Global Asset Management
Sionna Investment Managers Inc.
State Street Global Advisors, Ltd. (SSgA)

Sun Life Investment Management Inc. (SLIM)
TD Asset Management Inc.
Teachers' Retirement Allowances Fund
UBC Investment Management Trust Inc.
University of Toronto Asset Management Corporation
Vestcor Investment Management Corporation
Workers' Compensation Board - Alberta
York University