

**6.2.1 Notice and Request for Comments - Proposed Repeal and Substitution of Form 51-102F6 Statement of Executive Compensation, Proposed Amendments to NI 51-102 Continuous Disclosure Obligations, Forms 51-102F2 and 51-102F5 and Proposed Consequential Amendments to MI 52-110 Audit Committees and NI 58-101 Disclosure of Corporate Governance Practices**

**NOTICE AND REQUEST FOR COMMENT  
PROPOSED REPEAL AND SUBSTITUTION OF  
FORM 51-102F6 STATEMENT OF EXECUTIVE COMPENSATION**

**AND**

**PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 51-102  
CONTINUOUS DISCLOSURE OBLIGATIONS, FORM 51-102F2 AND FORM 51-102F5**

**AND**

**PROPOSED CONSEQUENTIAL AMENDMENTS TO  
MULTILATERAL INSTRUMENT 52-110 AUDIT COMMITTEES AND  
NATIONAL INSTRUMENT 58-101 DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES**

This notice is in two parts. First, Part A of this notice accompanies the proposed repeal and substitution of Form 51-102F6 *Statement of Executive Compensation* (the proposed executive compensation form) and proposed amendments to National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102), all of which we are publishing for comment.

Second, Part B of this notice accompanies proposed amendments to NI 51-102 and to Forms 51-102F2 *Annual Information Form* and 51-102F5 *Information Circular* as well as proposed consequential amendments to Multilateral Instrument 52-110 *Audit Committees* and National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

We invite comment on these materials generally. In addition we have raised a number of specific questions for your consideration relating to Part A of the notice.

We are publishing the text of the materials concurrently with this notice. You can obtain it from the websites of CSA members.

## **A. EXECUTIVE COMPENSATION**

### **Introduction**

The proposed executive compensation form and instrument amendments (together, the executive compensation materials), are an initiative of all members of the Canadian Securities Administrators (CSA or we). The proposed executive compensation form is intended to replace the current Form 51-102F6 *Statement of Executive Compensation*. The executive compensation instrument amendments provide a transition provision for the proposed executive compensation form. They will also require venture issuers that do not send a management information circular to their securityholders to file a completed Form 51-102F6.

The purpose of the executive compensation materials is to improve the quality and transparency of executive compensation disclosure. Greater transparency will allow users to assess the process by which compensation decisions are made at a company. It will also provide insight into a key aspect of a company's overall stewardship and governance.

The proposed executive compensation form will require reporting issuers to disclose all compensation awarded to certain executive officers and to provide this disclosure in a new format. Our intention in revising the form is to create a document that will present executive compensation information in a meaningful way, and that will continue to provide a framework for disclosure as compensation practices change over time.

If the proposed executive compensation form is adopted, it will replace the current form.

### **Background**

The requirements for executive compensation disclosure have not significantly changed since we introduced the current requirements in 1994. Since then, compensation practices have evolved and become increasingly complex. Under the existing requirements, investors are provided with fragmented compensation information, which makes it difficult for them to assess the total compensation paid to executive officers. Many reporting issuers are already providing executive compensation disclosure that goes beyond what is required by Form 51-102F6.

In August 2006, the Securities and Exchange Commission in the United States (the SEC) introduced new rules for executive compensation disclosure (the SEC rule). This rule substantially changes the requirements in this area and is intended to result in clearer, more comprehensive disclosure.

We have carefully considered the SEC rule in drafting the proposed executive compensation form. However, we do not propose to follow every aspect of the SEC's approach. In many areas, we have attempted to articulate our requirements in a less

prescriptive manner. We have also considered factors specific to Canada where relevant. In some cases, this means we are proposing different disclosure than the SEC rule. We identify the differences between our proposal and the SEC's requirements in this notice.

### **Summary of significant changes to the disclosure requirements**

The proposed executive compensation form will expand disclosure of executive compensation in key areas. The most significant changes are:

- i) For the first time, the summary compensation table includes a column showing the total compensation provided to each named executive officer (NEO). This will represent the total of the figures disclosed in all the other columns in the table.
- ii) A new compensation discussion and analysis section (CD&A) will explain the rationale for specific compensation programs for executives.
- iii) All equity compensation in the summary compensation table is disclosed on the basis of the compensation cost of these awards over the requisite service period, as reflected in a company's financial statements. This is a change from the current form, which discloses items such as stock and options according to the number of shares or other securities granted.
- iv) There is more specific disclosure of potential payments to NEOs upon termination of their position at the company, including more detail on retirement benefits.
- v) The proposed executive compensation form will require expanded disclosure of director compensation, including a summary table and equity disclosure similar to what is required for NEOs.

### **Summary and discussion of the proposed executive compensation form**

The proposed executive compensation form has nine parts.

#### ***Item 1 – General provisions***

##### **(a) Definitions**

Item 1 contains the definitions of terms and phrases used in the proposed executive compensation form and general instructions. A number of definitions are new because they correspond to additional items in the form.

The definition of "incentive plan" includes any plan providing compensation intended to serve as an incentive for performance to occur over a specified period. When applying this definition, many companies will find that items they previously would have included in the bonus column of the summary compensation table will now belong in the "non-equity incentive plan" column, or in the columns for stock or option awards.

The bonus column will now include any discretionary payments that do not relate to pre-determined performance conditions. This is a change from the current form, which distinguishes between bonus and long-term compensation based on the time period that a given award relates to. It will no longer matter whether an award is tied to a specific year or a longer period. If it contains specific performance factors that are identified and communicated to the executive, then the award is disclosed as a non-equity performance award. Bonuses are limited to discretionary items that do not involve any pre-determined performance criteria.

##### **(b) External management companies**

We have provided additional instructions in item 1.4, paragraph 4 for external management companies. These instructions clarify that amounts paid to individuals acting in the capacity of a NEO that are not compensated directly by the company but by some other entity must be disclosed.

Non-corporate entities must disclose compensation paid to persons acting in the capacity of CEO, CFO or in other positions, even if technically they have no officers. We previously added most of this instruction to the existing form and have slightly expanded these instructions in the proposed executive compensation form.

##### **(c) Prospectus disclosure**

Item 1.4, paragraph 7 clarifies that if a company or other entity is a new reporting issuer, it does not need to provide information for completed fiscal years when it was not a reporting issuer.

However, we ask new reporting issuers to discuss the compensation objectives for the newly public company.

(d) Definition of NEO

We have retained essentially the same definition of “named executive officer” that exists in the current form. Both the CEO and CFO must be disclosed, regardless of their compensation. Up to three other executive officers must also be disclosed, if their total compensation is greater than \$150,000. This determination will now be made based on total compensation, rather than on salary and bonus.

The definition of “executive officer” is set out in section 1.1 of NI 51-102 and means an individual who is:

- (a) a chair, vice-chair or president;
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or
- (c) performing a policy-making function in respect of the issuer.

The change in pension value in column (h) of the summary compensation table will be excluded from the calculation of total compensation for the purposes of identifying NEOs. The figure in this column may fluctuate significantly from year to year. It may even be a negative number in some years, depending on how the pension assets have been invested and are performing. As a result, this figure could have a distorting effect on the selection of NEOs to be included in the table.

There are other possible ways to present the compensation information for executive officers that we could have chosen. For example, one option would be to separately disclose the CEO and CFO, as the two most visible and influential executives at a company, and then provide aggregate disclosure for the remaining three (or other number of) executives. This approach would still provide a detailed breakdown for the top two executives, as well as insight into the total value transfer from the company to a broader group of executives. The information would be supplemented by the disclosure about the company’s compensation objectives and philosophy contained elsewhere in the form.

We could have chosen to allow greater flexibility in selecting the individuals to be disclosed. For example, a company could determine the people disclosed in the form based on an assessment of each person’s overall influence on policy-making within the company.

**Specific request 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?
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?
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?

**Item 2 - Compensation discussion and analysis (CD&A)**

(a) General

Item 2 requires a discussion and analysis of the executive compensation provided to NEOs in the most recently completed financial year. The purpose of this analysis is to provide the context for the detailed compensation numbers that are set out in the tables in the proposed executive compensation form. We identify six key principles that reporting issuers must discuss, as well as a number of examples of the types of issues that they could address when explaining those principles. Part of the discussion will involve describing what compensation could have been under different performance scenarios.

We have tried to ensure that the principles are sufficiently broad to capture key strategic information and to remain relevant as compensation practices change. The examples provided in the instructions to the CD&A are illustrative and are not meant to represent an exclusive list of items to be discussed. The CD&A should contain a meaningful analysis of factors relevant to the actual compensation decisions made at your company. Boilerplate language should be avoided.

(b) Performance graph

Companies that are not venture issuers must include a performance graph in their CD&A that illustrates their cumulative total shareholder return over the last five most recently completed fiscal years compared to the cumulative total return of at least one broad equity market index. This is essentially the same requirement that is under item 10 of the current form. However, we propose requiring an additional level of analysis that will explain how the trend shown by the graph compares to the trend in the company’s compensation to executives over the same period.

As is currently the case, we do not propose to require venture issuers to include the performance graph in their compensation disclosure.

(c) Corporate governance disclosure

When drafting the CD&A companies should consider the disclosure they have provided in Form 58-101F1 or Form 58-101F2 under National Instrument 58-101 *Corporate Governance Disclosure*. These forms specifically address the process the board of directors uses to determine executive compensation.

(d) Targets

We require companies to disclose specific quantitative and qualitative performance-related factors for NEOs. In our view, this information is important for readers to fully understand how executive pay relates to company performance. However, companies do not have to disclose targets if this would result in competitive harm to the company.

For example, where a target is based on an objective measure, such as the company's stock price, it should generally be disclosed. In this case, the measure is readily available to the public and is unlikely to result in competitive harm if it is identified as being linked to executive performance.

However, if the target is based on more subjective, internal processes, then it might be appropriate to provide a narrative description of the target, rather than a specific figure. If a target is not specifically disclosed, companies must identify the percentage of an executive's total compensation that relates to the undisclosed target.

(e) Option grants

We included an instruction for companies to disclose practices related to granting options and whether executives are involved in determining who is awarded options.

**Specific request for comment**

4. Will the proposed CD&A requirements elicit a meaningful discussion of a company's compensation policies and decisions?
5. Should we require companies to provide specific information on performance targets?
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?

**Item 3 - Summary compensation table**

(a) General

Item 3 requires companies to complete the summary compensation table for NEOs. Consistent with the current requirements, the revised table requires disclosure of compensation for each of the company's last three completed fiscal years. This table will serve as the principal disclosure vehicle for executive compensation. It will also be accompanied by a narrative description of any material factors that are necessary to understand the information in the table.

(b) Salary and bonus

These columns will include salary and bonus executives earn in a given year, including any salary and bonus earned, but for which payment is deferred. Any salary or bonus that an executive foregoes for equity or other compensation is also included in the salary or bonus column. A footnote to the summary compensation table will identify any non-cash compensation that is received instead of salary or bonus.

Some payments that companies would previously have included in the bonus column may now fit in the non-equity compensation column of the table.

The new definition of "incentive plan" includes any plan that is intended to serve as an incentive for performance over a specified period, even if only for a year or less. This means a plan that includes specific performance objectives, whether for a short or long period, will not be considered a bonus. Payments that are purely discretionary will continue to be reflected in the bonus column.

(c) Plan-based awards

The next three columns in the table (stock awards, option awards and non-equity incentive plan compensation) relate to equity and other plan-based awards. These columns are new and capture the dollar value of each award recognized for financial statement reporting purposes (for stock and option awards), or on the date earned (for non-equity incentive plan awards), rather than the number of securities granted as is currently required.

The stock awards column (column (e)) discloses stock-related awards that derive their value from the company's equity securities or allow settlement by issuance of a company's equity securities. This includes instruments such as restricted stock, restricted stock units, phantom stock or units or any similar instruments.

The options awards column (column (f)) includes options, stock appreciation rights, and similar equity-based compensation instruments that have option-like features. As with stock awards, the value disclosed is the compensation cost of option awards as they vest over the requisite service period.

The awards in both columns must be valued using the same methodology and assumptions used for determining the compensation cost of these awards as reported in the company's financial statements.

(d) Non-equity incentive plans

Column (g) reports the dollar value of all other amounts earned through non-equity incentive plans. It includes awards for which the relevant performance measure under the plan is not based on the price of the company's securities, or that will not be settled by the issuance of the company's securities. Amounts will be disclosed in this column when they have been earned.

This column will also include any earnings (such as interest or dividends) on outstanding non-equity incentive plan awards, which will be identified in a footnote to the table.

(e) Change in Pension Value

Column (h) has been created to disclose the increase in the actuarial present value of the NEO's accumulated benefit under all defined benefit and actuarial plans (including supplemental plans).

The amounts included in this column will be included in the total compensation number, but will be excluded from the calculation of total compensation for determining the highest paid executive officers who must be included in the table. This is because the actuarial value of a pension plan can fluctuate significantly from year to year, which could have a disproportionate impact on determining who the five highest paid officers are in a given year.

Any amount attributable to the defined benefit and actuarial plans that is a negative number will not be reflected in the amount reported in the column, but should be disclosed in a footnote.

Instead of disclosing the total change in actuarial value, another possibility would be to distinguish between the portion of actuarial value that is attributable to compensatory elements of a defined benefit pension plan, such as the service cost to the company, and those elements that relate to non-compensatory factors such as a change in interest rates. Disclosure could focus solely on the elements that reflect actual compensation to an executive.

However, similar to the SEC's approach, we concluded that it was most appropriate to require disclosure of the entire amount of the increase in pension value since this more accurately reflects the company's liability.

(f) All other compensation

This column discloses all other compensation that is not required in any other column of the table. Consistent with current requirements, perquisites and personal benefits must be included in this column, along with a number of other items. We clarify that all items that do not fit into any other column must be included in this column, including potentially significant payments, such as any amounts paid to a NEO at or following termination.

The threshold for disclosing perquisites and other personal benefits has not changed. We plan to retain the current standard for valuing perquisites and other personal benefits based on aggregate incremental cost to the company. Perquisites and other personal benefits are currently disclosed, unless the aggregate amount of this compensation to a NEO is less than \$50,000 and 10% of the total annual salary and bonus of the NEO for the financial year.

Each perquisite or other personal benefit exceeding 25% of the total perquisites and other personal benefits reported for a NEO must also be identified by type and amount in a footnote to the column.

This is an area where we differ from the SEC. The SEC has lowered its threshold for disclosing perquisites to \$10,000.

Although we have not changed the existing test for perquisite disclosure, a greater number of perquisites may be captured under the proposed executive compensation form. This is because of the potential change to the items included in the bonus column. Under the proposed executive compensation form, a bonus is limited to purely discretionary payments. Any payment that relates to pre-established performance factors that are communicated to a NEO will now be considered non-equity incentive plans for the purposes of the summary compensation table.

As a result, there may be less compensation reported in the bonus column and thus the amount of compensation used to determine perquisite disclosure may also be reduced. This could mean more perquisites will be caught by the existing threshold test.

In considering whether something is a perquisite, we are proposing a similar test to the SEC's approach. Companies should consider whether an item is integrally and directly related to an executive's duties. This is a narrow test that focuses on whether the item is required by a person to do his or her job. If it is, the item is not a perquisite. For example, a wireless device that allows the person to remain in contact with work when away from the office could be considered integrally and directly related to a person's job. Even though the person could also use the device to send personal email, it would not be considered a perquisite if it is necessary for that person to do his or her job.

Where the item is not integrally and directly related to a person's job, companies must consider whether the executive receives a personal benefit from the item that is not generally available to all employees. If something confers a personal benefit and is not integrally and directly related to the job, the item is a perquisite, even if it also had a business purpose or is beneficial to the company. For example, transportation to work provided by the company that is not available to all employees could be a perquisite.

If an item is not integrally and directly related to job performance and provides no personal benefit to a NEO, it is not considered a perquisite. For example, if an executive uses a club membership solely for business purposes without any personal benefit, the club membership is not considered a perquisite, even though it is not integrally and directly related to performance of duties.

(g) Total compensation

We have added a new total compensation column (column (j)). This column aggregates the total dollar value of each form of compensation quantified in the other columns. To arrive at a total compensation number, companies must determine the fair value of all non-cash forms of compensation.

(h) Grants of equity awards

Immediately following the summary compensation table, companies must disclose the value of all stock and options awarded to a NEO during the last fiscal year. This value will be the dollar value of each award on the date of grant, as determined by section 3870 *Stock-based compensation and other stock-based payments* of the Handbook. This disclosure will give readers a clear idea of the total amount of equity compensation that a company decided to award to its top executives in the past year. Some of this compensation will be subject to performance-based or vesting conditions and may never be received by the executive. The amounts that do vest will be reflected in the summary compensation table.

**Specific request for comment**

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?
8. Do you agree with the way bonuses and non-equity incentive plans will be disclosed in the summary compensation table?
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?
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?
11. Should the change in the actuarial value of defined benefit pension plans be attributed to executives as part of the summary compensation table?
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?
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?
14. Should we provide additional guidance on how to identify perquisites?
15. Will a total compensation number calculated as proposed provide investors with meaningful information about compensation?
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?

**Item 4 – Equity-based awards**

Item 4 requires reporting issuers to disclose specific information about equity and non-equity awards in two new tables. For equity awards, the first table will require companies to disclose:

- information on outstanding options, including the number of securities underlying these options, the exercise prices and expiry dates;
- the value of unexercised in-the-money options, and
- information on outstanding stock awards, including the market value of shares or other rights that have not vested as at the most recently completed financial year for each NEO.

A second table will show any amounts a NEO realized during the year from exercising option awards and from the vesting of stock and similar awards.

The purpose of these tables is to give investors information about the position of outstanding options (both in and out-of-the-money), as well as the value accrued to and realized by NEOs during the last year. We think this information will provide a clearer picture of what has happened to a given award after it was disclosed in the summary compensation table.

#### ***Item 5 – Plan-based awards***

Item 5 requires companies to explain, in narrative form, the material terms of all awards, both equity and non-equity. In this section, in addition to explaining the terms of the option and stock awards disclosed in the table, companies must provide information about non-equity incentive plan awards, including information on estimated future payouts under these plans (threshold, target and maximum amounts). Companies may aggregate information for different awards that have substantially the same terms.

For both item 4 and item 5 we have diverged from the SEC's approach. While the SEC rule requires the same number of tables in addition to the summary compensation table, the SEC tables include greater detail with respect to the grant of each award, outstanding equity awards at fiscal year-end and outline option exercises and stock vested in the last fiscal year.

Our approach may not capture all of the detail required by the SEC rule. For example, we will not require tabular disclosure of the date of each equity grant or the potential payouts under equity awards. However, companies should use the narrative discussion that follows the table to disclose any material terms of these awards, including such items.

By taking a condensed approach to this information, we are attempting to focus on the elements that are most relevant to investors. We believe that too much detail in the tables could reduce the overall efficacy of the compensation disclosure.

#### **Specific request for comment**

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?

#### ***Item 6 - Retirement plan benefits***

We are proposing a new table that will disclose the details of all defined benefit retirement plans, including the present value of the accumulated benefit.

This table is a significant change from the current disclosure requirements for executive pensions. Many have criticized the existing table because it simply discloses benefit entitlements for specified compensation levels and years of service, without regard to the actual circumstances and potential benefit entitlement of specific executives. We think the proposed new table will improve transparency in this area.

In addition to the disclosure for defined benefit pension plans, the SEC also requires new disclosure of deferred compensation and defined contribution plans in a table. We do not propose to require this tabular disclosure. Instead, we are asking companies to explain, in narrative form, the material terms of any of these plans.

Our understanding is that these types of compensation plans are not as prevalent in Canada as they are in the United States, partly because the tax treatment of these plans is not as flexible in Canada. As a result, we feel that sufficient information will be captured in the summary compensation table and additional narrative disclosure in this section of the form.

#### **Specific request for comment**

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?

#### ***Item 7 - Termination and change of control benefits***

Item 7 requires companies to provide detailed disclosure of payments made to NEOs that are related to their termination or a change of control of the company. The item will require disclosure of the material terms of any written or unwritten agreements

that provide for payments to a NEO at termination. Termination will mean resignation, severance, retirement, constructive termination of a NEO, a change of control of the company or a change in a NEO's responsibilities.

Companies will now have to provide estimated annual payments and benefits that NEOs would receive under various termination scenarios. When calculating these payments, companies should assume that:

- the triggering event took place on the last business day of the company's last completed financial year and
- the price per share was the closing market price of the company's securities on that day.

This item will require companies to provide more disclosure about payments to executives at termination than is currently required. This may require companies to provide estimated payments for a number of potential termination scenarios. However, these payments can represent substantial obligations of the company that should be clearly identified and quantified.

We confirm in the proposed executive compensation form that when a NEO received some type of termination payment during the last fiscal year and is no longer serving as a NEO, the only disclosure that needs to be provided under this item relates to the actual triggering event that occurred for that NEO.

#### **Specific request for comment**

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

#### ***Item 8 – Director compensation***

Item 8 introduces a new table of director compensation. This table is similar to the summary compensation table for executives. It will provide a more complete picture of director compensation than is currently required. We will also require companies to provide the same disclosure about equity-based and plan-based awards for directors that will be required for NEOs.

Over the years, compensation for directors has become more complex. While directors at one time may only have received straightforward payments for attending meetings, today it is not uncommon, for example, for directors to receive stock options. The proposed new disclosure will improve transparency in this area.

#### **Specific request for comment**

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

#### ***Item 9 – Companies reporting in the United States***

We have retained the accommodation for SEC issuers in the proposed executive compensation form. Item 9 permits SEC issuers to satisfy the requirements of the proposed executive compensation form by providing the information they are required to file with the SEC. However, this is not available to companies that qualify as foreign private issuers in the United States.

#### **Other major issues considered**

- (a) Location of the disclosure

We considered a number of possibilities for the appropriate location of executive compensation disclosure. Historically, it has been included in the management information circular that is distributed to shareholders before a company's annual meeting.

We considered requiring companies to include part or all of the executive compensation disclosure in their annual management's discussion & analysis (MD&A). In some ways, the MD&A could be the most logical place for compensation disclosure because it might promote a closer scrutiny of how compensation reflects company performance. During our consultations, many expressed concerns that this approach would present timing problems for companies. The MD&A is usually prepared at the time the financial statements are filed, which is typically before compensation decisions are finalized.

Questions were also raised about the suitability of having the executive compensation disclosure be subject to the certificates required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109). By including this information in the MD&A, it would automatically become part of the information covered by these certificates. The SEC is requiring the CEO and CFO to certify the CD&A in accordance with s. 302 of the Sarbanes-Oxley Act.

We propose that the disclosure remain in the management information circular for the time being. We will continue to consider whether this is the most appropriate place for companies to present executive compensation information to investors and may revisit this issue in the future.

We are not proposing to require certification of any part of the executive compensation disclosure at this time. We decided that the CD&A should be a report of the group ultimately responsible for determining executive compensation, namely the board of directors or a compensation committee of the board. It did not seem appropriate to us to require certification by management of this aspect of executive compensation disclosure.

(b) Venture issuers

The current form allows venture issuers to provide less disclosure than non-venture issuers. Venture issuers do not need to provide disclosure on option and SAR repricings (item 5), defined benefit or actuarial plan disclosure (item 6), composition of the compensation committee (item 8), the report on executive compensation (item 9) or the performance graph (item 10).

In general, we are not proposing that venture issuers be subject to different disclosure requirements under the proposed executive compensation form. Small companies with fewer employees and simpler compensation structures will generally find the form requirements easier to comply with, and no company is required to fill out a section of the form if they have nothing to report.

However, we do accept that the performance graph may be difficult for venture issuers to prepare and does not provide as much relevant information for these companies. Accordingly, the proposed executive compensation form does not include this requirement for venture issuers.

We also indicate in the proposed executive compensation form that if a company's process for determining executive compensation is very simple, then this should be made clear in the CD&A. In this case, a company may not have anything to discuss for some of the listed items in the CD&A. Venture issuers that have relatively straightforward compensation structures may find that their CD&A disclosure is focused on just a few key elements.

The SEC has exempted small business issuers from providing some of the information required by the SEC rule. For example, the SEC will only require compensation disclosure for the principal chief executive officer and principal financial officer plus one other executive for these issuers, instead of a possible five executives.

(c) Performance metric

We considered requiring a standardized measure of how executive compensation relates to company performance. For example, an increase in the CEO's compensation in a defined period could be compared graphically to the increase in the company's stock price over that period or to the increase in total return on equity. Alternatively, these measures could be adjusted to highlight the difference between the company's performance and that of its industry group.

However, we thought it would be difficult to devise a single performance measurement tool that would yield relevant information for all companies. As a result, we are not proposing disclosure of any specific performance calculation.

**Specific request for comment**

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?
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?
24. Are there other specific elements of the requirements that are not relevant for venture issuers?
25. Would the prescription of a performance measurement tool provide useful information on the link between pay and performance?

**Transition and other amendments**

We plan to amend Part 14 – Effective Date and Transition of NI 51-102 to add a provision relating to the repeal and substitution of the current form with the proposed executive compensation form.

We intend the proposed executive compensation form to be in effect at the end of 2007 and will require companies to comply with the new form for financial years ending on or after December 31, 2007. Given the length of our comment process, we feel companies will have enough time to consider these changes and prepare for the proposed executive compensation form.

We are also adding a provision to Part 11 of NI 51-102. This new section will require venture issuers that do not send a management information circular to securityholders to file a completed Form 51-102F6 within 140 days of the company's financial year-end. Currently, non-venture issuers that do not send an information circular to securityholders are required to provide executive compensation information in the annual information form. As venture issuers are not required to file an annual information form, some do not provide executive compensation disclosure. We have added this provision to ensure that all reporting issuers provide executive compensation disclosure at least once a year.

## Specific request for comment

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

## Alternatives considered

We considered leaving the current requirements as they are. However, the current form was created more than 12 years ago and does not fully capture recent developments in executive compensation practices.

## Unpublished materials

We did not rely on any significant unpublished study or other written materials in drafting the proposed form.

## B. ADDITIONAL AMENDMENTS TO NI 51-102, FORM 51-102F2 AND FORM 51-102F5 AND CONSEQUENTIAL AMENDMENTS TO MULTILATERAL INSTRUMENT 52-110 AND NATIONAL INSTRUMENT 58-101

### Introduction

The CSA is also publishing for comment proposed amendments to National Instrument 51-102 Continuous Disclosure Obligations (NI 51-102) and to Forms 51-102F2 *Annual Information Form* and 51-102F5 *Information Circular*.

We are publishing proposed amending instruments for NI 51-102 in Appendix A, and Forms 51-102F2 and 51-102F5 in Appendix C. We are publishing proposed amending instruments for consequential amendments to Multilateral Instrument 52-110 *Audit Committees* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* in Appendix D. You can also find the proposed amendments on websites of CSA members.

### Background

On October 13, 2006 we published notice of adoption of amendments to NI 51-102, its related forms and companion policy and related instruments and these came into force on December 29, 2006. The proposed amendments in this notice are in addition to the amendments published on October 13, 2006.

### Substance and Purpose and Summary of the Proposed Amendments

The amendments we are publishing for comment would

- amend the definition of *venture issuer* to remove large debt-only issuers from the definition,
- reduce the requirement for directors, executive officers and significant shareholders to disclose cease trade and similar orders issued against other companies they were involved with.

#### 1. Definition of venture issuer

NI 51-102 distinguishes between venture issuers and issuers that are not venture issuers for some requirements. For example, venture issuers do not have to file annual information forms and have longer to file their financial statements than issuers that are not venture issuers. Currently, there is no specific classification system for debt-only issuers; they are classified, using the same criteria as equity issuers, as either venture or non-venture on the basis of their exchange listing.

The policy rationale for the venture issuer definition was to recognize the disproportionate burden of complying with continuous disclosure obligations on smaller issuers. We recognize that the definition results in some large issuers that are only listed on the TSX Venture Exchange being classified as venture issuers while small issuers listed on the Toronto Stock Exchange are classified as non-venture issuers. Despite these anomalies, we determined that the exchange-listing criterion was the preferred approach as it provided the market with a test that was easily applied and transparent.

Most debt-only issuers do not list their debt on any exchanges and so are currently venture issuers. However, some debt-only issuers have foreign-listed debt, and so are not venture issuers. Debt-only issuers that list their securities on foreign exchanges generally do so to satisfy certain "legal for life" requirements in Europe. Those issuers are not fundamentally different from debt-only issuers that do not offer or list their securities in Europe. As is the case with equity issuers, there is a difference in treatment between debt-only issuers as they are not treated the same under NI 51-102.

After studying the profile of debt-only reporting issuers in Canada, we realized that most are extremely large issuers – with almost all of them having net assets of over \$500,000,000. Given their size, categorizing them all as venture issuers would not be consistent with the policy rationale behind the definition.

Given the current composition of debt-only issuers and the fact that an exchange listing does not appear to be an appropriate test for size for debt-only issuers, we propose to amend the definition of venture issuers to remove debt-only issuers with total

assets of over \$25 million from the definition. This would result in large debt-only issuers being classified as non-venture issuers.

The proposed amendment to the definition also does not apply to issuers of debt securities that are asset-backed securities as defined in NI 51-102. Asset-backed securities that are pay-through securities typically evidence limited-recourse, secured debt obligations of the issuer. Issuers of asset-backed securities that are pay-through securities are debt-only issuers. Other issuers of asset-backed securities, however, issue pass-through securities that typically evidence undivided co-ownership interests in a pool of commercial mortgage loans and accordingly do not represent debt obligations of the issuer. Issuers of asset-backed securities that are pass-through securities are not debt-only issuers. We are monitoring the implementation of new requirements for issuers of asset-backed securities in the United States and are considering developing certain rules for issuers of asset-backed securities in Canada. While we are considering this, we are proposing that all issuers of asset-backed securities that are not listed would remain as venture issuers.

## 2. Disclosure of Cease Trade Orders

The proposed amendment to the requirement to disclose cease trade and similar orders would reduce the disclosure required in annual information forms and information circulars. Currently, directors, executive officers and significant shareholders must disclose if, during the past 10 years, they were directors or executive officers of an issuer that was subject to a cease trade or similar order, while that order was outstanding. It has been argued that the current disclosure requirement captures too many individuals to be useful and does not have regard to the individuals' role in the issuer's default that led to the imposition of a cease trade order or to the individuals' ability to cause the issuer to remedy the default. It has also been argued that the current disclosure requirement may result in an inappropriate stigma that may discourage individuals from joining boards of directors where the issuer is or may go into default.

The proposed amendments would

- eliminate the disclosure requirement for significant shareholders
- reduce the disclosure from the previous 10 years to the previous 5 years
- require the disclosure only for directors and executive officers who were directors, Chief Executive Officers or Chief Financial Officers of an issuer when a cease trade or similar order was actually issued, or when the event occurred that led to the order being issued.

## Report of Voting Results

In addition to the two amendments above, we are also seeking comment on the content of the report of voting results required by section 11.3 of NI 51-102. Currently non-venture issuers that conduct a vote by ballot are required to report the number or percentage of votes cast for, against or withheld from the vote. For a vote that is not conducted by ballot (i.e. it is conducted by a show of hands), issuers are required to disclose only a description of the matter voted upon and the outcome of the vote, and not the results of the voting instructions contained in the proxies submitted to the issuer prior to the meeting.

The Alberta Securities Commission questions the relevancy of this information and in any event is of the view that an additional requirement for issuers to report voting results of proxies received when a vote is by show of hands is unnecessary given the rights of shareholders and proxyholders under statutes to demand a vote by ballot and thereby trigger full reporting of voting results under the existing regime.

Regulators in some jurisdictions think that disclosure of the results of the proxies (in particular, the number of shares "withheld from voting") will provide useful information for investors and greater transparency and will improve the board's accountability to shareholders. Because shareholders who attend a meeting in person need not submit a proxy in advance, the results of the proxies received would not include the votes of any shareholder who attended the meeting and voted in a show of hands. However, our research shows that the majority of shareholders who wish to vote submit their votes by proxy.

Therefore, we are seeking comment on whether the issuer should also disclose the results of the proxies received for each matter voted upon, even if the vote is not conducted by ballot. Would disclosing this additional information about the results of proxies provide a benefit to shareholders? Does the potential discrepancy between proxies received and actual votes cast by show of hands impact the usefulness of the information?

## Alternatives considered

We considered making all debt-only issuers venture issuers, or maintaining the status quo. We rejected both those options.

With respect to the cease-trade order disclosure, we considered eliminating the disclosure, rather than reducing it. We rejected this option, as we feel that the disclosure provides important background about a reporting issuer's directors and executive officers.

## **Anticipated costs and benefits**

Making all debt-only issuers non-venture issuers may result in some increased costs to those issuers that are currently venture issuers. The primary increased cost would be from the accelerated filing deadlines for financial statements and MD&A. We believe the costs will not be overly burdensome to debt-only issuers, and will make their treatment under NI 51-102 consistent with other large issuers.

The proposed amendments to the Forms to reduce the cease trade order disclosure will reduce disclosure costs to issuers.

## **Related amendments**

We propose to amend Multilateral Instrument 52-110 *Audit Committees* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* to reflect (i) the proposed change to the definition of venture issuer to remove all debt-only issuers from the definition and (ii) the change, which we previously made to NI 51-102, to the definition of venture issuer to include issuers whose securities are listed on the Alternative Investment Market of the London Stock Exchange and the PLUS markets (formerly known as OFEX) operated by PLUS Markets Group plc. Those amendments are set out in Appendix D. We are also revising the definition of venture issuer in NI 51-102 to reflect the recent change of name of OFEX (see Appendix A).

## **Local amendments**

We propose to amend Form 41-501F1 *Information Required in a Prospectus* of Ontario Securities Commission Rule 41-501 *General Prospectus Requirements* to make corresponding changes with respect to disclosure of cease trade orders. Those amendments are set out in Appendix E.

## **Unpublished materials**

In proposing amendments to NI 51-102 and the Forms 51-102F2 and 51-102F5, we have not relied on any significant unpublished study, report, or other written materials.

## **Authority for amendments – Ontario**

Appendix F sets out the provisions of the *Securities Act* (Ontario) which provide the Ontario Securities Commission with authority to make the amendments described in Parts A and B of this Notice.

## **Comments on Parts A and B of the Notice**

We request your comments on the materials outlined above. Please provide your comments by June 30, 2007. Address your submissions to all of the CSA member commissions.

Please deliver your comments to the addresses below. Your comments will be distributed to the other participating CSA members.

John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8  
Fax: (416) 593-2318  
E-mail: [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

Anne-Marie Beaudoin, Directrice du secrétariat  
Autorité des marchés financiers  
Tour de la Bourse  
800, square Victoria  
C.P. 246, 22<sup>e</sup> étage  
Montréal, Québec, H4Z 1G3  
Fax: (514) 864-6381  
E-mail: [consultation-en-cours@lautorite.com](mailto:consultation-en-cours@lautorite.com)

If you do not submit your comments by e-mail, a diskette containing the submissions in Word should also be provided.

We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

## Questions

Please refer your questions to any of the people listed below:

Andrew Richardson  
Deputy Director, Corporate Finance  
British Columbia Securities Commission  
(604) 899-6730  
(800) 373-6393 (toll free in B.C. and Alberta)  
arichardson@bcsc.bc.ca

Tom Graham  
Director, Corporate Finance  
Alberta Securities Commission  
(403) 297-5355  
tom.graham@seccom.ab.ca

Lara Gaede  
Associate Chief Accountant  
Alberta Securities Commission  
(403) 297-4223  
lara.gaede@seccom.ab.ca

Deepali Kapur  
Accountant, Corporate Finance  
Ontario Securities Commission  
(416) 593-8256  
dkapur@osc.gov.on.ca

Elizabeth Topp  
Legal Counsel, Corporate Finance  
Ontario Securities Commission  
(416) 593-2377  
etopp@osc.gov.on.ca

Denise Houde  
Chef du service de la réglementation  
Surintendance aux marchés des valeurs  
Autorité des marchés financiers  
(514) 395-0558 poste 4361  
denise.houde@lautorite.qc.ca

Lucie J. Roy  
Conseillère en réglementation  
Service de la réglementation  
Surintendance aux marchés des valeurs  
Autorité des marchés financiers  
(514) 395-0558 poste 4364  
lucie.roy@lautorite.qc.ca

## Amendments

The text of the amendments follow or can be found elsewhere on a CSA member website.

**March 29, 2007**

## Appendix A

### Proposed amendments to National Instrument 51-102 *Continuous Disclosure Obligations*

1. **National Instrument 51-102 *Continuous Disclosure Obligations* is amended by this Instrument.**
2. **Subsection 1.1(1) is amended by repealing the definition of “venture issuer” and substituting the following,**

“venture issuer” means a reporting issuer that, as at the applicable time,

  - (a) in the case of a reporting issuer that has distributed only debt securities to the public, other than an issuer of asset-backed securities, had total assets of less than \$25 million, and
  - (b) in the case of
    - (i) a reporting issuer other than a reporting issuer that has distributed only debt securities to the public, and
    - (ii) a reporting issuer that is an issuer of asset-backed securities,did not have any of its securities listed or quoted on any of: the Toronto Stock Exchange; a marketplace in the United States of America; or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc;

where the “applicable time” means: in respect of Parts 4 and 5 of this Instrument and Form 51-102F1, the end of the applicable financial period; in respect of Parts 6 and 9 of this Instrument and Form 51-102F6, the end of the most recently completed financial year; in respect of Part 8 of this Instrument and Form 51-102F4, the date of acquisition; and in respect of section 11.3 of this Instrument, the date of the meeting of the securityholders.
3. **Section 11 is amended by adding the following after section 11.5,**

**11.6 Executive Compensation Disclosure for Venture Issuers**

A venture issuer that does not send a management information circular to its securityholders must provide the disclosure required by Form 51-102F6 by filing a completed Form 51-102F6 not later than 140 days after the end of its most recently completed financial year.
4. **Form 51-102F6 which came into force on March 30, 2004 is hereby repealed and substituted with the Form 51-102F6 attached at appendix B.**
5. **This amendment comes into force ●, 2007.**

**Appendix B**

**FORM 51-102F6  
STATEMENT OF EXECUTIVE COMPENSATION**

**Table of Contents**

Item 1	General Provisions
Item 2	Compensation Discussion and Analysis
Item 3	Summary Compensation Table
Item 4	Equity-Based Awards
Item 5	Plan-Based Awards
Item 6	Retirement Plan Benefits
Item 7	Termination and Change of Control Benefits
Item 8	Director Compensation
Item 9	Companies Reporting in the United States

**FORM 51-102F6  
STATEMENT OF EXECUTIVE COMPENSATION**

**ITEM 1 – GENERAL PROVISIONS**

**1.1 Purpose**

Companies must disclose all direct and indirect compensation provided to certain executive officers and directors for the services they have provided to the company or a subsidiary of the company.

This form contains specific requirements for how to disclose various common types of compensation. To meet your disclosure obligation, you must assess fully whether you have disclosed everything that a reasonable person would view as compensation. This form does not specify every form of compensation arrangement. However, companies must disclose all compensation provided to executive officers and directors, regardless of how it is structured or whether it fits within a column of a particular table.

The requirements in this form should be interpreted with regard to this purpose, the definition of “executive officer” in the Instrument, and in a manner that gives priority to substance over form.

**1.2 Format**

Disclose the required information in accordance with this form. In preparing the form, companies may:

- omit a table or column of a table if it does not apply, and
- add tables and columns if they are necessary to fully present certain aspects of compensation.

**1.3 Definitions**

This section defines terms used in this form.

If a term is used in this form but is not defined in this section, refer to Part 1 of National Instrument 51-102 *Continuous Disclosure Obligations* and to National Instrument 14-101 *Definitions*.

“**Chief Executive Officer**” or “**CEO**” means each individual who served as chief executive officer of your company or acted in a similar capacity (whether or not directly employed by your company) during the most recently completed fiscal year.

“**Chief Financial Officer**” or “**CFO**” means each individual who served as chief financial officer of your company or acted in a similar capacity (whether or not directly employed by your company) during the most recently completed fiscal year.

“**closing market price**” means the price at which the company’s security was last sold in the security’s principal Canadian market on the date that the closing market price is determined.

“**company**” includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

“**equity incentive plan**” means an incentive plan or portion of an incentive plan under which awards are granted that fall within the scope of Section 3870 of the Handbook.

“**external management company**” includes a subsidiary, affiliate or associate of the external management company.

“**grant date**” or “**date of grant**” means the grant date determined for financial statement reporting purposes under Section 3870 of the Handbook.

“**incentive plan**” means any plan providing compensation that depends on achieving certain performance goals within a specified period, whether performance is measured by reference to the financial performance of the company or an affiliate, the company’s stock price, or any other performance measure.

“**incentive plan award**” means an award provided under an incentive plan.

“**Named Executive Officer**” or “**NEO**” means any of the following individuals:

- (a) each CEO who served in that capacity for any part of the most recently completed fiscal year;
- (b) each CFO who served in that capacity for any part of the most recently completed fiscal year;

- (c) each of the company's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed fiscal year and whose total compensation exceeded \$150,000; and
- (d) any other individuals for whom disclosure would have been provided under (c), except that the individual was not serving as an officer of the company at the end of the most recently completed fiscal year.

When computing the total compensation figure for the purposes of identifying each NEO, exclude the figure applicable to column (h) *Change in Pension Value* from the Summary Compensation Table in Item 3. The \$150,000 threshold only applies to the most recent fiscal year in determining the NEOs.

**“non-equity incentive plan”** means an incentive plan or portion of an incentive plan that is not an equity incentive plan.

**“options”** mean instruments such as stock options, stock appreciation rights and similar instruments with option-like features.

**“plan”** includes any plan, contract, authorization or arrangement, where cash, securities, similar instruments or any other property may be received. A plan may be for one person. A plan excludes the Canada Pension Plan, similar government plans and group life, health, hospitalization, medical reimbursement and relocation plans that do not discriminate in scope, terms or operation and are generally available to all salaried employees.

**“replacement grant”** means the grant of an option or SAR reasonably related to any prior or potential cancellation of an option or SAR.

**“repricing”** of an option or SAR means adjusting or amending the exercise or base price of a previously awarded option or SAR. It excludes any repricing occurring through the operation of a formula or mechanism in, or applicable to, the previously awarded option or SAR equally affecting all holders of the class of securities underlying the option or SAR.

**“stock”** means instruments such as common stock, restricted stock, restricted stock units, phantom stock, phantom stock units, common stock equivalent units or any similar instruments that do not have option-like features.

**“stock appreciation right”** or **“SAR”** means a right to receive cash or an issue or transfer of securities based wholly or in part on changes in the trading price of publicly traded securities.

#### **1.4 Preparing the form**

##### **1. All compensation covered**

This form requires disclosure of all plan and non-plan compensation for each NEO and each director.

##### **2. Information for full fiscal year**

If the CEO, CFO or any other NEO worked in that capacity for the company during part of a fiscal year that is being disclosed in the summary compensation table, provide details of the compensation that the NEO received from the company for the entire fiscal year.

This includes compensation the NEO earned in any other position with the company during the fiscal year. Do not estimate or annualize compensation for any part of a year when the NEO was not employed by the company.

##### **3. Exclusion due to foreign assignment**

When calculating total compensation to determine who is a NEO (other than the CEO and CFO), you may exclude cash compensation that relates to overseas assignments if these amounts:

- are specifically intended to offset the impact of a higher cost of living in the overseas location and
- are not otherwise related to the duties the NEO performs for the company.

##### **4. External management companies**

- (a) If the company does not have direct employees who act as executive officers and directors, disclose the individuals who perform the functions of executive officers or directors, whether or not they are performing these functions under a written or unwritten contract or any other direct or indirect arrangement.
- (b) If the company's executive officers are employed or retained by an external management company and the company has entered into an understanding, arrangement or agreement of any kind with the external management company to provide executive services to the company directly or indirectly, disclose any compensation that:

- (i) the company paid directly to any persons employed or retained by the external management company and who are acting as executive officers and directors of the company, and
  - (ii) the external management company paid to these persons that is attributable to the services they provided to the company directly or indirectly.
- (c) If the company's executive management is provided through an external management company, and the external management company has clients other than the company, disclose:
- (i) the portion of the compensation paid to the officer or director that the management company attributes to services the external management company provided to the company, or
  - (ii) the entire compensation the external management company paid to the officer or director. If the management company allocates the compensation paid to the officer or director, disclose the basis or methodology used to allocate this compensation.

### **Commentary**

*For some companies, executive officers are employed by an external management company and their services are provided to the company under a contractual arrangement. In this case, the CEO and CFO disclosed under this form would be the individuals who perform similar functions to the CEO and CFO. They would generally be the same individuals who signed and filed annual and interim certificates to comply with Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.*

### **5. Sources of compensation**

Disclose all compensation payable, directly or indirectly, to each director and NEO. Compensation to directors and NEOs must include compensation from the company and its subsidiaries.

Also, disclose any compensation paid under an understanding, arrangement or agreement among any of:

- (a) the company, its subsidiaries, or a NEO or director of the company or its subsidiaries, and
- (b) another entity, for the purpose of the other entity compensating the NEO or director.

### **6. Compensation to associates**

Disclose any compensation paid to an associate, under an understanding or agreement among any of the company, its subsidiaries or another entity and a NEO or director of the company or its subsidiaries for the purpose of the company, its subsidiary or the other entity compensating the NEO or director for employment services or office.

### **7. New reporting issuers**

- (a) Do not provide information for completed fiscal years during which the company was not a reporting issuer at any time. Subsequently, disclose in the summary compensation table information for up to three fiscal years completed since the company became a reporting issuer.
- (b) Despite (a), if the company was not a reporting issuer at any time during the most recently completed fiscal year and the company is completing the form because it is preparing a prospectus for an initial public offering, discuss all material elements of the compensation to be awarded to the NEOs of the company once it becomes a reporting issuer, to the extent this has been determined.

### **8. Issuers that comply with foreign GAAP**

This form includes many references to section 3870 of the Handbook. You may provide the information required by this form in accordance with the GAAP you use to prepare your financial statements, instead of the Handbook, as permitted by National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*.

## **ITEM 2 - COMPENSATION DISCUSSION AND ANALYSIS**

### **2.1 Compensation discussion and analysis**

- 1. Discuss the material principles underlying policies and decisions for compensation provided to the NEOs for the most recently completed fiscal year.

Discuss the following items:

- (a) the objectives of the compensation program
  - (b) what the compensation program is designed to reward
  - (c) each element of compensation
  - (d) why the company chooses to pay each element
  - (e) how the company determines the amount (and, where applicable, the formula) for each element, and
  - (f) how each element of compensation and the company's decisions regarding that element fit into the company's overall compensation objectives and affect decisions regarding other elements.
2. Where applicable, you must also discuss actions relating to executive compensation that were taken after your company's last fiscal year end. Explain any new policies or decisions that were made after the end of the most recently completed fiscal year that could affect a fair understanding of any NEO's compensation for the last fiscal year.
3. Identify target levels for specific quantitative or qualitative performance-related factors for NEOs. Disclose targets that are based on objective, identifiable measures, such as the company's stock price or earnings per share. If targets are subjective, or are based on internal processes, the company may describe the target without providing specific measures.
- The company may exclude target information if it means disclosing confidential information that would result in competitive harm to the company. If the company does not disclose targets, state what percentage of an executive officer's total compensation relates to these undisclosed targets.
- If the company discloses targets that are non-GAAP financial measures, explain how the company calculates the number from its financial statements.
4. When drafting the disclosure required by this item, consider the disclosure you have provided in Form 58-101F1 or Form 58-101F2 under National Instrument 58-101 *Corporate Governance Disclosure* and ensure that it is consistent with the disclosure provided in this form.

## 2.2 Performance Graph

If the company is not a venture issuer, as part of your discussion provide a line graph illustrating the company's cumulative total shareholder return over the last five most recently completed fiscal years, assuming that \$100 was invested on the first day of the five-year period. Use a shorter period if the company has been publicly traded for less than five years.

Compare this to the cumulative total return of at least one broad equity market index that provides an appropriate reference point for your company's return. If the company is included in the S&P/TSX Composite Total Return Index, use that index. Assume in all cases that dividends are reinvested. As one measure of performance, discuss how the trend shown by this graph compares to the trend in the company's compensation to executive officers over the same period.

## 2.3 Option Awards

Explain the process the company uses to grant options to executive officers including the role of the compensation committee and executive officers in setting or amending any option program. State whether previous grants of options are taken into account when considering new grants.

### Commentary

- (i) *The information disclosed under Item 2.1 will depend on the facts and the company's circumstances. Provide enough information and explanation to allow a reader to understand the disclosure elsewhere in this form. Disclosure that merely describes compensation already awarded, earned or paid is not adequate. The information contained in this section should give readers a sense of how compensation levels for the period might have been different, as well as expected compensation levels for future periods, under various performance scenarios. Avoid boilerplate language.*
- (ii) *If the company's process for determining executive compensation is very simple, for example, relying solely on board discussion without any formal objectives, criteria and analysis, then make this clear in your discussion.*
- (iii) *The following are examples of items that will usually be material:*
  - *contractual or non-contractual arrangements, plans, process changes or any other matters that might cause the amounts disclosed for the current year to be misleading as an indication of the compensation levels to be expected in future periods*

- the process for determining perquisites and personal benefits
- policies and decisions about the adjustment or recovery of awards or payments if the performance measures on which they are based are restated or adjusted to reduce the payment or award
- the basis for selecting events that trigger payment for any arrangement that provides for payment(s) at, following or in connection with any termination or change of control
- whether the company used any benchmarking in determining compensation or any element of compensation. If so, clearly identify the benchmark, who was included in the benchmark and what criteria were used. Explain how the peer group sample was formed and why certain companies were included and excluded from the group
- any waiver or change to any specified performance target, goal or condition to payout for any amount, including whether the waiver or change applied to one or more specified NEOs or to all compensation subject to the target, goal or condition
- the role of executive officers in determining executive compensation.

**ITEM 3 - SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
CEO	_____ _____								
CFO	_____ _____								
A	_____ _____								
B	_____ _____								
C	_____ _____								

**3.1 Summary Compensation Table**

Complete this table for each NEO for the company's three most recently completed fiscal years.

1. Include in columns (c) and (d) the dollar value of cash and non-cash base salary and bonus the NEO earned during the year.
  - (i) If the company cannot calculate the amount of salary or bonus earned in a fiscal year, disclose this in a footnote, along with the reason why it cannot be determined. Restate the salary or bonus figure the next time the company prepares this form, and explain what portion of the restated figure represents an amount that could not previously be calculated.
  - (ii) If a NEO elected to forego any salary or bonus earned in a fiscal year under a program that allows an executive officer to receive stock, options or other forms of non-cash compensation instead of a portion of annual compensation, include this amount in the salary or bonus column. Identify in a footnote to the summary compensation table the receipt of any form of non-cash compensation instead of salary or bonus.
  - (iii) Include in the bonus column any discretionary cash awards that were not based on pre-determined performance criteria that were communicated to a NEO. Report any performance plan awards that include pre-determined performance conditions in column (g).

2. For awards of stock disclosed in column (e) provide the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with Section 3870 of the Handbook. Note that the stock awards column includes instruments such as restricted stock, restricted stock units, phantom stock or units, common stock equivalent or any similar instruments that do not have option-like features.
3. Disclose in column (f) for awards of options, with or without tandem SARs, the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with Section 3870 of the Handbook.
4. For amounts included in columns (e) and (f), where applicable, disregard the estimate of forfeitures related to service-based vesting conditions. Include a footnote describing all forfeitures during the year and disclose all assumptions made in the valuation by reference to a discussion of those assumptions in the financial statements.
5. In column (g) include the dollar value of all amounts earned for services performed during the covered fiscal year that are related to awards under non-equity incentive plans and all earnings on any outstanding awards.
  - (i) Include a footnote describing and quantifying all earnings on non-equity incentive plan compensation, whether they were paid during the fiscal year, payable but deferred at the election of the NEO, or payable by their terms at a later date.
  - (ii) If the relevant performance measure was satisfied during a covered fiscal year (including for a single year in a plan with a multi-year performance measure), report the earnings for that fiscal year, even if they are payable at a later date. The company is not required to report these earnings when they are actually paid to NEOs.
6. In column (h) include the aggregate change in the actuarial present value of the NEO's accumulated benefit under all defined benefit and actuarial pension plans (including supplemental plans) from:
  - (i) the pension plan measurement date used for financial statement reporting purposes for the company's audited financial statements for the prior completed fiscal year, to
  - (ii) the pension plan measurement date used for financial statement reporting purposes with respect to the company's audited financial statements for the last completed fiscal year.

This disclosure relates to each plan that provides for the payment of retirement benefits, or benefits that will be paid primarily after retirement. Use the same amounts that you include in column (d) of the pension table required by item 6 of this form for the covered fiscal year and the amounts that would have been required to be reported in column (d) of the table as required by item 6 for the prior completed fiscal year.

Disclose any negative amount in a footnote but do not include it in the sum reported in column (h).

7. In column (i) include all other compensation not reported in any other column of this table. Include each compensation item that you cannot properly report in columns (c) through (h). This column must include, but is not limited to:
  - (i) perquisites, property or other personal benefits provided to the NEO that are not available to all employees, unless the aggregate amount of this compensation to a NEO is less than \$50,000 and is less than 10 per cent of the NEO's total salary and bonus for the fiscal year. Value these items on the basis of the aggregate incremental cost to the company and its subsidiaries. Describe in a footnote the methodology used for computing the aggregate incremental cost to the company.
 

Identify the type and amount of each perquisite that exceeds 25% of the total perquisites reported for a NEO in a footnote to the summary compensation table. Provide the footnote information for the last fiscal year only.
  - (ii) all "gross-ups" or other amounts reimbursed during the fiscal year for the payment of taxes
  - (iii) the amounts paid or accrued to any NEO at, following, or in connection with any termination. This includes:
    - resignation
    - severance
    - constructive termination
    - a change in control of the company, or
    - a change that materially affects control
  - (iv) contributions or other allocations by the company to vested and unvested defined contribution plans

- (v) the dollar value of any insurance premiums paid by, or on behalf of, the company during the fiscal year for personal insurance for a NEO
- (vi) the dollar value of any dividends or other earnings paid on stock or options awards that were not factored into the grant date fair value required to be reported item 3.2.
- (vii) any compensation cost for any security purchased from the company or its subsidiaries at a discount from the market price of the security (through deferral of salary, bonus or otherwise). Calculate this cost at the date of purchase in accordance with Section 3870 of the Handbook
- (viii) above-market or preferential earnings on compensation that is deferred on a basis that is not tax exempt, including earnings on nonqualified defined contribution plans. Above-market or preferential means a rate greater than the rate ordinarily paid by the company or its subsidiary on securities or other obligations having the same or similar features issued to third parties.

Report non-equity incentive plan awards and earnings, and earnings on stock and options, except as specified in (vi), above, in the columns of the table that relate to these forms of compensation. Do not report them in column (i) (*All Other Compensation*).

Benefits paid under defined benefit and actuarial plans are not reportable as *All Other Compensation* unless accelerated due to a change in control. Information concerning such plans is reportable in column (h) of the Summary Compensation Table and under item 6 of the form.

- 8. In column (j) include the dollar value of total compensation for the fiscal year. For each NEO, this is the sum of the amounts reported in columns (c) through (i).
- 9. Any deferred amounts must be included in the appropriate column for the fiscal year in which they are earned.

#### **Commentary**

- (i) *The determination of whether an award should be considered a bonus or a non-equity incentive plan award depends upon the nature of the award. A non-equity incentive plan award is intended to serve as an incentive for certain specified performance objectives. Thus the outcome of such an award will generally be uncertain at the time the performance target is established. The target will also be communicated to the executive officer. In contrast, include in the bonus column any award that was based on the satisfaction of a performance target that was not pre-established and communicated to the executive officer, or the outcome of which was not substantially uncertain at the time it was set.*
- (ii) *In general, an item is not a perquisite if it is integrally and directly related to the performance of an executive officer's duties. This concept is narrowly defined. If something is necessary for a person to do his or her job, then it is integrally and directly related to the job and is not a perquisite, even if it also provides some amount of personal benefit.*

*If the company concludes that an item is not integrally and directly related to job performance, consider whether it provides the NEO with a direct or indirect benefit that has a personal aspect. If it does, the item is a perquisite, whether or not it is provided for a business reason or for the company's convenience, unless it is available on a non-discriminatory basis to all employees.*

*Companies must conduct their own analysis of whether a particular item is a perquisite. The following are examples of things that are often considered perquisites or personal benefits. This list is not exhaustive:*

- *cars, car lease and car allowance*
- *corporate aircraft or personal travel financed by the company*
- *jewellery*
- *clothing*
- *artwork*
- *housekeeping services*
- *club membership*
- *theatre tickets*
- *financial assistance to provide education to children of executive officers*

- *parking*
- *personal financial or tax advice*
- *security at personal residence or during personal travel*
- *reimbursements of taxes owed with respect to perquisites or other personal benefits*

### 3.2 Grants of equity awards

Name	Grant Date Fair Value of Stock Awards	Grant Date Fair Value of Option Awards
(a)	(b)	(c)
CEO		
CFO		
A		
B		
C		

1. Complete this table for all grants of stock or options made to each NEO in the last fiscal year. Disclose the award based on the aggregate fair value on the date of grant as determined by applying Section 3870 of the Handbook.
2. If at any time during the last completed fiscal year, the company has adjusted, amended, cancelled, replaced or materially modified the exercise price of stock options, SARs or other instruments with option-like features previously awarded to a NEO ("repriced"), disclose the incremental fair value, computed as of the repricing or modification date in accordance with Section 3870 of the Handbook.

This requirement does not apply to any repricing that occurs through a pre-existing formula or mechanism in the plan or award that results in the periodic adjustment of the option or SAR exercise or base price, an antidilution provision in a plan or award, or a recapitalization or similar transaction equally affecting all holders of the class of securities underlying the options or SARs.

3. Include a footnote to the table identifying the incremental fair value of any adjusted, amended, cancelled, replaced or materially modified stock options, SARs or similar instruments that are included in the table.

### 3.3 Narrative discussion

Provide a narrative description of any material factors necessary to understand the information disclosed in the summary compensation table and in the table required by item 3.2.

#### **Commentary**

*The factors to be discussed in item 3.3 will vary depending on the circumstances of each award, however the following are examples of factors that will usually be material:*

- the material terms of each NEO's employment agreement or arrangement*
- any repricing or other material changes to the terms of any equity-based award program during the last fiscal year*
- the material terms of any award reported in the summary compensation table and the grants of equity awards table, including a general description of the formula or criteria to be applied in determining the amounts payable and the vesting schedule. For example, if dividends will be paid on stock state this, the applicable dividend rate and whether that rate is preferential.*

*There may be other factors material to your discussion, in addition to those identified above.*

### 3.4 Currencies

Use the same currency that the company uses in its financial statements to report amounts in this form. If a NEO was paid or received compensation in a different currency than the reporting currency, specify in a footnote the currency in which the NEO was paid, and describe the rate and methodology used to convert the compensation into the reporting currency.

### 3.5 Officers who also act as directors

If a NEO is also a director who receives compensation for services as a director, reflect that compensation in the Summary Compensation Table and provide a footnote to explain which amounts relate to the director role. There is no requirement for the company to also provide disclosure under item 7 for that NEO.

## ITEM 4 – EQUITY-BASED AWARDS

### 4.1 Outstanding equity-based awards

Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-money Options or Similar Instruments (\$)	Number of Shares or Units of Stock that have not Vested (#)	Market or Payout Value of Stock Awards that have not Vested (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
CEO						
CFO						
A						
B						
C						

Complete this table for each NEO for the most recently completed fiscal year.

- In column (b) disclose, on an award-by-award basis, the number of securities underlying unexercised options, including awards that have been transferred other than for value.
- In column (c) disclose the exercise or base price for each award reported in column (b).
- In column (d) disclose the expiration date for each award reported in column (b).
- In column (e) disclose the aggregate dollar amount of in-the-money unexercised options, SARs and similar instruments held at the end of the year, including awards that were transferred at other than fair market value, based on the difference between the market value of the securities underlying the instruments at the end of the year, and their exercise or base price of the option or similar instrument.
- In column (f) disclose the total number of shares of stock or other units that have not vested.
- In column (g) disclose the aggregate market value or payout value of shares of stock, units or other rights awarded under any equity incentive plan that have not vested. This includes awards that were transferred at other than fair market value. Assume for this calculation that the NEO achieved the threshold performance goals (the minimum amount payable for a certain level of performance).

However if the previous fiscal year's performance exceeded the threshold, base the disclosure on the performance measure that was achieved that year. If the award provides only for a single estimated payout, report that amount. If you cannot determine an amount to report, include a representative amount based on the previous fiscal year's performance.

## 4.2 Value realized on exercise or vesting of equity-based awards

Name	Option Awards - Value realized during the year on exercise (\$) (a)	Stock Awards - Value realized during the year on vesting (\$) (b)
CEO		
CFO		
A		
B		
C		

Complete this table for each NEO for the most recently completed fiscal year.

1. In column (a) disclose the aggregate dollar value realized upon the exercise of options, or upon the transfer of an award for value. Compute the dollar value realized by each NEO required by this column by determining the difference between the market price of the underlying securities at exercise and the exercise or base price of the options. Do not include the value of any related payment or other consideration provided (or to be provided) by the company to or on behalf of a NEO.
2. In column (b) disclose the aggregate dollar value realized on stock vesting, or upon the transfer of an award for value. Compute the dollar value realized by each NEO required by this column by multiplying the number of shares of stock or units by the market value of the underlying shares on the vesting date. For any amount realized upon exercise or vesting for which receipt has been deferred, provide a footnote quantifying the amount and disclosing the terms of the deferral.

## ITEM 5 – PLAN-BASED AWARDS

### 5.1 Narrative disclosure for plan-based awards

Disclose the material terms of all plan-based awards, including non-equity incentive plan awards, issued, exercised or vested during the year, or outstanding at the year end, to the extent not already discussed under item 3.3. The company may aggregate information for different awards, if separate disclosure of each award is not necessary to communicate their material terms.

#### **Commentary**

*The items discussed in the narrative required by item 5.1 will vary depending on the terms of each plan, but relevant factors may include, among other things:*

- *the number of securities underlying each award or received upon vesting or exercise*
- *general descriptions of formulas or criteria that are used to determine amounts payable*
- *exercise prices and expiry dates*
- *dividend rates on stock awards*
- *whether awards are vested or unvested*
- *performance-based or other material conditions*
- *information on estimated future payouts for non-equity incentive plan awards (threshold, target and maximum amounts)*
- *the closing market price on the date of grant, if the exercise or base price is less than the closing market price of the underlying security on the date of grant.*

## ITEM 6 - RETIREMENT PLAN BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
(a)	(b)	(c)	(d)	(e)
CEO				
CFO				
A				
B				
C				

### 6.1 Retirement plan benefits table

Complete this table, for each plan that provides for payments or benefits at, following, or in connection with retirement, excluding defined contribution plans. Use a separate row for each plan.

- In column (c) disclose the number of years of service credited to the NEO under the plan, calculated as of the same pension plan measurement date used in the company's audited financial statements for the last completed fiscal year.
- In column (d) disclose the actuarial present value of the NEO's accumulated benefit under the plan, calculated as of the same pension plan measurement date used in the company's audited financial statements for the last completed fiscal year.
- In column (e) disclose the dollar amount of any payments and benefits paid to the NEO during the company's last completed fiscal year.
- In column (d), use the same assumptions used for financial statement reporting purposes under GAAP, except that retirement age shall be assumed to be the normal retirement age as defined in the plan. If it is not defined, use the earliest time at which a participant may retire without any benefit reduction due to age.

Disclose the valuation method and all material assumptions the company applied in quantifying the present value of the current accrued benefit. The company may satisfy all or part of this disclosure by referring to a discussion of assumptions in its financial statements, footnotes to the financial statements or discussion in management's discussion and analysis.

- If a NEO's years of credited service in any plan is different from the NEO's number of actual years of service with the company, include a footnote that quantifies the difference and any resulting benefit augmentation.

### 6.2 Narrative to retirement plan benefits table

Provide a concise narrative description of any material factors necessary to understand each plan covered by the table set out at item 6.1.

#### Commentary

Material factors discussed in the narrative required by item 6.2 will vary, but examples may include, among other things:

- the material terms and conditions of payments and benefits available under the plan, including the plan's normal and early retirement payment, benefit formula and eligibility standards
- eligibility for early retirement under any plan. Where this factor is relevant, identify the NEO and the plan, and describe the plan's early retirement payment and benefit formula, and eligibility standards. Early retirement means retirement at the early retirement age as defined in the plan or otherwise available under the plan
- the specific elements of compensation (e.g. salary, bonus) included in applying the payment and benefit formula. If you provide this information, identify each element separately
- the reasons for participation in each plan if multiple plans exist, and
- company policies on topics such as granting extra years of credited service, including an explanation of who these arrangements relate to and why they are considered appropriate.

### 6.3 Defined contribution/deferred compensation plans

Describe the material terms of any defined contribution or deferred compensation plan relating to each NEO, including:

- (i) the types of compensation that can be deferred and any limitations on the extent to which deferral is permitted (by percentage of compensation or otherwise)
- (ii) material terms of payouts, withdrawals and other distributions and
- (iii) measures for calculating interest or other earnings, how and when these measures may be changed, and whether the NEO or the company chose these measures. Quantify measures wherever possible.

## **ITEM 7 – TERMINATION AND CHANGE OF CONTROL BENEFITS**

### **7.1 Termination and change of control benefits**

Describe, and where appropriate, quantify the following items for each contract, agreement, plan or arrangement, that provides for payments to any NEO at, following, or in connection with any termination, including resignation, severance, retirement or a constructive termination of an NEO, a change in control of the company and a change in the NEO's responsibilities:

- (i) the circumstances that trigger payments or the provision of other benefits, including perquisites
  - (ii) the estimated payments and benefits that are provided in each circumstance; including timing, duration and who provides the payments and benefits
  - (iii) how the payment and benefit levels are determined under the various circumstances that trigger payments or provision of benefits
  - (iv) any material conditions or obligations that apply to receiving payments or benefits. This includes but is not limited to, non-compete, non-solicitation, non-disparagement or confidentiality agreements. Include the duration of these agreements and provisions for waiver or breach
  - (v) any other material factors for each contract, agreement, plan or arrangement.
1. Quantify estimated annual payments and benefits even if it is uncertain what amounts might be paid in given circumstances under the various plans and arrangements.

Assume that:

- the triggering event took place on the last business day of the company's last completed fiscal year, and
- the price per share of the company's securities is the closing market price on that date.

If the company is unsure about the provision or amount of payments or benefits, make a reasonable estimate (or a reasonable estimate of the range of amounts) and disclose material assumptions underlying these estimates.

Consider the entire range of situations where discretionary or ad hoc payments could be made to executive officers. Describe this range of situations and the principles for calculating these payments.

2. The company may exclude perquisites and other personal benefits if the aggregate of this compensation is less than \$50,000. Identify and quantify individual perquisites and personal benefits as required by item 3.1 7(i).
3. If any termination payment is fully disclosed under item 6.1 or 6.2 of this form, the company may refer to that disclosure. However, if that payment would be enhanced in any way, or its vesting provisions accelerated in connection with a triggering event, the company must disclose that under this item.
4. The company is not required to provide estimates of possible termination scenarios for a NEO whose employment terminated in the past year. The company must only disclose the consequences of the actual termination event.

**ITEM 8 - DIRECTOR COMPENSATION**

Name	Fees Earned (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
A							
B							
C							
D							
E							

**8.1 Director compensation table**

Complete this table for all amounts of compensation provided to the directors for the company's last completed fiscal year. Ensure that all forms of compensation are included in this table. The instructions for each column are the same as those for the corresponding columns of the summary compensation table in item 3 of this form. In addition:

- In column (a) do not include a director who is also an NEO if his or her compensation for service as a director is fully reflected in the summary compensation table and elsewhere in this form.
- In column (b) include all fees earned or paid in cash for services as a director, including annual retainer fees, committee and/or chairmanship fees, and meeting fees.
- In column (g), include compensation from any other arrangement under which the director was compensated (directly or indirectly) for services provided to the company in any capacity. Identify any such amounts in a footnote to the table.
- In column (g), include programs where the company agrees to make donations to one or more charitable institutions in a director's name, payable currently or upon a designated event such as the retirement or death of the director. Include a footnote to the table disclosing the total dollar amount payable under the program.
- Describe in a footnote the methodology used for computing the aggregate incremental cost of perquisites to the company. Identify the type and amount of each perquisite that exceeds 25% of the total perquisites reported for a director in a footnote to the table. The company is only required to provide the footnote information for the last fiscal year.

**8.2 Grants of equity awards**

Provide for directors the same disclosure that is required for NEOs by item 3.2 of this form.

**8.3 Narrative discussion**

Describe any factors necessary to understand the director compensation disclosed in items 8.1 and 8.2.

**Commentary**

*While material factors included in the narrative discussion required by item 8.3 will vary depending upon the facts, examples include, among other things:*

- standard compensation arrangements, such as fees for retainer, committee service, service as chair of the board or a committee, and meeting attendance*
- whether any director has a different compensation arrangement, identifying that director and describing the terms of that arrangement*
- any matters discussed in the compensation discussion and analysis that do not apply to directors in the same way that they apply to NEOs, for example, practices for issuing stock options.*

**8.4 Equity-based and plan-based awards**

Provide for directors the same disclosure that is required for NEOs by items 4 and 5 of this form.

## **8.5 Trustee fees**

If applicable, provide a description of the amount of fees or other compensation paid by the company to individuals acting as trustees of the company for the most recently completed financial year.

### **ITEM 9 – COMPANIES REPORTING IN THE UNITED STATES**

- (i) Except as provided in (ii) below, SEC issuers may satisfy the requirements of this form by providing the information required by Item 402 “Executive compensation” of Regulation S-K under the 1934 Act.
- (ii) Item 9(i) (above) does not apply to a company that, as a foreign private issuer, satisfies item 402 of Regulation S-K by providing the information required by Items 6.B “Compensation” and 6.E.2 “Share Ownership” of Form 20-F under the 1934 Act.

## Appendix C

### Proposed amendments to Form 51-102F2 Annual Information Form and Form 51-102F5 Information Circular

1. Form 51-102F2 Annual Information Form and Form 51-102F5 Information Circular are amended by this Instrument.
2. Form 51-102F2 is amended by,
  - a. **repealing subsection 10.2(1) and substituting the following:**
    - (1) If a director or executive officer of your company is, as at the date of the AIF, or has been within the 5 years before the date of the AIF, a director, Chief Executive Officer or Chief Financial Officer of any company (including your company), that, while that person was acting in that capacity,
      - (a) was issued a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or
      - (b) was subject to an event that resulted, after the director or executive officer ceased to be a director, Chief Executive Officer or Chief Financial Officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,state the fact and describe the basis on which the order was made and whether the order is still in effect.
    - (1.1) If a director or executive officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company
      - (a) is, as at the date of the AIF, or has been within the 10 years before the date of the AIF, a director or executive officer of any company (including your company), that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, or
      - (b) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder, state the fact.
  - b. **in Instruction (i) after subsection 10.2(3), adding “, (1.1)” after “subsections (1)”, wherever it appears,**
  - c. **in Instruction (ii) after subsection 10.2(3), striking out “subparagraph 10.2(1)(a)(i)” and substituting “subsection 10.2(1)” and striking out “executive officer or shareholder” and substituting “Chief Executive Officer or Chief Financial Officer”, and**
  - d. **adding the following as Instruction (iv) after subsection 10.2(3):**
    - (iv) *The disclosure in subsection 10.2(1)(a) only applies if the director or executive officer was a director, Chief Executive Officer or Chief Financial Officer when the cease trade or similar order was issued against the company. You do not have to provide disclosure if the director or executive officer became a director, Chief Executive Officer or Chief Financial Officer after the cease trade or similar order was issued.*

**3. Form 51-102F5 is amended by**

**a. repealing 7.2 and substituting the following:**

7.2 If a proposed director

- (a) is, as at the date of the information circular, or has been, within 5 years before the date of the information circular, a director, Chief Executive Officer or Chief Financial Officer of any company (including the company in respect of which the information circular is being prepared) that, while that person was acting in that capacity,
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
- (b) is, as at the date of the information circular, or has been within 10 years before the date of the information circular, a director or executive officer of any company (including the company in respect of which the information circular is being prepared) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
- (c) has, within the 10 years before the date of the information circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director, state the fact.

**b. adding the following as Instruction (iv) after section 7.2.2:**

- (iv) *The disclosure in subsection 7.2(a) only applies if the proposed director was a director, Chief Executive Officer or Chief Financial Officer when the cease trade or similar order was issued against the company. You do not have to provide disclosure if the proposed director became a director, Chief Executive Officer or Chief Financial Officer after the cease trade or similar order was issued.*

**4. This amendment comes into force •, 2007.**

## Appendix D

### Proposed consequential amendments to Multilateral Instrument 52-110 *Audit Committees and* National Instrument 58-101 *Disclosure of Corporate Governance Practices*

1. **Multilateral Instrument 52-110 *Audit Committees* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* are amended by this Instrument.**

2. **Multilateral Instrument 52-110 *Audit Committees* is amended in section 1.1 by repealing the definition of “venture issuer” and substituting the following,**

“venture issuer” means an issuer that, at the end of its most recently completed financial year,

(a) in the case of an issuer that has distributed only debt securities to the public, had total assets of less than \$25 million, and

(b) in the case of an issuer other than an issuer that has distributed only debt securities to the public, did not have any of its securities listed or quoted on any of: the Toronto Stock Exchange; a marketplace in the United States of America; or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

3. **National Instrument 58-101 *Disclosure of Corporate Governance Practices* is amended in section 1.1 by adding the following definition of “asset-backed security”,**

“asset-backed security” has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

4. **National Instrument 58-101 *Disclosure of Corporate Governance Practices* is amended in section 1.1 by repealing the definition of “venture issuer” and substituting the following,**

“venture issuer” means a reporting issuer that, at the end of its most recently completed financial year,

(a) in the case of an issuer that has distributed only debt securities to the public, other than an issuer of asset-backed securities, had total assets of less than \$25 million, and

(b) in the case of

(i) an issuer other than an issuer that has distributed only debt securities to the public, and

(ii) an issuer that is an issuer of asset-backed securities,

did not have any of its securities listed or quoted on any of: the Toronto Stock Exchange; a marketplace in the United States of America; or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc;

5. **This amendment comes into force •, 2007.**

## Appendix E

### Proposed amendments to Form 41-501F1 *Information Required in a Prospectus of Ontario Securities Commission Rule 41-501 General Prospectus Requirements*

#### Proposed amendments to Form 41-501F1 *Information Required in a Prospectus*

1. Form 41-501F1 Information Required in a Prospectus of Ontario Securities Commission Rule 41-501 General Prospectus Requirement is amended by this Instrument.
2. 41-501F1 is amended by
  - a. repealing 16.2 and substituting the following:

16.2 – Corporate Cease Trade Orders or Bankruptcies

If a director or officer of the issuer

    - (a) is, or within 5 years before the date of the prospectus or pro forma prospectus, as applicable, has been, a director, Chief Executive Officer or Chief Financial Officer of any other issuer that, while that person was acting in that capacity,
      - (i) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
      - (ii) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
      - (iii) within 10 years before the date of the prospectus or *pro forma* prospectus, as applicable, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.
  - b. adding the following as Instruction (3) after section 16.6:

*The disclosure in subsection 16.2(a) only applies if the director or officer was a director, Chief Executive Officer or Chief Financial Officer when the cease trade or similar order was issued against the issuer. You do not have to provide disclosure if the director or officer became a director, Chief Executive Officer or Chief Financial Officer after the cease trade or similar order was issued.*
3. This amendment comes into force •, 2007.

## Appendix F

### Additional Information Required in Ontario

#### Anticipated costs and benefits of proposed executive compensation form

The purpose of the revised form is to improve the quality and transparency of executive compensation disclosure. Current disclosure requirements do not capture all forms of compensation and can be difficult to understand. Ontario has undertaken a cost benefit analysis and believes that the proposed requirements will, when implemented, benefit market participants for the following reasons:

- increased transparency may result in a lower cost of capital to companies, as investors will be better able to assess risk;
- clear disclosure will assist investors in making better informed decisions; and
- enhanced information may lower monitoring costs to investors.

Based on our qualitative analysis, we do not anticipate any significant additional costs to arise from complying with the proposed requirements. Most of the information required by the form is already available in a company's financial statements, though some information will need to be presented in a different format if the proposed executive compensation form is adopted. Any initial costs associated with adapting to the enhanced requirements of the proposed executive compensation form should decrease over time as new practices become established.

The complete text of the cost-benefit analysis prepared by Ontario is being published concurrently with this notice on the OSC website. The OSC is seeking comment on the cost-benefit analysis in order to gather quantitative information associated with the revised disclosure requirements. This document has been prepared by staff in Ontario only and not the other CSA jurisdictions.

#### Authority for Amendments - Ontario

The following provisions of the *Securities Act* (Ontario) (the Act) provide the Ontario Securities Commission (the OSC) with authority to adopt the amendments.

- Paragraph 143(1) 22 authorizes the OSC to make rules prescribing requirements in respect of the preparation and dissemination by reporting issuers of documents providing for continuous disclosure that are in addition to the requirements under the Act, including requirements in respect of an annual report, an annual information form and supplemental analysis of financial statements.
- Paragraph 143(1) 23 authorizes the OSC to exempt reporting issuers from any requirement of Part XVIII (Continuous Disclosure) of the Act.
- Paragraph 143(1) 24 authorizes the OSC to require issuers to comply with Part XVIII of the Act relating to continuous disclosure or to rules made under paragraph 143(1) 22.
- Paragraph 143(1) 39 authorizes the OSC to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules and all documents determined by the regulations or the rules to be ancillary to the documents, including proxies and information circulars.