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Submitted in adobe pdf via e-mail and in duplicate via courier
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Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Department of Government Services and Lands, Newfoundland and Labrador
Registrar of Securities, Government of the Northwest Territories
Registrar of Securities, Government of the Yukon Territory
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Re: *Notice of Proposed National Policy 51-201 Disclosure Standards and Proposed Rescission of National Policy 40 Timely Disclosure.*

The Canadian Investor Relations Institute (CIRI) is pleased to make these written comments to the Canadian Securities Administrators.

Canadian Investor Relations Institute

CIRI is a professional, non-profit organization of corporate executives and consultants responsible for communication between public companies and the investment community. With 800 members, and an average growth rate of 18% over the past five years, CIRI is the world's second largest society of investor relations professionals. The majority of CIRI's public company members are listed on The Toronto Stock Exchange. CIRI is headquartered in Mississauga and has active chapters in Toronto, Montreal, Calgary and Vancouver.

CIRI's mission is to "advance the practice of investor relations, the professional competency of its members, and the stature of the profession". The prime focus of the organization is the education of its members about investor relations best practices through regular and ongoing professional development programs.

General Comments

CIRI supports the general thrust and intent of proposed NP 51-201. We agree with the CSA that, where it exists, "the practice of selective disclosure poses a serious threat to investor confidence in the fairness and integrity of the capital markets."

However, we believe that selective disclosure exists less than the CSA implies and is less prevalent than suggested in the Ontario Securities Commission (OSC) staff survey published one year ago and given prominence in summary form in the Background section of the CSA proposal.

Kroll Associates conducted a similar survey on CIRI's behalf in April and May, 2001. The most senior investor relations practitioner at 401 CIRI member companies was invited to complete an online questionnaire. A total of 133 were returned, representing a 33% response rate. Of respondents, 93% were listed on the TSE or CDNX.

While the OSC's disclosure survey of one year ago indicated that only 29% of respondents had corporate disclosure policies, the CIRI survey showed that 60% had a

written policy and of those without one, 83% were contemplating developing one within the next 12 months. Going back one year to CIRI's corporate disclosure survey of spring 2000, 43% indicated at that time that they had a written disclosure policy.

Of the surveyed group in 2001, 87% had reviewed CIRI's Model Disclosure Policy, which had been released just prior to the survey. Incidentally, in the 2001 CIRI survey, 41% of respondents had a Disclosure Policy Committee, as recommended in CIRI's Model Disclosure Policy.

The Proposed Policy also indicates that 81% of respondents to the OSC survey reported they conduct one-on-one meetings with analysts. CIRI's 2001 survey indicated that 93% of its members conduct such meetings face-to-face and 90% do so by telephone, both numbers being slightly higher than reported a year earlier. CIRI believes the CSA should not discourage these meetings and concurs with the view expressed in Section 5.1 of the Proposed Policy where the CSA state that: *"We are not suggesting that companies should stop having private briefings with analysts or that these private meetings are somehow illegal."* Rather, the focus should remain on appropriate corporate disclosure practices within the meetings, as outlined in the Proposed Policy and within CIRI's Model Disclosure Policy. Incidentally, in addition to an increase in one-on-one meetings, CIRI's 2001 survey also showed more companies held group meetings, site meetings, and conference calls than was the case a year earlier, an altogether healthy indication. Almost universally, conference calls are being opened up to a wider audience of media (93%) and retail investors (91%).

Finally, the Proposed Policy quotes the OSC survey statistic that 98% of respondents commented in some form on draft analyst reports. In itself, this statistic has dubious relevance. Rather, it is the intent and nature of the comment that is in question. In this respect, both the 2000 OSC and the 2001 CIRI studies offer some cause for concern. CIRI's survey found that 27% of respondents questioned underlying assumptions and 6% commented on earnings projections when viewing analysts' reports. However, that compares with 46% and 27%, respectively, a year ago, which is a very encouraging sign. CIRI's recently released Model Disclosure Policy expressly prohibits this practice, recommending instead that companies *"will not confirm, or attempt to influence, analyst's opinions or conclusions and will not express comfort with the analyst's model and earnings estimates".*

In summary, CIRI believes the statistics included in this Background section should either be updated in the final Report, perhaps referencing the CIRI survey, or that they should be omitted. We are concerned that dated statistics may gain unwarranted currency within the media and the industry. We are including a final draft copy of CIRI's 2001 Corporate Disclosure Practices Survey with this submission.

Comments on Issues of Timely Disclosure and Standards of Materiality

Additional assistance in defining materiality. CIRI believes that NP 51-201 should provide greater clarity regarding materiality by providing clearer guidelines to determine what is material. What is material clearly differs by industry and even by issuer, depending on such factors as company size and share liquidity. NP 51-201 cautions against using too technical an approach, based on bright lines, and encourages taking into account a number of factors and monitoring the market's reaction to information that is publicly disclosed.

CIRI believes that such vague guidelines are problematic, particularly given the pending institution of civil liability for continuous disclosure and the currently existing class action legislation in Canada.

CIRI believes that NP 51-201 could provide greater clarity in three ways: (1) provide more concrete examples of what constitutes a disclosable material change, as opposed to a mere material fact; (2) provide more context regarding how the concept might be applied differently for a more volatile stock than for a less volatile stock; and (3) provide examples of what does **not** constitute a material change.

CIRI believes the CSA should consider recommending that the Provinces enact a "safe harbour" or "due diligence defence" for issuers which in good faith refrain from making a specific disclosure on the basis that it is not yet internally confirmed or not yet sufficiently probable. CIRI also believes that the CSA should provide a resource for issuers to confer with regarding the interpretation of materiality and the need to disclose and that regulators develop a practice of issuing confidential "no action" letters in appropriate circumstances, on which issuers may rely. The CSA should update and provide guidance concerning their policies on the filing of "confidential material change reports," a procedure that is authorized under the legislation in those provinces that have timely disclosure requirements.

This latter point would be particularly important in instances where a company is balancing disclosure requirements with what is in its own and its shareholders' best interests during an unusual corporate development. For example, if terms of the sale of a subsidiary were close to being finalized, when does the likelihood of a favourable (or unfavourable) transaction become material? When should company expectations regarding a "highly-likely" material event be disclosed? There would be many such situations.

The need to clarify the difference between material information, material fact and material change. NP 51-201 should also clarify that a material fact must be broadly disclosed only if it has been selectively disclosed and it "would reasonably be expected to result in a significant change in the market price or value of any securities of the issuer." This of course differs from a material change, which must broadly be disclosed when it occurs. The statutory requirement to disclose "material changes" does not require immediate disclosure of all market sensitive information, such as

"material facts" (as defined in securities legislation) nor does it impose an obligation to disclose management's opinions or beliefs concerning a company's prospects or other predictive information. This is a grey area of disclosure that needs to be clarified.

CIRI's continued objection to the hindsight aspect of the current definition of materiality. As stated in CIRI's submission dated April 30, 1996 to the TSE Committee on Corporate Disclosure and referenced in CIRI's September 28, 1998 submission to the OSC in response to proposed legislative amendments to adopt civil liability for continuous disclosure, (which reflected CIRI's April 1996 proposal), the concept of "material change" should extend only to information regarding the business and affairs of a company that would reasonably be expected to result in a significant change in the market price or value of any securities of the issuer. For purposes of a liability regime, it should not, as the definition currently does, encompass information that in effect results in a significant change in the market price or value of any securities of the issuer when that change was not reasonably foreseeable. We consider this distinction very important.

The need for a Canadian safe harbour for forward-looking information. Part 5.5 of NP 51-201, related to earnings guidance, recommends that any voluntary statement of forward-looking information (FLI) contain: a statement that the information is forward looking; factors that could cause actual results to differ materially from the FLI; and material factors or assumptions used in making the FLI. But it does not go so far as to provide a defence, based on such cautionary language, against litigation premised on errors in such FLI or premised on an implied duty to update the FLI (discussed below).

Without such protection, issuers will significantly curtail FLI as fear of legal liability will overshadow the objective of adopting full and open disclosure practices. We recognize that safe harbour protection such as that provided under U.S. securities laws would need to be legislated, and reiterate our request for safe harbour protection under a civil liability regime for continuous disclosure. If the materiality definition continues to require 20/20 hindsight, we believe that safe harbour protection is even more important in Canada than in the U.S. and should provide for greater discretion in defining materiality on the part of senior management and directors of Canadian issuers.

Other. The requirement to disclose a material change if management has approved it and board approval is probable, was legislated prior to advances in telecommunications technology that enable rapid board deliberation by conference call, and prior to the increased involvement of boards in line with the high priority placed today on corporate governance. CIRI believes that formal board approval should be required prior to release, except in certain circumstances such as response to well-founded rumour, and to unusual share trading activity believed to have been caused by an information leak.

Finally, we recommend a more positive/constructive heading to Part 4.3 such as "Apply a Broad-based Market Impact Test to Determine Materiality". We note that the Canadian definition of materiality sets a higher standard for disclosure than does the U.S. definition, and therefore Canadian issuers should meet or exceed U.S. disclosure standards.

Specific Comments on Sections of the Proposed Policy

Part 3.4 – Necessary Course of Business Disclosures and Confidentiality

CIRI agrees with the Proposed Policy that certain parties can be given material non-public information under certain circumstances that are considered as *"necessary course of business"*.

However, CIRI believes that there are many circumstances that could necessitate the sharing of material non-public information (see Part 3.3) in the "necessary course of business", not simply *"private placements, mergers or acquisitions"*. Similarly, there are many more potential parties to which this information might be shared, as outlined in Part 3.3 (2). CIRI recommends that revisions to the Proposed Policy appropriately broaden the definitions of "parties" and "circumstances". For example, issuers should be entitled to sound out their principal shareholders as to their receptiveness to a particular proposed business strategy or possible transaction. Early determination that a proposed course of action would not meet with shareholder approval can avoid substantial waste of expense and management time.

CIRI also believes the wording in this section should be strengthened to direct the issuers sharing such information to obtain a written commitment from the receiving parties that information considered material by the issuer will not be passed or traded upon until it has been generally disclosed.

Part 3.5 (4) – Generally Disclosed

CIRI is concerned that the Proposed Policy contemplates satisfying the "generally disclosed" requirement by "using one or a combination of" a news release or announcements made through news conferences or conference calls. Issuers may become confused by the Proposed Policy's permission to use **only** a conference call as an acceptable means of generally disclosing material information.

Currently, CIRI's best practice for investor relations follows the TSE's Policy Statement on Timely Disclosure and recommends that the only acceptable method to disseminate material information is by a news release transmitted through a widely circulated news or wire service. Such news releases may or may not be followed by a conference call, notification of which should also be widely disseminated and to which access is not restricted.

Allowing a conference call to serve as the sole method of generally disclosing material information can, in our opinion, actually lead to selective disclosure. For example, under the draft policy it appears that a notification for such a conference call need only contain "a general description of what is to be discussed". Those that are unable to access the conference call will be at a disadvantage as they will not be able to obtain the full details of the material information being discussed simultaneously with those who do access the call. In addition, since there is no requirement that conference calls be archived in text form, and no mandatory period during which taped calls must be archived in a publicly available form, accessing material information from the call, in the absence of the text record provided by a news release, may become very difficult for the majority of investors.

CIRI recommends that the issuance of a news release be the only acceptable method of generally disclosing material information. The Proposed Policy's guidelines on notification for a conference call can be included, but must state that no material information can be discussed other than that which is an elaboration of the material information disclosed in the news release. If additional material information is released, it must be broadly disseminated by news release as soon as possible.

Part 5.1 – Private Briefings with Analysts, Institutional Investors and Other Market Professionals

In Part 5.1 (1), CIRI agrees with the Proposed Policy's recognition of analysts as an important part of a company's investor relations program, and their role in interpreting information and in keeping the markets informed. However the reassurance that *"We are not suggesting that companies should stop having private briefings with analysts or that these private meetings are somehow illegal"* almost seems to suggest the opposite.

CIRI recommends that this section read as follows, allowing Part 5.1 (2) to be removed entirely:

> *"Companies may continue to conduct private briefings with analysts by telephone or in individual or small-group meetings, however, they must limit the discussion to non-material information and publicly-disclosed material information. A company's disclosure policy should state that it will provide only non-material information, in addition to regular publicly disclosed information, recognizing that an analyst or investor may construct this information into a mosaic that could result in material information. Even within these constraints there is plenty of scope to hold a useful dialogue with analysts, institutional investors and other market professionals about a company's prospects, business environment, management philosophy and long-term strategy. If, in the course of a briefing with any market professional, selective disclosure of material information does occur, then the company must take immediate steps to disclose such information broadly via a news release."*

Part 5.2 – Draft Analyst Reports

CIRI believes that this section should be clearer and should more broadly cover the risks of reviewing entire analyst draft reports and earnings models, not just the earnings projections contained in them. The apparently more casual review of an earnings model by an issuer (to express comfort with it) can be as important and risky than a more formal review of an analyst report on the company. In reviewing and commenting on an analyst report, the company should also beware of the risk of selective disclosure of material *non-financial* information (such as endorsing an analyst's estimate of the timing of securing a major new customer or contract).

CIRI believes that this section should be retitled: *"Reviewing Draft Analyst Reports and Analyst Models"*

CIRI believes that language such as the following is appropriate: *"The company will not endorse an analyst report or earnings model, in order that it not appear to become a public re-iteration of a company's internal projections."*

Part 5.5 –- Earnings Guidance

CIRI is concerned that the Proposed Policy differentiates between a Management's Discussion and Analysis that includes forward-looking information and so-called "voluntary or optional forward-looking disclosure" that involves making an estimation of future results. Does the Proposed Policy contemplate that MD&A disclosure should not include making an estimation of future results, such as expected revenues, net income, earnings per share and R&D spending?

In CIRI's view, a proper outlook section of an annual MD&A should address (while not necessarily providing specific forecasts of) future levels of revenue, net income, earnings per share, as well as other key performance benchmarks, based on currently known trends, commitments and uncertainties, all of which should be described in the MD&A. The MD&A allows for elaboration on the assumptions and expectations on which the guidance is based.

Surely "voluntary or optional forward-looking disclosure" is based on the same "currently known trends, events, commitments and uncertainties" as that contained in the MD&A's forward-looking disclosure? It is unclear why the Proposed Policy is differentiating between the MD&A and voluntary or optional forward-looking disclosure, and CIRI is concerned that such differentiation may cause confusion.

Part 5.7 – Duty to Update

One very troubling aspect of the Proposed Policy is the expression of the CSA's view that the current statutory requirements impose a "duty to update" voluntary public statements concerning an issuer's "financial outlook" (also known as "guidance") when the issuer becomes aware that its results will be materially above or below that indicated in the original guidance. This view raises important issues concerning the scope of an issuer's disclosure obligations under Canadian securities laws that could have potentially far-reaching implications for the issuers that access our capital markets.

CIRI believes that forward-looking information, such as financial guidance, should not be subjected to the same disclosure standards as other factual information that has traditionally formed the basis of the "material change" disclosure obligation. Contrary to other recent securities law initiatives (e.g., interim MD&A disclosure), the CSA's interpretation could well discourage Canadian companies from making public statements concerning their expected future growth or performance so as to avoid the consequences of a far-reaching "duty to update".

Existing legislation does not provide that voluntary disclosure (by whatever means) of such predictive information creates a continuous duty to update such information for subsequent developments. If this were the case, issuers would be legally obligated to monitor constantly their forward-looking statements (e.g., those contained in MD&A disclosure or a CEO's oral statements at an annual shareholders' meeting) and ensure that the disclosed "soft" information is continuously and immediately updated for subsequent material developments. CIRI believes that such a disclosure obligation is not only onerous but practically unworkable because, for example:

- If an issuer expressly disclaims any assumption of responsibility for updating guidance, such a disclaimer is an important and integral condition of the notional agreement under which the company has chosen to share such information with the market and cannot simply be ignored. Guidance is a "package" which includes the assumptions, cautionary statements and disclaimers which accompany its publication.

- The process of evaluating the continuing viability of an issuer's financial outlook typically is a gradual (rather than episodic) process that occurs over a span of time within the financial period to which the outlook relates. Management can always be second-guessed as to the exact moment within that time span when they ought to have revised their guidance based upon a fresh look at the future. The Proposed Policy offers no assistance from the CSA as to the standard by which management will be judged in dealing with the temporal dilemma posed by the imposition of a "duty to update" financial guidance.

- The CSA's interpretation will expose Canadian reporting issuers to greater risks of liability for forward-looking statements, since there currently exists no statutory "safe harbour" for FLI and will lead to the further proliferation of meritless class action lawsuits against Canadian reporting issuers both in Canada and in the United States. Further, although U.S. law has generally recognized that there is a "duty to correct" statements that were false or misleading when made, it does **not** impose a duty to update simple earnings projections that were believed to be, and in fact were, correct when made, but proved to be inaccurate in light of subsequent events. This is particularly pertinent when the forward-looking statements are accompanied by a statement of the qualifications and assumptions on which they are based.

Part 6.2 – Establishing a Corporate Disclosure Policy

CIRI, having issued its own Model Disclosure Policy for its members, clearly agrees with the CSA's recommendation to establish such a policy. However, CIRI does not agree with the recommendation under sub-section (2) that directors, officers and employees be trained to understand and apply the policy. Training these groups, especially the broad category of "employees" and especially in large organizations where tens of thousands of individuals in many countries may be involved, is impractical. Instead of training, we recommend that the emphasis be placed on: i) creating a well-worded and easily understood policy; ii) effectively communicating that policy to directors, officers and employees; and iii) obtaining a written commitment from *appropriate* individuals in all of these groups to adhere to the policy.

Of course, the board of directors, in reviewing and approving such a policy, should not need to be trained in it. Training may need to occur for new directors who join the board following the policy's adoption. Longer-term, the board should remain knowledgeable about the company's corporate disclosure policy and ensure that it is periodically reviewed and updated if necessary.

Part 6.3 – Overseeing and Coordinating Disclosure

The Proposed Policy suggests that each company establish a committee or assign a senior officer to, among other things, "monitor the effectiveness of, and compliance with, your disclosure policy." In practical terms, this may prove difficult to do, given: (a) the interpretive nature of materiality; and (b) the difficulty in determining whether any policy breaches have been made within a large organization. Can the CSA suggest any procedures that can determine effectiveness and compliance in reasonably structured, reliable way?

Part 6.4 – Authorizing Company Spokespersons

CIRI agrees with the Proposed Policy's recommendation that the number of people who are authorized to be company spokespersons be limited. Our comments relate to the last sentence of Part 6.4, which reads: *"Having one or more company spokespersons helps to reduce the risk…".* For clarity and consistency, the wording in this sentence should refer to a limited number of spokespersons, rather than one or more spokespersons: *"Having a limited number of company spokespersons helps to reduce the risk…".*

For the following reasons, CIRI strongly disagrees with the footnote attached to Part 6.4 (c) which states: *"In some circumstances a company's designated spokesperson will not be informed of developing mergers and acquisitions until necessary, to avoid leakage of the information."*

1. The footnote implies that the risk of an information leak increases if the designated spokespersons are informed of pending material developments. CIRI believes that so long as the company has adopted a consistent policy of not commenting on market rumours (see Part 6.11), the designated company spokesperson can rely on this policy in responding to rumours. However, the spokesperson needs to be in a position to evaluate the rumour in light of what he or she knows of the pending transaction in order to determine if there has been a leak.

2. The comment appears inconsistent with the CSA's recommendation that the "spokesperson should be a member(s) of senior management." Disclosure issues require judgement and experience. Company spokespersons, who are members of senior management, can contribute to the discussions relating to the appropriateness and timing for public release of material information, and therefore should be kept fully apprised of all pending material developments.

3. The footnote is also inconsistent with The Toronto Stock Exchange's *Disclosure, Confidentiality and Employee Trading Guidelines*, which suggest that the officers responsible for disclosing material information should *"be kept up to date on any pending material developments"*.

Part 6.5 – Analyst Conference Calls and Industry Conferences

CIRI believes the CSA should provide additional guidance with respect to what is considered a *"reasonable period of time"* for accessing a replay of a conference call or investor presentation at an industry conference. CIRI's Model Disclosure Policy recommends that a replay of conference calls should be available for a minimum of 30 days. (See also CIRI's comments with respect to Part 6.9.)

Part 6.8 – Insider Trading Policy and Blackout Periods

CIRI agrees with CSA's recommendation that *"your insider trading policy should prohibit purchases and sales at any time by insiders who are in possession of material non-public information"*. CIRI further believes that no director, officer or other insider, including senior employees, should trade in the securities of their company without clearing the proposed trade or trades with the appropriate designated officer or officers in the company. This places the responsibility of preventing insider trading with a designated officer or officers who by the nature of their position(s) would know if material non-public information exists that would put any employee or director at risk or perceived risk of insider trading.

Part 6.9 – Electronic Communications

CIRI agrees with the CSA's recommendation that outdated information on a company's Web site should be moved to an archive and that archiving allows the public to continue accessing information that may have historical or other value even though it is no longer current. CIRI notes that companies' practices in the archiving of such information varies widely and believes the CSA should provide additional guidance with respect to what is considered a reasonable period of time for archived information to be available. CIRI's Model Disclosure Policy recommends that the minimum retention period for material corporate information on a company's Web site should be two years.

Part 6.10 – Chat Rooms, Bulletin Boards and e-mails

CIRI agrees with the statement in the Proposed Policy: *"Do not participate in, host or link to chat rooms or bulletin boards"*. Further, we recommend that an issuer obtain a written commitment from employees to an internal written disclosure policy that prohibits them from discussing corporate matters in these forums. We strongly disagree with the recommendation in the Proposed Policy that employees be required to report to a designated company official any such discussions found on the Internet. This is highly impractical in large organizations, where one occurrence may come to the attention of thousands of employees who would then be required to submit an internal report on the matter. Also, this implies acceptance, at least, of employees accessing such sites. While we do see a benefit in employees alerting the investor relations department to inappropriate chat room conversation, we would be hesitant to mandate this reporting. If required, there are services that will allow companies to monitor (or have monitored on their behalf) such discussions on the Internet.

Other Issues – Distribution of Analyst Reports

Although not specifically discussed in the Proposed Policy, CIRI's Model Disclosure Policy outlines the risk of distributing published analyst reports. Such distribution could be easily viewed as an endorsement of the statements, opinions and estimates contained within these reports. The risk applies directly to external distribution of analyst reports (and to links to analyst Website from the issuer's Website), but not to controlled internal distribution to senior management or the Board of Directors for whom investor relations professionals have an obligation to keep informed about analyst and investor views and concerns.

General Nomenclature

Use of "Generally Disclosed"
Throughout the Proposed Policy, it should be made clear that the term "generally disclosed" relates to the disclosure of material information.

Use "Investor" Calls Rather Than "Analyst" Calls
CIRI believes that the term "analyst call" is outmoded, and the term itself signifies some sort of selective disclosure to an analyst (sell-side) group (see Part 6.2 (3c) *Establishing a Corporate Disclosure Policy* and Part 6.5 *Analyst Conference Calls and Industry Conferences)*. We believe that the term "investor call" has become and should remain the new parlance for both regularly scheduled quarterly financial results conference calls, as well as other conference calls, which are done by teleconference call and/or via a live webcast.

Use of "Company's Securities"
There are numerous references to "the company's securities" in the sections where confidentiality must be maintained during the period before a material change is disclosed. For example in Part 2.3 (2) Maintaining Confidentiality: *"Where a material change is being kept confidential, the company is under a duty to make sure that persons with knowledge of the material change have not made use of such information in purchasing or selling its securities".*

Since many transactions may directly or indirectly involve the securities of other issuers, CIRI believes that these references should be changed to: "the company's securities or the securities of any other related issuer". This might include an issuer directly involved in a corporate transaction, such as the acquiree, or another issuer which may reasonably be expected to be affected by the transaction.

Use of "Advisors"
There are references, (for instance in Part 3.3(2) *Necessary Course of Business)* to advisors including lenders, legal counsel, auditors, financial advisors, and underwriters. Since external investor relations counsel is frequently employed in confidential transactions of issuers, CIRI believes that the advisory category should be

broadened to financial and other professional advisors, including suppliers who have access to material information.

Use of "Earnings Guidance"
We believe that the document should be clearer when referencing the term *earnings guidance.* In fact, this is being used as a generic term for guidance on the company's own financial forecast. Although it is most commonly used in reference to guidance on earnings per share, it can include guidance on any financial metric on which the securities of an issuer are valued. For example, it may refer to cash flow from operations per share (the U.S. term being "funds from operations") guidance for real estate and oil and gas companies or to revenue guidance for high-tech start-ups. We suggest the term "guidance on financial performance" as being broader and more appropriate than "earnings guidance".

Use of "Press Release"
The term "news release" should be used consistently throughout instead of the outmoded term "press release". Similarly "press" conference should become "news" conference.

Use of "Forward-looking Information"
When used as an adjective, forward looking should be consistently hyphenated.

CIRI appreciates the opportunity to make this submission and we would be pleased to answer any questions you may have.

Yours truly,

Canadian Investor Relations Institute

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Chair, Issues Committee
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CIRI CORPORATE DISCLOSURE PRACTICES SURVEY REPORT

1.0 BACKGROUND

The objective of this study is to provide an overview of the corporate disclosure policies and practices of member companies of the Canadian Investor Relations Institute (CIRI) in 2001 and to document any changes in practice that have occurred since the benchmark disclosure survey was conducted in 2000.

CIRI engaged Kroll Associates to design the survey, collect results, and to produce a report based on the findings. The results of the survey are summarized in this report.

2.0 METHODOLOGY

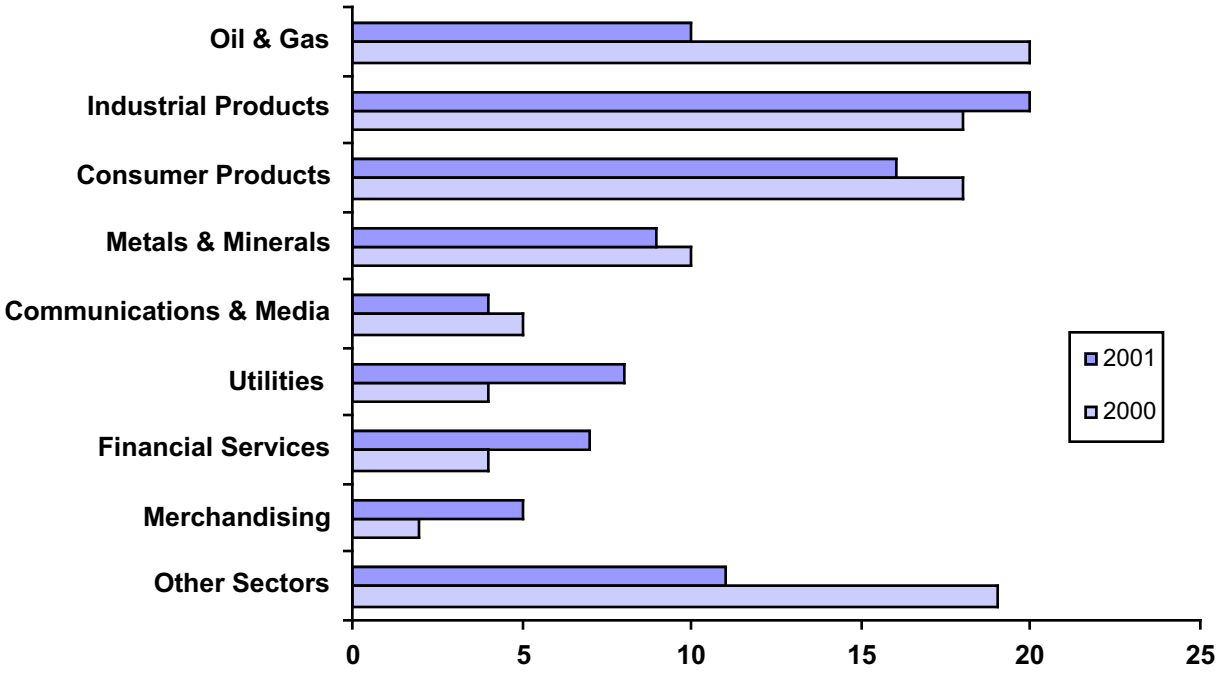
An invitation to complete an online survey on corporate disclosure practices was sent via e-mail to the most senior corporate investor relations practitioner at 401 CIRI member companies. In order to guarantee confidentiality, completed surveys were entered directly into an online database managed by Kroll Associates (formerly Decision Resources Inc.). Respondents were also able to respond to the survey by fax.

A total of 133 surveys were returned, resulting in a 33% response rate. (Note: base sizes vary because not all respondents answered all questions.)

3.0 SUMMARY OF FINDINGS

3.1 Respondent Profile

Both industry sector and market capitalization of survey respondents varies widely indicating that the current survey sample represents a broad cross-section of members.



93% of respondents are from companies listed on the TSE or CDNX, (the same proportion as in the 2000 survey). In 2001, a third of the respondent companies are also listed on one of the U.S. exchanges, compared to 24% in the survey a year ago.

3.2 Corporate Disclosure Policy

In 2001, more attention is being paid to corporate disclosure. Among those surveyed, 87% had reviewed CIRI's new Model Disclosure Policy prior to participating in the survey. 41% of respondents report that their company has a disclosure policy committee and 60% report that their company has a written disclosure policy. In 2000, only 43% reported that their company had a written disclosure policy.

These 2001 results represent a significant increase from the last survey.

Large cap companies are more likely to have a written disclosure policy than small cap.

39% of those that have a written disclosure policy indicate that the policy has been reviewed within the past 12 months.

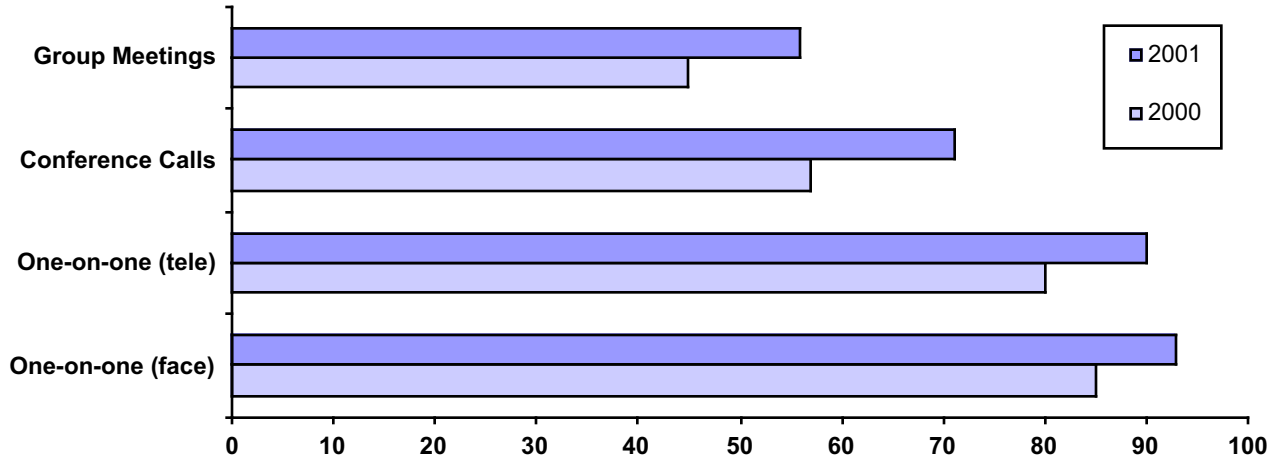
Among those who do not have a written disclosure policy, 11% have a disclosure policy committee and 83% report that the company is contemplating the development of a written disclosure policy within the next 12 months, an increase from 63% in 2000.

3.3 Communicating with Analysts and Investors

Of the 133 companies surveyed, communicating with investors is on the increase. More companies hold one-on-one meetings, conference calls, group meetings and site meetings in 2001 than was reported in the 2000 survey.

In 2001, 93% indicate that they conduct one-on-one face-to-face meetings with analysts/investors and 90% hold one-on-one telephone conversations. 71% held conference calls, 73% hold or attend group meetings and 56% conduct site meetings.

Companies that have a written disclosure policy are more likely to hold conference calls and have site meetings.



Webcast meetings have increased in 2001. In 2000, only 13% of companies used webcasting compared to 29% in 2001.

When asked whether the regulatory and media focus on selective disclosure issues had affected how meetings are conducted, 61% respond "yes".

Among this group

- 39% report that they are now…more cautious and careful about what is said and to whom.
- 29% place greater emphasis on ensuring that information is widely available on a non-discriminatory basis.
- 9% suggest that they use their own policy or other disclosure guidelines to guide discussion.

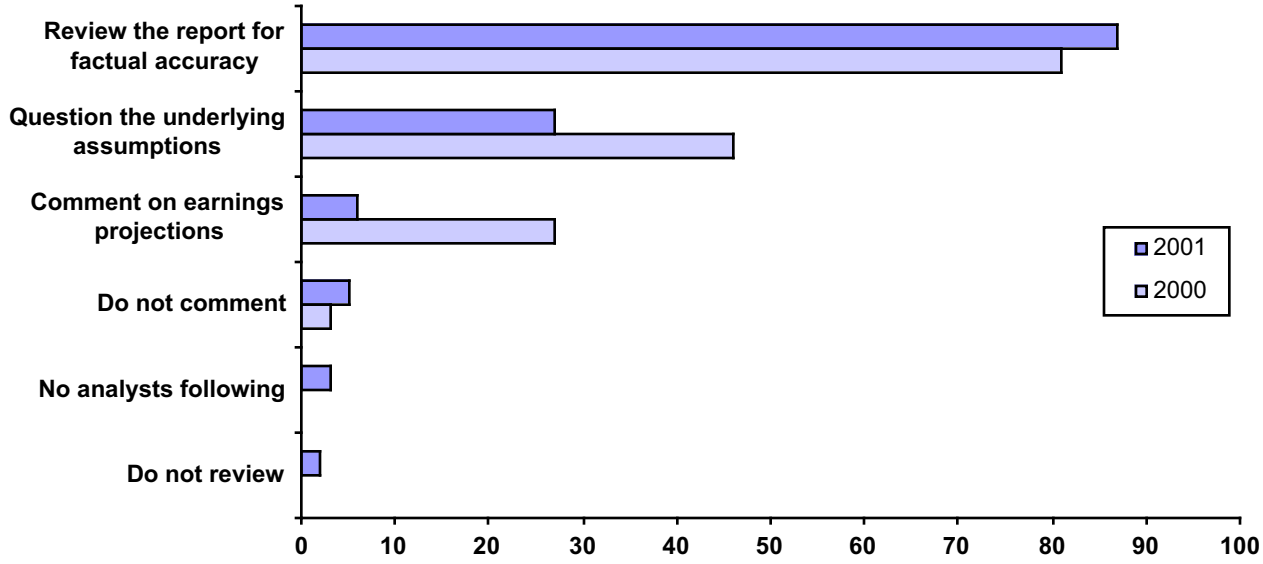
There were no notable differences in response between those with and without a written disclosure policy.

3.4 Analysts' Reports

58% of corporate members report that they are being asked to review the same number of analysts' reports as a year ago. 18% are being asked to review a greater number analysts' reports than a year ago.

Only 2% do not review analysts' reports at all, and 5% do not comment on them.

Some changes have occurred in how analysts' reports are reviewed. Among those who review analysts' reports, 87% (slightly more than reported in 2000), review them for factual accuracy. Only 28% said they question the underlying assumptions compared to 46% a year ago, and only 7% comment on the earnings projections compared to 27% in 2000.



79% of those surveyed share analysts' reports with their board or other internal parties, two-thirds provide a list of analysts who follow the company and only 2% post analysts' reports to their web sites.

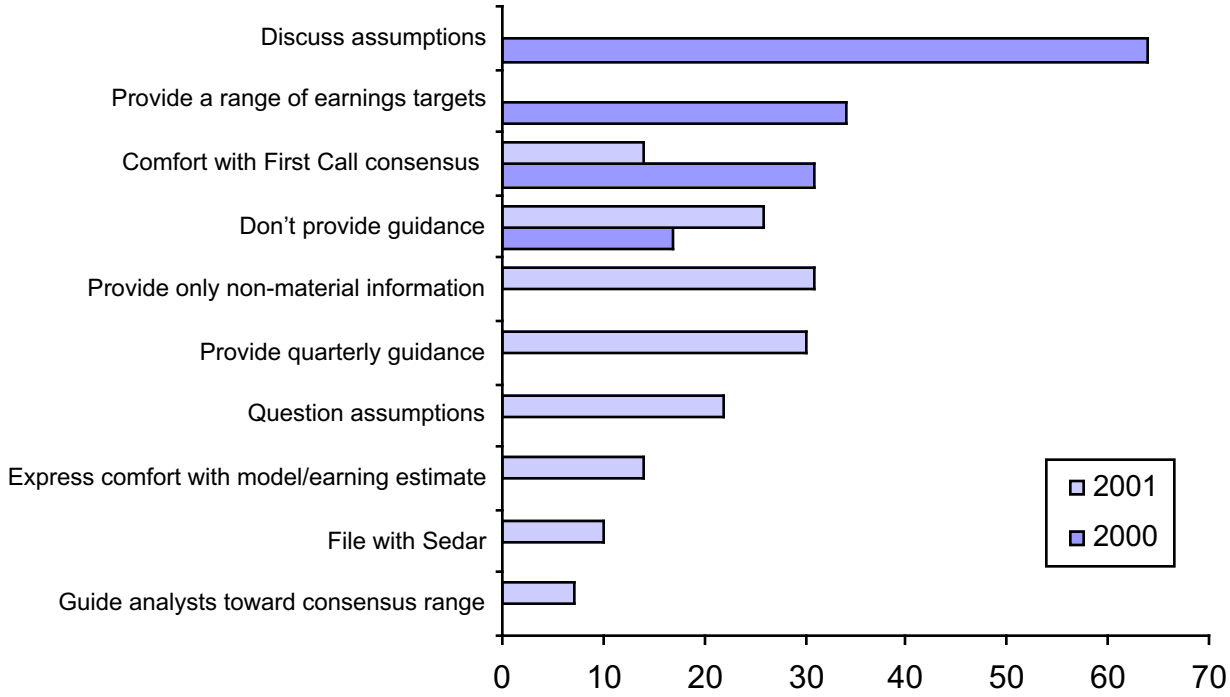
3.5 Managing Expectations

When asked about providing guidance to analysts, including earnings guidance, the 2001 results differ substantively from 2000.

26% responded that they do not provide guidance. 31% report that they provide only non-material information and 22% question assumptions. 30% report that they provide quarterly guidance (23% via news release), 14% express comfort with analyst's model or earnings estimate and 10% file with SEDAR.

Only 14% express comfort with consensus range on First Call, down from 31% in 2000. In 2001, no one in the sample reported that they discuss assumptions or provide a range of earnings estimates. These latter two responses received 64% and 34% agreement in the 2000 survey.

No significant differences were noted between those with and without a written disclosure policy.



3.6 Material/Non-Material Information

46% of those surveyed report that they hold debriefing sessions after conference calls to determine whether any material non-public information has been inadvertently disclosed. Companies that have a written disclosure policy are more likely to hold meetings after conference calls (42% vs 28% with no disclosure policy).

In the event that non-public material information is inadvertently disclosed on a conference call or in other situations, 36% of respondents say they issue a press release (down from 46% in 2000), 18% post to their web site and 5% file with SEDAR.

68% of the sample report that they have never had non-public material information inadvertently disclosed. Companies that do not have a disclosure policy are significantly more likely to make this claim.

3.7 Reporting Quarterly Earnings

In the 2001 survey, respondents report that quarterly earnings are most often distributed via a newswire service (96%), as was the case in 2000 (95%). More companies are posting results on web sites (97% vs. 89% in 2000), and far fewer are faxing results to a custom list (68% vs. 90% in 2000) E-mail distribution levels have remained the same, while postal mail has declined slightly.

Only 9% report that they have pre-announced quarterly earnings or have issued an earnings warning in the last 12 months due to a significant difference from Street expectations (8% in 2000).

3.8 Conference Calls

67% of those who responded to the survey report that their company conducts conference calls when quarterly results are released. This is up from the 2000 result of 58%.

Conference calls are less likely to occur at companies that do not have a written disclosure policy.

Conference call participation appears to be broadening. In 2001, more companies report that they invite media, retail investors, brokers, employees and rating agencies to listen and participate in calls. No change has been noted in the high levels of participation by analysts.

70% report that their conference calls are being webcast.

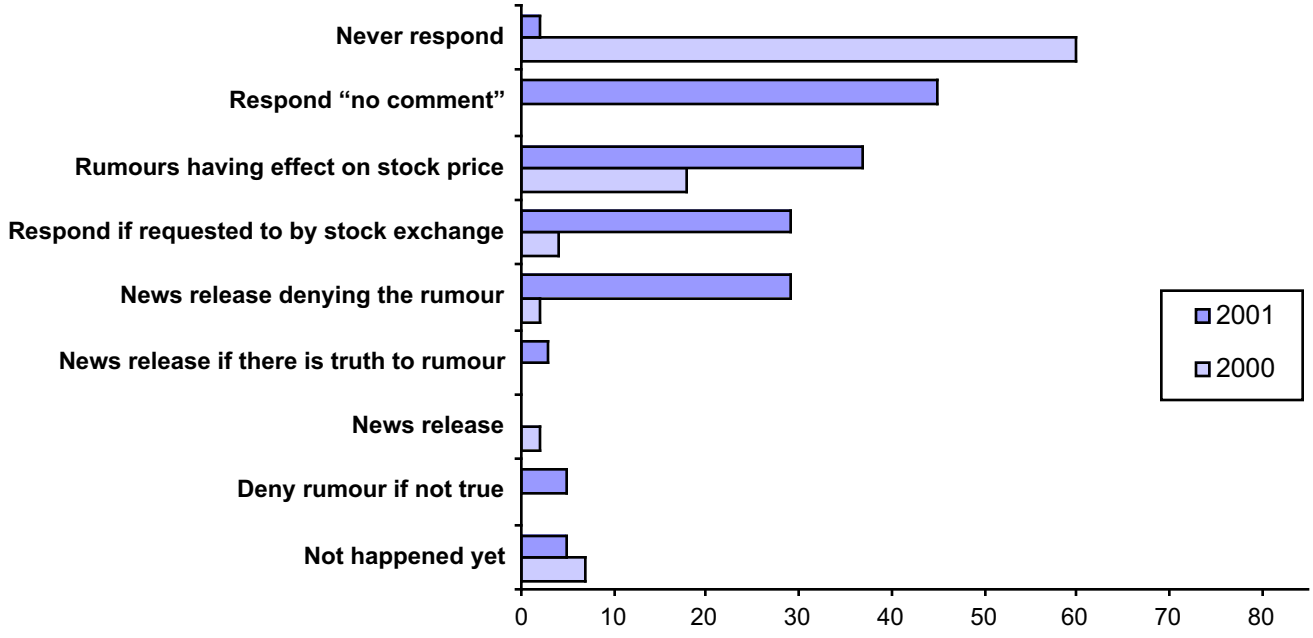
3.9 Dealing with Street Rumours

In the 2000 survey, 60% reported that they did not respond to Street rumours, and 18% commented only if the rumour was affecting stock price.

In 2001, 2% do not respond at all, 45% report that their response is limited to 'No comment", and 29% will only comment if requested by the exchange.

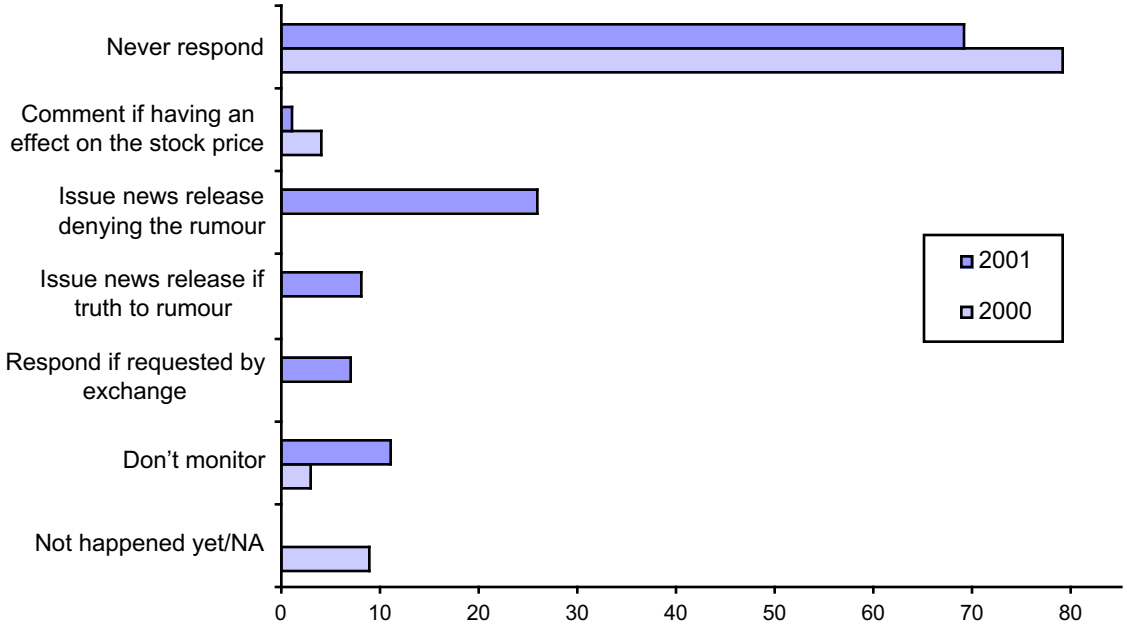
37% report that they will comment on a Street rumour if it is having an effect on stock price (up from 2000).

29% will issue a press release denying the rumour, another 5% will deny the rumour only *if it is not true,* and 3% will issue a press release *if there is truth* to the rumour.



3.10 Dealing With Chat Room Rumours

Most respondents (69% vs. 79% in 2000) do not respond to chat room rumours. Only 11% do not monitor chat rooms.



3.11 Reporting to the Board

74% of respondents indicate that their Boards of Directors receive reports on IR activities, while 23% do not generate reports for the Board.

Just over half of the respondents (53%) report to the Board quarterly.

4.0 DETAILED TABLES

Table 1 Industry Sector

What is your company's industry sector?	2000 (N=100) %	2001 (N=133) %
Oil & Gas	20	10
Industrial Products	18	20
Consumer Products	18	16
Metals & Minerals	10	9
Communications & Media	5	4
Utilities	4	8
Financial Services	4	7
Merchandising	2	5
Other Sectors	19	11

Table 2 Market Capitalization

What is your company's market capitalization?	2000 (N=100) %	2001 (N=133) %	Have Disclosure Policy (N=80)	Do Not Have Disclosure Policy (N=53)
$500-$999 million	13	11	20	4
$100-$499 million	30	13	25	26
$25-$99 million	19	26	11	9
$1- $5 billion	20	26	15	9
Over $5 billion	6	13	24	28
Under $25 million	12	10	5	17

Table 3 Exchange Listing

Where is your stock listed?	1999 (N=100) %	2001 (N=133) %
Toronto Stock Exchange	84	82
Canadian Venture Exchange	9	11
AMEX	-	1
NASDAQ	16	17
New York Stock Exchange	8	15
Montreal Exchange	6	-
Canadian Dealing Network	1	-
Winnipeg Stock Exchange	1	-
Other foreign exchanges	6	5

Table 4 Reviewed CIRI's Model Disclosure Policy

Have you read CIRI's Model Disclosure Policy?	2001 (N=61) %
Have reviewed	87
Have not reviewed	13

Table 5 Disclosure Policy Committee

Does your company have a disclosure policy committee?	2001 (N=133) %	Have Disclosure Policy (N=80)	Do Not Have Disclosure Policy (N=53)
Yes	41	60	11
No	59	40	89

Table 6 Written Disclosure Policy

Does your company have a written disclosure policy?	2000 (N=100) %	2001 (N=133) %
Yes	43	60
No	17	39

Table 7 Review Of Written Policy

If yes, has the policy been reviewed in the past 12 months?	2001 (N=80) %
Yes	39
No	20
No answer	41

Table 8 Whether Contemplating A Written Policy

If no, is a written disclosure policy contemplated in the next 12 months?	2000 (N=57) %	2001 (N=52) %
Yes	63	83
No	37	17

Table 9 Type Of Meetings Held

Please indicate which of the following types of meetings are conducted with analysts/investors	2000 (N=100) %	2001 (N=133) %	Have Disclosure Policy (N=80)	Do Not Have Disclosure Policy (N=53)
One-on-one (face-to-face meetings)	85	93	93	92
One-on-one (telephone conversations)	80	90	90	91
Conference calls	57	71	79	60
Group meetings	53	73	80	62
Site meetings	45	56	63	47
Live audio webcast	-	23	25	19
Live audio /video webcast	-	6	6	6
Industry conference	-	32	31	34
Retail broker meetings	-	31	33	28

Table 10 Meeting Conduct

Has the regulatory and media focus on issues of selective disclosure affected how you conduct these meetings?	2001 (N=57) %
Yes	61
No	39
If Yes Please Describe The Change:	
More cautious/careful about what is said/aware of rules/more prepared	37
Broader participation/forums that provide equal access, webcast more	29
Use policy to guide disclosure	6
Other	14
No comment	14

Table 11 Response To Analysts' Reports

When asked to view analysts' reports OR models how do you respond?	2000 (N=100) %	2001 (N=133) %
Review the report for factual accuracy	81	87
Question the underlying assumptions	46	27
Comment on earnings projections	27	6
Do not comment	3	5
No analysts following	-	3
Do not review	-	2
Other	-	4

Table 12 Disposition Of Analysts' Reports

What do you do with analysts' reports?	2000 (N=100) %	2001 (N=133) %	Have Disclosure Policy (N=80) %	Do Not Have Disclosure Policy (N=53) %
Provide a list of all analysts with published reports…	55	n/a	n/a	n/a
Provide a list of analysts who follow the company	45	66	68	62
Distribute reports to third parties	19	14	15	8
Share with the Board/internal parties/retain for internal use	10	79	85	66
Distribute by request	2	n/a	n/a	n/a
Do not distribute/do not provide	18	n/a	n/a	n/a
Post reports on web site	-	2	1	1
Other	6	2	2	2
No analysts following	-	2	1	3

Table 13 Volume Of Analysts' Reports

Are you being asked to review more or fewer analysts' reports vs. a year ago?	2001 (N=133) %
More	18
Fewer	20
Same	58

Table 14 Providing Financial Guidance To Analysts

How do you provide financial guidance to analysts, including earnings guidance?	2000 (N=100) %	2001 (N=133) %	Have Disclosure Policy (N=80) %	Do Not Have Disclosure Policy (N=53) %
Discuss assumptions	64	n/a	n/a	n/a
Provide a range of earnings targets	34	n/a	n/a	n/a
Refer to the consensus range on I/B/E/S or First Call/Express comfort with consensus range	31	14	15	11
Provide specific earnings targets	7	n/a	n/a	n/a
Provide only non-material information	n/a	31	34	28
Provide quarterly earnings guidance via news release	-	23	24	23
Provide quarterly guidance	-	7	11	-
Provide annual guidance	-	2	-	-
Provide guidance on conference calls	-	2	1	-
Question assumptions	-	22	21	19
Express comfort with analyst's model/earning estimate	-	14	6	9
File with Sedar	-	10	8	15
Guide analysts toward consensus range	n/a	7	6	6
Don't provide guidance	17	26	16	26
No analyst following	-	2	-	-
Other	9	4	6	7

Table 15 Debriefing Session After Conference Calls

Do you hold a debriefing session after conference calls or review meetings/telephone calls to determine if any material non-public information has been inadvertently disclosed?	2001 (N= 61) %	Have Disclosure Policy (N=80) %	Do Not Have Disclosure Policy (N=53) %
Yes	46	42	28
No	43	40	52
Other	12	18	20

Table 16 Non-Public Material Information

In the event that non-public material information is inadvertently disclosed on a conference call or in other situations, what do you do?	2000 (N=100) %	2001 (N=133) %	Have Disclosure Policy (N=80)	Do Not Have Disclosure Policy (N=53)
No procedures in place	51	-	-	-
News release	46	36	45	21
General disclosure	4	-	-	-
Legal review	3	-	-	-
Post on web site	2	8	20	11
Notify exchange	1	-	-	-
Other	4	8	4	6
File with Sedar	-	5	9	4
Never happened	-	68	58	81
Do nothing	-	1	1	-

Table 17 Quarterly Report Distribution

How do you distribute quarterly results?	2000 (N=100) %	2001 (N=133) %
Newswire service/Issue news release	95	96
Fax to custom list	90	68
Post on web site	89	97
E-mail	77	74
Mail	77	62
Other	3	11

Table 18 Pre-Announced Quarterly Earnings

Have you pre-announced quarterly earnings or issued an earnings warning in the last 12 months due to a significant difference from Street expectations?	2000 (N=100) %	2001 (N=133) %	Have Disclosure Policy (N=80)	Do Not Have Disclosure Policy (N=53)
Yes	8	9	15	2
No	92	87	85	98

Table 19 Conference Calls And Quarterly Results

Do you conduct conference calls when you release your quarterly results?	2000 (N=100) %	2001 (N=133) %	Have Disclosure Policy (N=80)	Do Not Have Disclosure Policy (N=53)
Always & sometimes/Yes	58	67	76	52
Never/No	42	33	24	47

Table 20 Participating (Listen Only) In Conference Calls

Who is invited to participate in your conference calls and how are they permitted to participate?	2000 Listen Only (N=58) %	2001 Listen Only (N=90) %
Media	50	64
Retail investors	22	47
Brokers	19	41
Analyst – buy-side	7	4
Analyst – sell-side	7	0
Institutional investors	7	7
Employee/employee shareholders	5	59
Rating agencies	5	29

Table 21 Participating In Conference Calls

Who is invited to participate in your conference calls and how are they permitted to participate?	2000 Participate (N=58) %	2001 Participate (N=90) %
Media	19	29
Retail investors	35	44
Brokers	48	51
Analyst – buy-side	97	94
Analyst – sell-side	97	98
Institutional investors	95	89
Employee/employee shareholders	2	28
Rating agencies	2	42

Table 22 Webcast Of Conference Calls

Are conference calls webcast?	2001 (N=98) %
Yes	70
No	30

Table 23 Street Rumours

How do you respond to Street rumours?	2000 (N=100) %	2001 (N=133) %
Respond “no comment”	-	45
Never respond	60	2
Deny rumour if not true	-	5
News release	2	-
Comment if the rumour is having an effect on the stock price	18	37
Not happened yet	7	5
Only respond if requested to by stock exchange	4	29
Issue a news release denying the rumour	2	29
Issue press release if there is truth to rumour	-	3
Confront party	2	-
Other	1	2

Table 24 Chat Room Rumours

How do you respond to rumours on Internet chat rooms?	2000 (N=100) %	2001 (N=133) %
Never respond	79	69
Not happened yet	9	26
Issue news release denying the rumour	-	-
Issue news release if truth to rumour	-	8
Comment if the rumour is having an effect on the stock price	4	1
Don’t monitor	3	11
Other	3	6
Respond only if requested by stock exchange	-	7

Table 25 Reporting To The Board

Does your Board of Directors receive reports on IR activities?	2000 (N=100) %	2001 N=133) %
Yes	71	74
No	29	23

Table 26 Frequency Of Reporting To The Board

How frequently are the reports made?	2000 (N=71) %	2001 (N=45) %
Quarterly	59	53
Monthly	13	13
Annually	7	11
Other	26	16