Investment Management Corporation

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June 29, 2007

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

via email: jstevenson@osc.go.on.ca

Re: Response to Requests for Comments:
CSA Proposed Form 51-102F6 *Statement of Executive Compensation* and
CSA Proposed Amendments to NI 51-102 *Continuous Disclosure Obligations*

Dear Mr. Stevenson,

I am writing in my capacity as the Chief Executive Officer and Chief Investment Officer for the $85 billion investment portfolio managed by British Columbia Investment Management Corporation (bcIMC). On behalf of the more than 400,000 B.C. public sector pension plan beneficiaries whose assets we manage, we thank you for the opportunity to comment on the executive compensation disclosure and continuous disclosure requirements being proposed by the CSA.

Comments on CSA Proposed *Statement of Executive Compensation*

At the outset, I would like to say that bcIMC applauds the intent of the CSA's proposed disclosure regulations – to improve the quality and transparency of Canadian executive and board compensation disclosure to enable investors to better understand and be fully informed of company compensation arrangements. We note that the existing disclosure requirements were implemented in 1994 and, over this period, the executive and director compensation environment has evolved, making it clear that some improvements are needed. For example, non-cash elements of compensation packages are increasingly significant.

We also believe that enhanced disclosure of the process and total remuneration will ensure that all involved will be diligent in their efforts and accountable for the outcome. In our view, the benefits of disclosure (it has been said that 'sunlight is the best disinfectant') far outweigh the possible side effect of further ratcheting-up executive compensation packages.

I. Proposed Disclosure Rules We Support

In general, bcIMC is pleased by the CSA efforts to promote greater pay transparency, and accountability of directors to ensure that shareholder assets are used wisely. We specifically support the following proposed disclosure rules:

- New requirement for narrative, qualitative information regarding the rationale and context in which pay is awarded and earned, in the form of a Compensation Discussion and Analysis (CD&A) section.

- New requirement to discuss how the five year total shareholder return trend (as presented in a performance graph) compares to the trend in named executive officer (NEO) compensation over the same period. We believe this will facilitate better understanding of how executive pay relates to company performance.

- Revised Summary Compensation Table to include all current year pay components (such as base salary, discretionary and performance-based bonus, equity, retirement benefits and perquisites) totalled into one figure.

- Enhanced disclosure of executive pension, termination, and change of control benefits. This type of disclosure is very meaningful, and will avoid unpleasant surprises for investors. We are particularly pleased that the rules also ask for disclosure of ***any*** situation where discretionary payments could be made to a NEO – we appreciate the thoroughness of the CSA in considering benefits outside of the "normal" termination scenarios.

- New Supplemental Tables that disclose numerical information on all forms of equity compensation, not just stock options.

- Application of the rules to venture issuers. In our view, small companies should not be exempt from preparing the CD&A or disclosing compensation on NEOs. The intent of the CD&A is to disclose key principles underlying compensation policies and decisions. These principles are material to investors regardless of the company size.

- Expanded disclosure of director compensation, including a discussion on factors that may vary from the policies applied to the NEOs.

- Reasonable implementation time. We believe that the new disclosure rules will have a significant impact in some areas. For example, company directors will ask questions they might never have before about how and why they reward executives, and from an investor standpoint, this challenge to the old way of looking at things is healthy and necessary now.

II. Proposed Disclosure Rules We Oppose

We respectfully urge the CSA to consider the following enhancements to the proposed compensation disclosure rules:

- In addition to the job title and compensation disclosure for the five NEOs, we believe the names of the NEOs should also be disclosed. This would avoid presenting investors with fragmented information.

- Because many Canadian firms inter-list on exchanges in the U.S. and are therefore required to comply with securities regulation in both countries, it would be helpful if regulations in both jurisdictions were consistent. For this reason, we believe that the total compensation threshold for determining NEOs should be $100,000 rather than $150,000, which aligns with the U.S. SEC compensation disclosure rules.

- In the CD&A section, we believe that companies should be required to specify performance factors/measures and achievement targets. Companies should not be afforded a "competitive harm" loophole. The performance data pertains to the most recently completed financial year so we have difficulty understanding how such disclosure could lead to competitive harm.

- We acknowledge that the CSA has adopted a "principles-based" approach to the compensation disclosure rules, however, investors would find greater specificity helpful on the issues of pay comparator groups and claw-back policies. These are growing issues in executive compensation plans. We believe that in the CD&A, issuers (i.e., Compensation Committee members) should be required to disclose the companies in peer groups used for compensation comparisons, and the rationale for using this comparator group. The company's policy on "claw-backs" (recission of previously awarded compensation if based on inaccurate financial results) should also be explicitly required by the proposals.

- In our experience reviewing the U.S. company CD&A disclosure now required by the SEC, the clarity and usefulness of the narrative is inconsistent, and we are finding only rare instances when plain language is being used to concisely describe how the Compensation Committee arrived at the amounts in the summary compensation table. We might suggest that the CSA reopen the new CD&A rule for comment after a two year implementation period to give investors an opportunity to share their views on the rule's practical application. We might also suggest that the CSA consider publicly disclosing staff review letters to companies filing inadequate CD&A disclosure – this could incent Compensation Committee members to embrace the overall goals and intent of the CD&A narrative.

- We believe that in the CD&A section, issuers should be required to disclose the oversight of the compensation-setting process, including the composition of the Compensation Committee, its mandate (which should articulate the responsibility the Committee takes for the disclosures contained in the CD&A), independence and use of compensation consultants. We acknowledge that this disclosure may overlap/duplicate reporting requirements under NI 58-101 *Disclosure of Corporate Governance Practices* but, as previously noted, investors should not be presented with fragmented information, which makes it difficult to understand and assess the entire compensation framework. On the specific point of compensation consultants, we would encourage identification of the consulting firm, as well as detailed disclosure of all work that the firm and its affiliates perform for the company. This information is important in order to identify the potential for conflicts in consulting arrangements. The potential for conflict is similar to that among auditing firms that were performing lucrative consulting services related to information technology, risk management and tax issues for the same companies whose financial results they were certifying.

- For consistency with the CD&A discussion of the five year trend in NEO compensation, we would like to see the Summary Compensation Table disclose NEO compensation details for each of the company's last five fiscal years. In this way, the CD&A narrative will be strengthened and vice versa.

- Separating bonus awards into two categories, non-performance-based and performance-based, is an excellent proposal because it may add pressure to change cash bonus plans with little structure or specific measurement. However, the category titles are potentially confusing. For greater clarity, we suggest re-titling the bonus category (column d of the Summary Compensation Table) to "discretionary awards" and re-titling the non-equity

incentive category (column g of the Summary Compensation Table) to "non-discretionary awards".

- We believe that the equity and option award amounts reported in the Summary Compensation Table should be presented as the value at grant date. This will help reveal what investors really want to know, which is the total value of the compensation that the board granted to the executive in that year. In addition to providing the most meaningful information for investors, the grant date basis of reporting equity and option award values is consistent with the total compensation information currently disclosed on a voluntary basis by many Canadian companies.

- The CSA proposes that the entire change in the actuarial present value of the NEO's accumulated benefit under all defined benefit and actuarial plans (such as Supplemental Executive Retirement Plans – SERPs) be recognized in the Summary Compensation Table. While this actuarial view of the pension value change best reflects the company liability, and we support its inclusion in the Summary Compensation Table, we believe it is also important for investors to know how the component parts of the pension value have changed. Accordingly, we suggest the CSA require separate disclosure of the change in the compensatory elements of the NEO retirement plans, such as service costs, and the non-compensatory elements, such as interest rates. This disclosure would be in a footnote to the Summary Compensation Table.

- Issuers should be required to indicate whether the defined benefit and actuarial plans noted in the Summary Compensation Table are funded or unfunded.

- For consistency with the U.S. SEC threshold for perquisite disclosure, we would prefer that benefit amounts valued at more than CAD$10,000 be disclosed (i.e., identified and quantified in a footnote).

Comments on CSA Proposed Amendments to *Continuous Disclosure Obligations*

I. Disclosure of Cease Trade Orders

bcIMC does not support the proposed amendment that would reduce from 10 years to five years the look-back period under which directors and executive officers of a company must disclose whether they were subject to a cease trade order. Our simple argument is that this information never becomes unimportant to shareholders.

II. Report of Voting Results

In our view, NI 51-102 *Continuous Disclosure Obligations* currently affords issuers too much flexibility in the amount of details required to be disclosed about voting results. More specifically, the instrument allows:

- vote tallies by proxy ballot to be omitted when the vote is conducted by a show of hands; and
- percentages of votes cast rather than the actual numbers of shares voted.

This lack of standardized disclosure requirements contributes to a large number of over-simplified and opaque filings that are of little use to shareholders as they lack detail, transparency and accountability.

In the interests of full disclosure, bcIMC would like companies to be required to provide vote tallies for votes conducted by proxy ballot and by show of hands. This type of information, as well as the shares represented, is an urgent priority given that the number of shareholders voting by proxy greatly exceeds the number present at a meeting who participate in a show of hands vote. Additionally, it would provide confirmation to shareholders who vote by proxy that the issuer has actually received their vote.

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We hope these comments and words of support for the CSA's effort to modernize and uphold the rights and privileges of shareholders are meaningful to you. In particular, the work the CSA has done on the rules regarding director and executive compensation disclosure will serve shareholders well.

Should you have any questions with respect to our views, please feel free to contact me.

Sincerely,

Doug Pearce
Chief Executive Officer and Chief Investment Officer