Pension Investment Association of Canada

Association canadienne des gestionnaires de caisses de retraite

December 12, 2012

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Prince Edward Island Securities Office
Office of the Superintendent of Securities, Government of Newfoundland and Labrador
Department of Community Services, Government of Yukon
Office of the Superintendent of Securities, Government of the Northwest Territories
Legal Registries Division, Department of Justice, Government of Nunavut

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RE: Proposed National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers

This submission is made by the Pension Investment Association of Canada ("PIAC") in reply to the request for comments published on September 13, 2012 by the Canadian Securities Administrators ("CSA") on Proposed National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers (the "2012 Proposal").

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over $1 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

As noted in our response to the CSA Multilateral Consultation Paper 51-403 *Tailoring Venture Issuer Regulation* and to the 2011 request for comments on the Proposed National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers (the "2011 Proposal"), PIAC is generally supportive of regulatory changes that streamline disclosure requirements and reduce expenses for venture issuers, provided that investors remain adequately protected. We are pleased the CSA has reflected on the feedback received and made a number of changes from what was contemplated in the 2011 Proposal. However, we still believe that some of the provisions outlined in the 2012 Proposal will unduly compromise disclosure and governance standards and it is unclear that the regime proposed will result in

a less complex, streamlined system that is more manageable for venture issuers. We have provided comments in respect of the questions or issues where we felt that our perspective might be helpful.

Financial Reporting Requirements

We welcome the CSA decision to require interim financial reports for venture issuers for each of the 3, 6 and 9 month interim periods.

Business Acquisition Reporting

As noted in our comments on the 2011 Proposal, in the event of a significant business acquisition, we believe that financial statements are useful because they provide certain asset specific information within the notes sections that would otherwise be unavailable post merger/amalgamation. We do not believe that issuers would incur additional cost from providing financial statements in this scenario given that they are historical and already filed. Given the value of the financial statements, we consider the proposed threshold of 100% of market capitalization of the issuer too high, as it would result in disclosure only within a limited set of circumstances. We do not believe that where an acquisition is under the 100% threshold while remaining a significant acquisition, it should be left to the issuer to determine the extent of its proposed disclosure.

Executive Compensation Disclosure

We support the proposal to only require executive compensation disclosure in the information circular. Executive compensation disclosure is important to investors and we believe that executive compensation disclosure should be consistent no matter the size of the issuer. Therefore, we oppose requiring executive compensation disclosure for only the top three, rather than top five, named executive officers of a venture issuer.

We are also opposed to proposals requiring only two years of compensation disclosure instead of three. We believe that two years of executive compensation data is insufficient for investors to assess the linkage between pay and performance, particularly since the performance measurement period for major components of executive pay often spans beyond this time frame.

As noted in our comments on the 2011 Proposal, we suggest reinstating the requirement to disclose the grant date fair value of stock options, as we believe that these details provide useful information for investors of venture issuers. The grant date fair value reflects the board's intentions with respect to compensation, and provides investors with a deeper understanding of the link between pay and performance.

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We appreciate this opportunity to comment. Please do not hesitate to contact Stéphanie Lachance, Chair of the Corporate Governance Committee (514-925-5441; slachance@investpsp.ca) if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,

Julie Cays
Chair