

## NOTICE

### Effective Disclosure of Corporate Governance Practices

The British Columbia Securities Commission, the Alberta Securities Commission and the Commission des valeurs mobilières du Québec (the Commissions) provide notice that they are studying various alternatives to improve the overall level and quality of disclosure by Canadian reporting issuers on their corporate governance practices.

On January 16, 2004, some members of the Canadian Securities Administrators (CSA), including the Alberta Securities Commission, published for comment Multilateral Instrument 58-101 *Disclosure of Corporate Governance Practices* (MI 58-101) and Multilateral Policy 58-201 *Effective Corporate Governance* (MP 58-201). MP 58-201 contains selected governance standards that are presented as the “best practices” for issuers in matters of corporate governance. MI 58-101 would require issuers to file reports and make disclosure comparing their corporate governance practices with the “best practices” described in MP 58-201.

The Commissions believe that reporting issuers should be required to explicitly and regularly disclose their actual practices and policies regarding corporate governance. This disclosure will improve the quality of information presently available to shareholders and investors on corporate governance of reporting issuers and raise their level of awareness on this issue. In doing so, it will increase the effective protection of shareholders and investors. The Commissions also recognize that regulatory initiative is necessary to attain this objective.

However, the Commissions are considering whether securities regulators can or should try to determine the corporate governance practices and policies that are appropriate for all issuers. While MP 58-201 indicates that issuers may flexibly apply the best practices, the format of the required disclosure in MI 58-101 could put pressure on issuers to adopt those practices whether or not they are appropriate for them. Rather than entering into a debate about what constitutes best practices, the Commissions are examining an alternative approach that would simply require issuers to disclose existing corporate governance practices without suggesting, explicitly or implicitly, what those practices should be.

Various institutional investors, industry associations and coalitions, management consulting firms, exchanges and other securities regulatory bodies in North America and elsewhere have published or adopted divergent codes and guidelines. The Commissions question whether adding another package of “best practices” and applying them to more than 4,000 reporting issuers in Canada could have undesired side effects on the transparency of corporate governance practices and the overall behaviour of issuers in this regard.

Indeed, opinions about governance practices have evolved significantly in the past decade and will likely continue to evolve based on companies' experience applying the current ideas. Similarly, the actual governance practices of public companies have been changing in response to investor demands, peer pressure, and publicity about the dangers of inadequate governance. The Commissions question whether codifying current views about best practices runs the risk of deterring innovation and enhancement of governance practices. The Commissions believe that regulatory initiatives in this field should take great care not to hinder future improvements that cannot be presently foreseen.

The Commissions are therefore requesting comments on the regulatory approach that should be developed, in the context of the Canadian markets, in the matter of corporate governance disclosure requirements. More specifically, the Commissions are requesting comments on alternative regulatory approaches that would allow issuers the flexibility to decide which corporate governance practices are most suitable for them, while permitting market participants to assess the appropriateness of the practices used. The following questions may serve as a guide in preparing comments:

- Do you believe that securities regulators are in the best position to determine the corporate governance practices and policies that are appropriate for all issuers?
- Do you agree that it is preferable to give issuers the flexibility to decide which corporate governance practices are most suitable for them? Alternatively, do you believe that there should be a single, uniform, set of governance practices that should be considered as "best practices" by all securities regulators in the country?
- Do you believe that additional filings and news releases on SEDAR about reporting issuers' corporate governance practices and policies should be required by regulation?

The Commissions ask that you deliver or e-mail copies of your written comments to each of:

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Ref: MI 58-101 *Disclosure of Corporate Governance Practices*  
MP 58-201 *Effective Corporate Governance*