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VIA EMAIL

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Dear Sirs/Mesdames:

Re: Notice of Proposed Amendments and Request for Comments re Sustainable Bonds (collectively, the “Proposed Amendments”)

The Canadian Advocacy Council of CFA Societies Canada¹ (the “CAC”) appreciates the opportunity to provide the following comments on the Proposed Amendments.

General Comments

We understand that the Proposed Amendments to the TSX Rule Book and TSX marketplace functionality are intended to facilitate the posting of certain eligible sustainable bonds (“**Sustainable Bonds**”) on the TSX. Such posting is expected to increase both the accessibility and pricing transparency of Sustainable Bonds to Canadian investors. It is possible that the Proposed Amendments will also assist with providing more liquidity for the bonds, particularly as currently such bonds are often purchased by institutional investors with a “buy and hold” mandate, limiting secondary liquidity.

We are generally in favour of the Proposed Amendments, chiefly if the posting of the bonds does in fact result in greater pricing transparency for retail investors than what is currently available from over-the-counter trading. We understand that most of these

¹ The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 18,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC.

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 177,600 CFA charterholders worldwide in 164 markets. CFA Institute has nine offices worldwide and there are 158 local member societies. For more information, visit www.cfainstitute.org.

Sustainable Bonds are generally currently sold to institutional investors with an ESG mandate. We also support the TSX's plans to keep retail investors educated through a section of its website, which will be devoted to information about the Sustainable Bonds and their issuers, as well as by ensuring an explanation of the difference between listing and posting securities is displayed prominently. We are also in favour of enforcing tighter bid/ask tick limits to protect orders from adverse pricing.

We note that there does not appear to be a succinct definition of a "sustainable bond" in the Proposed Amendments, other than a reference in the notice to the fact that the proceeds from the debt securities are used to fund projects for environmental and/or socio-economic benefits. We recognize that Sustainable Bonds typically refer to the financing or re-financing of both green and social projects, however, we do note that a definition could be helpful. Similarly, as quasi-governmental corporations may have their "sustainable bonds" posted for trading on the TSX, a definition of that term in this context would be useful for clarification.

In general, a more robust framework for the posting of Sustainable Bonds could help achieve the proposed objectives of accessibility and transparency for Canadian retail investors. We understand, for example, that the Luxembourg Stock Exchange (the "**LuxSE**"), has developed extensive rules with respect to sustainable bonds². The LuxSE classifies a bond as sustainable when proceeds are used to finance green and social projects and are aligned with the International Capital Markets Association's Green Bond Principles ("**GBP**") and the International Capital Markets Association's Social Bond Principles. The GBP recommends several items in its framework, including impact monitoring and reporting and publication of an external review.

In order to list on one of the LuxSE platforms, bond issuers must provide information about the use of proceeds, the framework used to classify their bonds, and a third-party expert external review. The external review generally focuses on the framework, the actual use of proceeds as compared to the planned use of proceeds, project selection, reporting and controls. Reviews include a second party opinion, but may also take the form of a verification, certification or scoring/rating. There are also international guidelines for reviewers regarding ethical standards and the content of their reports.

The proposed criteria for qualification as an "Eligible Security" for the TSX will include the receipt of a "second opinion" from an independent third party ESG research and rating service provider regarding the use of proceeds. As noted above, the LuxSE requires a broader external review of the bonds and is more specific with respect to the use of proceeds for the issue. To ensure that proceeds are used as intended, we would recommend that requirements like those of the LuxSE be considered, including that issuers should have a broader external review of the bond performed by an independent third-party.

² *Sustainability standards and labels*, online: Luxembourg Stock Exchange <www.bourse.lu/sustainability_standards_and_labels>. 00276261-2

To remain listed on the Luxembourg Green Exchange, issuers must provide specific ongoing reporting about the intended and actual use of proceeds. The TSX could similarly require reporting to investors regarding allocation of proceeds and confirmation that the money raised has in fact been used to fund appropriate projects. As an alternative, issuers could be required at time of issuance or posting to indicate whether they intend to do any such reporting. Bond issuers should also be required to indicate if a sustainable bond framework or set of principles was applied, and if so, which one (such as the ICMA Sustainability Bond Guidelines, and/or the issuer's own framework). If it is the issuer's own framework, this should be easily accessible to investors.

It is not currently contemplated that the TSX will post for trading any Sustainable Bond issued by a corporate issuer (other than quasi-governmental corporations). We believe that should the Proposed Amendments take effect, the posting of Sustainable Bonds issued by a wider array of issuers such as corporations should be considered after a reasonable observation period. As known large emitters, corporate issuers are the cornerstone of the sustainable bond process. In addition, the posting of green bonds and eventually transition bonds should also be considered. We understand that other large global exchanges such as the LuxSE list comparable corporate bonds.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at cac@cfacanada.org on this or any other issue in future.

(Signed) *The Canadian Advocacy Council of
CFA Societies Canada*

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