



March 8, 2023

Me Philippe Lebel  
Corporate Secretary and Executive Director, Legal Affairs  
Autorité des marchés financiers  
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The Secretary  
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Dear Me Lebel and Secretary,

**Re: Joint CSA and IIROC Staff Notice 23-329 *Short Selling in Canada***

We commend the Canadian Securities Administrators (CSA) and the Investment Industry Regulatory Organization of Canada (IIROC) for their commitment to review the regulatory framework relative to short selling in Canada.

As a Canadian reporting issuer, Saputo acknowledges that short sellers play an important role in Canadian capital markets. However, based on its recent experience with an activist short seller, Saputo firmly believes that the CSA and IIROC must take concrete steps to increase the transparency of short seller positions and reduce the risk of dissemination of false and misleading statements on the secondary market. Saputo strongly encourages the CSA and IIROC to pursue initiatives in that direction.

On November 29, 2022, Saputo became the target of U.S.-based activist short seller Spruce Point Capital Management (SPCM), who released a negative report on Saputo. The release of the report was supported with what appears to be a carefully planned campaign to disseminate and publicize the report and its core claims through social and other media.

Although there is some factual basis in the report, it is evident to anyone familiar with Saputo's business and operations that the core allegations of the report are either misleading or plainly false. A detailed review of the report reveals that it is targeting an

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audience of less sophisticated investors with a view to eroding their confidence in Saputo and its management. SPCM cites several facts in attempt to give the report a professional appearance, but it makes misleading assumptions, misinterpret facts, and, when no facts are available to support the conclusions put forward in the report, reverts to assumptions that are presented as facts. This leads to the inescapable conclusion that the report was primarily, if not exclusively, intended to benefit the author's short selling activities.

Saputo was not given prior notice of the release of the report or an opportunity to review and comment on it before issuance. Saputo could therefore not provide the market with the appropriate corrective information and ensure that market participants could deal on Saputo's securities with the correct mix of information. While the report itself discloses that the reader "should assume that as of the publication date [...] SPCM has a short position" in Saputo, it does not disclose other relevant information concerning their position. In addition, to Saputo's knowledge, SPCM did not update the market following the publication of the report. Members of the public who do not read the report itself but learn of its key conclusions through social media or other platforms may not know that SPCM potentially holds a significant short position in Saputo's capital.

The financial impact of the report on Saputo's share price was modest compared to that experienced by other issuers which were the subject of similar campaigns by activist short sellers. Saputo's shareholders were nevertheless impacted by the dissemination of SPCM's mischaracterizations and incorrect information<sup>1</sup>. Further, Saputo took the reasonable approach of carefully documenting the falsity or lack of relevance of each of the allegations in the report. This exercise, combined with significant investor relations activity in response to inquiries received, resulted in considerable loss of management time and appreciable expenses.

Saputo invests considerable time and financial resources in ensuring that its public disclosure is sufficient and accurate, and that its Disclosure Controls and Protocols and Internal Controls over Financial Reporting are well designed and operating efficiently.

We are concerned that activist short sellers such as SPCM can disseminate false and misleading information for purely opportunistic motives, with a callous disregard for the cornerstone objective of securities legislation, which is to ensure that investors are provided with correct information. In Saputo's view, market efficiency commands that issuers and their long-term shareholders be protected against such opportunistic and self-interested schemes.

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<sup>1</sup> Saputo's shares fell 6% on the day the report was released, and recovered after approximately seven trading days.

Further, Saputo strongly supports the recommendations included in the submission from the Canadian Investor Relations Institute (CIRI) dated February 25, 2021, in response to CSA Consultation Paper 25-403 *Activist Short Selling*. In particular, we support the mandatory public disclosure of the opening, changes in and closing positions in the securities of an issuer for any short seller engaging in the dissemination of market-moving information about the issuer, and that such disclosure be made daily. Further, we would support the implementation of a minimum holding period that would apply to any short seller who opens a short position and disseminates market-moving information, to reduce the risk a short seller may profit from misleading claims before the market has had reasonable time to assess the merits of the claims.

We believe that the adoption of CIRI's recommendations would improve the transparency and efficiency of Canadian capital markets.

Sincerely,

Saputo Inc.

(Signed Maxime Therrien)

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By: Maxime Therrien, CPA  
Chief Financial Officer and Secretary