

December 14, 2023

The Secretary  
Ontario Securities Commission  
20 Queen Street West, 22nd Floor  
Toronto, ON M5H 3S8  
[comments@osc.gov.on.ca](mailto:comments@osc.gov.on.ca)

Dear Madam Secretary,

**Re: Ontario Securities Commission (“OSC”) Notice 11-798–Statement of Priorities: Request for Comments Regarding Statement of Priorities for Financial Year 2024 -2025**

We thank you for the opportunity to provide feedback on the OSC’s 2024-2025 Statement of Priorities (the “SOP”) and to highlight suggestions for potential priority areas of consideration for the fiscal year 2024- 2025.

CCGG’s members are Canadian institutional investors that together manage approximately \$5.5 trillion in assets on behalf of pension funds, 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 toward 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.

## **General Comments**

The OSC indicates that it is seeking comments on the draft 2024-2025 Statement of Priorities to inform ongoing work on a new six-year Strategic Plan that will be completed and published in the spring of 2024. Given this dynamic, we raise the following general observations about the Statement of Priorities.

- **Number and Timing of Priorities:** In addition to the OSC’s core regulatory operations, there are 16 priority areas identified, each with a number of related actions attached to delivering on the priority. There is no indication in the SOP with respect to how the OSC ranks the urgency of the priorities identified. Few of the actions have specific timeframes attached. We would encourage the OSC to make public the detailed prioritization framework for strategic initiatives that it has identified as an action item for its Strategic Plan.<sup>1</sup>

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<sup>1</sup> [Ontario Securities Commission, OSC Statement of Priorities for the Fiscal Year 2024-2025, November 16, 2023](#) at page 7.

- **Technological Evolution and Investor Protection:** The environmental scan portion of the SOP highlights that technological change and its adoption into capital markets is a focus of the OSC. Technological evolution includes expanded offerings of financial products and services, crypto asset markets and the increasing awareness of the potentially transformative impact of Artificial Intelligence (AI) on capital markets. We note that several of the priorities have links to technological innovation.<sup>2</sup> However, other than the priority focused on strengthening the oversight and enforcement in the crypto asset sector, we have concerns that the regulatory focus is not integrating an investor protection perspective as explicitly as it should. For example, under priority 13 - Facilitating Financial Innovation, the SOP states: “We use outreach and engagement with the innovation ecosystem to align our initiatives with evolving technology and capital market trends, and the needs of entrepreneurs, innovators, and market participants in Ontario.”<sup>3</sup> We find the lack of specific reference to the needs of investors to be problematic.

Additionally, there is no specific priority or action item focused on the promotion of responsible adoption of AI and the need for regulatory change in this area even though the OSC indicates that: “AI has the potential for misuse in deceptive practices and fraud” which are clear investor protection issues. We note that the OSC is already undertaking work in this area as evidenced by the recent publication of its research paper “Artificial Intelligence in Capital Markets”, so the lack of a clear priority or action item focused on this topic raises questions.

- **Regulatory Harmonization:** We fully support the OSC’s statement in the SOP that “effective cooperation and coordination with other agencies and across jurisdictions are key to consistent standards and practices while addressing common challenges.”<sup>4</sup> CCGG strongly supports continued cooperation and coordination, particularly within Canada and between the provincial jurisdictions of the Canadian Securities Administrators (CSA). While we respect the jurisdiction of each province to make its own securities regulation taking into account regional differences, substantive regulatory fragmentation is not efficient or in the best interests of Canadian capital markets as it risks driving up the cost of capital or making Canada an unattractive place to invest for global institutional investors. We encourage the OSC to continue its efforts to build consensus on regulatory issues.
- **Shareholder Rights:** CCGG is disappointed that, once again, basic shareholder rights initiatives such as say on pay and majority voting are not included as priorities despite recommendations made by the Ontario Capital Markets Modernization Taskforce in support of such initiatives. Further context is provided on these topics at the end of this comment.

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<sup>2</sup> E.g., Priority 11 Strengthen Oversight and Enforcement in the Crypto Asset Sector; priority 13 Facilitate Financial Innovation; priority 14 Further initiatives that Promote Capital Formation and Foster Competition; priority 16 Integrate Digital and Data Capabilities and Processes to Support Effective Decision Making, Risk Monitoring and Streamlined Operations.

<sup>3</sup> Ibid. at page 18.

<sup>4</sup> Ibid. at page 3.

## CCGG Response to OSC draft 2024-2025 priorities

In addition to the general comments noted above, CCGG has additional comments on some specific priorities identified in the SOP. CCGG's comments focus on those priorities and action items the OSC has identified that are relevant to CCGG's corporate governance focused mandate and priority policy areas. Therefore, our comments are focused on key priorities 2 - Advance Work on Environmental, Social and Governance Disclosures for Reporting Issuers; 3 - Consider Broader Diversity on Board and in Executive Roles at Reporting Issuers; 7 - Advance Cooperation with Indigenous Peoples and Work to Understand and Integrate their Perspectives and Interests; 12 - Modernize Delivery Options of Regulatory and Continuous Disclosure Filings for Issuers; and 14 - Further Initiatives that Promote Capital Formation and Foster Competition. In respect of these priorities, CCGG has the following feedback:

### Key Priorities (as numbered in the SOP)

#### 2. Advance Work on Environmental, Social, and Governance (ESG) Disclosures for Reporting Issuers

CCGG strongly supports the OSC's action item to continue development of a revised climate-related disclosure rule for reporting issuers based on the ISSB standards.<sup>5</sup>

We would encourage the OSC to provide clear timelines in its Strategic Plan and align as closely as possible to the requirements of the ISSB's S2 with only limited modifications, notably with respect to the integration, through appropriate consultation with Indigenous Peoples, of the role of Indigenous Peoples as rights holders in Canada and the objectives of reconciliation.

Clarity and transparency around the expected roles and relationship between the CSA and the Canadian Sustainability Standards Board should also be provided to market participants. Overlapping consultation topics/subject matter should be avoided as between the two bodies.

Institutional investors have been calling for climate-related disclosures for several years and have already devoted considerable time and resources responding to consultations domestically and internationally. The longer that it takes for disclosures to be made in Canadian markets, the less competitive Canadian capital markets will become as the climate-related data required by investors will be increasingly available in other global markets.

While we recognize that the CSA is taking a climate first approach and the OSC's priorities are informed by this focus, CCGG continues to call for material ESG disclosures beyond climate change. Now that the IFRS ISSB General Requirements for Sustainability Disclosure Standard (S1) are finalized and published, the OSC, in conjunction with the CSA, should be including prioritizing the introduction of S1 aligned sustainability disclosures regulations into its six-year Strategic Plan.

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<sup>5</sup> Ibid. at page 8.

### 3. Consider Broader Diversity on Boards and in Executive Roles at Reporting Issuers

CCGG is pleased to see that the OSC is prioritizing working with the CSA to find an approach to broader diversity disclosures that meets the needs of Canadian investors and reporting issuers and reduces fragmentation. In its response to the CSA's April consultation on proposed amendments to National Instrument 58-101 *Disclosure of Corporate Governance Practices* and National Policy 58-201 *Corporate Governance Guidelines* CCGG provided a potential 'hybrid approach' in its response.<sup>6</sup>

CCGG encourages the OSC to build timelines into its six-year strategic plan and to address this issue as a near term priority.

This is an important issue for investors and CCGG has long advocated for increased diversity on boards and in senior management, including through its [Gender Diversity Policy](#). In addition, its foundational guidance in [Building High Performance Boards](#) calls for diverse representation on boards, including a "wide variety of experiences, views, and backgrounds, which to the extent practicable, reflects the gender, ethnic, cultural and other personal characteristics of the communities in which the corporation operates and sells its goods or services."<sup>7</sup> Our thinking continues to be guided by the principle that "[w]hile the quality of individual directors is paramount, we also expect boards as a whole to be diverse"<sup>8</sup> and that diversity is contextualized by a company's geography, surrounding communities, the customers it serves and the people it employs.

### 7. Advance Cooperation with Indigenous Peoples and Work to Understand and Integrate their Perspectives and Interests

CCGG is pleased to see that the OSC is continuing to prioritize collaboration and cooperation with Indigenous Peoples and organizations. It appears that the action items identified under this priority are continuations from the prior year, including the development of an action plan for truth and reconciliation and a focus on meaningful engagement with Indigenous Peoples. CCGG supports this important work and encourages increased transparency of progress in respect of the development and implementation of the action plan and its prioritization through the six-year Strategic Plan.

### 12. Modernize Delivery Options of Regulatory and Continuous Disclosure Filings for Issuers

The OSC indicates in the SOP that it expects to publish final amendments to implement an access equals delivery model (AED) for prospectuses by the end of the 2023-2024 fiscal year. The OSC further indicates that it is considering ways to enhance the access model for continuous disclosure documents to address investor protection concerns and intends to publish a revised model by the end of fiscal 2023-2024.

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<sup>6</sup> See CCGG, [September 19, 2023](#) Submission to CSA re: 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.

<sup>7</sup> CCGG, [Building High Performance Boards](#), 2013 at page 9.

<sup>8</sup> Ibid.

CCGG participated in the CSA's 2021 consultation on the continuous disclosure initiative and our [response](#) is available on our website. Of note, CCGG did not support the proposed semi-annual reporting framework for venture issuers included in this consultation.<sup>9</sup>

CCGG also responded to the CSA's proposed final amendments to implement an access equals delivery model (AED) for reporting issuers published in 2022 and our [response](#) is available on our website. CCGG does not support proxy circulars or any voting related information being subject to AED and does support investors retaining the ability to receive paper copies of these documents on request or pursuant to standing instructions.<sup>10</sup> CCGG submitted a further caution to the CSA in January 2023 reiterating its concerns about the AED initiative and this letter is also available on our [website](#).<sup>11</sup>

We look forward to reviewing how investor protection concerns have been addressed in the proposed upcoming CSA consultation on AED and continuous disclosures.

#### 14. Further Initiatives that Promote Capital Formation and Foster Competition

As we have since the idea was first proposed by the Ontario Capital Markets Modernization Taskforce, CCGG continues to have concerns with respect to the integration of the capital formation and competitiveness mandates into the organization and priorities of the OSC. Overall, we remain concerned that the addition of capital formation and competitiveness to the mandate of the OSC has the potential to create conflicts within the regulator. There is an inherent regulatory tension between the measures used to implement a mandate focused on fostering capital formation and competitiveness, usually linked to reducing regulation and oversight requirements, and a mandate focused on protecting investors. For example, measures that typically form the core of investor protections focus on requiring disclosures and regulatory monitoring.

Consistent with prior years, the SOP strives to provide comfort that investor protection remains at the "forefront" of the OSC's initiatives and decision-making and we acknowledge new wording in the identified planned outcomes that refers to "Growth in Ontario's capital markets through increased capital formation and competition, which is carried out *in a manner that is consistent with all components of our mandate*", this wording, however, does not expressly highlight the tension between the capital formation and investor protection mandates. CCGG continues to have concerns with respect to how investor protection considerations are integrated into the specific actions articulated in support of capital formation.

For example, the Innovation Office is identified in the SOP as responsible for the delivery of the capital formation objective. Its Charter (adopted in October 2020) does not reference, mention or

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<sup>9</sup> See CCGG, [Sept 17, 2021](#), Submission to CSA re: Proposed Amendments to NI 51-102 Continuous Disclosure Obligations and Other Amendments and Changes Relating to Annual and Interim Filings for Non-Investment Fund Reporting Issuers and Seeking Feedback on a Proposed Framework for Semi-Annual Reporting – Venture Issuers on a Voluntary Basis.

<sup>10</sup> See CCGG, [June 29, 2022](#), Submission to CSA re: CSA Notice and Request for Comment – Proposed Amendments and Proposed Changes to Implement an Access Equals Delivery Model for Non-Investment fund Reporting Issuer.

<sup>11</sup> See CCGG, [April 17, 2023](#), Letter to the CSA re: Access Equals Delivery.

integrate the concept of investor protection into any of its strategic objectives.<sup>12</sup> Given that the capital formation priority in the SOP has the largest number of and most specific action items, we continue to have questions as to how the interests of retail and institutional investors are considered and integrated into the work of the Innovation Office and the delivery of the capital formation mandate.

## Shareholder Democracy Issues

CCGG continues to advocate for long-standing shareholder democracy issues to be identified as priorities by the OSC and we would encourage the OSC to integrate these into its upcoming Strategic Plan.

The OSC notes in its consultation on the SOP that one of the key factors driving the renewal and reset of the OSC's strategic priorities are the recommendations of the Ontario Capital Markets Modernization Taskforce. Say on Pay, Universal Proxies and Majority Voting are three long-standing shareholder rights' initiatives which CCGG has prioritized on behalf of its Members and the Ontario Capital Markets Modernization Taskforce made recommendations supporting regulatory action in each of these areas. Implementation of foundational principles of governance as reflected in the following policy priorities would align Ontario's capital markets with governance best practices, enhancing its attractiveness as a place to do business for institutional investors.

### Say on pay

Although not specifically mentioned in the 2024-2025 Statement of Priorities, CCGG is highly supportive of several of the Ontario Capital Markets Modernization Task Force's final recommendations that have the potential to support enhanced shareholder democracy and thereby modernize Ontario's regulatory environment. CCGG was particularly pleased to note the Taskforce's recommendation to implement an annual advisory "say on pay" vote for shareholders, which has been a long-standing CCGG policy priority.<sup>13</sup>

### Universal proxies

Similarly, CCGG was pleased to note that the Taskforce recommended amendments that would mandate universal proxies in contested elections.<sup>14</sup> We would highlight that this reform has been implemented by the US Securities Exchange Commission and alignment between Ontario and the US in this regard would be highly beneficial.<sup>15</sup>

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<sup>12</sup> Ontario Securities Commission, [Office of Economic Growth & Innovation \(Innovation Office\) Charter](#), October 29, 2020, at pages 2-3.

<sup>13</sup> See recommendation #40 of the Taskforce: [Capital Markets Modernization Taskforce: Final Report January&nbsp;2021: 2.4 Proxy system, corporate governance and mergers and acquisitions | Ontario.ca](#).

<sup>14</sup> See recommendation #42 of the Taskforce: [Capital Markets Modernization Taskforce: Final Report January&nbsp;2021: 2.4 Proxy system, corporate governance and mergers and acquisitions | Ontario.ca](#).

<sup>15</sup> US Securities and Exchange Commission, SEC Adopts New Rules for Universal Proxy Cards in Contested Director Elections, Press Release, November 17, 2021 [SEC.gov | SEC Adopts New Rules for Universal Proxy Cards in Contested Director Elections](#).

## Majority Voting

In addition, on August 31, 2022, majority voting came into force for all distributing corporations under the *Canada Business Corporations Act* (CBCA).<sup>16</sup> However, because this regime applies only to those public companies incorporated under the CBCA, more work remains to be done to ensure that all public shareholders in Canada can meaningfully exercise their right to elect directors. CCGG believes that the provinces and the territories should follow the CBCA's lead and encourages the OSC to take advantage of the federal momentum in this area and publicly lend its voice in support of including similar majority voting provisions into Ontario corporate statutes.

The Ontario Taskforce also recommended that Ontario implement majority voting in uncontested director elections.<sup>17</sup> We would encourage the OSC to move forward with implementing this recommendation although we do not agree with the Taskforce's supplementary recommendation that would allow issuers to apply to the OSC for relief from the majority voting requirements.

CCGG is also concerned about initiatives that seek to reverse the effect of majority voting through the use of corporate bylaws to postpone shareholder meetings where directors may not obtain a certain threshold of votes.<sup>18</sup>

We encourage the OSC to use its influence to have the TSX rules on majority voting expanded so that they apply to the issuers listed on the TSX-V as well as to TSX-listed issuers. There is no reason to exclude the shareholders of smaller companies from this fundamental shareholder right.

## Virtual Shareholder Meetings

CCGG is growing increasingly concerned with the continued use of virtual only shareholder meetings despite the end of the pandemic and the removal of public health restrictions. CCGG is concerned that virtual only shareholder meetings do not provide shareholders with the same opportunities to exercise their rights, and to communicate with management and other shareholders as is available at an in-person meeting. The CSA has issued a press release outlining its expectations on this topic and we urge the OSC to continue to take action as needed to ensure that investor rights are protected in respect to shareholders' ability to access and meaningfully participate in shareholder meetings.

CCGG prefers hybrid meetings where shareholders are provided with the option of attending in person over virtual only meetings. CCGG has recently developed a policy statement on this topic which is now available on our website.

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<sup>16</sup> [CBCA Amendments Take Effect August 31, 2022, | Stikeman Elliott](#)

<sup>17</sup> See recommendation #48 of the Taskforce [Capital Markets Modernization Taskforce: Final Report January&nbsp;2021: 2.4 Proxy system, corporate governance and mergers and acquisitions | Ontario.ca](#).

<sup>18</sup> See Catherine McCall, *Law Firm's new measure against activist investors waters down shareholder rights*, October 3, 2023, Globe and Mail available online with subscription: <https://www.theglobeandmail.com/business/commentary/article-law-firms-new-measure-against-activist-investors-waters-down/>.

## Conclusion

We thank you again for the opportunity to provide you with our comments. Please do not hesitate to contact our Chief Executive Officer, Catherine McCall, at [cmccall@ccgg.ca](mailto:cmccall@ccgg.ca) or our Director of Policy Development, Sarah Neville at [sneville@ccgg.ca](mailto:sneville@ccgg.ca) if you would like to discuss the matters in this letter further or if we can be of any assistance.

Yours truly,

*'Bruce Cooper'*

Chair  
Canadian Coalition for Good Governance



## CCGG Members 2023

- Alberta Investment Management Corporation (AIMCo)
- 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
- Capital Group Canada
- CIBC Asset Management Inc.
- Colleges of Applied Arts and Technology Pension Plan (CAAT)
- Connor, Clark & Lunn Investment Management Ltd.
- Desjardins Global Asset Management
- Electrical Industry Pension Trust Fund of Alberta
- Fiera Capital Corporation
- Fondation Lucie et André Chagnon
- Franklin Templeton Investments Corp.
- Galibier Capital Management Ltd.
- Healthcare of Ontario Pension Plan (HOOPP)
- Hillsdale Investment Management 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)
- OP Trust
- PCJ Investment Counsel Ltd.
- Pension Plan of the United Church of Canada Pension Fund
- Provident10
- 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
- Teachers' Pension Plan Corporation of Newfoundland and Labrador
- TD Asset Management
- Teachers' Retirement Allowances Fund
- UBC Investment Management Trust Inc.
- University Pension Plan Ontario (UPP)
- University of Toronto Asset Management Corporation (UTAM)
- Vestcor Inc.
- York University Pension