

May 5, 2016

Ms. Maureen Jensen, Chair
Ontario Securities Commission
20 Queen Street West, 22nd Floor
Toronto, ON M5H 3S8

Dear Ms. Jensen:

Thank you for the opportunity to comment on the Ontario Securities Commission's (OSC) *2016-17 Draft Statement of Priorities*. We are pleased to see a well-articulated plan for the coming year which includes critical investor priorities as well as prioritizing efficient access to capital for issuers.

The Shareholder Association for Research and Education (SHARE) is a Canadian leader in responsible investment services, research and education for institutional investors. Since its creation in 2000, SHARE has carried out this mandate by providing active ownership services, including proxy voting and engagement, education, policy advocacy, and practical research on issues related to responsible investment. Our clients include pension funds, mutual funds, foundations, faith-based organizations and asset managers across Canada with more than \$14 billion in assets under management.

We would like to offer the following comments and recommendations regarding the draft *Statement of Priorities*

Mandatory annual shareholder advisory vote on executive compensation

We wrote to you on March 13th to propose that the Ontario Securities Commission take the lead in developing a new regulation requiring issuers to institute an annual shareholder advisory vote on executive compensation. Specifically, we asked that development and consultation on a new rule be included in the OSC's Final *2016-17 Statement of Priorities*.

Without repeating the details included in that letter, we reiterate that proposal here. We believe it is of the foremost importance that this be included in the OSC's Priorities in the coming year.

Technological innovation

We support the OSC's intention to closely monitor the impact of FinTech changes to determine any potential market implications and whether regulation remains effective or if regulatory changes are required. Likewise, we support continued investigation into the market-wide effects of the speed of trading and the quality of trade executions. Consistent with the OSC's mandate to foster fair and efficient capital markets, we believe the appropriate

lens through which to examine these practices is whether they assist in developing stable, efficient and productive flows from savers to users of capital rather than enabling or incentivizing destabilizing and/or manipulative behaviour.

Enhancement of OSC systemic risk oversight

The OSC has identified its continued collaboration with international bodies like the Financial Stability Board (FSB) to remain abreast of emerging systemic risks. The FSB's Task Force on Climate-related Financial Disclosures is currently reviewing appropriate climate change-related reporting. The Task Force notes that "enhanced disclosures on climate-related risks that are used by investors, creditors, and underwriters can improve market pricing and transparency and thereby reduce the potential of large, abrupt corrections in asset values that can destabilize financial markets."

The Task Force is due to deliver a report by the end of 2016 outlining specific recommendations and guidelines for voluntary disclosure, and identifying leading practices to improve consistency, accessibility, clarity, and usefulness of climate-related financial reporting. We recommend that the OSC cooperate with the FSB's Task Force and, in light of its conclusions, formally review and consult on whether and how the OSC can incorporate the Task Force's recommendations in this country's capital markets disclosure regimes.

We also recommend that the OSC, ideally in conjunction with the Canadian Securities Administrators ("CSA"), undertake an evaluation of the adequacy of *CSA Staff Notice 51-333: Environmental Reporting Guidance* and of issuers' adherence to *National Instrument 51-102: Continuous Disclosure Obligations* related to environmental disclosures.

Although there has been substantial subsequent interest, discussion and development in the field of environmental disclosures to investors, the Guidance document has not been updated since its publication in 2010. The evaluations may draw on the substantial interest and outside review of standards already underway such as the work of the Sustainability Accounting Standards Board, the above-mentioned FSB Task Force, and an assessment of climate change related disclosure by Canadian issuers being conducted by the Chartered Professional Accountants of Canada.

Women on Boards and in Executive and Senior Management Positions

We support the OSC's intent to conduct targeted disclosure reviews to monitor the progress on corporate governance changes related to disclosure requirements for Women on Boards and in executive officer positions and determine the impact of those changes in our markets.

We suggest that, as part of this year's disclosure reviews, the OSC ask:

- Whether, based on the data, particular sectors require additional measures to improve board and executive diversity;

- Whether the OSC should express any expectations for performance improvements in year three;
- Whether the rate of progress on board diversity represented in the data suggest that issuers should be required to disclose board diversity targets in future years; and
- Whether additional diversity measures such as Aboriginal heritage should form part of future disclosure requirements.

If you have any questions or would like to discuss these proposals further, please feel free to contact me at any time. I can be reached at 604-695-2020 or by email at pchapman@share.ca.

Sincerely,

A handwritten signature in black ink that reads "Peter W. Chapman". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Peter Chapman
Executive Director
Shareholder Association for Research & Education