

Corporate Securities Law

December 6, 2010

CSA Releases Survey of Corporate Governance Disclosure Practices

The Canadian Securities Administrators recently published a Staff Notice which outlines the results¹ of a review of publicly-traded issuers' compliance with corporate governance disclosure obligations². Staff of the securities regulatory authorities in Ontario, British Columbia, Manitoba and Quebec reviewed the corporate governance disclosure practices of 72 reporting issuers (46 of which were TSX-listed issuers, with the balance being TSX Venture issuers) and concluded that the level of non-compliance with the applicable disclosure requirements was "unacceptable". Staff reported that 55% of the issuers reviewed were required to make enhancements to their future corporate governance disclosures.

The CSA's 2010 survey was intended to build on the results of a similar survey conducted in 2007. This year's survey recognized that issuers have made significant efforts to comply with the applicable corporate governance disclosure requirements since 2007 but concluded that issuers still need to further improve the quality of their disclosure.

The survey identifies a number of specific problem areas of disclosure, including:

- independence of directors;
- position descriptions for chairs and CEOs;
- nomination procedures for new directors, orientation programs offered for new directors and continuing education programs for directors; and
- compliance with codes of ethics.

The Staff Notice provides specific examples of deficient disclosure in these areas and explains how issuers can improve their disclosure in order to better comply with the applicable requirements.

We encourage issuers, in preparing management information circulars for the 2011 proxy season, to be mindful of the published views of the securities regulators regarding appropriate governance-related disclosures and in particular, the concerns raised in the Staff Notice.

Please contact any member of the Goodmans Corporate Securities Group to discuss the Staff Notice or corporate governance disclosure requirements.

¹ The results are described in CSA Staff Notice 58-306 *2010 Corporate Governance Disclosure Compliance Review* can be found at http://www.osc.gov.on.ca/documents/en/Securities-Category5/csa_20101203_58-306_2010-corp-gov-disclosure.pdf.

² The corporate governance disclosure requirements are set forth in National Instrument 58-101 *Disclosure of Corporate Governance Practices*.