Pension Investment Association of Canada
Association canadienne des gestionnaires de caisses de retraite

June 28, 2007

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Securities Office, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Nunavut
Registrar of Securities, Yukon Territory

c/o Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, Ontario M5H 3S8

Attention: John Stevens
Secretary

Dear Sirs and Mesdames:

Re: Proposed Repeal and Substitution of Form 51-102F6 *Statement of Executive Compensation*, Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations* and Proposed Consequential Amendments to Multilateral Instrument 52-110 *Audit Committees* and National Instrument 58-101 *Disclosure of Corporate Governance Practices*

This submission is made by the Pension Investment Association of Canada ("PIAC") in reply to the request for comments published March 29, 2007 on the proposed repeal and substitution of Form 51-102F6 *Statement of Executive Compensation* (the "proposed executive compensation materials"), proposed amendments to National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") and proposed consequential amendments to Multilateral Instrument 52-110 *Audit Committees* and National Instrument 58-101 *Disclosure of Corporate Governance Practices.*

PIAC is the representative association for pension funds in Canada in pension investment and

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related matters. The Member funds of PIAC collectively manage over $890 billion in assets on behalf of millions of Canadians.

A. Executive Compensation

General Comments

We agree with the stated purpose of the executive compensation materials: to improve the quality and transparency of executive compensation disclosure. Most Canadian issuers do not currently provide full disclosure of their compensation practices or provide a total figure for what they are paying each named executive officer ("NEO"). We are therefore very supportive of the proposed requirement to provide a total compensation number and the proposed compensation discussion and analysis. In addition, the inclusion of disclosure on director compensation is an improvement over the current form requirements.

Furthermore, we believe that the proposed executive compensation form will result in compensation committees taking more time to discuss how executives are compensated and asking questions that previously may not have been asked.

We commend the Canadian Securities Administrators (the "CSA") for not following every aspect of the executive disclosure compensation rules adopted by the U.S. Securities and Exchange Commission (the "SEC") in 2006. We also recommend that the CSA look at the issues that have arisen in the U.S. and carefully consider the results of the SEC's review of these issues before finalizing the proposed executive compensation materials. In particular, where there is overlap with the comments received by the CSA, the SEC's review may provide assistance to the CSA on making appropriate changes to the proposed executive compensation materials.

Specific Comments

The following are our comments on certain of the specific questions set out in the request for comments, which are reproduced below in italics and numbered to correspond to the notice.

General provisions

2. Do you agree with our proposal not to substantially change the criteria for determining the top five named executive officers?

The CSA has proposed not to include the change in pension value in the calculation of total compensation for determining the highest paid executive officers who must be included in the table because the actuarial value of a pension plan can fluctuate significantly from year to year, which could have a disproportionate impact on determining who the five highest paid officers are in a given year. However, contributions or other allocations by the company to vested and unvested defined contribution plans are included in total compensation for determining the highest paid executive officers who must be included in the table. This could have an effect on who is included in the table for companies which have executives who participate in a defined benefit plan and some who participate in a defined contribution plan.

3. Should information be provided for up to five people individually, or should the information be provided separately for the CEO and CFO, then on an aggregate basis for the remaining three named executive officers?

Information for up to five people individually provides a more complete picture of the compensation of a company's executive team. Although most companies are managed by executive teams of more than five officers, providing information relating to three officers in addition to the CEO and the CFO nonetheless assists in obtaining a more comprehensive view of how a company awards its highest paid executives.

We submit that providing information on an aggregate basis for the three named executive officers other than the CEO and the CFO would reduce the quality and transparency of the disclosure, since it would not be correct in every instance to simply average the aggregate compensation in order to determine what each executive was paid, should investors be interested in obtaining this information.

Compensation discussion and analysis (CD&A)

4. Will the proposed CD&A requirements elicit a meaningful discussion of a company's compensation policies and decisions?

We support the "principles-based" approach to the disclosure of executive compensation taken by the CSA and believe that issuers must strive to apply the principles outlined in the CD&A requirements to their facts in order to provide investors with clear, concise and meaningful disclosure.

However, as a result of the lengthy disclosure provided by U.S. companies during the 2007 proxy season, we believe that the CSA must be prepared to provide additional guidance in the form of a companion policy or staff notice, taking into consideration issues raised in the U.S., to assist companies in presenting meaningful information.

We also believe that the CD&A would be of even greater benefit to investors if the CSA required that it be reviewed and approved by the compensation committee, as its members are responsible for making decisions relating to compensation. We submit that, like U.S. companies, Canadian companies should be required to include a separate report of the compensation committee over the names of compensation committee members recommending that the CD&A be included in the proxy materials as a means of emphasizing the committee's involvement in the disclosure.

Finally, we agree with the CSA's decision not to require certification of the CD&A by the CEO and the CFO. We agree that the CD&A should be the responsibility of the board or the compensation committee and that it would not be appropriate for the CEO and CFO to certify disclosure relating to their own compensation.

5. Should we require companies to provide specific information on performance targets?

The proposed executive compensation materials provide that issuers must disclose specific quantitative and qualitative performance-related targets for NEOs unless this would result in competitive harm to the company. The SEC's new executive compensation disclosure rules contain a similar exemption relating to competitive harm and a large number of U.S. companies have relied on it in not disclosing performance targets.

We are of the view that companies should be required to provide specific information on performance targets. This will provide investors with the information they need to determine if there is adequate linkage between pay and performance and make an informed investment decision. We therefore submit that the CSA should either eliminate the competitive harm exemption and require all companies to disclose performance targets or, in the alternative, provide additional guidance to issuers to avoid over-reliance on the exemption.

6. Will moving the performance graph to the CD&A and requiring an analysis of the link between performance of the company's stock and executive compensation provide meaningful disclosure?

We believe that the current performance graph provides somewhat useful information and the addition of the discussion of how the trend shown by the performance graph compares with the trend in executive compensation over the same period will increase the usefulness of the graph for shareholders.

However, many companies use metrics other than total shareholder return to determine short and long term compensation amounts paid to their executives. Furthermore, graphing total shareholder return against a broad equity market index may be not always be effective in measuring performance due to the fact that in certain industries any company can at a certain point in time perform well against a broad index. We therefore submit that companies should be required to also include in the performance graph a more meaningful benchmark relevant to the company itself and performance measures that are more sector or geography-specific. The discussion of the trend in performance compared to the trend in executive compensation over the same period would then provide more meaningful information for investors.

Summary compensation table

7. Should the summary compensation table continue to require companies to disclose compensation for each of the company's last three fiscal years, or is a shorter period sufficient?

We submit that the summary compensation table should continue to require companies to disclose compensation for each of the company's last three fiscal years. This allows shareholders to assess the trend in each NEO's compensation over a certain period rather than simply looking at compensation for one year in the abstract.

8. Do you agree with the way bonuses and non-equity incentive plans will be disclosed in the summary compensation table?

The inclusion of a new column for non-equity incentive plan compensation, in which many traditional "bonus" payments will now be disclosed, will assist investors in determining which elements of compensation are correlated with performance and which are not.

We acknowledge that there has been criticism regarding the need for the distinction between the bonus column and the non-equity incentive plan compensation column. Although it does appear somewhat confusing as to what types of compensation will now go into the bonus column, we believe the creation of a column for non-equity incentive plan compensation highlights the fact that "bonuses" of NEOs should be tied to performance and based on performance goals. The distinction between these payments and other payments not tied to a performance measure will provide investors with information regarding compensation and make it clear when there is compensation without a tie to performance.

10. Is it appropriate to present stock and option awards based on the compensation cost of the awards over the service period? If no, how should these awards be valued?

We are concerned that the new SEC executive compensation disclosure requirements, which also require stock and option awards to be presented in the summary compensation table based on the compensation cost of the awards, have resulted in some negative numbers appearing in the summary compensation table as a result of accounting standards for equity-based awards.

We believe that a negative total compensation figure in the summary compensation table is misleading and will not be useful to investors. We submit that the summary compensation table should disclose the Board's intended compensation value (rather than the compensation cost for accounting purposes), as this more accurately reflects the amount intended to be paid to executives. Although the grant date fair value of stock and option awards is disclosed immediately following the summary compensation table, this information would be better included in the summary compensation table and included in the total compensation figure.

12. Should we include the service cost to the company in the summary compensation table instead of the change in actuarial value or in addition to it?

Service cost to the company relating to a pension plan better reflects the compensation-related components of a change in pension liability and should be used in the table instead of actuarial value. Also, the change in the actuarial value of a pension plan can be very volatile from year to year which makes this a poor measure for comparison.

In addition, it would be more informative to a reader if the summary compensation table included disclosure of service cost for both defined benefit and defined contribution plans under the pension column. Defined contribution plans are becoming more popular in Canada and some issuers are discontinuing their defined benefit plans, so it is possible to have some NEOs who participate in a defined benefit plan and some who participate in a defined contribution plan.

15. Will a total compensation number calculated as proposed provide investors with meaningful information about compensation?

The total compensation number as calculated will in certain cases not provide investors with meaningful information since, as noted above, it may be a negative number and will therefore not be indicative of the amount the compensation committee intended to award the executive. We believe that the values in the summary compensation table should be the same numbers upon which the compensation committee bases its decision. The total compensation number will be meaningful to investors if it provides them with the Board's intended compensation value.

Retirement plan benefits

18. Should we require supplemental tabular disclosure of defined contribution pension plans or other deferred compensation plans? Is a breakdown of the contributions and earnings under these plans necessary to understand the complete compensation picture?

It would be appropriate to require equal disclosure of both defined benefit and defined contribution plans and for all executives, regardless of the type of plan in which they participate. We therefore submit that the CSA should require supplemental tabular disclosure, as applicable, of defined contribution pension plans or other deferred compensation plans.

Termination and change of control benefits

20. Will it be too difficult to provide estimates of potential payments under different termination scenarios? Should we only require an estimate for the largest potential payment to the particular NEO?

In order to ensure that investors are provided with full disclosure of executive compensation, we believe that every component of the total compensation package should be identified and discussed in detail, including all material terms of agreements regarding payments on termination or change of control. As noted by the CSA these payments can represent substantial obligations of the company and should be clearly identified and quantified.

Disclosure of payments under various termination scenarios will enable shareholders to take appropriate action if they deem termination and change of control benefits to be excessive. Currently, shareholders often only learn about termination and change of control payments after they are paid, at which point it is too late to address the situation.

B. Additional Amendments to NI 51-102, Form 51-102F2 and Form 51-102F5 and Consequential Amendments to Multilateral Instrument 52-110 and National Instrument 58-101

Report of Voting Results

The CSA is seeking comment on the content of the report of voting results required by section 11.3 of NI 51-102. We submit that issuers should be required to disclose the results of the proxies received for each matter voted upon, even if the vote is not conducted by ballot. Although such results would not include the votes of shareholders who voted at the meeting by a show of hands, the majority of shareholders who wish to vote submit their votes by proxy. Requiring that results of proxies be disclosed will therefore provide investors with a significant amount of information about the items voted on and will greatly increase the transparency of voting results. Some issuers currently disclose reports of voting results even if they do not conduct the vote by ballot and this information is very useful to investors.

Compensation Consultant Disclosure

Form 58-101F1 currently requires that issuers disclose the identity of any compensation consultants and the mandate for which they have been retained, as well as a brief description of any other work for the issuer for which they have been retained.

We submit that the CSA should also require disclosure of fees billed by compensation consultants for assessment of executive compensation and disclosure of fees billed by such compensation consultants other than for assessment of executive compensation, along with a description of the additional services provided. This additional information, which would be similar to the information required to be disclosed in respect of a company's external auditor, will assist investors in assessing the independence of compensation consultants and evaluating the executive compensation disclosure as a whole.

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We appreciate the opportunity to respond to your request for comment and hope that you find our feedback relevant. Feel free to contact us if we can be of further assistance.

Respectfully submitted on behalf of the Members of the Pension Investment Association of Canada.

Yours truly,

Terri Troy
Chair

c.c. Autorité des marchés financiers
Attention: Anne-Marie Beaudoin, Directrice du secretariat