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April 30, 2004

Mr. John Stevenson  
Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario  
M5H 3S8

Dear Mr. Stevenson:

**Re: Proposed Multilateral Policy 58-201 on Corporate Governance and Disclosure of Practices**

It is with great pleasure that I read the proposals put forward by the Ontario Securities Commission. The confidence of business, investors and Canadians has been undermined by high profile incidents in Canada and the United States and steps must be taken to increase transparency, restore credibility and ensure the continued viability of corporations in Canada.

I agree with the proposals of the Commission and would like to recommend that they go further in three areas.

With respect to governance, it is not always clear that objective criteria are being used in nominating new board members. One method of increasing transparency in this respect is to require that corporations also publish every board that each of their directors sit on. This is already done by some leading corporations and allows investors to determine the level of cross appointments between boards.

Reports on compensation committees should also disclose compensation policies particularly with regard to use of stocks and options as tools for compensation. Companies should have a policy to protect investors from directors taking a short-term approach that enhances the value of their compensation but is questionable from a long-term corporate or investor perspective. Compensation via retirement plans should also be disclosed.

Codes of ethics are an interesting area and there is potential to provide a false sense of security to investors by having corporations publish the fact that they have a code. Enron's code, arguably a very good code, can be purchased on E-Bay for twenty dollars. KPMG's survey on corporate ethics shows that most large corporations in Canada have a code or written standards of acceptable work practices. This same survey shows that only three per cent (3%) actually have ongoing programs to ensure that all employees can integrate the code into everyday work decisions.

Corporations should be reporting on what concrete things they have done each year to integrate their code (or practices) in to all decision-making. Some of the things that they could report on are: ethics awareness training of board and employees, development of decision-making tools to be used to resolve conflicts between principles articulated in the code, ethics surveys of employees and customers, numbers of issues raised to person responsible and time taken to resolve. Any of these reports will provide a greater sense of how seriously an organization is about ethics than a simple declaration of whether a code exists or not.

The cost of the additional reporting is minimal and should be easily obtained in most corporations.

I would be please to elaborate on any of these issues should that be desirable. Thank you for allowing interested parties to contribute to the dialogue on these important issues.

Regards,

Jack Gallagher  
President  
Hammurabi Consulting