



Melissa Kennedy
EVP & Chief Legal Officer & Public
Affairs

Sun Life Financial Inc.
1 York Street
Suite 3100
Toronto, ON
M5J 0B6
Tel.: (416) 204-3852
melissa.kennedy@sunlife.com
www.sunlife.com

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By E-Mail

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 (NB)
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Service NL
Northwest Territories Office of the Superintendent of
Securities
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Nunavut

Attention:

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, ON M5H 3S8
comment@osc.gov.on.ca

Me Philippe Lebel, Corporate Secretary and Executive
Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
consultation-en-cours@lautorite.qc.ca

Dear Sirs/Mesdames:

Re: Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and Other Amendments and Changes Relating to Annual and Interim Filings of Non-Investment Fund Reporting Issuers

The purpose of this letter is to provide comments to the Canadian Securities Administrators (“CSA”) in response to the CSA’s Notice and Request for Comment – Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and Other Amendments and



Changes Relating to Annual and Interim Filings of Non-investment Fund Reporting Issuers published on May 20, 2021 (collectively, the “**Proposed Amendments**”). Sun Life Financial Inc. (“**Sun Life**”) appreciates the opportunity offered by the CSA to share our perspective on the Proposed Amendments.

Sun Life is supportive of the CSA’s objective of enhancing the usefulness and understandability of disclosures for investors, while also reducing regulatory burden on reporting issuers by streamlining and clarifying disclosure requirements. If implemented, we believe the Proposed Amendments will further this objective and result in more focused, quality disclosure.

However, we believe there are a few areas where the Proposed Amendments may be improved in furtherance of the CSA’s objectives. We have suggested alternative proposals in our comments that follow.

1. Further Streamlining of Content in the Annual Information Form (“AIF”)

Sun Life agrees with streamlining the content of the AIF by removing duplicative disclosure requirements where such information is contained in other disclosure documents or is available from alternative public sources. However, we believe there are opportunities to further advance the CSA’s objective of streamlining the AIF content as identified below.

- a) *Ratings Information.* Given that the information required by Section 20(3) of the Proposed Annual Disclosure Statement (“**ADS**”) Form includes publicly available ratings information, Sun Life recommends that such requirement be removed. In the alternative, Sun Life recommends that the requirement be satisfied by way of cross-reference to a public source where an investor may obtain such information, such as news releases or websites of the rating agencies, or even the issuer’s own website. As currently drafted, the proposed disclosure will result in a substantial amount of otherwise publicly available information being repeated in the ADS. Specifically, Section 20(3)(c) requires disclosure of the definitions or descriptions of the categories in which the credit rating organization rated the securities and the relative rank of each rating within the organization’s overall classification system. This change would increase reporting efficiency as the information is already otherwise available to the public at each credit rating agency’s website and is the same for all issuers who are rated by the same agency.
- b) *Directors and Executive Officers.* Sun Life believes that the requirements in the AIF as they relate to information about directors are duplicative of the requirements in an issuer’s information circular. Specifically, item 7.1 of Form 51-102F5 – *Information Circular* requires information about each person proposed to be nominated for election as a director of the issuer and about each other person whose term of office as a director will continue after the meeting. Similarly, the AIF also requires information about each director, much of it overlapping with the information circular requirements. Sun Life believes that an information circular related to the election of directors is the more appropriate location for this information so that investors have the benefit of it when determining whether to vote in favour of a director. We therefore propose that the AIF requirements be amended to remove the disclosure requirements relating to directors, provided that an issuer has filed an information circular in the form required by Form 51-102F5 within the previous 12 months. This would reduce burden as issuers would not have to repeat information in the AIF that investors can easily access elsewhere.

- c) *Audit Committee Charter*. Pursuant to the instruction to Section 31 of the Proposed ADS Form, issuers must provide additional information in their AIF as set out in Form 52-110F1 – *Audit Committee Information Required in an Annual Information Form*. The first item of Form 52-110F1 requires an issuer to disclose the text of the audit committee’s charter. An issuer’s audit committee charter is typically a lengthy document that is subject to only incremental changes over time. The vast majority of issuers make it available on their website. It is quite burdensome to require issuers to duplicate the text of the charter in the AIF when it can be made easily accessed elsewhere, and its inclusion does not increase the quality or useability of the disclosures. Sun Life therefore recommends that Form 52-110F1 be amended to permit an issuer to satisfy item 1 by giving the issuer the option of stating in the AIF that its audit committee charter is publicly available on its website and/or on SEDAR.

Additionally, we would like to highlight to the CSA that eliminating the above-noted duplications will have the added benefit of reducing the burden of printing and mailing costs associated with annual reporting for issuers that are insurance and bank issuers. While the CSA has put forward the Proposed Amendments in the context of the “access equals delivery” model (as outlined in CSA Consultation Paper 51-405 – *Consideration of an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers*), Sun Life and other insurers and banks are subject to regulations under the Insurance Companies Act and the Bank Act that limit their ability to use the notice-and-access delivery options in the same way that other issuers may. Consequently, by further streamlining and reducing unnecessary duplication with otherwise publicly available information, an issuer will be able to decrease the length of its ADS thereby reducing printing and mailing costs and supporting sustainability goals of fewer printed pages.

2. Risk Factors

We note that instruction (3) to Section 16 of the Proposed ADS Form is new and intended to clarify that the “seriousness” of a risk factor refers to an impact/probability assessment. The CSA has also asked issuers to comment on whether it would be beneficial for reporting issuers if it provided further clarity on what “seriousness” means and how to determine the “seriousness” of a risk. Sun Life takes the view that it would not be beneficial for the CSA to provide further guidance on what “seriousness” means and how to determine the “seriousness” of a risk. Instead, the determination of “seriousness” should be left to each issuer in the context of its own business.

The CSA has also asked for comments regarding the benefits and costs for investors and reporting issuers if the CSA adopted similar risk factor disclosure requirements as the SEC has in its modernization of Regulation S-K, specifically with respect to: (a) grouping similar risks together; (b) disclosing generic risks under the heading “general risks”; and (c) requiring a summary of risk factor disclosure if the risk factor disclosure exceeds 15 pages. Our view with respect to each of these requirements is as follows:

- a) Grouping similar risks: We agree that grouping similar risks together makes sense and enhances readability. We currently follow this practice by organizing our risk factors into various categories of risk.
- b) Disclosure of Generic Risks: We do not believe this is a helpful category of risk and any such risks would be subsumed under one of our current risk categories.
- c) Summary of Risks: Sun Life does not believe that it would be useful to include a summary of risk factor disclosure if such disclosure exceeds 15 pages. Investors will be less likely to read a detailed

discussion of risk factors if there is a summary and will therefore neglect information that the issuer has determined is important disclosure for investors. Additionally, some issuers may shorten their detailed risk factor disclosure in order to avoid the 15-page threshold for a summary, thereby reducing the quality of their risk factor disclosure.

3. Transition and Effective Date

Sun Life recommends that the proposed transition period be extended to at least 6 months, with an option for early adoption. We are concerned that the proposed time between publication of the final amendments in September 2023 and the effective date of December 2023 will not be sufficient transition time for issuers with a December 31 financial year end. The preparation and delivery of an ADS will require substantial planning and coordination and involves participation from a wide range of internal functions (including senior management and the board) as well as external advisors (such as legal counsel, translators and printers). Issuers will not be able to begin to plan and coordinate for a transition to a new ADS format until the final amendments to NI 51-102 are published by the CSA in September 2023. This will leave issuers with only a few short months to conduct the transition work, which includes budgeting, planning and layout of the document. This challenge will be exacerbated for certain issuers that must comply with the implementation of International Financial Reporting Standards 17 and 9, which will take effect simultaneously with the Proposed Amendments.

4. Disclosure requirements for non-investment entities recording assets at fair value

We have noted that there are new disclosure requirements in Section 10 that apply to “Non-investment entities recording investments at fair value”. These requirements include providing a schedule of investments, including the investee’s name and the cost and fair value for each investment held.

The definition of “Non-investment entities recording investments at fair value” and “other operating entities” in both the Proposed Amendments and in the related Staff Notice 51-349 is unclear. As such, based on our interpretation, most financial service issuers would be scoped into these requirements if they report their investments at fair value. If that is not the intention of the CSA, we recommend a clearer definition of “Non-investment entities recording investments at fair value” and “other operating entities” to allow reporting issuers to determine if the section requirements are applicable. We also recommend that the scope of this requirement exclude issuers subject to regulators, such as OSFI, as these issuers are subject to additional reporting requirement intended to provide investors comfort over the quality of their investment portfolio.

Furthermore, we would like to highlight the undue burden caused by the requirements under Section 10(1). For certain large issuers with diversified portfolios, the requirement to provide a list by investee name for the entire investment portfolio would be administratively taxing and would add a significant number of pages to the document, which could result in a new section of disclosure being longer than in the current disclosure documents. This would make the overall document unnecessarily cumbersome. Furthermore, this additional information may not be very useful in allowing investors to make an informed investment decision when an investments portfolio is large and diversified. Similar to Section 10(2), we recommend that Section 10(1) include a requirement to provide information if there is a “concentrated holding”. This would allow all investors to understand where there is a concentration of risk within the investment portfolio. We also recommend that this be considered an annual reporting requirement and not a quarterly one.



We would be happy to provide additional information or further discuss our comments if that would be helpful.

Yours truly,



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Sun Life Financial Inc.