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Private and Confidential

February 17, 2011

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission – Securities Division
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

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

and

Ms. Anne-Marie Beaudoin, Corporate Secretary
Autorité des marchés financiers
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Montréal, Québec H4Z 1G3

REQUEST FOR COMMENTS – PROPOSED AMENDMENTS TO FORM 51-102F6 STATEMENT OF EXECUTIVE COMPENSATION AND CONSEQUENTIAL AMENDMENTS

Towers Watson is pleased to provide comments on the Canadian Securities Administrators' proposed amendments to Form 51-102F6 *Statement of Executive Compensation and Consequential Amendments.*

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With close to 750 associates in Canada and close to 14,000 associates around the world, we offer solutions in the areas of employee benefits, talent management, rewards, including executive and director compensation, and risk and capital management.

TOWERS WATSON

Mr. John Stevenson, and
Ms. Anne-Marie Beaudoin
February 17, 2011

Our comments are noted on the attached document for your consideration based on our extensive consulting experience in assisting Canadian and U.S. companies and their boards of directors in communicating their executive and director compensation programs to their investors.

Sincerely,

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1.1 Objective, paragraph 2	The objective of this disclosure is to communicate the compensation the board of directors intended the company to pay, make payable, award, grant, give or otherwise provide to each NEO and director for the financial year.	The objective of this disclosure is to communicate the compensation the company paid, made payable, awarded, granted, gave and otherwise provided to each NEO and director for the financial year, and the decision-making process relating to compensation.	Some clarification from the CSA as to the reasoning behind these changes would be helpful.
Currencies	3.3 Report amounts in this form using the same currency that the company uses in its financial statements. If compensation awarded to, earned by, paid to, or payable to an NEO was in a currency other that the presentation currency, state in a footnote [i.e. to the SCT] the currency in which compensation was awarded, earned, paid, or payable, disclose the translation rate and describe the methodology used to translate the compensation into the presentation currency.	1.3(9) A company must report amounts required by this form in Canadian dollars or in the same currency that the company uses in its financial statements. A company must use a single currency throughout the form.	We believe companies and their investors will welcome this change, especially those companies that report their financials in U.S. dollars, but pay all or most of their executives in Canadian dollars. However, the requirement to use a single currency *throughout* the Form could have unintended consequences. For example, consider the situation where a company wishes to disclose its compensation in Canadian dollars, but the NEO performance goals and targets are measured in U.S. dollars consistent with the financial statements. Converting each of those performance goals and targets into

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			Canadian dollars in the CD&A would not be helpful to the investors, as they would have to notionally convert them back into U.S. dollars, which would be counterproductive. We suggest instead that the requirement to use a single currency apply to all the tables prescribed by the Form, and to the quantification of termination and change of control payments and benefits, but companies be allowed to use the currency or currencies in the CD&A that they believe are the most appropriate to use when explaining their compensation decisions for the year to their investors. Another issue arises when reporting in the outstanding awards table individual option-based awards that have been granted with an exercise price in a different currency than that used in the SCT. It would be helpful if the CSA would clarify its preferred approach.

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2.2(5) Risk		Disclose whether or not the board of directors considered the implications of the risks associated with the company's compensation policies and practices. If so, disclose: (a) the extent and nature of the board of directors' role in the risk oversight of the company's compensation policies and practices; (b) any practices the company uses to identify and mitigate compensation policies and practices that could potentially encourage an NEO or individual at a principal business unit or division to take inappropriate or excess risks; and (c) any identified risks arising from the company's compensation policies and practices that are reasonably likely to have a material adverse effect on the company.	We believe these new disclosure requirements are appropriate.

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Risk Question		In addition to any general comments, please consider the following questions: 1. Would expanding the scope of the CD&A to require disclosure concerning a company's compensation policies and practices as it relates to risk provide meaningful disclosures to investors? 2. Is the commentary of the issues that a company may consider to discuss and analyze sufficient? 3. Are there certain risks that are more clearly aligned with compensation practices the disclosure of which would be material to investors? Are there any other specific items we should list as possibly material information?	Without describing what the regulators want to see in the disclosure, and based on the experience in the U.S., the CSA should expect to see significant variation in the content of the disclosure, going from very elaborate to the bare minimum. We suggest that the CSA commit to conduct a review of the risk disclosures within two years and then refine these requirements to encourage a more uniform and complete disclosure across the board.
2.1(6) Hedging		Disclose whether or not an NEO or director is permitted to purchase financial instruments, including, for greater certainty, prepaid variable	We support this proposal.

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		forward contracts, equity swaps, collars, or units of exchange funds, that is designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.	
2.4(3) Compensation governance cont'd	NI 58-101 Item 7(d): If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	If a compensation consultant or advisor has, at any time since the company's most recently completed financial year, been retained to assist the board of directors or the compensation in determining compensation for any of the company's directors or executive officers: (a) state the name of the consultant or advisor and a summary of the mandate the consultant or advisor has been given; (b) disclose when the consultant or advisory was originally retained; and (c) if the consultant or advisor, or any of its affiliates, has provided	In the covering commentary, the CSA uses the term "compensation advisors", but the proposal itself uses the term "compensation consultant or advisor", which could include legal, accounting, tax and other advisors. We believe the CSA should clarify its intentions in the final rule. We note that the SEC uses the term "compensation consultant" in this regard.

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		any other non-executive compensation services for the company, i. state this fact and briefly describe the nature of the work, ii. disclose whether the board of directors or compensation committee must pre-approve other services the consultant or advisor, or any of its affiliates, performs for the company at the request of management, and (d) For each of the two most recently completed financial year, disclose, i. under the caption “Executive Compensation-Related Fees”, the aggregate fees billed by the consultant or advisor, or any of its affiliates, for services related to determining compensation for any of the company’s directors and	

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		executive officers, and ii. under the caption “All Other Fees”, the aggregate fees billed for all other services provided by the consultant or advisor, or any of its affiliates, that are not reported under subparagraph (i). Include a description of the nature of the services comprising the fees disclosed under this category. Question: In addition to any general comments, please consider the following question: 5. The proposed disclosure requirement calls for disclosure of all fees paid to compensation advisors for each service provided. Should we impose a materiality threshold in disclosing the fees paid to compensation advisors based on a certain dollar	We believe that there should be a fee materiality threshold consistent with the approach adopted by the SEC (e.g. US$120,000). Also, where fee disclosure is required because it exceeds the threshold, the total fees charged by the consultant for all services rendered should also be expressed in relation to the total revenues of the consulting firm so that the reader can have a sense of the materiality of the fees.

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		amount?	
3.2(10) [re the All other compensation column]		Added the following and (i) any company contribution to a personal registered retirement savings plan made on behalf of the NEO.	Based on our consulting experience, we expect some companies will wonder whether this change applies equally to "Group" RRSPs sponsored by the company as well as to individual RRSPs.
4.1 Add new column (h) to the Outstanding share-based awards and option-based awards table		Market or payout value of vested share-based awards not paid out or distributed ($) (h) 4.1(8) In column (h), disclose the aggregate market value or payout value of vested share-based awards that have not yet been paid our or distributed.	We note that the CSA has not proposed a change to the current 4.1(7) requirement to calculate the potential payout value of share-based awards "based on the minimum payout". In many share-based award plans with performance vesting requirements, the minimum payout is nil if the threshold performance requirements are not met. However, we understand that the CSA expects the threshold payout to be disclosed instead. At the same time, in our consulting experience, many companies prefer to report their unvested share-based awards in the table at target, rather than at threshold or on some other basis, as

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			they believe that this disclosure is more useful information to provide to investors.
5.1(4)		Commentary: For the purpose of quantifying the annual lifetime benefit payable at the end of the most recently completed financial year in column (c1), the company must assume at year end that the NEO is eligible to receive payments or benefits. In this case, the company must calculate the annual lifetime benefit payable as follows: annual benefits payable at the presumed retirement age used to calculate the closing present value of the defined benefit obligation X years of credited service at year end [divided by] Years of credited service at the presumed retirement age	As the first sentence of the proposed commentary clarifies that the amount reported should assume the NEO is vested in the benefit, we agree with this clarification. However, the prescribed formula for calculating the annual benefit payable at year end may not be appropriate for many pension arrangements we have seen and may not be consistent with the description of the annual lifetime benefit in item 5.1(4)(a). Some clarification from the CSA as to the reasoning behind this change would be helpful. Our comments relating to the prescribed formula follow: For this purpose, we define A and B under the prescribed formula as follows: A = *annual benefits payable at the presumed retirement age used to*

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			calculate the closing present value of the defined benefit obligation B = *years of credited service at year end [divided by] years of credited service at the presumed retirement age* Component A: • There is not necessarily one "presumed retirement age" used to calculate the closing present value of the defined benefit obligation (DBO). Item 5.1(1) states that the DBO must be determined using the same assumptions that are used for financial statement reporting purposes. Therefore, retirement rates at many future ages may be used to determine the DBO versus assuming 100% retirement at one future age. • Typically, the annual payment payable at a presumed retirement age used to calculate the DBO would reflect future salary increases between the

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			measurement date and the presumed retirement age. However, this would be in conflict with item 5.1(4)(a), which states that "actual pensionable earnings as at the end of the most recently completed financial year" are to be reflected. We note that item 5.1(4)(a) requires the annual lifetime benefit reflect credited service and pensionable earnings at the end of the most recently completed fiscal year. However, the retirement age at which the pension is assumed to commence is not defined and the amount of lifetime benefit can depend on the pension commencement age (e.g., it may have to be reduced if commencement occurs before a certain age, or increased if commencement occurs after the normal retirement age). If this is the concern that needs to be addressed, we suggest prescribing the assumed retirement age (pension commencement age) as one of the

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			following: • The normal retirement date; or • A specific age, such as age 65 (or current age if already older than the prescribed age). Both of these suggestions enable comparison of information from one reporting period to the next without discontinuities being introduced by the plans' early retirement features. However, while "normal retirement date" is generally a defined term in pension arrangements, it may be possible to have different definitions under two or more arrangements that a particular NEO is entitled to (in combination), resulting in further clarification being necessary. Therefore, it may be preferable to specify one specified age that applies to all benefits as suggested above. Component B: • As with our first comment, there is not necessarily one "presumed retirement age" at which credited

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			service can be calculated.
			• It is not appropriate to prorate over credited service at year end in all pension designs. For example, a supplemental executive retirement arrangement (SERP) pension formula may recognize a service definition that differs from credited service that is recognized under the registered defined benefit plan. Also, SERP accruals may not be uniform over the recognized service. Some examples are:
			  • SERP provides accruals during years of executive service only
			  • SERP provides a benefit equal to X% of final pay regardless of length of service
			  • SERP provides higher accrual rates for the first N years of executive service and then lower rates following N years
			  • SERP grants additional years

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			of service that are not recognized in the registered plan. We note that, if the annual lifetime benefit is determined as the accrued benefit based on credited service and pensionable earnings at the end of the most recently completed fiscal year and is assumed to commence at a prescribed date as discussed above, there should not be a need to prorate on the credited service formula outlined in Component B.
5.2(3) DC Table		Since Form 51-102F6 came into force, we received several inquiries questioning the relevance of the requirement in subsection 5.2(3) requiring companies to disclosure in the [DC table] the non-compensatory amount, including employee contributions and regular investment earnings on employer and employee contributions, for DC Plans. In addition to the amendment proposed above, we are contemplating the relative benefit of	For supplemental defined contribution (D.C.) arrangements that do not pay contributions in cash each year (i.e., contributions and deemed investment returns accrue notionally until termination or retirement), the non-compensatory entry in the DC plans table would include deemed investment earnings on the notional DC accumulations to the extent they are not considered above-market or preferential earnings. As this creates a liability for the company, it would

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		retaining column (d) of the DC Plans table currently required by section 5.2. Accordingly, we are requesting comment form market participants on whether there is value in requiring disclosure of non-compensatory amounts for DC Plans. Depending on the comments received, the final amendments to Form 51-102F6 may include an amendment to the requirements in section 5.2 that would remove column (d) of the DC Plans table. Questions: In addition to any general comments, please consider the following questions: 1. Does the disclosure of the non-compensatory amounts for defined contribution plans that an NEO may elect to make with funds received from their salary (currently required by subsection 5.2(3)) provide appropriate and relevant information for an investor?	still be appropriate and relevant information for an investor.

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		2. If we removed column (d) of section 5.2, which would limit the disclosure to the compensatory amounts such as employer contributes and above-market or preferential earnings credited on employer and employee contributions, would this provide adequate transparency of a company's pension obligations to its NEOs?	
Other Issues	There is requirement in the current Form to include an option exercise table	We continue to think that the executive compensation disclosure rules are focused on the board's compensation decisions, rather than the executive officer's investment decisions. We also think that the information to calculate gains on the exercise or sale of equity-based awards is available on SEDI and can be calculated for individual NEOs. In light of this, we do not intend to reintroduce this requirement at this time.	Our understanding is that institutional investors find it very frustrating that this information is not provided in proxy circulars. In addition, they find the SEDI reporting methodology to be confusing and applied inconsistently from one company to another. In addition, our understanding is that institutional investors want to know to what extent the outstanding equity awards give each NEO a stake in the future performance of the company's equity, both positive and negative, and to what extent that stake is unvested and is vested. We submit

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			that this information is difficult to obtain from the design of the current outstanding awards table and the related footnotes, unless the investor devotes an inordinate amount of time to the process. We would be pleased to suggest a proposed solution to this issue for the CSA's consideration.