



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

May 20, 2017

Robert Day
Senior Specialist Business Planning
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario
M5H 3S8
Via rday@osc.gov.on.ca

Dear Mr. Day

Re: NOTICE 11-777 – STATEMENT OF PRIORITIES

We are writing in response to the March 31, 2017 publication for comment of the above-captioned Notice outlining the OSC's proposed 2017-2018 Statement of Priorities.

PIAC has been the national voice for Canadian private and public pension funds since 1977 in matters related to pension investment and governance. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1.75 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

We thank the OSC for the clear articulation of its goals for the coming year, including its focus on investor protection, responsive regulation, alignment with international standards, oversight of financial stability and support for innovation, accountability and efficiency. We specifically support the OSC's priorities in identifying opportunities to reduce the regulatory burden for issuers in conducting a review of all TSX listed issuers' compliance with OSC 58-101 and in enhancing system risk oversight.

Reducing Regulatory Burden

PIAC is also mindful of the impact of regulatory burden on market participants. PIAC is generally supportive of regulatory changes that streamline disclosure requirements, provided our interests as investors are adequately protected without compromising access

to information required for thoughtful, effective decision-making. PIAC's members represent pension plans with a focus on delivering returns over the long term; therefore we are particularly interested in the CSA's proposal to allow issuers to move to semi-annual reporting, in an effort to foster a longer-term view by management.

Gender Diversity

We wish to commend the OSC for including plans to conduct a full review of all TSX listed issuers' progress with the OSC 58-101 disclosure requirements for gender diversity on boards and in executive officer positions, and to determine the impact of those changes in our markets.

In our view, corporate decision-making benefits from diversity of thought which in turn leads to improved direction, leadership, growth and performance. Gender diversity on boards and senior executive positions tends to improve an organization's risk culture, as well as its ability to innovate, attract, retain and cultivate talent amidst changing demographics and unpredictable markets.

We believe the introduction of the comply or explain framework for TSX listed firms under National Instrument 58-101 is an important step towards establishing a higher level of representation of women on boards and in executive positions. We agree that an "evidenced-based approach" is critical to effective policy development and regulatory oversight. To this end, we fully support the OSC's efforts to evaluate issuer's progress with related disclosures and any corresponding impact on corporate governance.

Furthermore, PIAC suggests that, in the event of a lack of progress, the OSC may consider additional measures to encourage and enhance compliance. Boards should be encouraged to widen their search for qualified director nominees, and to adopt measures such as term limits to promote refreshment.

Systemic Risk Oversight

PIAC commends the OSC for considering, as part of their review of market stability issues, the need for companies to disclose their exposure to climate change risk, as is indicated in the preamble to the Statement. PIAC generally supports enhanced disclosure of environmental, social and governance factors by Canadian issuers and is encouraged by the OSC and CSA's efforts to engage market participants on this matter. PIAC has responded to the FSB Task Force on Climate Related Disclosures (TCFD) Consultation, and recognizes climate change as a systemic risk with financial implications for market participants. As such, we further encourage the OSC in its efforts to improve climate related financial disclosure.

Advisory Vote on Executive Compensation ("Say on Pay")

In our letter dated May 9, 2016, PIAC made the request that the OSC include mandatory Say on Pay for issuers in its Statement of Priorities for 2016-2017. The Say on Pay vote is a useful tool to assess shareholders' acceptance of the corporation's approach to

executive compensation, and offers an important means of communication between shareholders and issuers, fundamental to good corporate governance. We believe that Say on Pay aligns with the OSC's mandate to foster fair and efficient capital markets, and as such we are somewhat disappointed that this important issue remains excluded from the OSC's priorities. In alignment with the OSC's goals to be an effective and responsive securities regulator, to align with international best practice standards, and to instill investor confidence, we would like to again request the OSC include mandatory Say on Pay for issuers on the OSC's proposed 2017-2018 Statement of Priorities.

We further encourage the OSC to take concrete steps towards implementing mandatory Say on Pay to level the playing field for all Canadian issuers, so that Canadian shareholders may benefit from what is increasingly recognized globally as best corporate governance practice.

Thank you for this opportunity to respond to the proposed Statement of Priorities.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Kevin Fahey". The signature is written in a cursive, flowing style with a large, stylized "F" at the end.

Kevin Fahey
Chair