

Ontario's Cap and Trade Program How to Participate:

Business Relationship Disclosures (Corporate Associations)

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1. Introduction

Ontario Regulation 144/16 – The Cap and Trade Program (O. Reg 144/16) requires that Participants disclose certain information about their businesses as part of the Participant Registration process. This is completed through the Business Relationship Disclosure form found on the Ministry of the Environment and Climate Change website.

Business Relationships exist when one Participant has a degree of ownership or control over another Participant. When this degree of ownership or control gives the first Participant effective control over the second Participant, O. Reg. 144/16 considers the Participants “Related Persons”. Related Persons are required to operate in the market in a coordinated fashion including sharing purchasing and holding limits. Participants with a lesser degree of control over another Participant may still need to disclose information to the ministry, but are not required to operate in the market in a coordinated fashion.

This guidance document details how to define and disclose Business Relationships as well as the requirements for updating this information under a Participant’s account.

2. Business Relationship and Related Persons Disclosures

Schedule 1 of O. Reg. 144/16 outlines the business-related information that Participants must submit to the Director in support of the Participant Registration. This information is initially provided to the ministry as part Participant Registration through the Business Relationships Disclosure form.

2.1 Defining a Business Relationship

Section 2(1) of O. Reg. 144/16 specifies:

In this Regulation, a business relationship exists between two persons, when one of the following types of relationship exists, either directly or indirectly.

1. One person owns more than 20 per cent of the securities of the other person or holds a call, option or other right or obligation to acquire such securities.
2. One person shares more than 20 per cent of its officers or directors with the other person or may appoint up to 20 per cent of the officers or directors of the other person.
3. One person owns voting securities carrying more than 20 per cent of the voting rights attached to all voting securities in the other person.
4. If one person is a partnership other than a limited partnership, the other person holds more than 20 per cent of the interests in the partnership.
5. If one person is a limited partnership, the other person is a general partner of the partnership.
6. The persons are both members of a group that meets one of the following descriptions:
7. The group consists of a person and that person's subsidiaries.
8. The group consists of a person who controls other persons and the controlled persons.
9. One person controls more than 20 per cent of the other person by any means.



Tip "Person" includes an individual, corporation, partnership, sole proprietorship, association or any other organization or entity.

2.2 Defining "Related Persons"

Section 2(2) of O. Reg. 144/16 specifies:


In this Regulation two persons are considered related persons if their relationship meets one of the following descriptions.

1. They have both designated the same individual as an account representative, and that same individual is an employee of at least one of the persons.
2. They are in a business relationship and one person owns more than 50 per cent of the securities of the other person or holds a call, option or other right or obligation to acquire such securities.
3. They are in a business relationship and one person shares more than 50 per cent of its officers or directors with the other person or may appoint up to 50 per cent of the officers or directors of the other person.
4. They are in a business relationship and one person owns voting securities carrying more than 50 per cent of the voting rights attached to all voting securities in the other person.
5. They are in a business relationship and one person holds more than 50 per cent of the interests in the partnership.
6. They are in a business relationship as described in paragraph 5 or 6 of subsection (1). (One person is a limited partnership, the other person is a general partner or both persons are in a group consisting of a person and that person's subsidiaries or one person who controls other persons and the controlled persons).
7. One person controls more than 50 per cent of the other person by any means.

3. How is Disclosure Done?

Disclosure about your business is collected in the **Business Relationship and Disclosure form**. Completion of this form is required for any Participant registering in Ontario's cap and trade program.

The form is available on the cap and trade website and can be completed online but must be mailed to the ministry. It is also strongly recommended that a copy of the form is saved electronically to facilitate future updates.

 **Tip:** Only forms completed electronically will be accepted.

4. When to Update Disclosures?

Participants are required to provide updates to information previously submitted to the ministry within 30 days following the change in accordance with sections 26, 34 and 37 of O. Reg 144/16.

In addition, a Participant is required to submit any update to disclosures no later than 40 days before the day of an auction in accordance with section 67 of O. Reg 144/16.

The same **Business Relationships Disclosure form** is used for updates after the initial submission.

5. Completing the Business Relationship Disclosure Form

The **Business Relationship Disclosure form** collects business information about a Participant as per the requirements outlined by Schedule 1 of O. Reg 144/16.

The form is composed of the following sections:

- Type of disclosure
- Section 1: participant identification
- Section 2: business ownership
- Section 3: persons with control
- Section 4: parents and subsidiaries
- Section 5: business relationships (Including Related Persons)
- Section 6: account representatives shared with other participants
- Section 7: account representative attestation

5.1 Complete Type of Disclosure Section

Select the application type by clicking the check box to indicate whether this is a submission for an initial registration or an update to previously submitted information. If you are submitting an update, you must also list the sections in the form being modified.

5.2 Section 1: Participant Identification

This section collects information about the Participant.

A. Select the Participant type: mandatory, voluntary, or market.



Tip: Ontario's cap and trade program Participants include:

Mandatory Participant: A Participant required to enroll in the program. This includes facilities and natural gas distributors with emissions of 25,000 tonnes or more of greenhouse gas emissions per year. Additionally, petroleum product suppliers that sell more than 200 litres of petroleum products per year and electricity importers must also participate in the program.

Voluntary Participant: A Participant choosing to opt into the program. This includes facilities generating more than 10,000 tonnes but less than 25,000 tonnes of greenhouse gas emissions per year. These facilities, once opted into the program, will be subject to the same rules as Mandatory Participants.

Market participant: Any other Participant that wishes to enroll in the cap and trade program but is not an owner, operator, or employee of a Capped Participant.

B. Select the Participant's type of establishment:

- Corporation
- Partnership
- Sole proprietor
- Individual
- Other – please specify

Depending on your selection, certain identifier fields and sections in the form will become automatically mandatory (see Table 1).

Table 1 – Mandatory fields and sections for each type of establishment.

Type of Establishment	Mandatory Identifier Fields (Section 1)	Mandatory Sections
Corporation	CITSS Entity ID, business number, ID number assigned by incorporating agency, legal name, operating name	Sections 2,3,4,5,6,7
Partnership	CITSS Entity ID, business number, ID number assigned by incorporating agency, legal name, operating name	Sections 2,3,5,6,7
Sole Proprietor	CITSS Entity ID, business number, legal name, operating name	Sections 5,6,7
Individual	CITSS Entity ID, legal name, operating name	Sections 5,6,7
Other	CITSS Entity ID, legal name, operating name	Sections 2,3,5,6,7

5.3 Section 2: Business Ownership

This section collects information about the individual(s) who own or have legal authority over the business. The table below defines who these individuals are for the different types of establishments.

Table 2 – Business ownership disclosure by type of establishment.

Type of Establishment	Disclose name(s) and professional contact information of these individuals
Corporation	All directors and officers
Partnership	Each partner For limited partnership, each general partner. For each partner that is a corporation, all directors and officers of that corporation.
Other	Individual(s) with legal authority over the business

A. Enter in the following information for individuals identified in the table above:

- First name
- Last name
- Position title
- Telephone number
- Email address
- Street number and name
- City/town
- Province
- Country
- Postal code

B. Click Add item (+) for additional business ownership individuals.

5.4 Section 3: Persons with Control

This section collects information about persons that have control of your business by over 10 per cent. The table below defines who these persons are for the different types of establishments.

Table 3 – Persons with control by type of establishment.

Type of Establishment	Disclose name(s) and professional contact information of persons with over 10 per cent control
Corporation	Persons controlling over 10 per cent of the voting rights attached to all the outstanding voting securities.
Partnership	Each special partner having provided over 10 per cent of the common stock.
Other	Persons with over 10 per cent of control of the business.

A. Enter in the following information for the persons identified in this section.

- Name of natural or legal person (can be an individual or a company)
- Telephone number
- Email address
- Street number and name
- City/town
- Province
- Country
- Postal code

B. Click Add item (+) for additional persons with over 10 per cent control.

5.5 Section 4: Parents and Subsidiaries

Only corporations are required to complete this section. This section collects information about each subsidiary and parent of the Participant. All parent and subsidiary companies must be disclosed, regardless of whether they are registered under Ontario's cap and trade program.

A parent is generally a company that controls your company either directly or indirectly, through a succession of companies. In turn, a subsidiary is any company that you control directly or indirectly.

A. Fill in the following information about each parent and subsidiary, starting with the parent companies first:

- Legal name
- Operating name
- Relationship type: Enter in parent or subsidiary
- Direct or indirect: Select from the dropdown menu whether your relationship with the other company happens directly or indirectly (i.e. when there is an intermediary company between you two)
- Measure of control: Enter in which measure of control you are using to determine your parent or subsidiary status. It can be securities, officer/ directors, voting rights, general partners, etc.
- Percentage of control (%): Enter the calculated percentage of control.

B. Click Add item (+) for additional parents and subsidiaries.



Tip: The percentage of control can be calculated by multiplying the degree of control along a chain of multiple associated entities. Note that if one company controls the majority (i.e. more than 50 per cent) of another company, that link in the chain of control is considered to be 100 per cent. This is because the first company may exercise the second company's full level of control on the third company, since it has a majority of control on the intermediary company.

For example:

Company A is calculating the percentage of control for its parents and subsidiaries in accordance with the following ownership description.

Description

Company B owns 80 per cent of Company A.

Company A owns 75 per cent of Company C.

Company C owns 55 per cent of Company D.

Parent and Subsidiary Percentage Control Results for Company A

Company B – direct parent – 80 per cent control.

Company C – direct subsidiary – 75 per cent control.

Company D – indirect subsidiary – 100 per cent x 55 per cent = 55 per cent control.

5.6 Section 5: Business Relationships (Including Related Persons)

All Participants must complete this section of the form by first selecting one of the three check boxes to indicate whether Business Relationship disclosures (including Related Persons) must be disclosed.

If you don't have business relationships or if you don't have Business Relationships that must be disclosed (i.e. you have a Business Relationship with a company not in the cap and trade program), continue to Section 6 of the form – Account Representatives Shared With Other Representatives.

If you select the last check box, you are a Participant that has Business Relationships (including those defined as Related Persons) that must be disclosed, you must complete this section's table. The table captures information about each Business Relationships and Related Persons registered under Ontario's cap and trade program AND any unregistered company that is a link in the chain of Business Relationship between two registered companies. The following are the different fields to be completed under this section.

A. Complete Business Relationship entry:

- Type of company: select the type of establishment from the drop down menu.
- Legal name
- Operating name

B. Complete description of Business Relationship:

- Type: select from Parent and Subsidiary or enter in 'Shared Account Representative' (if you are not a Related Person for any other reason other than sharing an account representative).
 - If you are entering information as an account representative do not complete measure of control or percentage of control columns.
- Measures of control: enter in the type of control such as securities, Officers or Directors, voting rights, etc.
- Percentage of control (%): enter in the calculated percentage as discussed in Section 5.5 of this guidance document.

C. Enter professional contact information:

- Telephone number
- Email address
- Address (unit number, street number and name, city/town, province, country and postal code)

D. Complete company details:

- Business number
- Place of incorporation/establishment
- Date of incorporation/establishment.

E. Enter additional information for Related Persons registered in the program:

- CITSS Entity ID (if available at the time)
- Holding Limit (%)
- Purchase Limit (%)

Note: The Holding Limit and Purchase Limit percentages are decided amongst the companies that are Related Persons. Numbers must match on the submissions from the various companies to ensure the appropriate limits are set up in CITSS. These last three fields are only required for companies that are Related Persons and not for companies that only have Business Relationships.

F. Attach a Business Relationship diagram in the space provided illustrating the information provided for all disclosures in Section 5 of the form. The diagram must include the percentages of control between the entities. Click in the empty rectangle in the form to attach a file of the form.

5.7 Section 6: Account Representatives Shared with Other Participants

Use this section to disclose the account representatives shared amongst Participants by first selecting yes or no to the check box.

A. If you do share an account representative with another Participant you, enter in the following information:

- First name
- Last name
- CITSS User Reference Code
- Legal name of the Participant
- Operating name of the Participant
- CITSS Entity ID

B. Click Add item (+) for additional account representatives.

5.8 Section 7: Account Representative Attestation

- A. Only a Primary Account Representative (PAR) or an Alternate Account Representative (AAR) can attest to this form. The PAR or AAR must enter his or her CITSS User Reference Code, sign and date the form in this section.
- B. You have now completed the form. Make sure to save and the print the form to include it as part of your Participant Registration package (if completed for an initial registration).

6. Submit Disclosure Information to the Director

Mail completed forms to the Director (Registrar) at the following address:

Ontario Cap and Trade Program

Ministry of the Environment and Climate Change

40 St. Clair Avenue West, 4th Floor

Toronto, ON M4V 1M2