Pension Investment Association of Canada

Association canadienne des gestionnaires de caisses de retraite

August 18, 2014

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

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Corporate Secretary
Authorité des marchés financiers
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consultation-en-cours@lautorite.qc.ca

RE: Proposed amendments to NI 51-102 Continuous Disclosure Obligations, NI 41-101 General Prospectus Requirements and NI 52-110 Audit Committees

BY EMAIL

Dear Sir/Madam:

This submission is made by the Pension Investment Association of Canada ("PIAC") in reply to the request for comments published on May 22, 2014 by the Canadian Securities Administrators ("CSA") on proposed amendments to National Instruments 51-102, 41-101 and 52-110 ("Proposed Amendments").

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over $1 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

As noted in our response to the CSA Multilateral Consultation Paper 51-403 *Tailoring Venture Issuer Regulation* and to the 2011 and 2012 request for comments on the Proposed National Instrument 51-103 Ongoing Governance and Disclosure Requirements for Venture Issuers (the "Previous Proposals"), PIAC is generally supportive of regulatory changes that streamline disclosure requirements and reduce expenses for venture issuers, provided that investors remain adequately protected. We remain concerned that some of the provisions outlined in the Proposed Amendments will unduly compromise disclosure and governance standards and it is unclear that the regime proposed will result in a less complex, streamlined system that is more manageable for venture issuers. We have provided comments in respect of the questions or issues where we felt that our perspective might be helpful.

Quarterly highlights

We welcome the CSA decision to maintain interim financial reports for venture issuers. We are comfortable with the proposal to require venture issuers without significant revenue in the most recently completed financial year to provide "quarterly highlights" form of MD&A in interim periods. We believe that the "quarterly highlights" form of MD&A should be subject to the same certification obligations as interim MD&A required from non-venture issuers.

Executive Compensation Disclosure

To avoid duplication of disclosure obligations, we would support a proposal to only require executive compensation disclosure in the information circular notwithstanding when an annual general meeting needs to be held.

Executive compensation disclosure is important to investors and we believe that executive compensation disclosure should be consistent no matter the size of the issuer. Therefore, we oppose requiring executive compensation disclosure for only the top three, rather than top five, named executive officers of a venture issuer.

We are also opposed to proposals requiring only two years of compensation disclosure instead of three. We believe that two years of executive compensation data is insufficient for investors to assess the linkage between pay and performance, particularly since the performance measurement period for major components of executive pay often spans beyond this time frame.

As noted in our comments to the Previous Proposals, we suggest reinstating the requirement to disclose the grant date fair value of stock options, as we believe that these details provide useful information for investors of venture issuers. The grant date fair value reflects the board's intentions with respect to compensation, and provides investors with a deeper understanding of the link between pay and performance.

Business Acquisition Reporting

In the event of a significant business acquisition in the 40% to 100% range, we believe that financial statements are always useful because they provide certain asset specific information within the notes sections that would otherwise be unavailable post-merger/amalgamation. Given the value of the financial statements, we consider the proposed increase of the threshold from 40% to 100% of market capitalization of the issuer too high, as it would result in disclosure only within a limited set of circumstances. We believe that a prospectus should always include business acquisition reporting - level disclosure requirements about significant business acquisition in the 40% to 100% range.

Audit Committee members

We encourage the CSA to require stronger governance standards for venture issuers on the composition of its audit committees. We believe that the governance standards for audit committees should be consistent no matter the size of the issuer. Therefore, we would encourage the CSA to consider amendments that would require venture issuers to have an audit committee consisting of at least three members, all of whom are independent.

We appreciate this opportunity to comment. Please do not hesitate to contact Katharine Preston, Acting Chair of the Corporate Governance Committee (416-681-2944 or kpreston@optrust.com) if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,

Michael Keenan
Chair