



Canadian Securities Administrators publish proposed enhancements to executive compensation disclosure

- Patrick Menda

On March 29, 2007, the Canadian Securities Administrators (the "CSA") published for comment Proposed Form 51-102F6 Statement of Executive Compensation ("Proposed Form 51-102F6"), the purpose of which is to expand the scope and detail of executive compensation disclosure to provide the public with greater insight into an issuer's compensation policies and governance in respect thereof. The comment period with respect to Proposed Form 51-102F6 will be open until June 30, 2007.

One of the goals the CSA seeks to achieve with Proposed Form 51-102F6 is complete disclosure with respect to named executive officer ("NEO") compensation. Thus, the Summary Compensation Table has been modified to include a column showing the aggregate compensation paid to each NEO, representing the total of the figures disclosed in all the other columns of the table.

In addition, the Summary Compensation Table has been amended to disclose all equity compensation (i.e. stock awards and option awards) on the basis of the cost of the foregoing awards over the last financial year, as opposed to the number of such awards granted. Finally, the revised Summary Compensation Table proposes to include enhanced disclosure with respect to non-equity based incentive plans, changes in pension values under defined benefit and actuarial plans and with respect to all other forms of compensation.

Similarly, under Proposed Form 51-102F6, directors would have to provide the same level of disclosure as NEO's in the Summary Compensation Table.

The CSA propose that issuers include a new table detailing defined benefit retirement plans, including the present value of the accumulated benefit and provide increased disclosure with respect to termination and change in control benefits payable NEOs.

Two new tables have been created in connection with equity-based awards. The first will require companies to disclose: (i) information on outstanding options, the exercise price and expiry dates; (ii) the value of unexercised in-the-money options; and (iii) 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. The second table will disclose any amounts a NEO realized over the last financial year as a result of the exercise of options and the vesting of stock and similar awards.

Also, issuers will have to provide a narrative description of the material terms of all award plans, both equity and non-equity based.

Under Proposed Form 51-102F6, issuers will be required to discuss and analyze executive compensation provided to NEOs in a meaningful way with respect to the most completed financial year. The CSA hopes that such a discussion and analysis will provide the public with context for the information set out in the compensation tables included in the Proposed Form 51-102F6.

The CSA hopes to implement Proposed Form 51-102F6 by the end of 2007 and have it apply in respect of financials years ended on or after December 31, 2007.

This update is intended to provide general comment only and should not be relied upon as legal advice.

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