

March 31, 2021

Corporations Canada
Innovation, Science, and Economic Development Canada
235 Queen Street
Floor 7
Ottawa, ON K1A 0H5
By email: ic.corporationscanada.ic@canada.ca

Dear Madam/Sir,

Re: *Consultation on regulatory proposals – Bill C-97 An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures*

The Canadian Coalition for Good Governance (CCGG) welcomes the opportunity to comment on the proposed Bill C-97 regulations.

CCGG's members are Canadian institutional investors that together manage approximately \$5 trillion in assets on behalf of pension fund contributors, mutual fund unit holders, and other institutional and individual investors. CCGG promotes good governance practices, including the governance of environmental and social matters, at Canadian public companies and assists institutional investors in meeting their stewardship responsibilities. CCGG also works towards the improvement of the regulatory environment to best align the interests of boards and management with those of their investors and to increase the efficiency and effectiveness of the Canadian capital markets. A list of our members is attached to this submission.

We provide our responses to the questions in the same order and number as they appear in the consultation paper. CCGG does not have a response to all questions.

RESPONSES TO SPECIFIC QUESTIONS:

Issue A: prescribing the corporations that are subject to the new obligations.

Question A1: Do you agree that distributing corporations should have the new obligations? Please explain

Yes, to provide transparency to shareholders, distributing corporation should have the new obligations. In particular, CCGG agrees that say on pay and recovery of benefits disclosures should

apply to distributing corporations (public issuers) because these relate to an annual shareholder vote on executive compensation and are therefore more relevant to widely held public issuers.

Issue B: prescribing the definitions of “members of senior management”, “retirees” and “pensioners”

Corporations Canada is proposing to use the below definition of “members of senior management”, which is currently used for diversity disclosures under the CBCA, in relation to the obligations regarding the approach to remuneration (say on pay) and the disclosure of recovery of benefits (clawbacks) as they apply to members of senior management.

“members of senior management” is defined as follows:

For the purpose of subsection 172.1(1) of the Act *members of senior management* means, in respect of a distributing corporation, the following individuals:

- a. the chair and vice-chair of the board of directors;
- b. the president of the corporation;
- c. the chief executive officer and chief financial officer;
- d. the vice-president in charge of a principal business unit, division or function, including sales, finance or production; and
- e. an individual who performs a policy-making function in respect of the corporation.

Question B1: Do you agree with the proposed definition of “members of senior management”? Please explain.

CCGG has a model say on pay policy and has long advocated in favour of codifying a mandatory non-binding shareholder vote on the board’s approach to executive compensation. As 74% of non-controlled companies on the S&P/TSX Composite Index have voluntarily adopted a say on pay policy, we encourage Corporations Canada to mirror current best practice in the regulatory framework it establishes to implement say on pay for federally incorporated companies.

Pursuant to the CCGG Model Say on Pay Policy (available at www.ccg.ca/policies), “the purpose of the say on pay advisory vote is to provide director accountability to the shareholders of the company for the board’s executive compensation decisions by giving shareholders a formal opportunity to provide their views on the disclosed objectives of the executive compensation plans, and on the plans themselves, for the past, current and future fiscal years”.

The definition of “members of senior management” should therefore not include any members of the Board unless they are also executives of the company. Non-executive Board members, including Chairs and Vice Chairs, are not part of management and including them in the definition of senior management creates a potential conflict with the other members of the board with respect to their exercise of oversight over executive compensation.

Non-executive directors should be dealt with as a separate group within the contemplated disclosure on an approach to compensation to shareholders as they are not “executives” and director compensation is structured differently from executive compensation. This would be consistent with existing securities disclosure requirements for statements of executive

compensation (Form 51-102F6 and Form 51-102F6V) and the approach taken by Corporations Canada in its recent guidance regarding the CBCA diversity disclosure requirements which came into effect in 2020. (For greater clarity, we do not interpret the CBCA amendments in Bill C-97 relating to either the development of an approach on remuneration (ss 125.1 and 172.4) or recovery of benefits (s 172.3) as relating to directors unless those directors are also “members of senior management”).

In CCGG’s view, for the purposes of implementing the annual non-binding shareholder say on pay vote, the definition of “members of senior management” should align with the existing disclosure regime for executive compensation established by securities regulations against which all distributing corporations currently report. Securities disclosure requirements currently require disclosure of compensation with respect to the “named executive officers” and directors of an issuer pursuant to Form 51-102F6 and, optionally for venture issuers, Form 51-102F6V. To illustrate, the following definition is used in Form 51-102F6:

“NEO” or “named executive officer” means each of the following individuals:

- a. a CEO;
- b. a CFO;
- c. each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6), for that financial year; and
- d. each individual who would be an NEO under paragraph (c) but for the fact that the Individual was neither an executive officer of the company, nor acting in a similar capacity, at the end of that financial year.

The definition of NEO is different from and narrower than Corporations Canada’s proposed definition of “members of senior management”. Instead of Corporations Canada’s proposal, we recommend that “members of senior management” be defined in the same manner as “NEO” is defined in applicable securities regulation by incorporating relevant securities instruments by reference. Specifically, distributing corporations that are “venture issuers” (as that term is defined in securities laws) should have the option of adopting the definition of “NEO” in either Form 51-102F6 or Form 51-102F6V, while other distributing corporations should be required to adopt the definition of “NEO” in Form 51-102F6. This approach will better-align the requirement for an annual non-binding say on pay advisory vote with the current securities disclosure regime in Canada to ensure consistency, avoid confusion, and minimize the potential imposition of additional disclosure burdens/complexity on CBCA issuers compared to non-CBCA issuers with respect to the same subject matter (executive compensation). We would apply the same analysis and make the same recommendation in respect of the disclosure of the recovery of benefits.

Question B2: Do you agree with the proposed definitions of “retirees” and “pensioners”? Please explain?

CCGG has no comment on the proposed definitions of “retirees” and “pensioners”.

Issue C: Prescribing the time and manner for disclosing the results of the say-on-pay vote

Corporations Canada is proposing that the results of the say on pay voting be disclosed by:

1. reporting the results at the meeting;
2. posting the results on the corporate website, no later than 30 days after the meeting; and
3. setting out the results in the next annual general meeting’s management circular

Question C1: Do you agree with the proposed times and manner for providing the results of the say on pay vote? Please explain.

CCGG’s Model Say on Pay Policy provides that the company will disclose the results of the shareholder advisory vote as a part of its report on voting results for the meeting.

With respect to the time of disclosing the results of the say on pay vote:

1. Reporting the results at the meeting:

CCGG agrees that CBCA corporations that hold a say on pay vote should be required to disclose the results at the meeting at which the vote was conducted.

2. Posting the results on the corporate website, no later than 30 days after the meeting:

Currently, securities laws require that voting results that are reported be concurrently filed to SEDAR, which is the widely accepted repository for Canadian securities filings. Many issuers voluntarily link to their filings from their websites, but not all do. We would therefore support a requirement that issuers also post voting results on their websites in addition to posting on SEDAR.

Such corporations should also be required to disclose the results promptly following the meeting at which the matter was submitted to a vote. This is the standard that already applies to non-venture issuers under section 11.3 of NI 51-102. Venture issuers do not have any comparable requirement under securities laws to generally disclose the results of shareholder votes. For say on pay votes under the CBCA, we propose that venture issuers be held to the same standard as non-venture issuers. Such filings are typically one to two pages and are not onerous.

3. Setting out the results in the next annual general meeting’s management circular:

CCGG agrees that the results should also be required to be set out in the next annual general meeting’s management circular.

With respect to the manner of disclosing the results of the say on pay vote, it is CCGG's position that the "results" to be disclosed should indicate, at least, the number and proportion of shares, reported by share class, voted in favour, voted against, and abstained from voting on the resolution. This standard should apply regardless of whether the vote on the resolution was conducted by ballot or by show of hands. It is critical that investors be able to understand the level of support received for a say on pay vote. A say on pay vote that "passes" with 51% of the vote would nonetheless be widely considered as a rebuke against the board's approach to executive compensation. A bare disclosure of whether such a resolution has been adopted would not provide useful information to shareholders and would not serve the policy purposes of requiring such a vote.

This standard should also apply regardless of whether the corporation is a venture issuer. As noted, venture issuers do not have any requirement under securities laws to generally disclose the results of shareholder votes. Some venture issuers report voting results voluntarily. Some report detailed results, and some report only whether each resolution was carried.

Non-venture issuers are already required to disclose detailed voting results for director elections through the combined operation of section 11.3 of NI 51-102 and section 461.4 of the TSX Company Manual. Requiring an equivalent level of disclosure for say on pay votes will be minimally onerous for such issuers and will place no additional burden on those issuers that already voluntarily submit to such votes annually.

As noted, securities laws applicable to non-venture issuers are generally consistent with the reporting obligations of our policy. Venture issuers should be subject to similar reporting requirements for the reasons set out above.

Question C2: Do you have any other suggestions for the time and manner of the disclosure of the results of the say on pay vote?

In its Model Say on Pay Policy, CCGG recommends that while the vote is not binding, boards will take the results into account when considering future executive compensation policies, procedures and decisions. CCGG further recommends that where a say on pay vote receives low (typically less than 80%) or failing levels of shareholder support, in line with its accountability to shareholders, the board should report back within a reasonable time on its engagement efforts to understand shareholder concerns and the actions taken to address those concerns or explain why no action was taken. This disclosure to shareholders should be made as soon as practicable (preferably within six months of the vote) but no later than in the management circular for the next shareholders' meeting.

Issue D: prescribing the information that needs to be disclosed to shareholders about the recovery incentive and other benefits

Corporations Canada's proposal is that mandated disclosure with respect to clawback policies should include the following prescribed information:

- indicate whether or not the corporation has adopted a written policy relating to the recovery of incentive and other benefits and, if it has not adopted a written policy, the reasons why it has not adopted a policy;
- if the corporation has adopted a written policy on recovery, provide a summary of that policy including:
- the policy's objectives and key provisions,
 - a. which incentives and other benefits are covered by the policy,
 - b. what triggers a recovery and any discretion attached to it,
 - c. the period that is established to determine that a recovery is needed (often called the look back period),
 - d. who makes the decision that a recovery is required, and
 - e. information on the recoveries made, if any, in the previous fiscal year.

Question D1: Do you agree with the information to be disclosed about recovery? Please explain.

CCGG agrees with the proposed prescribed information.

Question D2: Do you have other suggestions for information that should be included or excluded in the disclosure for shareholders on a corporation's recovery policy?

In its Executive Compensation Principles, CCGG advocates that it may be appropriate for boards to require the recovery of executive compensation in the event of a material earnings restatement or other company-specific change that significantly reduces shareholder value. In light of this and given the impacts on shareholder value that can arise from the reputational risks to a company related to executive conduct, we would recommend that the disclosure requested with respect to “triggers of recovery” be expanded to specify that both material financial and non-financial factors (e.g. executive conduct in breach of Codes of Conduct, sexual harassment, bullying, etc.) that would initiate a recovery should be disclosed. In all circumstances, disclosure should be made with respect to how the policy determines whether or not the policy has been triggered and how the financial recovery will be calculated.

Issue E: prescribing the information that needs to be disclosed to shareholders about the well-being of employees, retirees and pensioners

Bill C-97 requires information about the “well-being” of employees, retirees and pensioners to be placed before shareholders at each annual meeting. The rationale for the amendments in Bill C-97 is to motivate boards of directors to consider the interests of these stakeholders in their decision-making and to provide related policy disclosures. The consultation draft indicates that disclosure to shareholders about the well-being of these three stakeholder groups “provides better oversight of corporate behaviour and promotes the interests of the corporation’s current and former human resources”.

Corporations Canada proposes that the prescribed information should:

- indicate whether or not the corporation has adopted a written policy relating to the well-being of employees, retirees and pensioners and, if it has not adopted a written policy, the reasons why it has not adopted a policy;
- if the corporation has adopted a written policy on well-being, provide:
 - a summary of that policy with:
 - a. the policy's objectives and key provisions,
 - b. the various elements of the policy covering the well-being of employees, retirees and pensioners,
 - a summary of the activities taken pursuant to the policy,
 - a description of the corporation's progress in achieving the objectives of the policy,
- an indication of whether or not the corporation measures the effectiveness of the policy and, if so, a description of how.

**Question E1: Do you agree with the information to be disclosed about well-being?
Please explain**

CCGG has some concerns with the proposed disclosure.

Context of the “Well-Being” Amendments to the CBCA

The proposed disclosure relates to corporate governance and disclosure reforms announced in the 2019 Federal Budget and enacted through Bill C-97. The measures were announced as part of the Budget's “whole of government” approach to protecting Canadian pensions through greater safeguards in the context of corporate insolvencies. They included amendments to, among other statutes, the *Canada Business Corporations Act*, the *Companies' Creditors Arrangement Act* and the *Bankruptcy and Insolvency Act*. Notable amendments included, with respect to the latter two statutes, the introduction of requirements to act in good faith, and with respect to the *Bankruptcy and Insolvency Act*, the empowerment of courts to review payments to directors, officers and executives in the period leading up to insolvency.

As described in the Budget, the rationale underpinning the corporate governance amendments to the CBCA was: “to set higher expectations for, and better oversight of, corporate behaviour”. Reforms were to be implemented through a requirement that: “publicly traded, federally incorporated firms will be required to disclose their policies pertaining to workers, pensioners and executive compensation or explain why such policies are not in place”; and by codifying the common

law fiduciary duty to recognize that “federally incorporated businesses are able to consider diverse interests such as workers and pensioners in corporate decision-making”¹.

The other corporate governance reforms relevant to the CBCA, including say on pay and disclosure of clawbacks (already dealt with earlier in this response), further rounded out the package of proposed Budget measures intended to deliver on the government’s objective of protecting Canadian pensions. The proposed CBCA amendments themselves were introduced through Bill C-97 under the heading “Enhancing Retirement Security”².

In particular, the CBCA was amended to include the following:

- The directors of a prescribed corporation shall place before the shareholders, at every annual meeting, the prescribed information respecting the well-being of employees, retirees and pensioners.
- Codification of the Supreme Court of Canada’s decision in *BCE*, which confirmed that the directors of a company act in the best interests of the corporation and *may* take into account the interests of stakeholders including shareholders, employees, creditors, consumers, governments and the environment. The CBCA amendments also included retirees and pensioners and the long-term interests of the corporation in the list of stakeholder interests that *may* be considered when it codified the common law fiduciary duty.

We are of the view that this context is important and have relied on the following assumptions when considering our response:

- The purpose of the C-97 amendments was to promote the financial security of Canadians in retirement;
- One of the mechanisms used to achieve this objective was to create greater accountability by corporations with respect to how they consider the interests of employees, pensioners and also retirees through enhanced disclosures relevant to corporate decision-making with respect to these stakeholders;
- The amendments to the CBCA implemented through Bill C-97 require corporate disclosures to shareholders with respect to the “well-being” of such stakeholders, but the statutory amendment is not limited to financial security in retirement. This is broader than the measure described in the Budget, which focused on disclosure of policies related to employees and pensioners, on a comply or explain basis.

¹ Government of Canada, Budget 2019, A Secure and Dignified Retirement for Canadian Seniors, March 19, 2019 [online: [Budget 2019](#) Part 4: Protecting Canadians’ Pensions and [A Secure and Dignified Retirement for Canadians](#) ([budget.gc.ca](#))]

² An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures, SC 2019 C. 29 [online: [Government Bill \(House of Commons\) C-97 \(42-1\) - Royal Assent - Budget Implementation Act, 2019, No. 1 - Parliament of Canada](#)]

General Observations

1. What is meant by well-being?

“Well-being” is not defined in the legislation or proposed regulation and is not a term commonly used in isolation in disclosures focused on human resources. The concept of employee well-being can have many different focuses and covers a range of potential disclosures: financial security (as contemplated in the 2019 Budget), but also mental health, physical health, conditions in the workplace, and conditions outside of the workplace. Because the language of the legislation and proposed regulatory disclosures with respect to well-being are not limited to the financial health of employees, pensioners and retirees, we are assuming that it contemplates disclosures beyond those focused on how companies take into account the retirement security of these groups when making corporate decisions, but it is not clear what breadth of information the government intends to be disclosed or against which metrics progress will be measured.

Investors are increasingly interested in how corporations are engaging with their employees given the potential for material impacts to long-term performance arising from human resources-related risks (and opportunities). Generally, how human resources are overseen by companies is referred to as “human capital management”, which is an evolving concept. Based on the consultation questions, it is not entirely clear how the “well-being” disclosures contemplated under the CBCA tie into and align with the concept of human capital management.

The kinds of issues and related disclosures that are material to companies and decision-useful for investors in the context of human capital management is an emerging and dynamic area. The Sustainability Accounting Standards Board (SASB) was established to assist investors and companies in identifying material sustainability related risks and opportunities at the industry or sector level and standardize related disclosures and metrics. SASB includes human capital as one of its five identified “sustainability dimensions”, which is supported by three reporting themes: 1) labour practices; 2) employee health and safety; and 3) employee engagement, diversity and inclusion. Other SASB sustainability dimensions also incorporate aspects of human capital (which may be material to some sectors) such as supply chain management and labour conditions in the supply chain.

SASB is currently working on developing a human capital management framework that may lead to the identification of sector agnostic systemic issues, additional key issues and, potentially, further standard setting³. While recognizing that SASB’s research is ongoing and continues to evolve, in particular, we would highlight how SASB integrates the concept of “well-being” into the business impacts analysis portion of its *Human Capital Preliminary Framework: Executive Summary*. In SASB’s research report, analysis of potential business impacts arising from mental and physical well-being are a stand-alone category, while business

³ SASB, *Understanding How SASB Addresses Human Capital in the Codified Standards* [online: [HC-Briefing-Document FINAL-for-web.pdf \(sasb.org\)](#)]

impacts related to economic well-being are grouped under the separate category of the evolving employer-employee social contract⁴.

It may be helpful to Corporations Canada to consider how existing reporting and disclosure standards, such as SASB, are evolving and approaching material human capital management disclosures when considering the kinds of information it is targeting with respect to employee, retiree and pensioner well-being.

2. What is the expected role of shareholders with respect to outcomes for employees, retirees and pensioners?

Through the amendments to the CBCA requiring specific disclosures about employees, pensioners and retirees, the legislation now prioritizes the “well-being” of certain stakeholders (employees, pensioner and retirees) by requiring enhanced disclosure about these three groups to be provided to another stakeholder (shareholders).

We have some questions as to the impact of this requirement on the interpretation of the fiduciary duty of directors as now codified in the CBCA. For example, by requiring the company to either adopt a policy or explain why it has not done so with respect to the “well-being” of certain stakeholder groups but not others, does this effectively change the directors’ fiduciary duty by elevating the interests of employees, pensioners and retirees above those of shareholders, creditors, consumers, governments, the environment, and the long-term interests of the corporation?

As noted in the ISED consultation paper, the intended purpose of the disclosure to shareholders is that it “provides better oversight of corporate behaviour and promotes the interests of the corporation’s current and former human resources”.

As discussed above, institutional investors are increasingly expecting boards to demonstrate and to provide enhanced disclosure with respect to how they are exercising appropriate oversight of material ESG factors, including those related to human capital management, with a view to creating sustainable long-term value. However, shareholders may not be the best “promoters” or arbiters of the “well-being” of employees, retirees and pensioners. A company’s shareholders (as such) generally have no fiduciary obligation towards the company. It is the company’s directors that have an obligation to balance the interests of stakeholders in the best interests of the corporation.

Institutional investors discharge their own fiduciary obligations to their clients and beneficiaries by holding accountable directors of the corporations in which those investors hold securities. This is done, in part, by monitoring how those directors fulfill their responsibility to oversee management and to act in the best interests of the corporation, including accounting for and balancing material and relevant stakeholder impacts and interests. Promoting the “well-being” of particular groups of stakeholders, if outside the framework of monitoring the board’s focus on long-term sustainable creation of value, is not directly within the realm of shareholder responsibilities and their oversight of boards. We further caution that the kinds of disclosure made by companies in this regard that may be

⁴ SASB, *Research Project: Human Capital Preliminary Framework: Executive Summary*, December 2020 at 9-10 [online: [Human-Capital_Executive-Summary_2020-December_FINAL.pdf \(sasb.org\)](https://www.sasb.org/standards/human-capital-executive-summary-2020-december-final.pdf)]

decision-useful to shareholders, may not be the kinds of disclosures that are helpful to other interested stakeholders, including the government, and employees, pensioners and retirees themselves.

Specific recommendations for clarifying the disclosure as proposed

As noted above, “well-being” is not defined. Given recent experience with respect to inconsistent and non-comparable disclosure in response to the CBCA’s diversity disclosure requirements, companies will need more guidance as to what the expectations are with respect to the kinds of information and metrics that are expected, particularly in respect of pensioners and retirees.

It is possible that the well-being of employees, pensioners and retirees may sometimes conflict with each other; for example, changes to employee benefits to preserve retiree and pensioner benefits; or changes to pension benefits over time. It is also possible that the well-being of such stakeholders could sometimes be in conflict with other stakeholders, with shareholders and, potentially, with what the board may consider to be in the short-term best interests of the corporation, for example where a board pursues a highly leveraged balance sheet⁵. The contemplated disclosure does not take into account, or require disclosure, with respect to how the company would balance and resolve such conflicts. Corporations Canada should consider including this in the required disclosures.

Consideration should also be given to how the required policy disclosure relates to director fiduciary duty as set out in the *BCE* decision and its codification in the CBCA. Corporations Canada may wish to consider enhancing the proposed disclosure to shareholders with a requirement to add a consideration by the company with respect to how the well-being of employees, retirees and pensioners connects to and supports the best interests of the corporation. This would provide shareholders with insight as to how the board is understanding and balancing (or not) stakeholder interests in the context of creating long-term sustainable value for the company.

Question E2: Do you have other suggestions for information that should be included or excluded in the disclosure for shareholders on a corporation’s well-being policy?

Comply or explain disclosure premised on the existence, or not, of a formal corporate “well-being” policy, may be premature given the evolving understanding of material human capital management issues within companies and among investors. We are concerned that requiring policy-based disclosures on a comply or explain basis may lead to boilerplate and unhelpful disclosures. Rather than focusing at the outset on the presence or absence of a policy, Corporations Canada may wish to consider, as a first step, asking companies to describe their *approach* to the well-being of employees, retirees and pensioners, including how they define “well-being” of these stakeholders within the company, who within the company has responsibility for human capital management, what

⁵ Another example specific to pensions is that in order to ensure short term pension solvency requirements are met, company sponsored pension plans may put pension capital into low return investments without taking into account the risks of inflation from such investments, yielding pensions that do not provide the level of benefit expected by pensioners in future.

processes the board has in place to exercise its oversight role, and the parameters and metrics used to measure progress. This may elicit more useful and consistent information for investors.

Given this focus on human capital, consideration may also be given to aligning the disclosure required with the information now required by the United States SEC under Regulation S-K, which takes a principles-based approach to human capital management disclosures.⁶

Under the SEC Regulation S-K requirements, the categories of individuals that comprise a company's human capital are not prescribed and therefore may be tailored to fit a company's circumstances (e.g. employees, contractors and non-employees). For the purposes of the CBCA's disclosure, it could be deemed to include retirees and pensioners. The required disclosure by a company, where material to the business, under SEC Regulation S-K is⁷:

[Regulation S-K, Para 10\(c\)\(2\)](#)

(ii) A description of the registrant's human capital resources, including the number of persons employed by the registrant, and any human capital measures or objectives that the registrant focuses on in managing the business (such as, depending on the nature of the registrant's business and workforce, measures or objectives that address the development, attraction and retention of personnel).

The CBCA could follow this model and incorporate measures or objectives that address how employees, retirees and pensioners are treated and/or considered, as part of how a company focuses on human capital issues that are material to managing its business.

Alignment with an existing regime would assist cross-listed issuers by reducing regulatory burden and would assist investors by supporting the development of consistent and comparable information. It would permit CBCA issuers and investors to leverage best practice development and evolutions happening in the US without reinventing the wheel in the early stages of this disclosure. As disclosures evolve over time, the CBCA regulatory requirements could likewise evolve to

⁶ <https://corpgov.law.harvard.edu/2020/12/13/variety-of-approaches-to-new-human-capital-resources-disclosure-in-10-k-filings/>; & Semler Bossy, *Human Capital Management Proxy Disclosures, Research Findings, Sample of December 2020 & January 2021 Proxy Filings*, March 2021 [online: [PowerPoint Presentation \(semlerbossy.com\)](#)]. CCGG is proposing alignment with Regulation S-K, to enhance consistency and because disclosures are connected to human capital topics material to an issuer's business, but we acknowledge that the Regulation S-K human capital disclosure requirements are new and are not perfect. There are a number of critiques with respect to their effectiveness. Because it is principles-based and narrative, it can be difficult for investors to measure/compare and there is room for companies to provide either boilerplate or meaningless disclosure. In addition, implementation in 2020, in its inaugural year, has been patchy and inconsistent. For 2020, the majority of issuers reported some information with respect to the number of employees (this is required), and diversity and inclusion. Other categories in some disclosures included employee/talent development and training, employee CSR initiatives, competitive pay, benefits and employee turnover, and employee safety. Other disclosures, less frequently occurring, included culture/value/ethics, engagement, turnover, recruitment, mental health, pay equity and succession planning, making the disclosures non-comparable across companies. We see such disclosures as evolving and continuing to improve over time as issuers and shareholders increasingly engage on these topics and as standards, such as SASB, continue to evolve.

⁷ [Human Capital Management Disclosure \(harvard.edu\)](#); [New human capital disclosure rules: Getting your company ready \(pwc.com\)](#);

encompass differences, or gaps, distinct to the Canadian capital markets context. A baseline of consistent disclosure with respect to material human capital considerations would be more decision-useful to investors than a 'comply or explain' model where companies have the option not to make any disclosures.

CONCLUSION

In closing, we would like to express our full support for Corporations Canada moving forward with the regulatory consultation process required to implement the important corporate governance and shareholder democracy amendments introduced into the CBCA through Bill C-97.

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 cmccall@ccgg.ca or our Director of Policy Development, Sarah Neville, at sneville@ccgg.ca.

Yours truly,



Marcia Moffat
Chair, Canadian Coalition for Good Governance

CCGG MEMBERS 2021

- Alberta Investment Management Corporation (AIMCo)
- Alberta Teachers' Retirement Fund (ATRF)
- Archdiocese of Toronto
- BlackRock Asset Management Canada Limited
- BMO Global Asset Management Inc.
- Burgundy Asset Management Ltd.
- Caisse de dépôt 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
- Fiera Capital Corporation
- Forthlane Partners Inc.
- Fondation Lucie et André Chagnon
- Franklin Templeton Investments Corp.
- Galibier Capital Management Ltd.
- Healthcare of Ontario Pension Plan (HOOPP)
- Hillsdale Investment Management Inc.
- IGM Financial Inc.
- Investment Management Corporation of Ontario (IMCO)
- Industrial Alliance Investment Management Inc.
- Jarislowsky Fraser Limited
- Leith Wheeler Investment Counsel Ltd.
- Letko, Brousseau & Associates Inc.
- Lincluden Investment Management Limited
- Manulife Investment Management Limited
- 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
- 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)
- RPIA
- Scotia Global Asset Management
- Sionna Investment Managers Inc.
- SLC Management Canada
- State Street Global Advisors, Ltd. (SSgA)
- Summerhill Capital Management Inc.
- TD Asset Management Inc.
- Teachers' Pension Plan Corporation of Newfoundland and Labrador
- Teachers' Retirement Allowances Fund
- UBC Investment Management Trust Inc.
- University of Toronto Asset Management Corporation (UTAM)
- Vestcor Inc.
- Workers' Compensation Board - Alberta
- York University Pension Fund