



Sent via electronic mail

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

May 28, 2018

Subject: OSC Notice 11-780 *Statement of Priorities for Financial Year to End March 31, 2019*

Dear Mr. Day:

We have reviewed the Chair's Statement of Priorities for the Commission for the year commencing April 1, 2018 and we thank you for the opportunity to provide our comments.

Addenda Capital Inc. is a privately-owned investment management firm responsible for investing more than \$27 billion in assets for pension funds, insurance companies, foundations, endowment funds and third party mutual funds of major financial institutions.

Investors' duties and disclosures regarding environmental, social and governance risks and opportunities

We applaud the OSC for putting forward, "publish regulatory reforms that address the best interests of the client", and "enhance OSC systemic risk oversight" as priorities for 2018-2019. We see the consideration of environmental, social and governance (ESG) risks and opportunities in investment processes as part of our duty as an investor to act in the best interests of our clients. Some of the ESG issues that we consider, such as climate change or cybersecurity (as discussed below) could have negative consequences for the real economy and in turn be associated with systemic financial system risks. Therefore, we suggest that the OSC 1) include the consideration of ESG risks and opportunities in investment processes as part of an investor's duty to act in the best interest of the client; 2) require investors to ask their clients about their ESG preferences and take those preferences into account when making investment decisions; and 3) specify how investors should inform their clients that they are fulfilling the ESG aspects of their duties and considering their ESG preferences.



Cybersecurity Risk Disclosure

Addenda Capital is pleased to see cybersecurity resilience as a priority for the OSC this year. Data security risks are material for companies in many industries, including those in financial services. We are pleased by the disclosure expectations outlined in both *CSA Staff Notice 11-332 Cyber Security*, and *Multilateral Staff Notice 51-347 Disclosure of Cyber Security Risks and Incidents*. However, regarding governance of cybersecurity risks, *Staff Notice 51-347* states that only “20% of the issuers who had addressed cyber security in their disclosure, had identified a person, group or committee” as being responsible for their cyber security strategy. Investors need more complete disclosure from issuers regarding cybersecurity governance and risk management, as well as potential impacts of a cybersecurity incident. We suggest that the OSC priority *Promote cybersecurity resilience through greater collaboration with market participants and other regulators on risk preparedness and responsiveness* be revised to include promoting greater issuer disclosure regarding cybersecurity governance and risk management, as well as potential impacts of a cybersecurity incident, with enforcement action taken if requirements for disclosure are not followed. With this information, investors will be able to make better informed decisions, which should contribute to financial market stability.

Diversity

Addenda Capital is in favour of increasing many types of diversity among corporate directors and executive officers and as such, we are supportive of the OSC’s continued focus on monitoring progress on disclosure related to women on boards and in executive officer positions. However, we are disappointed that disclosure relating to women on boards and in executive officer positions is not set out as a specific priority for 2018-2019. We do not believe sufficient progress has been made on this topic to remove it from the list of priorities. Therefore, we suggest the OSC add this topic to the list of 2018-2019 priorities.

Climate Change

Considering *CSA Staff Notice 51-354 Report on Climate change-related Disclosure Project*, we believe the OSC should prioritise the consideration of new disclosure requirements regarding climate change. We encourage the OSC to strengthen mandatory climate change disclosures in line with the TCFD recommendations. We suggest the OSC add Climate change-related disclosure to its list of 2018-2019 priorities.



UN Sustainable Development Goals

We believe securities regulators have a role to play regarding the UN Sustainable Development Goals (SDGs). The mandate of the OSC includes contributing “to the stability of the financial system and the reduction of systemic risk”. There are several actions the OSC could undertake, within its existing mandate, to support the SDGs. A few of these actions include facilitating growth of investments that support the SDGs, clarifying the duties of investors to consider sustainability issues when making decisions (as noted above), and promoting ESG disclosure standards to ensure consistency. At this time, we ask that the OSC consider how it contributes to enabling the capital markets in Ontario to better support the SDGs.

Thank you for the opportunity to comment on the 2018-2019 Statement of Priorities. If you would like to discuss our comments, please do not hesitate to contact me at 647-253-1029 or b.minns@addendacapital.com.

Yours sincerely,

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