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British Columbia Securities Commission
Manitoba Securities Commission
Securities Administration Branch, New Brunswick
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of Northwest Territories
Nova Scotia Securities Commission
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut
Ontario Securities Commission
Office of the Attorney General, Prince Edward Island
Commission des valeurs mobilières du Québec
Saskatchewan Securities Commission
Registrar of Securities, Government of Yukon

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RE : Comments on Proposed NP 58-201 Corporate Governance Guidelines and 58-101 Disclosure of Corporate Governance Practices

The Canadian Investor Relations Institute (CIRI) is pleased to respond to the Requests for Comment regarding proposed NP 58-201 Corporate Governance Guidelines and NP 58-101 Disclosure of Corporate Governance Practices.

CIRI is a professional, not-for-profit organization of corporate executives and consultants responsible for communication between public companies and the investment community. With [750] members, CIRI is the world's second largest society of investor relations professionals. Approximately 93% of CIRI's public company members are listed on The Toronto Stock Exchange, 6% on the TSX Venture Exchange, and 35% are interlisted on a US 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 (IR), 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.

CIRI takes a strong interest in corporate governance matters as we believe that good corporate governance is an important element in allowing issuers to achieve positive sustainable performance. In addition, the perception of good corporate governance is essential to investor confidence in capital markets generally, as well as in the market valuations of issuers.

General Comments

CIRI supports the modifications made to the initial Multilateral Policy 58-201 and is particularly pleased to see that our proposal that Boards adopt measures for receiving feedback from security holders has been incorporated as a part of a board's mandate in the revised National Policy 58-201. In our comments dated April 15, 2004, we noted the "importance of ensuring that directors understand the concerns and expectations of shareholders and of establishing clear lines of communication with them." We proposed a two-part communication channel in this regard – for shareholders with specific issues that are appropriate to be brought before the board; and ongoing intelligence about sell side and buy side perceptions and assessments, and about the shareholder base, to be presented to the board on a regular basis.

We also are pleased to see our proposal that corporate governance guidelines be included in the Management Information Circular (MIC), not the Annual Information Form (AIF), has been adopted, as the AIF is not sent to shareholders except on request and the MIC has become the main source of governance-related information.

In the comments below, we have expanded on areas of particular importance from an investor relations perspective.

Board-Shareholder Communications

As noted above, we strongly support the addition to the guidelines for the Board's stated mandate of measures for receiving feedback from shareholders. However, we believe that proposed National Policy 58-201 should provide more specific guidance on how Boards could effectively receive investor feedback – both directly from shareholders, and indirectly via regular reports from the member of management responsible for investor relations.

Regarding direct communication, we raise the possibility of expanding the existing requirement for procedures for "the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters" (as set out in section 2.3(7)(a) of Multilateral Instrument 52-110 *Audit Committees*) to include more general shareholder communications.

Regarding indirect shareholder intelligence, the investor relations officer (IRO) is the first point of contact for most feedback from sell side analysts and buy side analysts and portfolio managers, as well as from retail investors. Many issuers circulate sell side research reports to the board. However, only a small percentage of Boards receive buy-side feedback and other shareholder intelligence in the form of regular or even ad hoc IRO presentations. CIRI strongly recommends that there be guidelines encouraging these presentations to the board.

In 2003, CIRI developed a model disclosure policy that has been used as a guide by many public companies. Similarly, we intend to initiate a process to develop best practices for Boards and management receiving shareholder feedback.

Written Code of Business Conduct and Ethics

We agree that Codes of Conduct and Ethics should be made public; however we question whether filing such Codes on SEDAR is sufficient. As most investors will first go to a reporting issuer's website, if it has one, we recommend that the proposed National Policy should require posting of the Code on an issuer's website, if it has one, in addition to its posting on SEDAR.

We agree with the primary focus of the Code as set out in the proposed National Policy and the suggestion in Section 3.4(a) that a Board's mandate include satisfying itself as to the integrity of the organization. However, we suggest that more detailed guidance be given as to how directors can best ensure the integrity of the organization. Sources such as The Ethics Resource Centre (www.ethics.org) and The Open Compliance and Ethics Group (www.oceg.org) have published best practices, including a "20 Questions" self-assessment guide for Boards. In addition, Boards should ensure that compensation policies, internal controls, performance reviews, organizational training and other tools are used to foster integrity. Boards should be aware of how organizational ethics affect disclosure and internal control certification, through the establishment of entity-level controls that foster the appropriate "tone-at-the-top".

Director Orientation and Continuing Education

Measures to orient new directors

To effectively represent all shareholders of the company, directors should know who their investors are, and what perceptions and concerns they have about the company. Accordingly, CIRI believes that a new director's orientation package should include a presentation by the IRO regarding:

- the identity, holdings and investment styles of major investors,
- a historical perspective of the price and trading volume of the company's securities, preferably compared to those of peer companies and stock exchange indices,
- samples of current investment analyst and credit agency reports about the company,
- findings of an investment community perception survey about the company; and
- a description of the company's investor relations program.

Measures to provide continuing education

Since investment market conditions and investors' priorities and issues change continuously, CIRI proposes that directors be encouraged to participate in one or more of the following activities, as time permits:

- receiving analyst morning notes and other research reports,
- listening to quarterly earnings conference calls with analysts and investors,
- listening to presentations made by management to current and potential investors, and
- listening to the questions and views of investors before, during and after the company's annual meeting and answering questions about corporate governance.

In addition, directors may wish to learn about best practices in investor relations from CIRI educational materials, events and other resources.

Regular Board and Director Assessments

To further encourage directors to understand the expectations and concerns of shareholders, their prime constituency, we also propose that board and director assessments include a review of efforts by the Board collectively and directors individually to gain the information they need to effectively represent shareholders. The information is readily available, as outlined above under the headings *Board-Shareholder Communications*, *Measures to orient new directors* and *Measures to provide continuing education*. As detailed in our submission of April 15, 2004, we recommend that the Board establish procedures for ad hoc direct and regular indirect shareholder communication, and that an IR briefing be an integral part of director orientations and briefings. We also recommend that directors be expected to keep current with the company's communications with the investment community through some of the activities noted above, and any other IR activities available to them.

Corporate Governance Disclosure (Form 58-101F2 - Venture Issuers)

CIRI is mindful of the limited financial and human resources available to smaller venture issuers for corporate governance disclosure. We believe, however, that venture company shareholders are also entitled to transparency of disclosure, and that venture issuers should attempt to conform, as much as reasonably possible, to the principles and standards applied to more senior listed companies.

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

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