



THE INVESTMENT
FUNDS INSTITUTE
OF CANADA

L'INSTITUT DES FONDS
D'INVESTISSEMENT
DU CANADA

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Delivered By Email: consultation-en-cours@lautorite.gc.ca, comments@osc.gov.on.ca

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

Me Philippe Lebel
Corporate Secretary and Executive Director,
Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
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Québec (Québec) G1V 5C1

Dear Sirs and Mesdames:

RE: 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

IFIC is the voice of Canada's investment funds industry. IFIC brings together approximately 150 organizations, including fund managers, distributors, and industry service organizations, to foster a strong, stable investment sector where investors can realize their financial goals. IFIC operates on a governance framework that gathers member input through working committees. The recommendations of the working committees are submitted to the IFIC Board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of IFIC members.

IFIC is supportive of the Proposed Instrument and the requirement to expand the current corporate governance disclosure requirements contained in Form 58-101F1 to include specified designated groups in addition to the disclosure regarding women that is already required. In consideration of the importance of consistent and comparable diversity-related information, IFIC is in favour of the Proposed Amendments in Form B of Form 58-101F1, that would specifically require mandatory reporting on the representation of

the five designated groups, being women, Indigenous peoples, racialized persons, persons with disabilities and LGBTQ2SI+ persons, on boards and in executive officer positions.

Investment managers can benefit from consistent and comparable diversity-related information from reporting issuers to inform investment decision-making. Diversity-related information is used by investment managers to assess investment risks and opportunities of individual issuers and to guide corporate engagement and proxy voting activities. Furthermore, investment managers sometimes require diversity-related information from the issuers they are invested in to monitor their own diversity-related performance and objectives. Finally, investment managers are serving investors, both institutional and retail, who increasingly have diversity-related preferences or expectations. Reliable information and data are important to be able to ensure alignment between these preferences and expectations and investments.

While the Proposed Amendments in Form A would provide some important information on an issuer's approach to diversity with respect to board and executive officer positions it does not contemplate mandatory disclosure in respect of any specific groups, other than women. IFIC considers this approach to be inadequate given that diversity is mostly understood to extend beyond only the consideration of women and given the lack of mandatory standardized diversity disclosure beyond women in Form A.

It will still be the case that certain investment managers require additional diversity-related disclosure from issuers beyond what is contemplated in the Proposed Amendments. However, IFIC believes that mandatory reporting of expanded diversity-related data will provide a solid base of information whereby investment managers will be able to effectively manage their obligations.

Responses to detailed questions are provided below. IFIC has only responded to those questions relevant to investors and investment managers.

* * * * *

IFIC appreciates this opportunity to provide our input to the CSA on this important initiative. Please feel free to contact me by email at ibragg@ific.ca or by phone at 416-309-2325. I would be pleased to provide further information or answer any questions you may have.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

By: Ian Bragg
Vice-President, Research & Statistics

Note: IFIC Responses are highlighted in grey

Board nominations

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).

Approach to diversity

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.

Response: IFIC is supportive of the Proposed Instrument and the requirement to expand the current corporate governance disclosure requirements contained in Form 58-101F1 to include specified designated groups in addition to the disclosure regarding women that is already required.

In consideration of the importance of consistent and comparable diversity-related information, IFIC is in favour of the Proposed Amendments in Form B of Form 58-101F1, that would specifically require mandatory reporting on the representation of the five designated groups, being women, Indigenous peoples, racialized persons, persons with disabilities and LGBTQ2SI+ persons, on boards and in executive officer positions.

Investment managers can benefit from consistent and comparable diversity-related information from reporting issuers to inform investment decision-making. Diversity-related information is used by investment managers to assess investment risks and opportunities of individual issuers and to guide corporate engagement and proxy voting activities. Furthermore, investment managers sometimes require diversity-related information from the issuers they are invested in to monitor their own diversity-related performance and objectives. Finally, investment managers are serving investors, both institutional and retail, who increasingly have diversity-related preferences or expectations. Reliable information and data are important to be able to ensure alignment between these preferences and expectations and investments.

While the Proposed Amendments in Form A would provide some important information on an issuer’s approach to diversity with respect to board and executive officer positions it does not contemplate mandatory disclosure with respect of any specific groups, other than women. IFIC considers this approach to be inadequate given that diversity is mostly understood to extend beyond only the consideration of women and given the lack of mandatory standardized diversity disclosure beyond women in Form A.

IFIC also supports the Proposed Amendments in Form B which would mandate issuers to disclose established targets, or other measurable objectives, for women on boards and in executive officer positions, as well as targets and other measurable objectives, for individuals from designated groups, other than women, in both board and executive officer roles. IFIC endorses the requirement for annual reporting of targets and progress towards targets in a standardized tabular format. Additionally, IFIC supports the mandate for issuers to disclose the reasons for not establishing targets.

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).

Response: Information on the diversity approach and objectives of issuers with respect to executive officer positions would be useful to investment managers. This information would help investment managers understand corporate philosophy, governance, strategy, and intentions related to diversity. While consistent and comparable data is critical, it is also important for investment managers to understand how companies formally think about and manage diversity and inclusion when managing talent, making executive officer appointments, or setting diversity-related executive officer objectives and targets.

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”)

Response: As stated above, investment managers can benefit from consistent and comparable diversity-related information from reporting issuers to inform investment decision-making. Diversity-related information is used by investment managers to assess investment risks and opportunities of individual issuers and to guide corporate engagement and proxy voting activities. Furthermore, investment managers sometimes require diversity-related information from the issuers they are invested in to monitor their own diversity-related performance and objectives. Finally, investment managers are serving investors, both institutional and retail, who increasingly have diversity-related preferences or expectations. Reliable information and data are important to be able to ensure alignment between these preferences and expectations and investments.

Many investment managers believe that diverse companies are better governed and better run and benefit from a diversity of thought. Furthermore, many investors believe that diversity and inclusivity within companies benefits the broader society, and, consequently, benefits the long-term interests of companies.

In consideration of the importance of consistent, comparable diversity-related information, IFIC is in favour of the Proposed Amendments in Form B of Form 58-101F1, that would specifically require mandatory reporting on the representation of the five designated groups, being women, Indigenous peoples, racialized persons, persons with disabilities and LGBTQ2SI+ persons, on boards and in executive officer positions.

However, in some circumstances, reporting the self-identified characteristics of the Board and executive officers, as shown in Section 6.4 of the proposed Form B, could violate the privacy of board members and executive officers. For those issuers that operate internationally, this could create a situation in which a board member or executive officer would face the choice of revealing personal information that places themselves at risk or be forced to not fully participate in a survey of their membership within designated groups. Ultimately, this could create a “chilling effect” that would meaningfully diminish the quality of the data reported through Form B. In addition to the requirement that information reported in item 6.4 of Form B must be based on voluntary disclosure (i.e. self-identification) by board members and executive officers and collected in accordance with applicable privacy laws, IFIC recommends that Form B, 6.4, include a “did not disclose” column for each designated group. Such a column would allow self-reporting respondents to fully participate in surveys and also result in more accurate and specific data and aid in its interpretation.

While the Proposed Amendments in Form A would provide some important information on an issuer’s approach to diversity with respect to board and executive officer positions it does not contemplate mandatory disclosure with respect to any specific groups, other than women. IFIC considers this approach to be inadequate given that diversity is mostly understood to extend beyond only the consideration of women and given the lack of mandatory standardized diversity disclosure beyond women in Form A.

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.

A common tabular format is important to allow for the efficient and cost-effective collection and use of diversity-related data by investment managers. Longer-term, IFIC encourages standardized

machine-readable corporate disclosures, including diversity-related metrics, to provide investment managers with the most efficient, cost-effective and accessible access to corporate information.

6. For CBCA-incorporated issuers, are there issues or challenges in providing both CBCA disclosures and the disclosure proposed under either Form A or Form B? Please explain.

Application to venture issuers

7. Should we consider developing similar disclosure requirements for venture issuers in a second phase of this project? If so, should any changes be made to the proposed disclosure requirements to reflect the different stages of development and circumstances of venture issuers? Please explain.

Response: This should be considered keeping in mind the capacity of venture issuers and the principle of proportionality in regulation.