

MVC Associates International

Consultants In Organization Design, Leadership & Stakeholder Value

May 28, 2004

Mr. John Stevenson
Secretary
Ontario Securities Commission
Suite 1900, Box 55
Toronto, Ontario
M5H 2S8

Submitted electronically -

Re: Proposed Multilateral Instrument 58-101 Disclosure of Corporate Governance Practices

Dear Sirs and Mesdames

Further to my letter earlier today, I received comment from two contacts who sit on the board of directors of 15 larger public Canadian companies. These two Directors stated that most of their Directors peers are reluctant to bring closure in the clarifying of specific goals, metrics and a multi-year time horizon for measurement that the CEO role should be held accountable for. They also confirmed that current practice of Pay-for-Performance cannot work due to the lack of clear goals and objectives from which to tie to compensation. The reality is most CEO roles lack clearly defined accountabilities and Boards are failing in their duty to shareholders. We think this is the majority and not the minority of boards of directors.

Thus compensation committees continue to be focused on “how much” not “for what”.

Based on these current boardroom realities we advise that the ONLY way to bring about new Board room behavior, is to mandate it through specific rule versus policy. While we and Directors noted were reluctant to mandate specific rules, it will be necessary to do so due to the current lack of motivation in the boardroom to facilitate the required change that will result in a closer alignment between pay and performance for shareholders.

The 58-101 Multilateral instrument must be more specific about the written position description for the CEO and the description must contain the key accountabilities, metrics and the time horizon for performance measurement for the CEO role.

and

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The 58-101 Multilateral instrument must be more specific and the compensation committee must ensure that all compensation policy disclosures reflect what is measured, over what time duration, that actual compensation decisions made are linked to performance and executed within disclosed policy.

To improve corporate performance in Canada and returns for shareholders requires raising the bar on how these governance practices are adopted and become the new boardroom reality.

We suggest if the CSA truly wants to bring about change in boardroom behavior and to protect investors with clear CEO accountabilities and pay for performance, then these additional rules must be adopted in the Instrument.

The perspective of required rules versus policy is further reinforced in the comments provided by The Association for Investment & Research.

We thank you for the opportunity to provide further comment and if we can be of any further assistance please call me at 905-640-9637.

Yours very truly

Mark Van Clieaf
Managing Director