Staying ahead of OSC Staff's Approach to Sustainable Finance

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Earlier this month, the OSC released a report entitled *Insights on the OSC Staff's Approach to Sustainable Finance* (the Report). Under the three main pillars of (i) investor protection and thriving capital markets; (ii) thought leadership; and (iii) anticipating what's next, the Report delves into staff's holistic approach, which is intended to among other things address the risks of Ontario not keeping pace with international developments around sustainable finance.

In the Report, sustainable finance is described as "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".

Staff's vision is to build trust in the sustainable finance ecosystem with effective, appropriate, and timely regulation and oversight. It is noted that ESG-related risks have become a mainstream business issue, with a consensus that investors need more consistent, comparable, and decision-useful information, and issuers are at risk of being shut out of global markets if they provide insufficient information.

The Report notes that being mindful of the capacity of public companies of varied sizes, staff will utilize robust regulatory impact analyses as part of their work. Among other priorities, the OSC will focus its efforts on several areas, including climate-related disclosures, assurance of sustainability-related disclosures, governance-related work, engagement with Indigenous communities and organizations, and will continue to review sustainable finance products, such as ESG-related investment funds and sustainability bonds.

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