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14 June 2007

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**Private & Confidential**

Subject:
**Proposed Form 51-102F6 Statement of Executive Compensation**

Ladies and Gentlemen:

This letter is submitted on behalf of Mercer Human Resource Consulting Limited ("Mercer") in response to the Canadian Securities Administrators' (CSA) request for comment on Proposed Form 51-102F6 *Statement of Executive Compensation* (issued March 29, 2007 and referred to herein as the "Proposed Rules") regarding proposed amendments to the rules governing the disclosure of information about the compensation of executive officers and directors in management information circulars.

Mercer is a global company providing human resources and related financial advice, products, and services, including compensation consulting services to corporations, boards of directors, and board compensation committees concerning the compensation of executives and directors. Mercer's Human Capital Executive Remuneration Services provides executive compensation consulting services to companies around the globe, including major Canadian and US publicly-traded companies. Therefore, we have extensive experience in designing and implementing executive and director remuneration programs. We understand how compensation committees function and we have assisted many companies in improving their executive compensation disclosure under the current reporting requirements.

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**General Observations**

We would like to express our overall support for the objectives of the Proposed Rules: to improve the quality and transparency of executive and director compensation disclosure and to enhance investors' understanding of pay-for-performance linkages. Investors are entitled to review clear, comprehensive, and understandable information about a company's executive and director compensation programs to assess whether a company is properly deploying its resources to achieve its business objectives.

In light of the new executive and director compensation proxy disclosure rules adopted by the US Securities and Exchange Commission ("SEC") ("US Rules"), we believe it is the right time for the CSA to consider amendments. We appreciate that the CSA carefully considered the US Rules in drafting the Proposed Rules and sought alignment between them wherever possible. There are significant benefits to alignment, particularly from a business perspective, such as maintaining a relatively uniform North American securities market.

However, while we fully support the CSA's objectives, there are a few specific aspects of the Proposed Rules that we do not support because we believe they will decrease (rather than enhance) the quality and transparency of executive pay disclosure.

We question to what extent it is necessary or advisable to seek complete harmony between the US and Canadian disclosure rules, particularly in situations where it might result in more complex or confusing disclosure. We disagree with the CSA's proposal to adopt certain specific aspects of the US Rules where we believe that the current Canadian rules or Canadian guidelines and best practices provide clearer and more transparent disclosure.

Thus, we believe that alignment should be secondary to the Proposed Rules' primary objective of improving the quality and transparency of pay disclosure. Where there are significant differences between the Canadian and US rules, companies could reconcile the Canadian rules to the US

rules as they have done in the accounting arena by providing a reconciliation of Canadian and US generally accepted accounting principles (GAAP). In part because of the CSA's desire to align the Proposed Rules and the US Rules, the Proposed Rules raise several complex compliance and interpretive issues. Accordingly, we are offering comments on and suggesting changes to some aspects of the Proposed Rules to better achieve the CSA's stated objectives. These fall under three general topics:

*1- Valuation of equity awards:*
We recommend that the CSA adopt a different approach from the US to valuing equity awards for disclosure in the Summary Compensation Table (SCT) (see Question 10). In our view, the Proposed Rules are a step backward from current Canadian best practices that have been voluntarily adopted by leading organizations. By requiring disclosure of the compensation expense recognized during the fiscal year for all outstanding equity awards, not just those granted during that fiscal year, investors will have difficulty in determining the amount of compensation and benefits boards of directors have given executives during the past year in exchange for their performance of services and the company's performance.

In addition, the Proposed Rules do not apply the accounting-based valuation approach consistently across various compensation vehicles. For example, although long-term cash awards are expensed over the vesting period for accounting purposes, they are disclosed in the SCT only in the year of payout. This may result in a distorted view of the compensation an executive actually receives each year, and may make it difficult to evaluate compensation relative to the company's performance and to make comparisons between companies employing different long-term incentive vehicles.

*2- Disclosure of pension and retirement plan values*
We believe that the pension plan disclosure under the Proposed Rules will result in less transparent disclosure (see Questions 11 and 12) compared to the voluntary practices adopted by many large issuers in Canada following the prior guidance published by the CSA in 2005. Under the Proposed Rules, the compensation figure reported in the SCT includes both the value of compensation-related benefits as well as items unrelated to compensation. The inclusion of items unrelated to compensation will distort the total compensation figure and reduce the desired transparency in the disclosure. Significant differences will also exist between defined benefit (DB) pension plans and defined contribution (DC) pension plans making a comparison of pension values difficult.

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*3- Effective date of the Proposed Rules*
We also submit that many US companies and investors are not satisfied with some aspects of the US Rules, particularly in the area of equity award disclosure and in the lack of comparability of total compensation figures between companies. We note that the SEC has criticized the recent disclosure of many companies under the US Rules as too lengthy and complex and yet short on useful analysis. We recommend that the CSA consider delaying the effective date of the proposed rules for at least one year or until it has had sufficient opportunity to observe the results of the US Rules and any SEC comments or guidance on them after the SEC reviews the 2007 proxy statements. This would enable the CSA to learn from the US experience and to adopt a disclosure regime that might avoid some of the initial US problems.

In addition to these general observations, we have provided the following responses to the CSA's specific requests for comment.

**Responses to Specific Requests for Comment**

*1. Will the proposed executive compensation form clearly capture all forms of compensation? Have we achieved our objective in drafting a document that will capture disclosure of compensation practices as they change over time?*

Although most forms of compensation appear to be captured in the disclosure, the disclosure does not seem to be consistent with the different types of compensation. For instance, there is a table disclosing the present value of the accumulated benefit under DB pension plans but no equivalent table for DC pension plans, although these amounts are included in the SCT. This increased focus on DB plans may lead readers to believe that companies with DB pension plans are providing greater retirement benefits to their executives than companies with DC pension plans.

*2. Do you agree with our proposal not to substantially change the criteria for determining the top five named executive officers? Should it be based on total compensation or some other*

*measure, such as those with the greatest policy influence or decision-making power at the organization?*

We agree with the decision not to change the criteria for determining the top five named executive officers (NEOs) because using total compensation as the criteria makes it easier to objectively compare executives. If the Proposed Rules were to use more subjective criteria, such as individuals with the greatest policy influence or decision-making power, it would lead to inconsistencies within and between companies and make the determination easier to manipulate.

We agree that under the Proposed Rules all compensation other than a change in pension value should be included in determining who is an NEO. However, we suggest that if the pension value were calculated to include only compensatory amounts (as discussed under Question 12 below), then total compensation including the pension amounts could be used to determine who is an NEO. Also, we recommend that tax equalization or other expatriate payments be excluded from total compensation to make the comparisons more consistent.

*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?*

We agree that information should be provided for the top five executives individually and not for the remaining three NEOs on an aggregate basis, in part because investors are accustomed to the detailed breakdown in individual executive compensation and to aggregate these amounts would decrease the transparency of the disclosure. In addition, providing detailed information for each individual executive allows investors to appreciate the distribution of compensation among the other top executives, in addition to the CEO and CFO.

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

It is unclear whether the proposed CD&A will elicit a meaningful discussion of a company's compensation policies and decisions and improve disclosure transparency. The US experience

has indicated that many CD&As are overly long and complex and are not satisfying the SEC's expectations for plain-English disclosure.

Specifically, we are concerned that because the disclosure of equity awards in the SCT is based on the accounting expense recognized during the fiscal year for awards made over multiple years and not on the annual grant date value (see Question 10), there is no link between the pay-for-performance discussion in the CD&A and the disclosed equity compensation amounts. The pay-for-performance discussion in the CD&A should focus on the achievement of performance targets, which would be more consistent with the disclosure of the annual grant date value of equity awards rather than the accounting cost recognized during the fiscal year of multiple years' awards. Enhancing the disclosure of the company's pay-for-performance linkages is a primary objective of the Proposed Rules and using an accounting-based valuation approach for valuing equity awards in the SCT does not support this objective.

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

We are concerned that requiring the disclosure of specific information on performance targets might have unintended negative consequences. Requiring disclosure of actual performance targets in advance of the end of the performance period may raise "forecasting" concerns and prevent companies from setting "stretch" targets. In our experience, many companies legitimately believe that disclosing even the performance *measure* for a specific compensation arrangement in advance (for example, new product revenue growth) would reveal proprietary business information that could be useful to competitors. However, we believe it is reasonable to disclose the goals *after* the end of the performance period and many Canadian companies already provide a comparison of actual and targeted performance after the fact as a best practice. This approach facilitates a comparison of pay and performance and allows investors to assess whether the awards appear reasonable and helps to make compensation more transparent.

We are also concerned that if the rules place too much emphasis on the disclosure of specific performance measures and targets, companies will begin to move away from business or industry-specific performance measures and, instead, revert to so-called "plain vanilla" measures, such as earnings-per-share. While this might satisfy investors who must know all of the details, it may ultimately lead to "one-size-fits-all" incentive plans that are poorly aligned

with each company's unique business strategy. If this were to happen, it would be an unfortunate step backwards in executive compensation practices.

Furthermore, if the rule is adopted as proposed, the CSA should regulate and enforce the disclosure of performance measures, weights and targets. In the US to-date, fewer than half of the companies have disclosed specific performance targets and the SEC has indicated it will be focusing much of its attention on this disclosure in its review of 2007 corporate proxy statements.

*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 it would be meaningful to require an analysis of the link between the performance of the company's stock and executive compensation. However, share price is often not a good measure of performance over the short-term. Thus, incentive plan payments are often tied to measures other than share price. We believe the rules should encourage companies to include a thorough discussion of various applicable performance measures at the end of the performance period to allow investors to assess the link between pay and performance.

*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 believe that it is appropriate to require disclosure for the last three years so investors know which compensation elements are recurrent and to give investors a sufficient historical perspective on executive compensation. However, we suggest that the CSA clarify if the disclosure requirements will be phased in over a three-year period, as is the case under the US Rules, or if the full three years of disclosure is required in the SCT for a company's first filing for financial years ending on or after December 31, 2007. If the disclosure requirements are not phased in over a three-year transition period, it may raise issues for companies where an accounting expense was not recorded for certain equity awards granted prior to the requirement to expense equity awards.

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

We recommend that the terms "bonus" and "incentive plan" be more clearly defined. The term "bonus" includes "any discretionary cash awards that were not based on pre-determined performance criteria that were communicated to a NEO." This definition is inconsistent with how many companies currently view bonuses, which typically include amounts paid based on pre-determined performance goals. Thus, it appears as if the term "bonus" is intended to be limited to discretionary payments that are not based on annual performance criteria, such as retention bonuses or signing bonuses. We suggest that the term "bonus" be replaced with the term "discretionary payments," which might better describe the content of this column of the SCT.

The term "non-equity incentive plan" is defined only in the negative as "an incentive plan or portion of an incentive plan that is not an equity incentive plan." The term "equity incentive plan" is defined as "an incentive plan or portion of an incentive plan under which awards are granted that fall within the scope of Section 3870 of the [CICA] Handbook." We recommend that incentive plans include plan-based awards and be distinguished from discretionary awards, which are not plan-based awards.

We also recommend that the Proposed Rules clarify what constitutes discretion. By basing the distinction between bonus and non-equity incentive plan on whether or not the payment is "discretionary," it is necessary for a company to understand exactly what is meant by "discretion". This issue would arise frequently given that most incentive plans have a discretionary aspect to them and few plans are based strictly on a formula. For example, it is unclear if a board's decision to reduce an executive's incentive payment that would otherwise be determined according to a formula would make the payment "discretionary".

*9. Do you agree with the proposed disclosure of equity and non-equity awards? Are the distinctions between the types of awards and how they will be presented clearly explained?*

We do not think that the Proposed Rules are clear about how certain equity awards should be disclosed. For example, it is not clear if it is necessary to disclose in the Grants of Equity Awards table when an NEO voluntarily defers compensation into an equity-based vehicle, such as

deferred share units (DSUs) or restricted share units (RSUs). Under such circumstances, requiring disclosure of the DSUs and RSUs in this table may result in double-counting. We recommend that the CSA clarify that such equity awards would not be included in the Grants of Equity Awards table but that an NEO's decision to voluntarily defer compensation into these equity vehicles should instead be disclosed in a footnote to the SCT.

We are also concerned that the timing of the disclosure of certain pay elements is not consistent. The Proposed Rules would provide inconsistent treatment of long-term cash awards, which are disclosed only at payout, and equity awards, which are disclosed at grant. This inconsistent treatment might result in anomalous disclosure. For example, the disclosure of performance share units (PSUs) and long-term cash awards that are based on the same performance measure and are both ultimately settled in cash would be different even though they are essentially equivalent from a compensation standpoint. This would make it more difficult for investors to factor the grant of long-term cash awards into total compensation.

*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 do not believe that presenting stock and option awards based on the compensation cost of multiple years' awards over the service or vesting period is the preferred approach for valuing equity awards for disclosure. Because the SCT will reflect the portion of current and prior years' awards' costs that were recognized during the fiscal year, investors may have trouble comparing executive compensation with company performance in order to hold the board of directors accountable for a pay-for-performance compensation program.

Many investors may not understand that the amounts reported in the SCT are the accounting cost of multiple years' awards and not the value on the date of grant of awards made during the fiscal year. To understand these amounts, an investor will need more than a basic knowledge of the accounting rules to avoid misinterpretation.

In addition, the accounting guidelines do not measure the value of compensation consistently. For example, the grant date value of an option with a share price-based performance measure (such as TSR) is amortized over the vesting period with no adjustment. By contrast, the expense from a stock appreciation right (SAR) based on the same performance measure is marked to

market, which can actually result in a negative compensation expense in a given period. Using the compensation expense in the SCT has resulted in some US companies reporting negative total compensation numbers for executives because of equity awards that had declined in value.

Although the Proposed Rules would require disclosure of the full grant date fair value of equity-based awards in a column in the separate Grants of Equity Awards Table, this would not impact the total compensation figure in the SCT. Thus, the grant date fair value would have to be added manually by investors to the total compensation figure in the SCT to produce a value for total compensation granted in a given year.

It would be more helpful to disclose the grant date value of the awards in the SCT and to also provide supplementary disclosure of the value of awards that have vested during the year. This would enable investors to understand the value of annual compensation awarded by the board of directors in a given year as well as the amount that actually vests that year that was granted in prior years. The performance disclosure in the CD&A can then address the rationale for the grant date fair value as well as the actual performance (versus target) that resulted in the value that has vested.

*11. Should the change in the actuarial value of defined benefit pension plans be attributed to executives as part of the summary compensation table?*

We do *not* agree with the CSA's proposal to require the disclosure of the total increase in the actuarial value of DB pension plans as part of the SCT.

As recognized in the Proposed Rules, the total change in actuarial value includes amounts that are not related to compensation. Including amounts not related to compensation in the SCT decreases the quality and transparency of the intended disclosure. The SCT will provide no assistance in evaluating the compensation provided to the NEOs unless the disclosures focus solely on elements that reflect actual compensation.

Specifically, based on the current proposal, the change in pension value included in the SCT would include:

- the increase in the pension value due to another year of service accrual (including the value of the executive's own contributions, if any);
- the impact of compensation increases on the value of previously accrued pension benefits;
- the impact of any plan changes during the year;
- the interest on the present value of the benefits accrued at the end of the previous year; and
- the increase (or decrease) in the pension value attributable to changes in assumptions (primarily interest rates).

In our view, the first three items, with the exception of any contributions by the executive, reflect the value of the company-provided pension benefits earned in the year and would be appropriate to reflect in the SCT. However, the inclusion of the interest on the present value of benefits accrued at the end of the previous year and the increase (or decrease) in the pension value attributable to changes in assumptions reflect amounts that are not related to current compensation and should not be included in the compensation table. The exclusion of these last two items from the SCT would be consistent with the current and proposed disclosure for DC plans.

We would argue that the last two items are related to financing, not compensation, as a company's costs could be limited to the first three items if it funds the benefits. As a further example of financing, some Canadian pension plans allow newly-hired employees to transfer the value of pension benefits from their prior employer to the new employer's pension plan. Under the Proposed Rules, this transfer would result in additional compensation being reported for an executive even though the cost of those benefits was borne by the prior employer and is unrelated to the compensation provided by the new employer.

Finally, if the CSA deems changes in pension values due to changes in assumptions as compensation, then there is no logical reason to *not* allow a negative amount to appear in the SCT and be used in calculating 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?*

We would agree to the disclosure of the service cost in the SCT *instead* of the total change in actuarial value. This service cost could be calculated using the same assumptions used to prepare

financial statements (including earnings projections and assumed retirement ages). This service cost would be similar to that voluntarily disclosed by many large Canadian employers in current proxy statements. However, in certain situations there may be significant inconsistency between companies with respect to assumptions and varying practices with respect to the treatment of actual salary increases that differ from prior projections and with respect to the treatment of plan amendments that impact benefits earned in respect of prior service. To address these inconsistencies, we propose an alternative disclosure below that will enhance consistency and transparency.

In lieu of disclosing the service cost of the projected pension, we propose that the SCT disclose the employer-provided value of the increase in an NEO's accumulated benefit under all DB and actuarial plans. Under this approach, a company would:

- compare the accumulated benefit that the executive would receive at normal retirement age at the end of the most recent fiscal year with the accumulated benefit at the end of the prior fiscal year;
- determine the present value of the increase in the accumulated benefit (if any); and
- subtract any contributions made by the executive toward the present value of the increase to determine the company-provided value.

Consistent with our comments in response to Question 11, this alternative approach would be similar to including the employer-provided value of the following three compensatory items in the SCT:

- the increase in the pension value due to another year of service accrual;
- the impact of compensation increases on the value of accrued pension benefits; and
- the impact of any plan changes during the year.

Under the Proposed Rules, the actuarial value can be calculated using the same assumptions used for financial statement purposes, except that earnings are not projected and each NEO can be assumed to remain employed until their normal retirement age. However, we would like to make some observations regarding the assumed retirement age.

The vast majority of pension plans, but not all, define the normal retirement age as age 65. This is true even for pension plans that allow for unreduced (or subsidized) retirement at an earlier

age. Since the proposed standards specify that the calculations should assume that the executive retires at the normal retirement age, the reported pension value will exclude the value of early retirement subsidies even in situations where the executive is expected to retire early. In our view, there is merit in tying the retirement age assumption used in the calculation of the pension value shown in the proxy circular to the assumption used by the company to calculate liabilities shown in their financial statements, which are based on management's best estimate.

A reconciliation of the total change in the actuarial value can be shown in an expanded version of the new Retirement Plan Benefits table to provide full transparency to readers of the statements. An advantage of this approach is that the liability disclosed in the Retirement Plan Benefits table will be based on similar methods as under the US Rules, however only the compensatory amounts of the change in the liability will be disclosed in the SCT. A second advantage is that the compensation amount would never be negative. A third advantage is that, by using an appropriate pension value that includes only compensation-related items, there would no longer be a need to exclude the change in pension value from total compensation when identifying the NEOs to be disclosed, although it still may be preferable to do so for consistency with the SEC approach and to make it easier for companies to identify the NEOs.

Under the Proposed Rules, contributions or other allocations by the company to vested and unvested DC plans as well as above-market or preferential earnings on non-registered DC plans are disclosed under the column labelled "All Other Compensation". In conjunction with a change in the DB value disclosed in the SCT (as described above), we propose that the DC pension disclosures be included with the DB pension disclosures under a column titled "Pension Value." Combining all pension benefits in this single column will improve the transparency of the disclosure.

*13. Have we retained the appropriate threshold for perquisite disclosure given the changes to compensation amounts included in the bonus column of the summary compensation table?*

In light of the proposed definition of the term "bonus," which has effectively reduced the perquisite threshold, we recommend changing the threshold to a percentage of salary only (e.g., 10% of salary or $50,000).

*14. Should we provide additional guidance on how to identify perquisites?*

We do not believe that the identification of perquisites is a problem.

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

As discussed above in response to Question 10, we do not believe that valuing stock and option awards based on the compensation cost of multiple years' awards recognized during the fiscal year will provide investors with meaningful information on the executives' total compensation.

In addition, as discussed above in response to Question 11, we believe that the inclusion of non-compensatory amounts in the change in pension value will result in a total compensation number that does not provide meaningful information to investors. We believe that the pension disclosure under the Proposed Rules is not an improvement over the current Canadian requirements but a step backward from the current practice of many leading Canadian companies.

*16. Will the disclosure of the grant date fair value of stock and option awards, along with the disclosure provided in the summary compensation table, provide a complete picture of executive compensation?*

As discussed above in response to Question 10, we do not believe that requiring disclosure of the compensation expense recognized during the fiscal year of all outstanding equity awards, not just those granted during that fiscal year, is the preferred approach for valuing equity awards for disclosure in the SCT.

*17. Is the information a company will provide in the tables required by item 4 the most relevant information for investors? Do you agree with our decision to take a different approach to the SEC? Could material information be missed by this approach?*

We generally support the decision to take a different approach than the SEC. However, we believe that the grant date of individual awards should be disclosed. Also, as discussed above in

response to Question 10, we believe that it is important to include the grant date value of stock and option awards in the SCT because this information is critical and more relevant to investors than the values that are proposed to be reported in the SCT for equity-based compensation.

*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?*

In our opinion, at a minimum, tabular disclosure should be required for non-registered DC pension plans as large liabilities can accumulate for a given NEO. As DB and DC pension plans can be designed to provide similar benefits, disclosing information about one but not the other seems inappropriate. A breakdown of the contributions and earnings would be necessary to understand the full compensation picture.

As tabular disclosure of DB pension plans includes both registered and non-registered pension plans, consideration should be given to including both types of plans in a DC pension plan table unlike the SEC requirements where only non-registered DC pension plans are included in the tabular disclosure.

### Additional Comments on the Proposed Retirement Plan Benefits Table

In conjunction with a change in the DB pension value disclosed in the SCT (as described above under Question 12), we propose that the Retirement Plan Benefits table be adjusted to enhance the transparency of the pension benefits.

We propose that the CSA consider a modified table like the one shown below:

| Name<br>(a) | Number of Years of Credited Service<br>(b) | Accumulated Benefit<br>(c) | Present Value of Accumulated Benefit<br>(d) | Present Value of the Increase in the Accumulated Benefit During Last Fiscal Year<br>(e) | Other Changes in Present Value During Last Fiscal Year<br>(f) | Payments During Last Fiscal Year<br>(g) |
|---|---|---|---|---|---|---|
| CEO | | | | | | |
| CFO | | | | | | |
| A | | | | | | |
| B | | | | | | |
| C | | | | | | |

Footnotes to the tabular disclosure can provide additional information with respect to the assumptions used to calculate the amounts shown in each column, including a description of the items included in column (f).

We propose that the accumulated benefit be disclosed (column (c) above). The US Rules and Proposed Rules eliminated the pension benefit table, which will make it more difficult for a reader to estimate an executive's pension.

We also propose that, where appropriate, the disclosure of the pension information be aggregated for all plans in which an NEO participates rather than disclosed separately for each plan. In most cases, separate disclosure will reduce transparency to the reader by complicating the Retirement Plan Benefits table without providing any additional information that will help a reader understand the value of the pension benefit provided to the NEO.

The disclosure of the present value of the increase in the accumulated benefit will provide a transparent link between the liability disclosed in the Retirement Plan Benefits table and the value disclosed in the SCT, and disclosure of the other changes in the present value during the last fiscal year will provide full disclosure of the change in present value.

*19. Should we require estimates of termination payments for all NEOs or just the CEO?*

We favour the current approach of disclosing termination payments for all NEOs because we believe that, where the methodology for determining termination payments is similar, once it has been established for one executive there is not likely to be significant extra work involved in making calculations for the remaining NEOs. Alternatively, if the methodology or payments are *not* similar, this information would be considered material to investors and should be disclosed.

*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?*

Although it may be difficult to estimate potential payments under different termination scenarios, we believe that it would be misleading to require disclosure of only the largest potential payment to a particular NEO. Such disclosure might grossly overstate an NEO's potential severance benefits under other scenarios and might result in an escalation of severance benefits across companies. In addition, we recommend that the CSA clarify whether the termination scenario disclosure should include all amounts payable upon termination or only those amounts that are considered enhancements triggered by the termination event, such as where the vesting of stock options is accelerated as a result of a change of control.

We recommend that the CSA clarify what items should be included as termination payments. For example, it is unclear whether potential termination payments would include: deferred share units (DSUs), which by definition are redeemed upon termination of service; equity awards that accelerate upon a change of control; or the incremental value that accrues under the pension versus the entire lump sum or present value at retirement.

*21. Will expanded disclosure of director compensation provide useful information?*

We believe that the proposed director compensation table provides useful information but note that it might lead to inflation of compensation, particularly given the total compensation figure, which allows directors to compare their total compensation to that of other directors.

*22. Do you agree that executive compensation disclosure should remain in the management information circular? Would moving it to another disclosure document provide a clearer link between pay and performance?*

We believe that, because executive compensation disclosure is currently included in the management information circular, it should remain there.

*23. Are there elements of compensation disclosure that are not relevant to venture issuers and that they should not be required to provide? For example, should we allow venture issuers to disclose compensation for a smaller group of executives as the SEC has done?*

We believe that, because venture issuers generally have more limited resources than reporting issuers, they should not be subject to the same disclosure requirements.

*23. Are there other specific elements of the requirements that are not relevant for venture issuers?*

We are not aware of any other specific elements of the requirements that are not relevant for venture issuers.

*24. Would the prescription of a performance measurement tool provide useful information on the link between pay and performance?*

We believe that, to enhance investors' ability to assess the pay-for-performance link, the CSA rules should encourage companies to include a "robust" discussion of performance at the end of the performance period. While it would be difficult to prescribe a single performance measurement or analysis, it would be helpful if the disclosure included a requirement for the board to discuss the company's and the executives' performance versus their performance targets and versus peer company performance. Best practices in disclosure include many examples of companies estimating ratios and showing meaningful comparisons of actual and targeted performance.

*25. Do you think the suggested timeline will give companies enough time to implement these proposed disclosure requirements?*

We believe that although the suggested timeline may give companies sufficient time to implement the proposed disclosure requirements, the CSA might want to consider delaying the effective date of the rules at least one year to enable it to see the effects of the SEC rules before finalizing its requirements. The SEC has indicated that it will be commenting on the 2007 proxy statements and that it may consider issuing guidance on the new rules to assist companies in providing the disclosure the SEC is seeking. This delay would enable the CSA to benefit from lessons learned in the US and to adopt a disclosure regime that avoids some of the US problems.

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We appreciate the opportunity to comment on the Proposed Rules, and respectfully request that the CSA consider the recommendations set forth in this letter. We are prepared to meet and discuss these matters with the CSA at its convenience. Any questions about this letter may be directed to Lisa Slipp (416) 868-7665 or Scott Clausen (416) 868-7658.

Respectfully submitted,

Lisa Slipp　　Scott Clausen