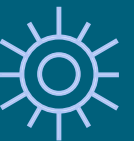


Insights on the OSC Staff's Approach to Sustainable Finance

October 7, 2024



Ontario



ONTARIO
SECURITIES
COMMISSION

CEO message

Ontario Securities Commission staff (**OSC** or **we**) are pleased to share with you **the OSC's Approach to Sustainable Finance**. As set out below, earlier this year the OSC launched its Strategic Plan for 2024-2030 (the **Strategic Plan**). Alongside the development of the Strategic Plan, we reached out to the public for comments on our proposed priorities for the upcoming fiscal year. For 2024-2025, respondents commented on the importance of advancing our work on key initiatives, including environmental, social and governance (**ESG**) disclosures.

In developing our approach to sustainable finance, we prioritized our mandate, which ties into sustainable finance in a number of ways:

- protecting investors means providing them with accurate disclosure of ESG factors material to their investment decisions,
- as a matter of fairness and to help foster capital formation, reporting issuers require clarity on their disclosure obligations, and
- addressing ESG-related risks contributes to the stability of the financial system as a whole.

We remain mindful that as a capital markets regulator we do not set environmental or social policy. Our approach to sustainable finance has been shaped by the Strategic Plan, our annual priorities and our mandate, and takes a "climate-first" approach. It builds on the work we have done to date and envisions the work we will be undertaking in the future, both in the short term, and with respect to our longer-term efforts in this constantly evolving area.

In this document, we have outlined our approach under three main pillars:

- **Investor protection and thriving capital markets,**
- **Thought leadership,** and
- **Anticipating what's next.**

Building transparency and trust in the sustainable finance ecosystem is a core objective and our aim is to support investors and the regulated community as they address and adapt to a rapidly changing capital markets environment, with both emerging opportunities and risks. Our approach addresses the risks should Ontario not keep pace with international developments in the sustainable finance area. Issuers that do not provide ESG-related disclosures may be disadvantaged in global capital markets if they are not meeting the informational needs of investors.

With our approach to sustainable finance, we are seeking to be responsive to investor requirements. We also seek to lead by example, with the OSC "walking the talk" by holding ourselves to the same standards as our public companies. We envision collectively moving forward, initially on climate-related disclosures, in a manner that is appropriate for our market.



We hope that as you read through this publication, our insights on the rapidly evolving area of sustainable finance spark an interest to learn more about our initiatives and vision, and how our investors and capital markets can benefit from the opportunities and risk mitigation provided by a thoughtful approach to sustainable finance. We are pleased to share with you this approach which builds upon our current efforts, with a view to furthering an inviting, thriving, and secure future for our investors and capital markets.

Grant Vingo,
Chief Executive Officer



Introduction

The OSC's mandate is to:

- provide protection to **investors** from unfair, improper, or fraudulent practices,
- foster fair, efficient, and competitive **capital markets** and **confidence** in capital markets,
- foster **capital formation**, and
- contribute to the **stability** of the financial system and the reduction of systemic risk.

In May 2024, the OSC released the Strategic Plan setting out how the OSC will approach its work over the next six years to achieve the best outcomes for Ontario investors and capital markets participants. It discusses how the OSC will mobilize its resources and expertise to deliver on its mandate amid ongoing changes, opportunities, and risks. It centres on six strategic goals:

- Quickly deliver effective regulatory actions in anticipation of emerging trends.
- Enhance the experience of individual investors.
- Dynamically right-size regulation informed by changing needs, risks and practices in Ontario and globally.
- Implement a tougher and more visible response to capital markets misconduct.
- Foster conditions for capital formation and innovation in both public and private markets.
- Strengthen the OSC's position as a trusted and influential voice in Canadian capital markets.

The OSC's work in sustainable finance touches each of these goals. The purpose of this document is to summarize our regulatory efforts around sustainable finance in the coming years and illustrate how our sustainable finance work aligns with the Strategic Plan. As noted above, building transparency and trust in the sustainable finance ecosystem is a core objective and our aim is to support investors and the regulated community, including issuers, as they address and adapt to a rapidly changing environment, with emerging opportunities and risks.

We recognize that stakeholders may have divergent views on how to tackle capital market issues related to sustainable finance, an evolving area that can become politicized and polarizing. Accordingly, our initiatives consider the opportunities and risks brought on by changes to the sustainable finance ecosystem and respond to the requirements of our capital markets and those who participate in them. We see our role as addressing the needs of our stakeholders, determined through our engagement efforts with capital markets participants, as well as with domestic and international regulatory colleagues in recognition of the national and global nature of sustainable finance.



Background

1. What do we mean by sustainable finance?

Sustainable finance refers to the process of incorporating ESG factors into decisions related to financial processes, risk management and capital flows that may prompt sustainable economic growth, capital formation and long-term stability of the financial system. ESG factors include (but are not limited to):

Environmental > Includes climate change, biodiversity, air and water pollution and natural resource management.

Social > Includes reconciliation with Indigenous Peoples, diversity and inclusion, data privacy and security, labour practices, supply chain management and human rights.

Governance > Includes board structure and independence, business ethics, executive compensation and shareholder rights.

2. Who are the participants in sustainable finance?

There are several key participants in the sustainable finance ecosystem, including retail and institutional investors, asset managers and investment funds, public companies, dealers, marketplaces, credit and ESG ratings providers, ESG data providers, assurance providers, practitioners and advisors, other regulators and standard setters.

It is important for the OSC to have a holistic approach that addresses all of these participants.

3. Why does this matter?

Investors and other stakeholders have expressed a need for enhanced sustainability-related disclosures.

Investors and other stakeholders (such as asset managers and ESG data and ratings providers) have indicated the need for enhanced ESG-related disclosures for investment and voting decisions. For example, in June 2024, CEOs of ten of Canada's largest pension funds submitted a letter to the Canadian Sustainability Standards Board (CSSB)¹ in response to CCSB's public consultation on proposed disclosure standards. Their letter supports the International Sustainability Standards Board (ISSB) standards, encouraging the companies they invest in, and those seeking their capital, to leverage the disclosure framework. The letter speaks to the need for Canadian directors to have information to oversee strategy, highlighting how comparable sustainability disclosure standards support Canadian issuers' access to global capital markets, and reduce reporting burden for Canadian issuers that operate or raise capital in multiple jurisdictions. The letter

¹ https://www.frascanada.ca/en/sustainability/documents/2024_csd1_2_responses



reiterates that comparable disclosure standards will allow investors to make more informed investment decisions.

In July 2023, the International Organization of Securities Commissions (**IOSCO**) called on its members, who regulate companies in more than 95% of the world's financial markets, to consider ways in which their jurisdictions might adopt, apply or otherwise be informed by ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes companies' consistent and comparable climate-related and other sustainability-related disclosures for investors. Jurisdictions are responding to these calls to action.²

In May 2024, the IFRS Foundation published its *Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards*.³ Its May 28, 2024 release noted that:

"A growing number of jurisdictions are moving ahead with or considering measures to ensure global comparability in companies' climate and other sustainability-related disclosures by relying on the global baseline established by the ISSB Standards. More than 20 jurisdictions have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks. Together, these jurisdictions account for:

- nearly 55% of global GDP;
- more than 40% of global market capitalization; and
- more than half of global greenhouse gas emissions."

We are working to bring useful information to investors to inform their decision-making and to support issuers in meeting the informational needs of investors. In doing so, as we move towards finalizing sustainable finance disclosure requirements in Canada, we recognize that issuers have different capacities and capabilities and that there are different needs depending on a company's stage of development and its sector.

Ultimately, our efforts as a regulator are intended to contribute to the integrity of capital markets.

Investor concerns about sustainability-related disclosures stem from a number of current issuer disclosure practices, including the following:

- issuers' ESG-related disclosures may not be complete, consistent or comparable,
- quantitative information is often limited and when presented, is not necessarily prepared in a consistent manner by similar issuers,
- issuers may "cherry pick" by reporting selectively against a particular voluntary standard and/or framework and doing so may contribute to greenwashing or greenhushing, and
- sustainability reporting can be siloed and is not necessarily integrated into issuers' periodic reporting structures, nor subject to the same rigour for preparation and oversight.

² <https://www.iosco.org/news/pdf/IOSCONEWS703.pdf>

³ <https://www.ifrs.org/news-and-events/news/2024/05/jurisdictions-representing-over-half-the-global-economy-by-gdp-take-steps-towards-issb-standards/>





There has been considerable growth in sustainable investing.

Interest in sustainable investing has grown considerably in Canada for both retail and institutional investors, including in the investment fund industry.

Morningstar, in its *Canada Sustainable Funds Landscape 2023 in Review* report, notes that sustainable funds' assets reached a new high of CAD \$45.8 billion in 2023, which represents a 290 percent increase since 2019. In 2023, 78 new sustainable funds were launched (compared to 64 in 2022). In a more recent update⁴, Morningstar further reported that:

- The number of asset managers offering sustainable funds in Canada continues to grow.
- Assets in Canadian sustainable funds hit an all-time high of CAD \$60.9 billion in 2024's second quarter.
- Over the past three years, sustainable fund assets have grown 89.3 percent, with passive funds leading the way.

Additionally, major sustainability projects are increasingly being funded globally through green bond issuance. To start 2024, the first half of 2024 experienced the highest growth in green bond sales reaching US \$385 billion, with over 60% originating in Europe and significant growth in the United States. Growth in this asset class is being driven by adoption beyond government issuers towards more non-financial corporations, experiencing nearly 30% growth in 2023.⁵



It is important for Ontario to keep pace with international developments in this area to remain competitive.

The focus on sustainable investment issues in Canada and internationally has grown rapidly in recent years with ESG-related risks becoming a mainstream business issue. This growth has resulted in an international consensus that there is a need for more consistent, comparable and decision-useful information for investors. Capital formation is a key consideration for the OSC and Ontario risks being left behind if it does not keep pace with international developments in the sustainable finance area. Issuers that do not provide ESG-related disclosures are at risk of being shut out of the global capital markets if they are not meeting the informational needs of investors. Additionally, there is a risk of lost opportunities to supply domestic and international entities, if these entities are focused on identifying and entering into business relationships with companies which support their ESG-related targets or ambitions.

⁴ <https://www.morningstar.com/en-ca/lp/sustainable-investing-landscape>

⁵ https://www.climatebonds.net/files/reports/cbi_mr_h1_2024_02e_1.pdf





Clarity around regulatory expectations may assist market participants and reduce the risk of greenwashing.

“Greenwashing” - a practice of misrepresenting sustainability-related information, practices or features - can occur throughout the sustainable finance ecosystem. A clear set of rules and regulatory expectations for disclosure of ESG-related matters would reduce regulatory burden by providing more clarity to market participants and removing the costs associated with navigating and reporting against multiple voluntary disclosure frameworks.

A Pollara poll conducted between August and September 2023 found that 65 percent of the adult Canadians surveyed support sustainable finance voluntary or mandatory regulation. That support increased to 78 percent when dealing with greenwashing regulation in the financial sector.⁶ Rules and regulatory expectations are tools that can bring clarity and consistency to disclosures and reduce the incidence of greenwashing.

⁶ Polling: August 23 to September 5, 2023 Pollara Strategic Insights; ecojustice Sustainable Finance Research November 2023 slide deck <https://environmentaldefence.ca/wp-content/uploads/2023/11/Ecojustice-Sustainable-Finance-Media-Deck-1.pdf>



Overview of regulatory approach

Vision

Building trust in the sustainable finance ecosystem with effective, appropriate and timely regulation and oversight.

This supports the OSC's overall vision of working together to make Ontario's capital markets inviting, thriving and secure.

Three pillars of our approach

In support of the Strategic Plan, the **three pillars** of our approach to sustainable finance are:

- Protecting investors and contributing to thriving capital markets through effective and timely regulation, compliance oversight and education.
- Demonstrating thought leadership and seeking to be an influential and trusted voice in sustainable finance regulation.
- Anticipating what's next in the rapidly evolving area of sustainable finance.

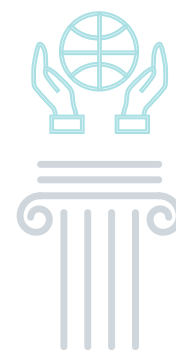
Pathways for achieving these objectives are set out below, along with the desired outcomes. These are intended to be ongoing areas of work, but we have highlighted specific initiatives that we will focus on in the short to medium term (one to five years) to illustrate the pathways.

Values

The OSC has values centred around the concepts of "Professional", "People" and "Ethical." Building on these values, our work in sustainable finance is guided by the following:

- **Teamwork** – working across the OSC in an integrated manner.
- **Responsiveness** – considering the needs of our capital markets and those who participate in them and being proactive, thoughtful and timely in addressing those needs.
- **Engagement** – actively engaging with our domestic and international stakeholders in recognition of the global nature of sustainable finance.
- **Effective results** – striving to deliver results that effectively balance priorities such as protecting investors and fostering capital formation.
- **Spirit of inquiry** – being curious and open-minded in our approach to our work in this evolving area.





Pillar 1: Investor protection and thriving capital markets

Sustainable finance continues to evolve rapidly, increasing the risk of greenwashing. It is necessary for the OSC to keep pace with such change to maintain and enhance trust in the sustainable finance ecosystem. As a securities regulator, our role is to bring material, decision-useful information to investors. We seek to protect investors and contribute to thriving capital markets through effective and timely regulation, compliance oversight and education.

Our pathways for achieving this objective include the following.

A. Holistic approach to regulatory work

We will take a holistic approach to sustainable finance policy work across our various functional areas. We have a range of tools that we may use in meeting our regulatory objectives, including:

- staff guidance and education,
- policies and rules,
- compliance and supervision using various forms of engagement with market participants (as discussed further below), and
- where appropriate, enforcement.

Given that sustainable finance is an evolving area, we recognize the need to be nimble and responsive to clarify regulatory expectations in a manner that does not deter innovation. As a result, influence and advocacy will complement our traditional policy-driven approach.

We are also mindful of the need to consider the capacity and capabilities of public companies of various sizes and the importance of supporting the vibrancy that comes with new growth-oriented businesses. For example, as noted in the TMX's letter to the CSSB dated June 10, 2024⁷, 73 percent of venture issuers have annual revenues under CAD \$1 million and they may not be equipped with the resources, capacity or technical systems to deliver certain disclosures. Conducting robust regulatory impact analyses will be a critical component of our work. We will also use our own experience in providing ESG-related disclosures to inform our work so that we can regulate from a place of understanding and shared experience.

We recognize that collaboration across diverse teams can bring broader perspectives, support creativity and agility and lead to more resilient regulatory approaches. To support a holistic view and coordinated approach to our sustainable finance regulatory work, we have established a dedicated sustainable finance role as well as a cross-functional internal discussion forum. This forum will:

- facilitate the exchange of information, ideas and best practices relating to our sustainable finance regulatory work,
- help participants stay up to date on trends, innovations and regulation,
- discuss and shape regulatory frameworks and initiatives, and
- identify any gaps in our policy work as developments arise.

⁷ https://www.frascanada.ca/en/sustainability/documents/2024_csds1_2_responses





Short- and medium-term priorities

To advance this objective, we will focus our efforts on several areas, including:

- **Climate-related disclosures** – work towards implementing right-sized climate-related disclosure requirements for public companies, emphasizing appropriately aligning with the global baseline for these disclosures and considering whether independent assurance on certain aspects of the disclosures should be required.
- **Assurance of sustainability-related disclosures** – monitor the work of:
 - » the International Auditing and Assurance Standards Board (**IAASB**), with a focus on International Standard on Sustainability Assurance (**ISSA**) 5000 and General Requirements for Sustainability Assurance Engagements, and
 - » the International Ethics Standards Board for Accountants (**IESBA**) to develop ethics standards that could be used for sustainability assurance reporting.
- **Diversity-related work** – consider the varied feedback on the proposals published for comment in April 2023 and seek a harmonized approach to advancing disclosure requirements for public companies regarding diversity on their boards and in executive officer positions.
- **Governance-related work** – consider opportunities to enhance the role of audit committees and the extent of disclosure about other governance matters, such as an issuer’s whistleblowing procedures and use of internal audit.
- **Virtual shareholder meetings** – building on the staff guidance set out in CSA news releases issued in March 2020 and February 2024, continue to monitor the practice of virtual shareholder meetings, including reviewing disclosure in proxy-related materials.
- **Engagement with Indigenous communities and organizations** – continue to work with the Ontario government to engage Indigenous Peoples, communities and organizations on issues relevant to their participation in capital markets as part of our phased approach to develop an action plan for truth and reconciliation.
- **Sustainable finance products** – building on the guidance set out in CSA news releases issued in March 2020 and February 2024, continue to review sustainable finance products, such as ESG-related investment funds and sustainability bonds.
- **Carbon exchanges** – right-size our oversight of emerging financial infrastructure entities, such as carbon exchanges.

B. Effective compliance oversight

We will work to embed a sustainability mindset into our oversight and enforcement work and in doing so, seek to integrate ESG-related considerations more systematically and consistently into our supervisory work, where appropriate. Our objective is to improve disclosures regarding sustainability-related risks, opportunities and targets and reduce and respond to incidents of greenwashing.

As this is an evolving area, a culture of continuous learning and a growth mindset will be critical to promoting adaptability and embracing change and innovation in our capital markets.





Short- and medium-term priorities

To achieve this objective, we will focus on:

- **Internal capacity building** – continue to build staff capacity through training programs on topics such as climate-related disclosures, including greenhouse gas (GHG) emissions disclosures.
- **Compliance review programs** – embed sustainable finance considerations into our compliance review programs, including the consideration of material climate-related risks and their potential impacts for public companies and reviews of registrant behaviour, especially as it relates to non-reporting issuers and their disclosure obligations in the private market. Where we identify material non-compliance, we will consider referring matters to our Enforcement Division.

We will also seek opportunities to leverage technology to improve our access to data and information, allow for better identification of trends and risks, and support our analysis and decision-making.

C. Education

We recognize the importance of education for all participants in the sustainable finance ecosystem as a tool to address greenwashing and support public companies and asset managers in meeting the informational needs of investors. Education programs can also build awareness among investors so that they can better identify greenwashing, misleading advertising and misinformation, and with greater confidence can incorporate sustainability in their investment decisions if they wish to do so.

Short- and medium-term priorities

To achieve this objective, we will continue to expand our educational efforts for investors and industry.

Investors

The OSC created an investor resource hub on sustainable investing, which includes a set of questions and answers in relation to the meaning of, and considerations for, ESG investing, ESG terminology and greenwashing. Where beneficial, we will provide further targeted educational programming for investors on ESG investing.

Industry

We will continue to develop guidance for public companies, asset managers, dealers and marketplaces and increase our interactions with them to communicate our regulatory objectives more effectively. This includes programming as part of the OSC's Small and Medium Enterprises (SME) Institute and content on the OSC's Registrant Outreach platform as well as speaking at various industry events to keep regulated entities apprised of developments in this area and how to apply them.



We also will promote capacity building efforts of the IFRS Foundation and its partners, such as the Chartered Professional Accountants of Canada (**CPA Canada**), the International Corporate Governance Network (**ICGN**) and International Federation of Accountants (**IFAC**), where these programs support the implementation of disclosure requirements applicable in Canada.





Pillar 2: Thought leadership

We recognize the importance of building and advancing trust among investors, the regulated community and other stakeholders. Sharing insights, opinions and expertise consistently and through various channels enables us to be viewed as a thought leader. It also helps influence the direction of sustainable finance and position ourselves as a driver of positive change.

Our pathways for achieving this objective include the following.

A. Influential voice

We strive to be an influential voice on sustainable finance from a securities regulatory perspective, both domestically and abroad.

We continue to take a leadership role on the Canadian Securities Administrators' (CSA) sustainable finance work. We also closely collaborate with securities regulators internationally. We serve as a member of the Steering Group of IOSCO's Sustainable Finance Taskforce and use our voice to promote alignment in sustainable finance securities regulation globally, where possible. We engage with relevant standard setters, including the ISSB and the Canadian Sustainability Standards Board (CSSB) and are seeking to enhance our relationships with other financial sector regulators, such as the Office of the Superintendent of Financial Institutions (OSFI) and the Bank of Canada, recognizing the need for coordination to mitigate against the risk of regulatory fragmentation.

Short- and medium-term priorities

To achieve this objective, we will focus on:

- **IOSCO Sustainable Finance Taskforce** – continue to support the work of the Taskforce, including by:
 - » leading a new green finance workstream of IOSCO's Sustainable Finance Taskforce involving identifying trends and potential emerging risks from new green products,
 - » continuing to contribute to IOSCO's Sustainable Finance Taskforce's workstreams considering corporate disclosures, transition plans being produced by public companies and asset managers and assurance of sustainability-related information, and
 - » continuing to participate in IOSCO capacity building programs to assist jurisdictions to understand the different models they could follow and train relevant staff.
- **Engagement with CSSB** – continue to chair a staff-level working group with the CSSB with the objective of identifying whether any jurisdictional-level modifications to the ISSB standards are needed for them to be relevant, responsive and fit for use in the Canadian capital markets and identifying areas where capacity building in Canada is required to support the implementation of any such standards.



B. Research

We are expanding our research efforts to build knowledge and influence thinking in sustainable finance. We are also monitoring research published by others and, where appropriate, partnering with academics on studies. These initiatives support an evidence-based approach to our regulatory work including the use of behavioural insights, enabling us to support effective investor and industry outcomes.

We seek to be a source of reliable and objective information for investors, the regulated community and other stakeholders by sharing our research findings.



Short- and medium-term priorities

Our initial research topics will include:

- **ESG factors within retail investing** – examination of ESG foundations, such as definitions, measurement and standardization. This may involve a literature review and environmental scan to examine ESG foundations, ESG marketing and the behavioural journey of retail investors investing in ESG, as well as a behavioural science experiment to examine which attributes of ESG funds are important to retail investors when selecting such funds.
- **Investor attitudes, beliefs and behaviours surrounding ESG** – an exploration of the prevalence and characteristics of sustainable investors, including their attitudes and beliefs about ESG-focused investing, and how ESG investors navigate information related to ESG investing.

In addition, we are planning to initiate a study to evaluate the trends and impacts of disclosure requirements relating to the representation of women on boards and in executive officer positions that were adopted under Ontario securities law in 2014.

C. Role model

We seek to exert influence as a role model and strive to hold ourselves to the same standards that we expect of our regulated entities. For example, the OSC “walks the talk” in respect of diversity on its board and in executive officer positions. Inclusion and diversity are fundamental values at the OSC. The collection and reporting of demographic and inclusion metrics guide evidence-based strategies, which provide critical, actionable insights that inform future areas of focus. In our annual report, for several years the OSC has been including information on the representation of women on its board and senior leadership team. For the past two fiscal years, the OSC has expanded this reporting to include the representation of Indigenous Peoples, members of visible minorities and persons with disabilities. For the fiscal year ending March 31, 2024, the reporting has been expanded to include the representation of members of the 2SLGBTQI+ community in these roles.





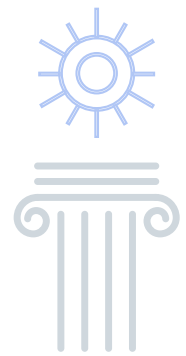
Short- and medium-term priorities

In addition to continuing to provide disclosures regarding the diversity of the OSC's board and senior leadership team, other initiatives that we also plan to work on include:

- **GHG emissions** – undertake an inventory of the OSC's greenhouse gas emissions, specifically scopes 1 and 2 and four categories of scope 3, and
- **Climate-related disclosures** – develop an OSC climate-related disclosures report structured around the four thematic areas of governance, risk management, strategy and metrics and targets.

We will continue to seek other areas where we can similarly lead by example.





Pillar 3: Anticipation of what's next

The sustainable finance landscape is evolving rapidly due to changes in the economy, societal shifts and advancements in technology. We need to anticipate these changes so that we can proactively adapt our regulatory framework and identify and analyze emerging risks. This is critical to the protection of investors and the integrity of our capital markets.

The pathways for achieving this objective include the following.

A. Stakeholder engagement

We will continue to foster a culture of stakeholder engagement and actively seek to hear the views of others. Numerous groups have relevant perspectives for our sustainable finance work, including the key participants in the sustainable finance ecosystem noted above. In light of our efforts in furthering truth and reconciliation, it is also important for us to engage with Indigenous rights holders.

We need to build and enhance relationships across our stakeholder groups and strive to ensure a mutual understanding of our respective interests, priorities and perspectives.

Short- and medium-term priorities

The Strategic Plan contemplates having rich, deep and meaningful engagement with stakeholders. As a key strategic initiative, staff will develop a framework for enhanced engagement across the OSC that provides a systemic approach to document and escalate issues identified by our stakeholders. Our approach to sustainable finance will be informed by these efforts, with a focus on the following.

- **Who** – We will assess which stakeholders we are not currently hearing from regarding our sustainable finance work and look for ways to connect with them.
- **What** – We will be more strategic and forward-looking on what we are engaging on, being respectful of resource constraints, so that stakeholder views can better inform our sustainable finance priorities.
- **When** – We will give additional consideration as to the appropriate time to first engage on our regulatory initiatives, which could lead to engagement at earlier stages.
- **How** – We will continue to use our traditional channels of engagement, such as (1) OSC and CSA advisory committees, consultative groups and investor advisory panels, (2) participation in, or convening of, industry events, roundtables and conferences, (3) publication of proposed rules, policies and consultation papers soliciting stakeholder views, (4) meetings with industry groups and (5) bilateral meetings. Where helpful, we will also observe other organizations' advisory committees and ESG-related industry working groups to gain insights on their research, initiatives and perspectives. However, we recognize that these traditional channels may not work well for some stakeholders. As a result, we will consider more modern approaches to engagement, including social media.



One of our immediate priorities is to engage on our climate-related disclosures initiative as we consider feedback submitted to the CSSB on the consultation of their proposed standards and develop a revised CSA climate-related disclosures rule. In that regard, we plan to create a technical expert group to assist staff in the consideration of the complex issues involved.



Engagement with Indigenous Peoples and Communities

A key priority for the OSC is continuing to engage with Indigenous partners to identify opportunities for increased participation of Indigenous businesses and communities in capital markets and obtain feedback on our preliminary approach to truth and reconciliation. In addition, we will seek to develop a better understanding of the needs of, and the regulatory impacts on, Indigenous Peoples in relation to the climate-related disclosures initiative through engagement with Indigenous organizations.

B. Horizon scanning

We will strive to detect early signs of change that may impact our work in the sustainable finance area. We will actively engage with our stakeholders and monitor media, industry publications, academic research, government reports, social media and expert opinions with a view to identifying emerging trends and potential gaps. We will look for key drivers of change, regulatory and industry developments both domestically and abroad, and information regarding investors' priorities and informational needs. We will work to integrate these learnings into our sustainable finance regulatory policy and operational work.

Short- and medium-term priorities

In delivering on the goals of the Strategic Plan, the OSC will develop a framework for horizon scanning across the OSC that regularly identifies and analyzes emerging trends in capital markets. Our approach to sustainable finance will be informed by this systematic approach. As we will look forward to future sustainable finance priorities, our horizon scanning will include the following.

- **ISSB and CSSB** – We will continue to closely monitor the work plans, including the public comment process, of the ISSB and CSSB. The ISSB recently announced that it has decided to commence projects to research disclosure about risks and opportunities associated with (1) biodiversity, ecosystems and ecosystem services and (2) human capital. The aim of these research projects is to focus on the common information needs of investors in assessing whether and how these risks and opportunities could reasonably be expected to affect a company's prospects.
- **Regulatory developments** – We will follow regulatory developments, both domestically and abroad, that are relevant to our sustainable finance work.
- **Topics of interest to shareholders** – We will also monitor emerging areas of engagement by shareholders with boards, such as board oversight over the responsible use of new technologies (for instance, the use of artificial intelligence (AI) systems).



C. Innovation

The Office of Economic Growth and Innovation helps the OSC foster innovation and growth in Ontario's capital markets by supporting businesses, engaging with stakeholders in Ontario's innovation ecosystem and contributing to the modernization of regulation in Ontario.

We understand the importance of having competitive markets that support transition aligned businesses operating in a variety of industry sectors, including clean technology, mining of critical minerals and businesses that offer an innovative environmental solution. We recognize that certain sectors present a complex picture of their sustainability and impact on the environment and the communities in which they operate. In our role as a securities regulator, we will focus on both transparency of business practices through disclosure and support in raising capital.



Short- and medium-term priorities

The OSC will work toward supporting opportunities for innovation and capital formation throughout our organization. This will include:

- **Engagement and support** – engaging with sustainable businesses and other stakeholders in the sustainable finance ecosystem and using data and research to align our programs to provide tailored and impactful solutions, including through OSC LaunchPad and OSC TestLab.
- **Novel products and infrastructure** – timely review of novel sustainability-related products and infrastructure that includes consideration of working with other regulators who may have already considered oversight regimes for such entities.
- **Capital formation** – continuing to modernize regulation to foster conditions for capital formation for sustainable businesses at all stages of business growth, which will support competitive and thriving capital markets for sustainable businesses in Ontario.



Intended outcomes

Our sustainable finance regulatory approach encompasses thorough research, proactive engagement with our stakeholders, collaboration with other regulators and clear communication internally and externally regarding the OSC's sustainability-related initiatives.

This approach sets a solid foundation for achieving our goals, including the following outcomes:

- The OSC's responses, including guidance, requirements, oversight and education, are, as applicable, timely, appropriate and proportionate.
- Emerging trends in sustainable finance are identified and analyzed on an ongoing basis.
- Investors are better positioned to make informed investment decisions that incorporate material sustainable finance-related risks and opportunities.
- The risk of investor harm from greenwashing is mitigated.
- The OSC has an influential voice in international discussions on sustainable finance and responds effectively to international sustainable finance developments that impact our capital market.
- Innovative sustainability and transition-aligned businesses are supported in their growth as they navigate capital raising options under securities law.

Conclusion

We recognize that both our capital markets and sustainable finance are evolving. Informed by engagement with our stakeholders, research and scanning of the horizon, we will regularly review and update our approach to ensure that it remains relevant. Our goal is to continually improve and evolve in our approach to regulating sustainable finance. To assist in achieving this goal, we will continue to identify best practices and innovative approaches to sustainable finance regulation and share experiences with and learn from our peers.

We believe that our regulatory approach will facilitate Ontario maintaining capital markets that are inviting, thriving, secure, and strengthen global efforts to successfully implement financial sustainability within the securities markets. Our ultimate goal is effective regulation of sustainable finance for competitive advantage, supporting positive change.



Questions

Please refer your questions to any of the following:

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