

## Ontario Securities Commission 2006-07 Statement of Governance Practices

*This Statement of Governance Practices is intended to supplement the discussion of the Commission's governance contained in the OSC 2007 Annual Report. The OSC 2007 Annual Report is published on the Commission's website.*

### Introduction

The Ontario Securities Commission (OSC or the Commission), as the regulatory body responsible for overseeing the capital markets in Ontario, administers and enforces the *Securities Act* (Ontario), the *Commodity Futures Act* (Ontario) and certain provisions of the *Business Corporations Act* (Ontario) (the Acts).

The *Securities Act* establishes the Commission's role in regulating capital markets, sets out the fundamental principles that the Commission shall have regard to in overseeing the administration and enforcement of the Act, and outlines the basic governance and accountability structure for the Commission. The Commission is established as a self-funded Crown corporation with a board of directors consisting of the members of the Commission (Members or Commissioners).

### The Commission's Governance Framework

Unlike a public company, the Commission, although a corporation, does not have shareholders to whom the board of directors is accountable. Instead, the Commission is accountable to the Minister responsible for securities regulation (the Minister) and, through the Minister, to the Ontario Legislature. The Act sets out the statutory responsibilities of the Members and requires the Commission to enter into a *Memorandum of Understanding* (MOU) with the Minister that sets out the accountability relationship between the Commission and the Minister, the Board of Directors and the Minister, and the Chair and the Minister. The MOU also describes the respective roles and responsibilities of the Minister, the Deputy Minister, the Chair, the Members, and the Executive Director and sets out the Commission's obligations to report to the Minister. A discussion of the Commission's reporting requirements under the Act and the MOU is contained later in this statement under the heading "*Reporting to the Minister*". **The MOU is published on the Commission's website.**

The Commission has made rules and adopted policies with respect to the corporate governance obligations of reporting issuers. *National Instrument 58-101 Disclosure of Corporate Governance Practices*, *Multilateral Instrument 52-110 Audit Committees* and *National Policy 58-201 Corporate Governance Guidelines* (together the Instruments) are the instruments that set out the regulatory requirements and policy guidance that issuers should consider in developing and disclosing their corporate governance practices.

The Commission is aware that its own governance practices and procedures should adhere to the highest principles underlying the Instruments. Therefore, although the Instruments are not applicable to the Commission as a public regulatory body, the Commission has determined that it should adopt the best governance practices currently advocated in the Instruments for reporting issuers, wherever practicable and appropriate for a public regulatory body governed by statute.

As discussed more fully below, the Members' governance responsibilities extend beyond those customarily associated with boards of directors of public companies to include regulatory and adjudicative responsibilities as set out in the Act. In 2006, the Members decided to conduct a comprehensive review of the Commission's governance and authorized the Governance and Nominating Committee to undertake the review and make recommendations to the Members on enhancements to the Commission's existing governance practices. One of the recommendations adopted by the Members was that the Commission should enhance the transparency of its own governance practices and procedures by publishing an annual statement of governance practices to accompany the publication of its Annual Report. The scope of the review and the steps taken by the Commission to implement the Committee's recommendations are described in detail in this statement under the heading "*Commission, Board and Committees*".

### **Appointment of Members to the Commission**

The *Securities Act* provides that the Commission is to be composed of at least nine and not more than 14 Members, each of whom is appointed by the Lieutenant Governor in Council. The addendum to the *Government Appointees Directive* issued in 2006 under the *Management Board of Cabinet Act*, R.S.O. 1990, c. M.1 provides that a person appointed to a government agency, such as the Commission, will serve an initial appointment for a period of two years, and may be eligible for reappointment for a second term of up to three years and a third term of up to five years.

In 2005, the Ontario Government's *Public Appointments Secretariat (PAS)* introduced a strengthened and more publicly transparent process of appointment to government agencies, boards and commissions. All appointments of Members to the Commission are subject to this PAS process. Member vacancies on the Commission, together with a description of the duties of a Member and the required qualifications, are advertised on the PAS website as vacancies occur on the Commission. Individuals interested in being appointed as Members are required to submit their application directly to the PAS. Applications made to the PAS are reviewed by the Commission's Governance and Nominating Committee. All applicants whose qualifications meet the advertised requirements are interviewed by the Committee. Following the interview process, the Committee provides a list of recommended nominees to the Board for recommendation to the Minister. It is the Minister's prerogative to recommend any nominee for appointment by the Lieutenant Governor in Council. All proposed Order in Council appointments are submitted by the Minister to the Standing Committee on Government Agencies, who may request a nominee to appear before that committee to review the nominee's qualifications for appointment.

The Lieutenant Governor in Council also designates one Member of the Commission as Chair of the Commission and may designate one or two Members as Vice-Chairs. Normally, the appointments of each of the Chair and Vice-Chairs are for terms of five years. The Chair is designated by the *Securities Act* as the Chief Executive Officer of the Commission. The Chair and Vice-Chairs devote their full time to the work of the Commission. Members, other than the Chair and Vice-Chairs, are Part-time Members who devote as much time as necessary to perform their duties.

Currently there are thirteen Members, three of whom are full-time and ten of whom are part-time. The full-time Members are the Chair of the Commission, W. D. Wilson, and Vice-Chairs L. E. Ritchie and J.E.A. Turner. The Lead Director, R. L. Shirriff, is a Part-time Member. **The current *Member Biographies* are attached to this statement as Schedule “A”.**

The following table lists the current Members with their respective dates of original appointment, dates of expiry of their terms of appointment and the committees of the Board and Commission on which they served during 2006-07.

**Table 1**  
**Members of the Commission**

W. David Wilson, Chair *	November 1, 2005	November 1, 2010
Lawrence E. Ritchie, Vice-Chair <sup>(9)</sup>	February 21, 2007	February 21, 2012
James E. A Turner, Vice-Chair <sup>(9)</sup>	February 21, 2007	February 21, 2012
Paul K. Bates <sup>(4)(7)</sup>	June 11, 2003	June 10, 2009
Harold P. Hands <sup>(7)(8)</sup>	April 3, 2002	April 3, 2008
Margot C. Howard <sup>(6)</sup>	December 6, 2006	December 6, 2008
Kevin J. Kelly <sup>(7)</sup>	December 6, 2006	December 6, 2008
David L. Knight <sup>(2)(8)</sup>	August 25, 2004	June 6, 2010
Patrick J. LeSage <sup>(5)</sup>	December 15, 2005	December 15, 2008
Carol S. Perry <sup>(6)(7)</sup>	February 15, 2005	February 16, 2008
Robert L. Shirriff <sup>(1)(6)(8)(9)</sup>	March 20, 2002	March 20, 2008
Suresh Thakrar <sup>(3)(6)</sup>	June 11, 2003	June 10, 2009
Wendell S. Wigle <sup>(7)(9)</sup>	May 28, 2003	May 27, 2009

- (1) Lead Director
- (2) Chair of the Audit and Finance Committee
- (3) Chair of the Governance and Nominating Committee
- (4) Chair of the Human Resources and Compensation Committee
- (5) Chair of the Adjudicative Committee
- (6) Member of the Audit and Finance Committee
- (7) Member of Governance and Nominating Committee
- (8) Member of Human Resources and Compensation Committee
- (9) Member of Adjudicative Committee
- \* The Chair of the Commission is an *ex officio* member of the Governance and Nominating Committee

## **Members' Duties and Responsibilities**

The Members, acting as the Commission's Board of Directors, oversee the operations of the Commission, including the Commission's strategic planning, resource allocation, risk management, financial reporting policies and procedures, and effectiveness of internal controls and management information systems. The Board of Directors exercises its corporate oversight both through regular and special meetings of the full Board and its standing committees.

Unlike the directors of public companies, the Members of the Commission serve not only as its Board of Directors, but also discharge statutory responsibilities under the Acts as regulators of Ontario's capital markets. The Members, acting in their regulatory capacity, approve and oversee the implementation of the Commission's regulatory initiatives and priorities, set enforcement priorities and review enforcement practices and procedures. Members of the Commission hold bi-weekly policy meetings with senior Commission staff to direct the Commission's regulatory functions.

In their regulatory capacity, Members also perform an adjudicative function by serving individually, as required, on panels that independently preside over administrative proceedings. The Members, acting as a whole, however, have a responsibility to oversee the Commission's adjudicative policies, practices and procedures generally, to promote the fair, independent, transparent and expeditious disposition of all adjudicative matters.

In April 2006, the Members adopted a *Charter of Governance: Roles and Responsibilities* (Charter) to more clearly delineate the Members' two principal governance roles and responsibilities as both regulators and administrators of the Act and as the Board of Directors, and to ensure greater transparency in and understanding of the Commission's governance structure. **The Charter is attached to this statement as Schedule "B".**

## **Attributes and Qualifications of Members**

The Commission believes that the integrity, competence, capability and commitment of its Members are vital to the discharge of the Commission's statutory mandate to administer the Acts. The Commission regularly reviews the individual qualifications, attributes, skills and experience of the Members to ensure that Members, individually and collectively, meet the standards necessary to exercise their responsibilities effectively. A Member Profile is used to identify any gaps in attributes, skills and qualifications that might arise as a result of an upcoming vacancy on the Commission. The Commission also considers whether developments in the capital markets require either the appointment of a new Member with specialized knowledge or experience not already represented on the Commission or additional training of some or all of the incumbent Members. **The Member Profile - Member/Director Attributes is attached to this statement along with the Member Biographies as Schedule "A".**

## Independence of Members

### *(i) The independence of Members as regulators of Ontario's capital markets*

As noted above, the Members of the Commission not only discharge statutory responsibilities under the Act as regulators of Ontario's capital markets but also serve as its Board of Directors. As regulators, the independence required of Members is that they exercise their judgment and decision making in a disinterested and unbiased manner free of improper influence. The Governance and Nominating Committee has considered the nature of the independence required of Members in discharging their statutory regulatory responsibilities, and has determined that all Members are independent for these purposes.

All Members are appointed by the Lieutenant Governor in Council on the recommendation of the Minister for a limited term and are subject to the Commission's ***By-law Number 2*** which requires that Members must be free from any interest or relationship which could reasonably be perceived to interfere with the Member's ability to act in a disinterested and unbiased manner. By-law Number 2 sets out the requirements for the conduct of Members with respect to: (i) the avoidance and disclosure of conflicts of interest; (ii) securities transactions and reporting obligations; (iii) the disclosure of personal interests that could give rise to an apparent or actual conflict of interest; (iv) participation on adjudicative panels hearing regulatory proceedings; and (v) dealings with the Commission following completion of their term of office. In addition, the Chair and Vice-Chairs are prohibited from holding office or sitting as a director of any registrant or any reporting issuer during their term of office. Part-time Members are required to file a written notice to the Chair if they hold office or are a director of any registrant or any reporting issuer. ***By-law Number 2 is published on the Commission's website.***

### *(ii) The independence of Members as the Board of Directors of the Commission*

The Governance and Nominating Committee has also considered the definition of "independence" articulated in the Instruments applicable to boards of directors of reporting issuers. The Committee has determined that, if such definition were applied to the relationship to the Commission of each of the Members in their role as members of the Board of Directors charged with the oversight of the management of the financial and other affairs of the Commission, all current Part-time Members of the Commission would be considered to be "independent". However, as the Chair acts as the Commission's CEO and the Chair and Vice-Chairs devote their full time to the work of the Commission and perform executive management responsibilities, the Committee has determined that they would not be considered to be "independent" as contemplated in the Instruments. In light of this determination, the position of Lead Director has been created with the responsibilities described below and the membership of each committee of the Board is composed of Part-time Members only, with the exception of the Governance and Nominating Committee, on which the Chair serves as a non-voting *ex officio* member. The Adjudicative Committee, described more fully below, on which the Vice-Chairs serve as members, is considered a committee of the Commission and not a committee of

the Board. Also, as discussed below, Part-time Members meet *in camera* in the absence of the Chair and Vice-Chairs following each Board and Commission meeting.

### **Chair/CEO and Vice-Chairs**

The Act stipulates that the Chair shall also be the Chief Executive Officer of the Commission. The Chair's responsibilities are set out in the Act and the MOU. In addition the Board of Directors has approved position descriptions for the Chair and Vice-Chairs which describe the purpose and responsibilities of those positions. The position descriptions are required to be reviewed annually by the Governance and Nominating Committee.

The Chair, W. D. Wilson, was appointed by Order in Council on November 1, 2005 for a term of five years and both Vice-Chairs, L. E. Ritchie and J.E.A. Turner, were appointed by Order in Council on February 21, 2007 for a term of five years. **The *Position Descriptions for the Chair and Vice-Chairs* are attached to this statement as Schedule "C".**

### **Lead Director**

As the *Securities Act* combines the role of the Commission Chair and CEO, the Board has determined that the Part-time Members alone shall appoint one of their number as Lead Director to foster independent oversight of the Board. The Lead Director is appointed for a term of one year, which appointment may be renewed for a maximum term of three years.

Acting in consultation with the Chair of the Commission and the Chairs of Committees of the Board, the Lead Director is responsible for overseeing the operations of the Board to ensure that the Board carries out its responsibilities effectively. This includes providing greater assurance that the responsibilities of the Board and its Committees are well understood by Members and management, that the Board receives relevant information on a timely basis and that the Board's effectiveness is assessed on a regular basis. The Lead Director also presides as chair of all *in camera* meetings of Part-time Members, which are held in the absence of the Chair and Vice-Chairs, immediately following each regularly scheduled meeting of the Board and Commission.

Commissioner Robert L. Shirriff served as the Board's Lead Director in 2006-2007 and was reappointed as Lead Director by the Part-time Commissioners in 2007 for a further one year. **The *Lead Director Mandate* is attached to this statement as Schedule "C".**

### **Commission, Board and Committees**

The Act provides that Members are responsible for the administration of the Act and also that, as Directors, are responsible for the oversight of the management of the financial and other affairs of the Commission.

(i) *The role of Members' as regulators of Ontario's capital markets*

Members exercise their regulatory responsibilities through bi-weekly policy meetings of the Commission at which regulatory initiatives are identified and considered, proposed policies and rules are reviewed and approved, regulatory priorities are set and their implementation reviewed, and other matters with respect to the due administration of the Acts are considered. In addition, meetings of two Members acting as a statutory quorum of the Commission (Quorum) are held twice-weekly to consider and approve applications for exemptive relief and other matters permitted by statute and authorized by the Commission to be decided by a Quorum.

Individual Members, acting independently of the Commission as a whole, also exercise their regulatory responsibilities in the performance of an adjudicative function by sitting on adjudicative panels that preside over administrative proceedings under the Act.

*Adjudicative Committee*

The Commission, acting as a whole, has a responsibility to generally oversee its adjudicative processes and procedures. To assist it in the discharge of this responsibility, the Commission established an Adjudicative Committee to oversee the Commission's adjudicative policies, procedures and practices to ensure they are independent, effective and fair. The Adjudicative Committee meets periodically to review the adjudicative procedures and practices of the Commission in relation to hearings and pre-hearing conferences, amendments to the *Rules of Practice*, and other adjudicative policies and/or procedures of relevance to the Commission. The Committee also supervises the Members' orientation and education program addressing adjudicative responsibilities. Members attend an adjudicative retreat every year which provides education and training with respect to a variety of adjudicative matters including emerging issues in administrative law. In addition, relevant training is provided to Members on a continuous basis during the term of their appointment.

The Adjudicative Committee is a standing committee of the Commission, the members of which are appointed annually by the Commission. Unlike the committees of the Board, membership on the Adjudicative Committee is not restricted to Part-time Members alone. Although the Committee Chair and the majority of Committee members are Part-time Members, both Vice-Chairs serve on the Committee. The Secretary to the Commission also serves as an *ex officio* member of the Committee. The current members of the Adjudicative Committee are identified in Table 1 in this statement. **The Adjudicative Committee Mandate is attached to this statement along with the Charter as Schedule "B".**

A report on the Commission's regulatory, administrative and adjudicative activities in the past fiscal year is contained in the *OSC 2007 Annual Report*.

The following table lists the number of regular and special policy and regulatory meetings of the Commission, the number of regular and special meetings of a Quorum of

the Commission and the number of meetings of the Adjudicative Committee during the past fiscal year. Also during that year, in addition to these meetings, individual Members served on adjudicative panels that presided over 43 adjudicative matters for a total of 131 hearing days.

**Table 2**  
**Number of Meetings of the Commission, Quorum**  
**and Adjudicative Committee: 2006**

	Number of regular meetings	Number of special meetings
<b>Commission policy and regulatory meetings</b>	25	1
<b>Commission Quorum meetings</b>	95	4
<b>Adjudicative Committee meetings</b>	4	1

(ii) *The role of Members as the Board of Directors of the Commission*

*Board of Directors*

Members exercise their oversight responsibilities both through regular meetings as a full Board, held not less frequently than quarterly, and through special meetings as required, and by attending an annual one-day strategic planning and priorities setting meeting with senior management.

As noted above, in 2006 the Members requested the Governance and Nominating Committee to conduct a comprehensive review of the Commission's governance practices and procedures and to make recommendations to the Members. The Members also determined that the review should encompass more than an examination of the corporate governance of the Commission acting as the board of directors and should be expanded to include an examination of the governance of the Commission's regulatory and adjudicative functions. Following a comprehensive review by, and recommendations of, the Committee, the Members implemented the following governance initiatives during the past fiscal year:

- adoption of the *Charter of Governance: Roles and Responsibilities*;
- adoption of revised *Mandates* for the Lead Director, each of the Committees of the Board and the Adjudicative Committee;
- adoption of *Position Descriptions for the Chair and Vice-Chairs*;
- adoption of a *Profile of Member/Director Attributes*;
- commencement of a *Board Evaluation Process*;
- adoption of an annual *Governance Disclosure Statement* to be published in connection with the Annual Report

### Committees of the Board

There are three standing committees of the Board, each of which meets no less frequently than quarterly and holds special meetings when required. The three standing committees are: the Audit and Finance Committee; the Governance and Nominating Committee; and, the Human Resources and Compensation Committee.

In September 2006, the Board reviewed the existing terms of reference of each of the committees in light of the Board's *Charter*, adopted earlier that year, and adopted revised committee mandates in order to enhance the Board and committee governance structure. **The Mandates of the three committees of the Board are attached to this statement along with the *Charter* in Schedule "B".**

The Board annually appoints the members of the committees on the recommendation of the Chair of the Commission, the Lead Director and the Governance and Nominating Committee. No Member is expected to serve as a committee member for longer than five years or as a committee chair for longer than three years, absent exceptional circumstances. Each Board committee is composed of Part-time Members only, with the exception of the Governance and Nominating Committee, on which the Chair of the Commission serves as an *ex officio* member. The Secretary to the Commission acts as secretary and counsel to the Board and each of its committees.

The committee *Mandates* require that committees meet no less frequently than quarterly and that additional special meetings may be held as required. Each committee holds *in camera* sessions at which only members of the committee are present. In carrying out their duties, committees may retain any outside advisor without Board approval at the expense of the Commission, at any time, and have the authority to determine any such advisor's fees and other retention terms. The chair of each committee reports orally to the Board on the activities of the committee at each Board meeting immediately following a committee meeting and, under the revised mandates, will be required to provide the Board with an annual written report of the committee's activities. The agenda for each committee is now required to be established annually by the committee chairs in consultation with the Lead Director.

#### *(i) Audit and Finance Committee*

The Audit and Finance Committee assists the Board in fulfilling its oversight and fiduciary responsibility with respect to the quality and integrity of the Commission's financial statements, financial reporting and disclosure policies, risk management practices, and the performance of the internal and external audit processes. This includes reviewing and recommending for Board approval the Commission's quarterly and annual financial statements and MD&A. The Committee's Mandate also requires that the Committee review the Commission's procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Committee will be reviewing these

procedures in the coming year upon the coming into force of the *Public Service of Ontario Act*.

The *Act* provides that the Commission shall appoint one or more auditors licensed under the *Public Accounting Act, 2004* to audit the financial statements of the Commission for each fiscal year. The Committee annually recommends to the Board the appointment of the Commission's external auditor. The external auditor is responsible for planning and carrying out, in accordance with generally accepted auditing standards, an audit of the Commission's annual financial statements. The external auditor reports directly to the Committee. The Auditor General of Ontario is the Commission's external auditor. The Auditor General does not provide any non-audit services to the Commission.

Each meeting of the Committee includes an *in camera* session at which only the members of the Committee are present. The members of the Committee also meet with the Commission's auditor in the absence of management at those meetings at which the auditor is present.

The Committee's *Mandate* requires that the Committee chair and all of the members of the Committee be Part-time Commissioners, that all of its members are to be financially literate, and at least one member shall have auditing, accounting or other related financial management expertise, as the Commission shall determine. Financial literacy includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Commission's financial statements.

The Board has reviewed the Committee membership and determined that all members are financially literate and each member has professional qualifications, business experience, or both, that are relevant to the performance of his or her responsibilities as a member of the Committee. The current members of the Audit and Finance Committee are identified in Table 1 in this statement.

(ii) *Governance and Nominating Committee*

The Governance and Nominating Committee is responsible for developing governance principles and guidelines for the Commission that are consistent with the highest standards of corporate governance, and periodically reviewing and appraising the Commission's governance policies, procedures and practices. In addition, the Committee oversees the process for the assessment of the performance of the Board and its committees and individual Members.

The Committee is also responsible for developing, reviewing and monitoring the criteria and procedures for selecting nominees for recommendation to the Board and to the Minister for appointment as new Members. In making its appointment recommendations, the Committee reviews and updates the *Member Profile - Member/Director Attributes* (see Schedule "A") to determine the requisite skills and professional experience that will be required of new appointees in order to ensure that the Commission retains, in the

aggregate, the skills and expertise required to enable it to fulfil its statutory responsibilities and to achieve its short and long-term goals. The Committee reviews all applications for appointment provided to it by the PAS, selects and interviews candidates, and recommends nominees to the Board for recommendation to the Minister.

The Committee's *Mandate* requires that it review the Commission's orientation program for new Members and the ongoing development and training programs for all Members. Courses and seminars relevant to the Members' responsibilities are provided to Members both individually and as a whole during the term of their appointment.

The chair and all of the members of the Governance and Nominating Committee are Part-time Commissioners, with the exception that the Chair of the Commission is an *ex officio*, non-voting member. Each meeting of the Committee includes an *in camera* session at which only the members of the Committee are present. The current members of the Governance and Nominating Committee are identified in Table 1 in this statement.

(iii) Human Resources and Compensation Committee

The Human Resources and Compensation Committee assists the Board in fulfilling its responsibility for the oversight of human resources policies and procedures, succession planning, executive compensation policies and pension plans, and compensation levels for Members. The Committee reviews annually the performance of the Chair and Vice-Chairs and recommends to the Board their annual performance compensation. A more detailed description of management compensation is provided later in this statement under the heading "*Management Evaluation and Compensation*".

The chair and all of the members of the Committee are Part-time Commissioners. The Chair of the Commission attends meetings at the invitation of the Committee. Each meeting of the Committee includes an *in camera* session at which only the members of the Committee are present. The current members of the Human Resources and Compensation Committee are identified in Table 1 in this statement.

The following table lists the number of regular and special meetings of the Board and Committees during the past financial year.

**Table 3**  
**Number of Meetings of the Board and Committees: 2006**

	Number of regular meetings	Number of special meetings
<b>Board</b>	5	2
<b>Audit and Finance Committee</b>	7	2
<b>Governance and Nominating Committee</b>	4	6
<b>Human Resources and Compensation Committee</b>	4	0

## Assessment of Board and Committee Effectiveness

As a result of the Commission's comprehensive governance review conducted in 2006, the Members adopted a *Charter* and revised the *Mandates* for the Lead Director and each Board Committee. These governance instruments provide the framework of roles and responsibilities for the Board, its Committees and individual Members. Following the adoption of these instruments, the Members retained an independent consultant to assist in the development of a Board and Committee evaluation process and commenced that process in April 2007. The evaluation addresses the operation of the Board and committees, the adequacy of information provided to Members, Board and committee structure, agenda planning for Board and committee meetings, strategic direction and process. The evaluation takes into account the duties and responsibilities of Members set out in the *Charter*. The Commission anticipates that this evaluation process will result in the identification of initiatives to enhance the effectiveness of its governance for the coming year.

During the 2007-2008 fiscal year, the Members propose to consider an appropriate method for evaluating the effectiveness of individual incumbent Members having regard to their appointment by Crown prerogative and their exercise of not only corporate oversight responsibilities, but also regulatory and adjudicative responsibilities. As noted above, Members are appointed by the Lieutenant Governor in Council on the recommendation of the Minister for varying terms of office and may be reappointed for further terms as set out in the *Government Appointees Directive*. In exercising its responsibility to recommend the reappointment of incumbent Members, the Governance and Nominating Committee evaluates the performance of the Member seeking reappointment prior to the expiry of the Member's term of office before determining its recommendation to the Board on the Member's nomination for reappointment.

## Oversight of Strategic Planning

As discussed below in this statement under the heading "*Reporting to the Minister*", the Commission is required to provide to the Minister, and to publish, an annual report and a statement of priorities. The Commission is also required to annually provide a business plan to the Minister for his approval. Members actively participate in the setting of the Commission's regulatory priorities in discussion with management, approve the draft *Statement of Priorities* for publication for comment and the final *Statement of Priorities* for delivery to the Minister, and approve the business plan. At each quarterly meeting, the Board receives comprehensive reports from Commission staff on the status of the Commission's priorities and initiatives identified in its strategic plan. Members annually receive and review the *Report on the Statement of Priorities* that sets out the Commission's accomplishments as against the statement of priorities for the prior year. Members also hold an annual special meeting with senior management to consider the Commission's multi-year strategic plan and to develop and approve the Commission's business plan. **The *Statement of Priorities*, *Annual Report*, *Report on the Statement of Priorities* and *Business Plan* are published on the Commission's website.**

## Management Evaluation and Compensation

The Commission is satisfied that its current executive compensation policies and programs are aligned with individual performance and reflect competitive market practices to allow it to attract, retain and motivate talented individuals to serve as executive management of the Commission.

The Human Resources and Compensation Committee annually reviews the performance of the Chair and Vice-Chairs and recommends to the Board the annual performance compensation for these executives. The Committee's Mandate requires that it measure the annual performance of these executives against performance goals and objectives for each of them as approved by the Board on the recommendation of the Governance and Nominating Committee at the commencement of the fiscal year to which the goals and objectives apply. The compensation for the Chair and Vice-Chairs includes an annual base salary fixed by contract and an annual performance bonus. The Chair and Vice-Chairs are not eligible for any remuneration applicable only to Part-time Members as discussed below under the heading "*Compensation of Part-time Members*".

To ensure an independent perspective, prior to the Committee submitting its recommendation on the annual executive performance compensation to the Board for its approval, the Committee's recommendation is reviewed by a three member independent compensation committee (*External Compensation Committee*). The chair of the External Compensation Committee is the Chair of the Human Resources and Compensation Committee. The two other members of the Committee are required to be individuals at arm's length to the Commission and are jointly appointed by the Minister and the Chair of the Commission. **The Terms of Reference of the External Compensation Committee are attached to this statement along with the Human Resources and Compensation Committee Mandate in Schedule "B".**

The current members of the External Compensation Committee are:

- Paul K. Bates, Chair Human Resources and Compensation Committee
- J. Urban Joseph<sup>(1)</sup>
- Robin W. Korthals<sup>(2)</sup>

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<sup>(1)</sup> J. Urban Joseph, O.C. holds directorships in a number of companies and organizations including First Nations Bank of Canada, Blue Mountain Resorts, Bird Construction, Ontario Pension Board, Medcan Health Management, We Care Health Services, Meditech International, Canadian Orthopaedic Foundation, Career Edge Organization, The Design Exchange, and Prime Mentors. Mr. Joseph served as Vice-Chairman of the Toronto Dominion Bank from 1992 to 1996.

<sup>(2)</sup> Robin W. Korthals is active on a wide variety of boards, including Cognos Inc., Bucyrus International, Inc., Easyhome Ltd., Jannock Properties Limited, and several Mulvihill mutual funds. Mr. Korthals served as Chair of the Ontario Teachers' Pension Plan Board from January 2000 to December 2006. He retired as President of The Toronto-Dominion Bank in 1995, after a career spanning twenty-eight years. He is currently Chair of Cadillac Fairview Corp. Mr. Korthals served as a Part-time Commissioner from 1995 to 2004.

## Compensation of Part-time Members

The Human Resources and Compensation Committee is also responsible for periodically reviewing and making recommendations to the Board in respect of the fees and other compensation paid to Part-time Members to ensure that they are competitive for the purpose of attracting and retaining the services of experienced and highly qualified candidates. The remuneration scale for Part-time Members is also reviewed by the External Compensation Committee prior to approval by the Board. The last review of the remuneration of Part-time Members resulting in an amendment to the remuneration policy was conducted in 2005.

Part-time Members of the Commission are remunerated for their responsibilities as members of the Board, as regulators responsible for the administration of the Acts, and as adjudicators. Part-time Members receive an annual retainer for serving as a member of the Board and as a committee member or chair. In addition, Part-time Members are paid a *per diem* rate for attendance at Commission, Board, Committee and Quorum meetings and performing adjudicative and other regulatory functions. **The *Remuneration Policy for Part-time Members* is attached to this statement along with the *Charter in Schedule “B”*.**

## Disclosure of Compensation of Chair, Vice-Chairs and Members

The *Public Sector Salary Disclosure Act, 1996*, S.O. 1996, c. 1, Sch. A requires the disclosure of the total annual remuneration of the Chair, Vice-Chairs, the Executive Director and Members who receive remuneration in excess of \$100,000 in the year. This disclosure is contained in the Ministry of Finance’s Public Salary Disclosure page (<http://www.fin.gov.on.ca/english/publications/salarydisclosure/2006/>).

## Reporting to the Minister

As noted above, unlike a public company, the Commission, although a corporation, does not have shareholders to whom the Board is accountable but is accountable to the Minister and, through the Minister, to the Ontario Legislature. The Act provides that the Commission shall “promptly give the Minister such information about its activities, operations and financial affairs as the Minister requests” and requires the Commission to enter into the MOU with the Minister. The Act and the MOU (*see Part E and Appendix “A” of the MOU*) together require the Commission to annually provide to the Minister:

- a business plan that meets the requirements of the *Agency Establishment and Accountability Directive*;
- an annual report that includes “the audited financial statements for the most recently completed financial year and the auditor’s report thereon; a description of activities during the financial year reported on; a description of performance achieved as against the objectives and targets set out in the Commission’s business plan; a discussion of significant variances between

- actual and planned results and an explanation of actions to be taken, if any, to address these variances; a description of the Commission's corporate governance structure"; and
- a statement of priorities that contains information in accordance with Section 143.9 of the Act.

Although the Commission's Annual Report is required to be delivered to the Minister within six months after the end of each fiscal year, in 2006 the Commission determined that it would conform to the requirements set out in National Instrument 51-102 for the filing by reporting issuers of an annual information form within 90 days following the end of the reporting issuer's fiscal year, by delivering its Annual Report to the Minister within the same time frame. In consequence, the Commission's 2007 Annual Report was delivered to the Minister on June 15, 2007 and submitted to the Legislative Assembly by the Minister on June 29, 2007. **The OSC 2007 Annual Report is published on the Commission's website.**

The Act requires that the Commission publish a notice in the *Ontario Securities Commission Bulletin* inviting interested persons or companies to comment on its priorities at least 60 days before the Commission delivers the Statement of Priorities to the Minister. The Commission's draft *Statement of Priorities For Fiscal 2007/2008* was published in the *Bulletin* on April 27, 2007 and comments were received until June 11, 2007. Following consideration of the comments, the Members of the Commission approved the final Statement of Priorities for delivery to the Minister on June 29, 2007. **The OSC Statement of Priorities For Fiscal 2007/2008 is published on the Commission's website.**

In 2006, the Members determined that, although not required under the Act or the MOU, the Commission would annually issue a report on its governance practices contemporaneously with the publication of its Annual Report. This *Statement of Governance Practices* is the first such report.

Approved by the Commission  
on June 26, 2007

**Ontario Securities Commission  
2006-07 Statement of Governance Practices**

**Schedule “A”**

**Member Biographies  
Member Profile: Member/Director Attributes**



## W. DAVID WILSON

Chair

**W. David Wilson** became Chair and CEO of the Ontario Securities Commission on November 1, 2005, following an extensive 35-year career in Canada's securities industry.

Prior to his appointment, Mr. Wilson was Vice-Chair of the Bank of Nova Scotia and Chair and Chief Executive Officer of Scotia Capital. He was responsible for all of Scotiabank's global wholesale banking activities, which included its corporate, institutional and government relationships on a global basis. Previously, Mr. Wilson held a variety of senior management positions with Scotiabank in the areas of investment banking, retail brokerage and corporate finance. He began his career as a financial analyst and in 1971 joined McLeod Young Weir, a predecessor firm to Scotia Capital.

During his career, Mr. Wilson has made positive contributions to the development of the regulatory system in Ontario and across Canada. He served on the provincial government's Five Year Review Committee, which reviewed the content of the *Securities Act*. In addition, he has been advising the Government of Ontario on its work toward the establishment of a common securities regulator for Canada. Mr. Wilson was Chairman of the Investment Dealers Association of Canada, a national self-regulatory organization (SRO) representing members of the securities industry, in 1996-1997. In addition, he was a founding Director of the Mutual Fund Dealers Association of Canada, a SRO for the mutual fund industry, from 1997 to 1998.

**Appointed:** November 2005

**Term Expires:** November 2010

**Committees:**

- Governance and Nominating Committee (*ex officio*)

**Professional / Industry Experience:**

- Investment Banking
- Retail and Institutional Investment
- Finance

**Education:**

- B.Comm, University of Toronto
- MBA, York University



## LAWRENCE E. RITCHIE

Vice-Chair

**Lawrence E. Ritchie**, a former partner at Osler, Hoskin & Harcourt in Toronto, was a litigator for over 20 years, specializing in general corporate, securities and commercial litigation. He was also cross-appointed to the firm's Pensions & Benefits Department. His practice included a range of corporate governance, securities, pension, and general corporate and commercial civil litigation before the courts and before administrative tribunals. Mr. Ritchie had also acted for defendants in numerous class action proceedings.

Mr. Ritchie participated in a secondment to the enforcement branch of the Ontario Securities Commission (OSC) in 1993, where he served as enforcement counsel. Upon return to his law firm, he acted for OSC enforcement staff, as well as securities dealers, brokers, promoters, public issuers, officers and directors and other securities market participants, in a wide range of securities-related proceedings. In addition to his securities regulatory practice, he acted in numerous private securities disputes and proceedings, including those relating to shareholder rights and remedies, private company disputes and corporate governance issues before the Courts and in ADR forums.

**Appointed:** February 2007

**Term Expires:** February 2012

### Committees:

- Adjudicative Committee

### Professional / Industry Experience:

- Legal
- Litigation / Adjudication
- Administrative Law

### Education:

- BA, University of Western Ontario
- LLB, Osgoode Hall Law School
- LLM, London School of Economics



## JAMES E. A. TURNER

Vice-Chair

**James E. A. Turner**, prior to joining the Commission, was a senior partner with Torys LLP. Mr. Turner has over 30 years of legal experience, specializing in corporate, securities, mergers and acquisitions and corporate governance matters. He has advised numerous public companies and boards of directors in connection with public takeover bids and mergers and acquisitions. Mr. Turner is a former General Counsel of the Ontario Securities Commission. He is recognized internationally as a leading practitioner in capital markets, mergers and acquisitions, and securities law. He has also been a speaker and panellist at numerous seminars, conferences, and law school classes on corporate law, securities, mergers and acquisitions, corporate governance, and other related topics.

**Appointed:** February 2007

**Term Expires:** February 2012

### **Committees:**

- Adjudicative Committee

### **Professional / Industry Experience:**

- Legal
- Corporate and Securities Law
- Mergers and Acquisitions

### **Education:**

- BA, University of Western Ontario
- LLB, University of Western Ontario



## PAUL K. BATES

Chair, Human Resources and Compensation Committee

**Paul K. Bates** has been a leader and educator in the Canadian business community for more than two decades. He has been president of four major brokerage and investment firms, and has served on the boards of the Toronto Stock Exchange and the Investment Dealers Association. Professor Bates is currently Dean and Industry Professor in Financial Management Services at the DeGroote School of Business at McMaster University. As a former Adjunct Professor at the University of Toronto's Rotman School of Management, he was awarded the Outstanding Teacher Award in 2003 and again in 2004.

**Appointed:** June 2003

**Re-appointed:** June 2006

**Term Expires:** June 2009

### Committees:

- Governance and Nominating Committee
- Human Resources and Compensation Committee (Chair)

### Current Directorships:

- Board of Governors, McMaster University

### Professional / Industry Experience:

- Investment Management
- Retail and Institutional Investment

### Education:

- Graduate, Cornwall Technical College (UK)



## HAROLD P. HANDS, LL.B.

**Harold P. Hands** served as the senior legal officer at Mackenzie Financial Corporation from 1987 until his retirement in 2001. Prior to 1987, Mr. Hands practiced for 16 years at the law firm of Day, Wilson, Campbell, where he had a large investment fund practice. He is a former Chair of the Investment Funds Institute of Canada (IFIC), where he was involved in the creation of the IFIC Sales Practices Code and the industry Code of Ethics for Personal Investing.

**Appointed:** April 2002  
**Re-appointed:** April 2005  
**Term Expires:** April 2008

**Committees:**

- Governance and Nominating Committee
- Human Resources and Compensation Committee

**Professional / Industry Experience:**

- Legal
- Investment Management

**Education:**

- BA, University of Windsor
- LLB, University of Toronto



MARGOT C. HOWARD, CFA, MBA

**Margot C. Howard** is a Chartered Financial Analyst with over twenty years of investment management experience and extensive knowledge of the Canadian capital markets. She began her career with McLeod Young Weir in 1986. Most recently, she was a portfolio manager with AMI Partners. Prior to that, Ms. Howard held senior positions with C.A. Delaney Capital Management Ltd. and Scotia McLeod Inc. Ms. Howard is an active member of the CFA Institute and Women in Capital Markets.

**Appointed:** December 2006

**Term Expires:** December 2008

**Committees:**

- Audit and Finance Committee

**Professional / Industry Experience:**

- Finance
- Investment Management
- Retail and Institutional Investment

**Education:**

- BA, York University
- MBA, University of Western Ontario
- CFA, CFA Institute



**KEVIN J. KELLY**

**Kevin J. Kelly** has over thirty years of senior experience in the North American capital markets and financial services industry. He has served as President and Co-CEO of Wellington West Capital Inc., President of Fidelity Brokerage Company based in Boston, President of Fidelity Investments Institutional Services Co., President and CEO of Fidelity Investments Canada Ltd., and President and CEO of Bimcor Inc. Prior to holding these positions, Mr. Kelly served in senior management positions at Investment Corporation, Midland Walwyn Capital, Inc., and Merrill Lynch Canada, Inc.

**Appointed:** December 2006

**Term Expires:** December 2008

**Committees:**

- Governance and Nominating Committee

**Current Directorships:**

- Vice-Chair, Canada-US Fulbright Foundation

**Professional / Industry Experience:**

- Investment Management
- Retail and Institutional Investment
- Investment Banking
- Finance

**Education:**

- B.Comm., Dalhousie University



## DAVID L. KNIGHT, FCA

Chair, Audit and Finance Committee

**David L. Knight** was a Vice-Chairman of the accounting firm KPMG LLP (Canada) for almost two decades. Mr. Knight became a Chartered Accountant in 1962. He was elected as a Fellow of the Institute of Chartered Accountants of Ontario in 1985 in recognition of his professional accomplishments and service to the accounting profession and society. During his 46-year career in public accounting, Mr. Knight chaired committees and task forces which dealt with a wide range of matters including professional standards-setting, partnership governance, risk management, computer technology in auditing, and quality review of professional work. Mr. Knight has a long history of volunteer board-level involvement with health care organizations. He was awarded the Queen's Golden Jubilee Medal in recognition of his community service.

**Appointed:** August 2004

**Re-appointed:** June 2007

**Term Expires:** June 2010

### Committees:

- Audit and Finance Committee (Chair)
- Human Resources and Compensation Committee

### Current Directorships:

- Multiple Sclerosis Society of Canada
- Multiple Sclerosis International Federation

### Professional / Industry Experience:

- Accounting
- Auditing

### Education:

- CA



## PATRICK J. LeSAGE, Q.C.

Chair, Adjudicative Committee

**Patrick J. LeSage** is a former Chief Justice of the Superior Court of Justice for Ontario. During his illustrious 28-year career on the bench, he presided over some of Canada's most publicized and complex cases. He began his career as a Crown Attorney in the Ontario Ministry of the Attorney General, where he rose to the position of Director of Crown Attorneys for Ontario. Appointed to the County and District Court in 1975, he became Associate Chief Judge of that Court in 1983. In 1994 he became Associate Chief Justice and in 1996 was appointed Chief Justice of what is now the Superior Court of Justice for Ontario. He held that position until September 2002, when he became a Senior Resident at Massey College, University of Toronto. Mr. LeSage is currently a member of the Advocacy Law Group at Gowling Lafleur Henderson in Toronto.

**Appointed:** December 2005  
**Term Expires:** December 2008

**Committees:**

- Adjudicative Committee (Chair)

**Current Directorships:**

- Board of Governors, York University

**Professional / Industry Experience:**

- Legal
- Adjudication
- Administrative Law

**Education:**

- B.Comm., University of Ottawa
- LLB, Osgoode Hall Law School



CAROL S. PERRY, ICD.D, MBA, P.Eng

**Carol Perry** is a corporate director with 35 years of investment banking and business management experience. She currently serves as a director of DALSA, a TSX-listed technology company based in Waterloo. She is an active member of the Institute of Corporate Directors and volunteers as a member of its Education & Certification Committee. Her public service and regulatory experience also includes a prior appointment as a director and Audit Committee Chair of the Independent Electricity Market Operator. Her community leadership activities include having served as the Chair of the Board of Directors of St. Joseph's Health Centre and as a director of the Bloorview MacMillan Children's Foundation. During her twenty year career in the investment industry she held senior investment banking positions with major Canadian firms, including CIBC World Markets and RBC Capital Markets, and started her own boutique financial advisory firm in 2000.

**Appointed:** February 2005

**Term Expires:** February 2008

**Committees:**

- Audit and Finance Committee
- Governance and Nominating Committee

**Current Directorships:**

- Education and Certification Committee, Institute of Corporate Directors
- DALSA Corporation

**Professional / Industry Experience:**

- Finance
- Investment Banking

**Education:**

- B.Eng.Sc. (Electrical), University of Western Ontario
- MBA, University of Toronto
- Directors Education Program, ICD Corporate Governance College



**ROBERT L. SHIRRIFF, Q.C.**

Lead Director

**Robert L. Shirriff** is a partner and past chair of the law firm Fasken Martineau DuMoulin. He has over 40 years' experience in the field of commercial, corporate, mining, and securities law, and is experienced in the negotiation of all manner of commercial arrangements and in the implementation of major corporate acquisitions, restructurings, mergers and financings. Mr. Shirriff was appointed Queen's Counsel in 1971.

**Appointed:** March 2002

**Re-appointed:** March 2005

**Term Expires:** March 2008

**Committees:**

- Adjudicative Committee
- Audit and Finance Committee
- Human Resources and Compensation Committee

**Current Directorships:**

- De Beers Canada Holdings Inc.
- De Beers Canada Inc.
- Diapros Canada Inc.
- Archangel Diamond Corporation
- AXMIN Inc.

**Professional / Industry Experience:**

- Legal
- Corporate / Securities Law

**Education:**

- BA, University of Toronto
- LLB, University of Toronto



## SURESH THAKRAR, ICD.D , MBA, FICB

Chair, Governance and Nominating Committee

**Suresh Thakrar** is an advisor in the areas of strategic planning, corporate governance, and business / corporate financing. He has over 30 years of extensive experience in the financial services industry. A former executive of the RBC Financial Group, Mr. Thakrar held a number of senior positions throughout the bank, including corporate finance, multinational banking, commercial banking, personal financial services, merger office, process re-engineering, systems, strategic planning, and business management. In his public service and community leadership roles, he has served on numerous boards and advisory committees, including the GTAA (Greater Toronto Airport Authority) Consultative Committee, the Indo-Canada Chamber of Commerce, Canada India Business Council, Renaissance ROM Campaign Cabinet, the ROM Royal Patrons Circle, and the Gujarat (India) Earthquake Relief Fund. Mr. Thakrar was awarded the Queen's Golden Jubilee Medal in recognition of his contribution to Canada and fellow Canadians.

**Appointed:** June 2003

**Re-appointed:** June 2006

**Term Expires:** June 2009

### Committees:

- Audit and Finance Committee
- Governance and Nominating Committee (Chair)

### Professional / Industry Experience:

- Finance
- Investment Banking
- Banking

### Education:

- B.Sc., Makerere University (Uganda)
- MBA, McGill University
- FICB, Institute of Canadian Bankers
- Directors Education Program, ICD Corporate Governance College



WENDELL S. WIGLE, Q.C.

**Wendell S. Wigle** is senior litigation counsel and, since 1968, a senior partner at Hughes, Amys LLP. A member of the Ontario Bar since 1957, he has appeared before all levels of trial and appellate courts, including the Supreme Court of Canada. He was appointed Queen's Counsel in 1972 and was certified as a Specialist (Civil Litigation) by the Law Society of Upper Canada in 1988. Mr. Wigle has served as President of the Advocates' Society and the Medico-Legal Society of Toronto. He is also a member of the Canadian Bar Association, the American Bar Association, the Defense Research Institute, and the American College of Trial Lawyers. From 1982 to 1989, he was a Fellow of the International Academy of Trial Lawyers. Mr. Wigle has served as chair, lecturer and panellist at various continuing legal education programs for the Law Society of Upper Canada and other groups.

**Appointed:** May 2003  
**Re-appointed:** May 2006  
**Term Expires:** May 2009

**Committees:**

- Adjudicative Committee
- Governance and Nominating Committee

**Professional / Industry Experience:**

- Legal
- Litigation / Adjudication
- Administrative Law

**Education:**

- BA, University of Western Ontario
- LLB, Osgoode Hall Law School

## ONTARIO SECURITIES COMMISSION

### MEMBER PROFILE MEMBER/DIRECTOR ATTRIBUTES

#### Introduction

The Ontario Securities Commission (**OSC** or the **Commission**), as the regulatory body responsible for overseeing the capital markets in Ontario, administers and enforces the *Securities Act* (Ontario) and the *Commodity Futures Act* (Ontario) (together the Acts) and certain provisions of the *Business Corporations Act* (Ontario).

The mandate of the Commission is to provide protection to investors from unfair, improper or fraudulent practices and to foster fair and efficient capital markets and confidence in their integrity.

#### Members of the Commission

The *Securities Act* establishes the Commission as a self-funded Crown corporation with a board of directors that consists of the members of the Commission (Members). The Commission is composed of at least nine and not more than 14 Members, each of whom is appointed by the Lieutenant Governor in Council. In addition, the Lieutenant Governor in Council designates one Member of the Commission as Chair of the Commission and may designate one or two Members as Vice-Chairs.

The Chair is designated by the *Securities Act* as the Chief Executive Officer of the Commission. The Chair and the Vice-Chairs devote their full time to the work of the Commission. Members other than the Chair and Vice-Chairs are part-time Members and devote as much time as necessary to perform their duties. As the Commission is structured as a corporation, the Members also serve as the Commission's Board of Directors. One of the part-time Members is selected by the other part-time Members to be the Board's Lead Director. The Lead Director, acting in consultation with the Chair of the Commission and the Chairs of Committees of the Board, is responsible for overseeing the operations of the Board to ensure that the Board carries out its responsibilities effectively.

#### Governance Framework

Although structured as a corporation, the Commission is a regulatory body and its purpose is mandated by statute.

The *Securities Act* establishes the Commission's role in regulating capital markets, sets out the fundamental principles that the Commission shall have regard to in overseeing the administration and enforcement of the Act, and outlines the basic governance and accountability structure for the Commission.

The Commission is unlike a business corporation in that it does not have shareholders to whom the board of directors reports. Instead, the Commission is accountable to the Minister responsible for securities regulation and, through the Minister, to the Ontario Legislature. Every five years the Commission enters into a Memorandum of Understanding (MOU) with the Minister. The MOU sets out the accountability relationship between the Commission and the Minister, the Board of Directors and the Minister, and the Chair and the Minister. The MOU also describes the respective roles and responsibilities of the Minister, the Deputy Minister, the Chair, the Members, and the Executive Director. The MOU specifies that the Commission is required to provide the Minister with an annual report and an annual business plan. The MOU can be found on the OSC's website.

### **Fundamental Principles of Regulation**

The Commission is responsible for using its regulatory powers:

- a) to provide protection to investors from unfair, improper or fraudulent practices; and
- b) to foster fair and efficient capital markets and confidence in their integrity.

The Commission is required by the *Securities Act* to have regard to the following fundamental principles when exercising its regulatory responsibilities:

- Balancing the importance to be given to each of the two purposes of the *Securities Act*, namely investor protection and fostering fair and efficient capital markets.
- The primary means for achieving the purposes of the *Securities Act* are:
  - requirements for timely, accurate and efficient disclosure of information;
  - restrictions on fraudulent and unfair market practices and procedures; and
  - requirements for the maintenance of high standards of fairness and business conduct to ensure honest and responsible conduct by market participants.
- Effective and responsive securities regulation requires timely, open and efficient administration and enforcement of the *Securities Act* by the Commission.
- The Commission should, subject to an appropriate system of supervision, use the enforcement capability and regulatory expertise of recognized self-regulatory organizations.
- The integration of the capital markets is supported and promoted by the sound and responsible harmonization and coordination of securities regulation regimes.
- Business and regulatory costs and other restrictions on the business and investment activities of market participants should be proportionate to the significance of the regulatory objectives sought to be realized.

### **The Role of Members – an Overview**

The Members of the Commission discharge their responsibilities under the Acts through two independent but related roles:

## 1. The Role of Members as Regulators of Ontario's Capital Markets

The Commission's regulatory responsibilities are exercised through the Commission's rule and policy-making function and the Commission's adjudicative function. While these functions are distinct, in both cases the Commission's powers are exercised in furtherance of investor protection and in aid of fostering fair and efficient markets, while having regard to the fundamental principles described above.

- a) ***Policy Function:*** The Commission regulates Ontario capital markets by making rules that have the force of law (and granting exemptions where appropriate) and by adopting policies that influence the behaviour of capital market participants. The Commission exercises its regulatory oversight functions to achieve the objectives of the Acts. The Commission sets the regulatory priorities on an annual basis and oversees their implementation by Commission Staff.
- b) ***Adjudicative Function:*** In regulating Ontario's capital markets, the Commission also performs an adjudicative function. Panels of Members, acting independently, hear enforcement matters (including proceedings involving alleged violations of the Acts, the regulations and the rules and proceedings involving conduct contrary to the public interest), conduct hearings involving regulatory policy issues and appeals of adjudicative decisions of self-regulatory organizations, and review decisions of Commission Staff. The Commission, as a whole, also has a responsibility to oversee the Commission's adjudicative processes and procedures generally.

## 2. The Role of Members as the Board of Directors of the Commission

As the Board of Directors, the Members oversee the management of the financial and other affairs of the Commission, including the Commission's strategic planning, resource allocation, risk management, financial reporting policies and procedures, and effectiveness of internal controls and management information systems. The Members also serve on the Committees of the Board.

### Profile of Attributes and Qualifications

In accordance with corporate governance practices, and reflective of the Commission's governance framework, the following is a profile of the attributes, qualifications and expertise that the Members should possess to provide the effective stewardship and oversight role that the Commission requires.

Each Member brings unique skills and experience to the Commission. When nominating candidates for appointment, it is important that attention be given to ensuring that the collective mix of skills and experience of Members supports the Commission's ability to add value in carrying out its mandate. This profile is intended to guide the Commission's selection of candidates for a position as a Member of the Commission.

## 1. INDIVIDUAL PROFESSIONAL QUALIFICATIONS & PERSONAL TRAITS AND ATTRIBUTES

The Commission strives to ensure that all its Members possess certain minimum demonstrated professional/industry experience and personal characteristics and traits, including the following:

- a. **Professional/Industry Experience:** Significant business or professional experience relevant to the work of the Commission, preferably with demonstrated leadership or substantial achievement in their particular fields. In the aggregate, the Commission would have expertise in the following areas:
  - Accounting/Auditing (*Auditing and Accounting standards, principles and policies, and Internal Controls etc.*)
  - Finance (*Corporate Finance, Mergers and Acquisitions, Financial Reporting, Valuation etc.*)
  - Investment Management (*Investment Funds, Alternative Investment Structures, Hedge Funds, Investment Counselling, Portfolio Management, etc.*)
  - Investment Banking/Banking/Insurance (*Fixed Income/Equity Sales and Trading, Derivatives etc.*)
  - Retail and Institutional Investment (*Retail Investors, Brokerage, Distribution, Mutual Funds, Financial Planners, Pension Funds etc.*)
  - Legal (*Securities, Corporate, Commercial Law etc.*)
  - Adjudicative (*Litigation, Administrative, Procedural, Regulatory Law etc.*)
- b. **Independence:** each Member must have the ability to develop and maintain an independent perspective.
- c. **Integrity:** high moral and ethical standards and integrity; Members are expected to act honestly and in good faith in carrying out their duties at the Commission.
- d. **Judgment:** ability to exercise sound business or professional judgment as a Member of the Commission.
- e. **Commitment:** ability and willingness to allocate the necessary time, dedication and commitment required to fulfill the responsibilities of a Member.
- f. **Public Service:** commitment to the principles and values of public service.
- g. **Teamwork:** ability to work well with others, and communicate effectively.

## 2. COLLECTIVE FUNCTIONAL SKILLS & EXPERIENCE

In addition to the attributes noted above, given the multitude of roles that Members play in fulfilling their mandate, it is vital that collectively Members have broad functional expertise and experience to effectively provide the required governance of the Commission.

The following represent the collective skill sets, acumen and literacy that Members should possess in the aggregate:

- a. **Securities/Business/Capital Markets:** able to provide credible provincial, national or international perspectives on business, financing, capital market trends and/or regulatory developments.
- b. **Adjudicative:** litigation, administrative, procedural or regulatory law.
- c. **Financial Literacy:** accounting/auditing standards, internal controls and procedures, analysis and evaluation of financial statements, financial ratios and other indices.
- d. **Legal:** securities or business law.
- e. **Strategic/Business Management:** able to provide counsel on a broad range of strategic and business issues, with depth of knowledge of investing and capital markets.
- f. **Corporate governance:** gained through service as a senior officer or director or through comparable educational or other experience.
- g. **Stakeholder Communications:** particularly those germane to complex regulatory environments.

### **Limits on Other Board Memberships and Commitments**

While directorship on other boards can be an advantage, the Commission expects that a Member's current and future commitments will not materially interfere with the Member's obligations to the Commission.

### **Conflicts of Interest**

Members must be independent of management (with the exception of the Chair and the Vice-Chairs).

All Members must be free from any interest or business or other relationship which could or could reasonably be perceived to materially interfere with the Member's ability to act with a view to the best interests of the Commission in the achievement of its objectives. Members are not precluded from acting on corporate or not-for-profit boards during their term of office. However, all Members must adhere to the requirements of *Bylaw Number 2*, a by-law relating to conflicts of interest in relation to the conduct of the affairs of the Commission.

When exercising their independent judgment as a Member, a Director, a member of a Committee, or a member of a tribunal, Members must recuse themselves from any matter that gives rise to conflict of interest concerns, or where there may be a perception of conflict, or a perception that a Member may not bring objective judgment to their consideration of the matter.

### **Term of Appointment**

The OSA provides that part-time Members shall be appointed for a term of office not exceeding five years and may be reappointed. However, the *Government Appointees Directive* issued in 2006 under the *Management Board of Cabinet Act*, R.S.O. 1990, c. M.1, provides that a person appointed to a government agency, such as the Commission, will serve an initial appointment for

a period of two years, and may be eligible for reappointment for a second term of up to three years and a third term of up to five years.

The Chair and Vice-Chairs serve for a term as determined by the Lieutenant Governor in Council, not exceeding his or her term as a Member of the Commission. Normally, the Lieutenant Governor in Council will make an appointment of five years.

### **Board/Commission Profile**

The individual qualifications, attributes, skills and experience of the Member profile an overview of the collective, aggregate strength of the Commission.

This profile is utilized to identify the gaps and the corresponding attributes, skills and qualifications required to fill any upcoming vacancy on the Commission, as well as for identifying any needs for training and skills upgrade.

**Ontario Securities Commission  
2006-07 Statement of Governance Practices**

**Schedule “B”**

**Charter of Governance: Roles and Responsibilities**  
**Adjudicative Committee Mandate**  
**Audit and Finance Committee Mandate**  
**Governance and Nominating Committee Mandate**  
**Human Resources and Compensation Committee Mandate**  
**Terms of Reference of the External Compensation Committee**  
**Remuneration Policy for Part-time Members**

# **Ontario Securities Commission**

## **Commission Charter of Governance**

### **Roles and Responsibilities**

#### **Introduction**

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The Chair is designated by the *Securities Act* as the Chief Executive Officer of the Commission. The Chair and the Vice-Chairs devote their full time to the work of the Commission. Members other than the Chair and Vice-Chairs are part-time Members and devote as much time as necessary to perform their duties. As the Commission is structured as a corporation, the Members also serve as the Commission's Board of Directors. One of the part-time Members is selected by the other part-time Members to be the Board's Lead Director. The Lead Director, acting in consultation with the Chair of the Commission and the Chairs of Committees of the Board, is responsible for overseeing the operations of the Board to ensure that the Board carries out its responsibilities effectively.

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the Commission enters into a Memorandum of Understanding (MOU) with the Minister. The MOU sets out the accountability relationship between the Commission and the Minister, the Board of Directors and the Minister, and the Chair and the Minister; and, describes the respective roles and responsibilities of the Minister, the Deputy Minister, the Chair, the Members, and the Executive Director. The MOU also specifies that the Commission is required to provide the Minister with an annual report and an annual business plan. The MOU can be found on the Commission's website.

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  - requirements for the maintenance of high standards of fairness and business conduct to ensure honest and responsible conduct by market participants.
- Effective and responsive securities regulation requires timely, open and efficient administration and enforcement of the *Securities Act* by the Commission.
- The Commission should, subject to an appropriate system of supervision, use the enforcement capability and regulatory expertise of recognized self-regulatory organizations.
- The integration of the capital markets is supported and promoted by the sound and responsible harmonization and coordination of securities regulation regimes.
- Business and regulatory costs and other restrictions on the business and investment activities of market participants should be proportionate to the significance of the regulatory objectives sought to be realized.

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The Members of the Commission discharge their responsibilities under the Acts through two independent but related roles:

### **1. The Role of Members as Regulators of Ontario Capital Markets**

The Commission's regulatory responsibilities are exercised through the Commission's rule and policy-making function and the Commission's adjudicative function. While these functions are distinct, in both cases the Commission's powers are exercised in furtherance of investor protection and in aid of fostering fair and efficient markets, while having regard to the fundamental principles described above.

- c) ***Policy Function:*** The Commission regulates Ontario capital markets by making rules that have the force of law (and granting exemptions where appropriate) and by adopting policies that influence the behaviour of capital market participants. The Commission exercises its regulatory oversight functions to achieve the objectives of the Acts. The Commission sets the regulatory priorities on an annual basis and oversees their implementation by Commission Staff.
- d) ***Adjudicative Function:*** In regulating Ontario's capital markets the Commission also performs an adjudicative function. Panels of Members, acting independently, hear enforcement matters (including proceedings involving alleged violations of the Acts, the regulations and the rules and proceedings involving conduct contrary to the public interest), conduct hearings involving regulatory policy issues and appeals of adjudicative decisions of self-regulatory organizations, and review decisions of Commission Staff. The Commission, as a whole, also has a responsibility to oversee the Commission's adjudicative processes and procedures generally.

## **2. The Role of Members as the Board of Directors of the Commission**

As the Board of Directors, the Members oversee the management of the financial and other affairs of the Commission, including the Commission's strategic planning, resource allocation, risk management, financial reporting policies and procedures, and effectiveness of internal controls and management information systems. The Members also serve on the Committees of the Board.

The Commission has adopted this Charter to delineate its role and responsibilities and to ensure transparency in its governance structure. Members, either directly or through Committees of the Board, are responsible for performing the duties set out in this Charter, and will perform further duties as may be necessary or appropriate for the Members to fulfil their governance and regulatory responsibilities.

### **The Role of Members as Regulators of Ontario Capital Markets**

#### **a) The Rule and Policy-making Function of Members**

The primary responsibilities of Members, acting as a rule and policy-making body, include:

##### ***Regulatory Strategic Planning***

- Setting the strategic priorities of the Commission in rule-making, policy-making and enforcement, having regard to the changing needs and circumstances of investors and the capital markets.
- Providing guidance to Staff of the Commission on emerging trends and developments in the capital markets.

- Overseeing the formulation of the Commission's annual Statement of Priorities, including its publication for comment, and approving the Statement of Priorities, when finalized, for delivery to the Minister.
- Assessing management's progress in implementing and achieving the regulatory priorities set by the Commission.

#### ***Regulatory Initiatives***

- Providing input at various stages of development of proposed rules, policies and concept papers for publication for comment.
- Making rules and adopting policies that further investor protection and help foster fair and efficient capital markets, reflect the fundamental principles set out in the *Securities Act*, and support identified regulatory objectives.
- Overseeing the Commission's initiatives with other securities regulators, including the Commission's involvement in the Canadian Securities Administrators (CSA).
- Overseeing Staff's review of the overall regulatory effectiveness of existing rules and policies of the Commission, having regard to the changing needs and circumstances of investors and the capital markets.

#### ***Oversight of the Administration of the Acts, Regulations and Rules***

- Approving the initiatives proposed by each operating branch of the Commission to implement and achieve the regulatory strategic priorities set by the Commission.
- Receiving reports from the Chair on the status of enforcement priorities and related initiatives.
- Delegating the exercise of Commission authority, as permitted under the Act and where appropriate, to Commission staff for the orderly administration of the Acts and overseeing the exercise of delegated authority.
- Establishing protocols for the exercise by Staff of delegated authority and periodically reviewing the exercise by Staff of delegated authority to ensure that the authority has been exercised in accordance with the terms of the delegation.

#### ***Oversight of Self-Regulatory Organizations (SROs)***

- Making recognition orders with respect to SROs and setting the terms and conditions of such orders.
- Approving by-laws of SROs and amendments to by-laws of SROs.
- Reviewing periodic reports from Staff on SRO activities.
- Overseeing and annually monitoring the Commission's exercise of its statutory powers with respect to the SROs.

### **b) The Adjudicative Function of Members**

Members perform their adjudicative function by individually serving on adjudicative panels that conduct hearings and render decisions *independently* of the Commission as a whole. Nonetheless, the Commission, as a whole, has a responsibility to oversee the Commission's adjudicative processes and procedures generally.

#### ***Conducting hearings***

Adjudicative panels of the Commission, usually composed of two or more Members, conduct hearings on proceedings brought before the Commission. In these hearings, the panel may be asked, for example, to issue an order imposing a sanction in the public interest, to issue an order freezing assets, to review a decision made by Commission staff, or to review a decision of an

SRO. The way in which these proceedings are conducted is governed by the *Statutory Powers Procedures Act* (Ontario), the Commission's *Rules of Practice* and principles of administrative law. The Act provides for appeal of final decisions of the Commission to the Divisional Court.

### ***Oversight of adjudicative processes and procedures***

The Commission's responsibility for the administration of the Act through its adjudicative functions includes:

- Overseeing policies, practices and procedures relating to the discharge of the Commission's adjudicative function to promote the conduct of proceedings in a fair, independent and transparent manner, and the bringing of matters before the Commission in a timely fashion.
- Approving internal policies and procedures to ensure transparency of Commission proceedings through the timely publication of notices, decisions and reasons.
- Overseeing policies and procedures that ensure the independence of all Members acting within the scope of their adjudicative function.
- Overseeing the policies and procedures of the Office of the Secretary, including those relating to the management of the hearings process.
- Approving the Commission's Rules of Practice.
- Approving the mandate of, and appointing Members to, the Commission's Adjudicative Committee.

## **The Role of Members as a Board of Directors of the Commission**

### **Board of Directors — Responsibilities & Duties**

Members comprise the Board of Directors of the Commission and, acting in that capacity, oversee the management of the financial and other affairs of the Commission.

Members, acting as the Board of Directors, have the following responsibilities for the overall stewardship of the Commission:

#### ***Strategic Planning***

- Providing guidance to management on emerging trends and issues.
- Adopting a strategic planning process, and annually approving the Commission's strategic and operating plans.
- Monitoring the effectiveness of, and management's implementation of, the Commission's strategic and operating plans.

#### ***Financial Review, Reporting and Disclosure***

- Approving the Commission's annual report and financial statements and overseeing its compliance with applicable audit, accounting and reporting requirements.
- Approving the Commission's financial objectives, plans and actions, and monitoring performance against plans.
- Approving significant expenditures that exceed threshold amounts set by the Board.
- Appointing the Commission's external auditor.
- Adopting a communications and public disclosure policy for the Commission.

### ***Risk Assessment and Internal Controls***

- Overseeing management's identification of principal risks to the Commission's operations and the implementation of appropriate processes to manage principal risks.
- Approving the Commission's internal control and management information systems and monitoring their integrity and effectiveness.

### ***Board Governance***

- Approving the Memorandum of Understanding between the Commission and the Minister.
- Overseeing the Commission's adherence to the management principles established by the Government of Ontario relating to ethical behaviour, accountability, excellence in management, wise use of public funds, high quality service to the public and fairness in the marketplace.
- Establishing appropriate Board Committees, determining their mandates and appointing Members to each Committee.
- Determining the Lead Director's mandate, and ensuring that the part-time Members appoint a Lead Director independent of management.
- Holding closed sessions of the Board at regularly scheduled meetings at which the Commission staff are not in attendance (with the exception of the Secretary to the Commission).
- Holding regularly scheduled meetings of the part-time Members at which the Chair, Vice-Chairs and other representatives of management are not in attendance.
- Annually reviewing the Commission Charter and Committee mandates.
- Undertaking regular evaluations of the Board, its Committees and the individual Members with a view to improving the effectiveness, contribution and independence of the Board, its Committees and its members.
- Engaging advisors as necessary to provide independent advice to the Board or its Committees, at the expense of the Commission.

### ***Chair and Vice-Chairs***

- Establishing and reviewing the powers, functions and duties of the Chair, each Vice-Chair and officers employed by the Commission (Executive Director and Secretary) and setting the objectives the Chair is expected to meet.
- Approving the employment contracts of the Chair and Vice-Chairs.
- Annually approving the remuneration and benefits of the Chair and each Vice-Chair in conjunction with the Independent Compensation Committee established by the Minister and the Chair.

### ***Senior Management***

- Appointing an Executive Director and Secretary of the Commission.
- Approving the employment contract of the Executive Director and reviewing annually the compensation of the Executive Director.
- Overseeing the Commission's succession planning processes for senior management and the development of significant human resources policies.

### ***Appointment and Reappointment of Members***

- Approving the selection criteria for identifying Member candidates, reflecting the skills, attributes and qualifications that the Commission, as a whole, should possess.

- Recommending to the Minister candidates for appointment and reappointment as Members, within the Public Appointments Secretariat process.
- Setting the remuneration of the Members in conjunction with the Independent Compensation Committee established by the Minister and the Chair.
- Overseeing an orientation program for new Members, and ongoing education programs for all Members.

***Integrity and Ethical Standards***

- Adhering to the highest standards of corporate governance, ethics and integrity and promoting a culture of integrity at the Commission.
- Approving the policies and processes designed to promote ethical behaviour and compliance with applicable laws and the Commission's own governing documents, including Commission By-law No. 2 governing conflicts of interest in the conduct of Commission affairs and the Commission's *Code of Conduct*.
- Approving procedures for monitoring compliance by Members and Staff with Commission By-law No. 2 and the Commission's *Code of Conduct*, and approving in advance any waivers from the *Code of Conduct* that are granted for the benefit of the Members or senior management.

## **Ontario Securities Commission Adjudicative Committee Mandate**

### **Establishment of the Committee**

The Adjudicative Committee (the "Committee") of the Ontario Securities Commission (the "Commission") having been established by resolution of the Commission on May 14, 2002, shall, subject to the provisions of the by-laws of the Commission and to the applicable provisions of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), have the constitution, function and responsibilities herein set forth.

### **Mandate**

The Committee shall review and periodically evaluate the Commission's adjudicative procedures and practices and recommend improvements thereto, as appropriate, to the Commission.

### **Committee Governance**

#### ***Membership***

The Committee shall consist of no fewer than three members (excluding any *ex-officio* members) each of whom shall be a member of the Commission and at least one of whom shall be a vice-chair of the Commission. The Secretary to the Commission shall be an *ex-officio* member of the Committee.

#### ***Appointment of Committee Chair and Members***

At the first meeting of the Commission immediately following March 31 of each year, the chair of the Commission shall recommend nominees for the positions of the Chair and the members of the Committee for appointment by the Commission. The Chair of the Committee shall be a part-time Commissioner with significant expertise in adjudication. The Committee chair shall preside at all meetings of the Committee. The Commission may appoint a member to fill a vacancy that occurs in the Committee during the year.

If an appointment of new members of the Committee is not made as prescribed, the incumbent members shall continue as such until their successors are appointed.

A quorum of the Committee shall be a majority of its current members and no business shall be transacted by the Committee except at a meeting at which a quorum of the Committee is present. Notwithstanding the foregoing, the chair of the Committee may determine that any business to be transacted by the Committee may be so transacted by resolution in writing in lieu of a meeting of the members of the Committee, provided that: (i) no member of the Committee objects; and (ii) such resolution in writing, to be effective, shall be evidenced by the signatures of all of the members of the Committee.

#### ***Role of Secretary to the Commission and the Independent Adjudicative Counsel***

The Secretary to the Commission shall be a member of the Committee.

The Independent Adjudicative Counsel of the Commission shall be the secretary of the Committee and shall record and maintain minutes of all proceedings of the Committee. The Independent Adjudicative Counsel is also responsible for providing legal advice and for leading adjudicative projects directed by the Committee.

The Chair of the Committee, in consultation with the Secretary and the Independent Adjudicative Counsel, is responsible for identifying issues that should be considered by the Committee and for the development of the Committee meeting agendas.

### ***Meetings***

The Committee shall meet no less frequently than quarterly, at such time and in such place as the Chair of the Committee shall determine and the procedure in all things at such meetings shall be determined by the Committee. Additional meetings may be held from time to time as requested by any one of the Chair of the Commission, the Chair of the Committee, or a member of the Committee, and the time and place of such meetings shall be determined by the Chair of the Committee.

## **Duties and Responsibilities**

### ***Review of Commission's Adjudicative Processes***

The Committee shall monitor and review the adjudicative system of the Commission and shall make such recommendations to the Commission as it may consider appropriate from time to time concerning the adjudicative system, including:

- i) periodically evaluating the effectiveness of the Commission's system of scheduling and conducting hearings and pre-hearing conferences and making recommendations to the Commission with respect thereto;
- ii) periodically evaluating the effectiveness of the Office of the Secretary, the Registrar, and the Independent Adjudicative Counsel and making recommendations to the Commission with respect thereto;
- iii) periodically evaluating the Commission's *Rules of Procedure* and other adjudicative policies and/or procedures and making recommendations to the Commission with respect thereto;
- iv) identifying, and conducting research projects in administrative and adjudicative law and making recommendations to the Commission with respect thereto;
- v) overseeing the adjudicative training program for Commissioners and the continuing adjudicative education program for all Commissioners and making recommendations to the Commission with respect thereto; and
- vi) reviewing annually, and recommending to the Commission for its approval, the form of disclosure of the Commission's adjudicative procedures and practices for publication.

The Committee may also, from time to time as it deems appropriate, recommend to the Commission that the Commission issue written policy statements with respect to any matter that has an impact on the Commission's adjudicative procedures and practices.

***Decision-Making***

The Committee shall have the authority to make recommendations to the Commission and to the Chair of the Commission but shall have no decision-making authority. However, the Chair of the Commission may authorize the Committee to make decisions regarding the Commission's *Rules of Procedure* and other adjudicative policies and/or procedures.

***Consultation***

The Committee may, from time to time, retain such consultants or advisors as it deems necessary or advisable and may invite other Commissioners, Staff of the Commission or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

The Committee may, from time to time, consult with members of the public, including members of the legal profession, to seek comment on adjudicative issues.

The Committee may also authorize, from time to time, that proposed amendments to the Commission's *Rules of Procedure* and other adjudicative policies and/or procedures be published for comment, although not required by statute. The Committee may also direct the Secretary and the Independent Adjudicative Counsel to prepare and publish notices, practice directives, and notices and requests for comment and other communications with the public in the Ontario Securities Commission Bulletin and in the Ontario Reports.

***Reporting***

The Chair of the Committee shall report orally to the Commission on the Committee's deliberations at each meeting of the Commission immediately following the meeting of the Committee to which such report refers.

These terms of reference shall be reviewed by the Committee at least once a year and, following such review, the Committee shall recommend to the Commission that it affirm, or if appropriate, amend, these terms of reference.

The activities of the Committee shall be reported annually in the Commission's governance statement accompanying its Annual Report.

## **Ontario Securities Commission**

### **Audit and Finance Committee Mandate**

#### **Establishment of Committee**

The Commission has adopted the Charter of Governance: Roles and Responsibilities (the "Charter") to delineate its role and responsibilities and to ensure transparency in its governance structure. Members of the Commission, either directly or through Committees of the Board, are responsible for performing the duties set out in the Charter, and have established the Audit and Finance Committee (the "Committee") to assist the Members in fulfilling their governance and regulatory responsibilities.

The Committee has been created by the Board of Directors of the Commission and is governed by the Charter in the conduct of its duties. The Committee's purpose is to assist the Board in fulfilling its oversight in relation to:

- (i) the integrity of the Commission's financial statements;
- (ii) the internal control systems of the Commission;
- (iii) the internal and external audit processes;
- (iv) risk management; and
- (v) any additional duties set out in the Charter or otherwise delegated to the Committee by the Board.

#### **Committee Governance**

##### ***Membership***

The Committee consists of three or more of the Part-Time Members of the Commission, all of whom are appointed by the Board. The Board makes its appointments of the members of the Committee at the first Board meeting immediately following March 31 of each year upon the recommendation of the Chair of the Commission and the Lead Director. No Member is expected to serve longer than five years, absent exceptional circumstances. The Board may appoint a Member to fill a vacancy occurring in the Committee within the year as may be required.

All of the Members are to be financially literate, and at least one Member shall have auditing, accounting or other related financial management expertise, as the Commission shall determine. Financial literacy includes the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Commission's financial statements.

##### ***Appointment of Committee Chair and Secretary***

The Chair of the Commission and the Lead Director recommend to the Board the nomination of one Member of the Committee as Chair. The position of Chair of the Committee is normally rotated every three years, but the term of any Chair may be extended by the Board for a term not exceeding five years in the aggregate.

The Secretary to the Commission acts as the Secretary of and counsel to the Committee. The Secretary records and maintains minutes of all proceedings of the Committee and provides all minutes of Committee meetings to be presented to the Board, following their approval and adoption by the Committee.

### ***Meetings***

The Committee meets as frequently as it determines is necessary, but not less frequently than quarterly and as soon as is practicable following the completion of the financial statements for each quarter. The Chair of the Committee may call meetings of the Committee, and shall call a meeting when requested to do so by a member of the Committee, the Chair of the Commission, the Lead Director, or the Executive Director. Notice of any such meeting must be given not less than 48 hours prior to the time of the meeting. The Chair of the Committee or his or her designate shall preside at all meetings of the Committee at which he or she is in attendance.

Each meeting shall include a closed session at which only the members of the Committee are present.

A quorum of the Committee shall consist of a majority of the Committee members. Procedure and all related matters are determined by the Committee as a whole. The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present. However, the Chair of the Committee may determine that any business to be transacted by the Committee in the absence of a quorum may be transacted by resolution in writing provided that:

- (i) no Member of the Committee objects; and
- (ii) the resolution is subsequently signed by all Members of the Committee.

### ***Board Reporting and Recommendations***

The Committee meets at least annually with the Lead Director to review the Committee's agenda for the following year and any other matters that the Lead Director or Committee consider appropriate. In so doing it annually reviews and assesses the adequacy of the Committee Mandate, and submits any amendments that the Committee may propose to the Governance and Nominating Committee.

The Chair of the Committee reports orally to the Board the proceedings of each meeting and all recommendations made by the Committee at the Board's next meeting. The Committee reports its activities in writing to the Board annually.

The Committee has the authority to make recommendations to the Board, but does not have decision-making authority, unless such authority is specifically provided by resolution of the Board. In carrying out its duties the Committee may retain any outside advisor without Board approval at the expense of the Commission at any time, and has the authority to determine any such advisor's fees and other retention terms.

### ***Duties and Responsibilities***

Management of the Commission is responsible for the preparation, presentation and integrity of the Commission's financial statements and for maintaining appropriate accounting and financial

reporting principles and policies and internal controls and procedures designed to ensure compliance with generally accepted accounting standards and applicable laws and regulations.

The Committee is responsible for the oversight of the Commission's financial affairs and making recommendations thereon to the Board.

The Committee annually recommends to the Board the appointment of the Commission's external auditor. The external auditor is responsible for planning and carrying out, in accordance with professional standards, an audit of the Commission's annual financial statements. The external auditor reports directly to the Audit Committee.

In making recommendations to the Board, the Committee is responsible for the following:

***Financial Review, Reporting and Public Disclosure***

- Reviewing with management and the external auditor the audited annual financial statements together with all related management discussion and analysis, and recommending approval of the financial statements by the Board.
- Reviewing with management the quarterly financial statements and related reports for submission to the Board for review and approval. This review includes:
  - the accounting treatment of significant risks and uncertainties;
  - key estimates and judgments of management that may be material to the Commission's financial reporting;
  - significant auditing and financial reporting issues arising during the fiscal period and the method of resolution; and
  - reviewing management's explanation of all significant variances between comparative reporting periods.
- Receiving confirmation from management that the Commission's financial statements, along with all other financial information, fairly present in all material respects the financial condition, results of operations and cash flows of the Commission, as of the date or periods presented in the statements.
- Reviewing the appropriateness of the Commission's accounting and financial reporting, and any changes to such reporting as recommended by management or the Commission's auditors.
- Reviewing management proposals for changes to, and ensuring compliance with, existing financial policies and practices.
- Reviewing and recommending the Commission's Business Plan, including the annual Operating and Capital budgets for submission to the Board for approval.
- Reviewing and approving guidelines and policies for the handling, investing or allocation of settlement funds, the reserve fund, off-balance sheet arrangements, and debt borrowing and debt guarantees proposed by the Commission.
- Reviewing and approving the guidelines and policies for the financial conduct of the Investor Education Fund.
- Reviewing the Commission policies, practices and procedures for contract management.
- Ensuring that adequate procedures are in place for the review of the Commission's public disclosure of financial information.
- Reviewing reports on any litigation matters that could significant affect the financial statements.

### ***Oversight of Internal Controls***

- Overseeing the system of internal controls by monitoring and reviewing policies and procedures for internal accounting, internal audit, financial control and management information.
- Reviewing and assessing the adequacy of the Commission's system of internal controls and management information systems through discussions with management and the internal and external auditors.
- Consulting with the internal and external auditors to discuss other matters as deemed appropriate.
- Receiving and reviewing the report of the internal auditor and meeting privately with the internal auditor at least annually.
- Reviewing the procedures that exist for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and the protection from retaliation of those who report such complaints in good faith.
- Ensuring that the Chair of the Committee reviews and approves the expenses incurred by the Chair of the Commission.

### ***Risk Management***

- On an on-going basis, reviewing and assessing the adequacy of the Commission's risk management policies and procedures with regard to identification of the Commission's principal risks, and reviewing updates on these risks and assessing the adequacy of the implementation of appropriate systems to mitigate and manage the risks, and reporting regularly to the Board.

### ***External Auditor***

- Annually recommending to the Board the appointment of the external auditor.
- Annually reviewing and approving the proposed audit plan and scope of the external audit with the external auditor and management.
- Reviewing, in the absence of management, the external audit report and discussing with the external auditor the quality of accounting principles used, any alternative treatment of financial information that has been discussed with management, the ramifications of their use and the external auditor's preferred treatment, and any other material communications with management.
- Resolving any disagreements between management and the external auditor regarding financial reporting.
- Reviewing all other material written communications between the external auditor and management, including the post-audit management letter containing the recommendations of the external auditor, management's response and follow-up.
- Meeting with the external auditor in the absence of management at least annually to discuss and review specific issues as appropriate, and ensuring that any matter the external auditor seeks to bring to the attention of the Board has been given adequate attention.

*Internal Audit*

- Reviewing the appointment or replacement of the internal auditor.
- Reviewing with management the mandate, staffing, plans, activities and results of the Commission's internal auditor to gain reasonable assurance that their activities are appropriately comprehensive, effective and coordinated with the external auditor, where appropriate.
- Discussing the impact of any significant internal audit findings, together with the appropriateness of management's response, on the adequacy and effectiveness of the Commission's system of internal controls.

## **Ontario Securities Commission**

### **Governance and Nominating Committee Mandate**

#### **Establishment of Committee**

The Commission has adopted the Charter of Governance: Roles and Responsibilities (the "Charter") to delineate its role and responsibilities and to ensure transparency in its governance structure. Members of the Commission, either directly or through Committees of the Board, are responsible for performing the duties set out in the Charter, and have established the Governance and Nominating Committee (the "Committee") to assist the Members in fulfilling their governance and regulatory responsibilities.

The Committee has been created by the Board of Directors of the Commission (the "Board") and is governed by the Charter in the conduct of its duties. The Committee's purpose is to assist the Board in fulfilling its oversight in relation to:

- (i) Developing governance principles and guidelines for the Commission that are consistent with high standards of corporate governance, and periodically reviewing the Commission's system of corporate governance;
- (ii) Recommending to the Minister candidates for appointment as Commissioners to ensure that the Commission has sufficient strength and expertise to enable it to fulfill its statutory responsibility for the administration of the Act and its short and long-term goals; and
- (iii) Overseeing processes to assess the performance of the Board, its committees and individual directors.

#### **Committee Governance**

##### ***Membership***

The Committee consists of three or more of the Part-Time Members of the Commission, all of whom are appointed by the Board. The Board makes its appointments of the members of the Committee at the first Board meeting immediately following March 31 of each year upon the recommendation of the Chair of the Commission and the Lead Director. No Member is expected to serve longer than five years, absent exceptional circumstances. The Board may appoint a Member to fill a vacancy occurring in the Committee within the year as may be required.

##### ***Appointment of Committee Chair and Secretary***

The Chair of the Commission and the Lead Director recommend to the Board the nomination of one Member of the Committee as Chair. The position of Chair is normally rotated every three years, but the term of any Chair may be extended by the Board for a term not exceeding five years in the aggregate. The Board may appoint a Member to fill a vacancy occurring in the Committee within the year as may be required.

The Secretary to the Commission acts as the Secretary of and counsel to the Committee. The Secretary records and maintains minutes of all proceedings of the Committee and provides all minutes of Committee meetings to be presented to the Board, following their approval and adoption by the Committee.

### ***Meetings***

The Committee meets as frequently as it determines is necessary, but not less frequently than quarterly. The Chair of the Committee may call meetings of the Committee, and shall call a meeting when requested to do so by a member of the Committee, the Lead Director, the Chair of the Commission or the Executive Director. Notice of any such meeting must be given not less than 48 hours prior to the time of the meeting. The Chair of the Committee or his or her designate shall preside at all meetings of the Committee at which he or she is in attendance.

Each meeting shall include a closed session at which only the members of the Committee are present.

A quorum of the Committee shall consist of a majority of the Committee members. Procedure and all related matters are determined by the Committee as a whole. The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present. However, the Chair of the Committee may determine that any business to be transacted by the Committee in the absence of a quorum may be transacted by resolution in writing provided that:

- (iii) no Member of the Committee objects; and
- (iv) the resolution is subsequently signed by all Members of the Committee.

### ***Board Reporting and Recommendations***

The Committee meets at least annually with the Lead Director to review the Committee's agenda for the following year and any other matters that the Lead Director or Committee consider appropriate. In so doing it annually reviews and assesses the adequacy of the Committee Mandate, and submits any amendments that the Committee may propose to the Board.

The Chair of the Committee reports orally to the Board the proceedings of each meeting and all recommendations made by the Committee at the Board's next meeting. The Committee reports its activities in writing to the Board annually.

The Committee has the authority to make recommendations to the Board, but does not have decision-making authority, unless such authority is specifically provided by resolution of the Board. In carrying out its duties the Committee may retain any outside advisor without Board approval at the expense of the Commission at any time, and has the authority to determine any such advisor's fees and other retention terms.

### ***Duties and Responsibilities***

The Committee is responsible for the oversight of the Commission's governance system and making recommendations thereon to the Board.

In making recommendations to the Board, the Committee is responsible for the following:

#### ***Commission's Corporate Governance***

- Regularly monitoring and recommending to the Board the corporate governance policies, procedures and practices of the Commission, including:

- The effectiveness of the system of corporate governance, including the development of the Commission's corporate governance practices and guidelines;
- The public disclosure of the corporate governance practices and guidelines;
- The forward agenda of issues to be presented to the board at its meetings, including a list of important topics for presentation and discussion; and
- The overall size, structure and composition of the Board.
- Reviewing annually the composition, mandate and membership of each Board committee, and recommending to the Board on any changes.
- Reviewing the mandate of the Lead Director, and recommending any changes to the Board.
- Recommending the appointment of committee chairs, in conjunction with the Lead Director and the Chair of the Commission having regard to the attributes essential to effective leadership.
- Establishing the policies, practices and procedures for the Board's delegation of authority, and overseeing the exercise of delegated authority.
- Annually reviewing and approving for publication the disclosure of the Commission's corporate governance policies, procedures and practices.

#### ***Board, Committee and Director Assessments and Orientation***

- Developing and recommending to the Board a process for assessing the performance and effectiveness of the Board and its committees, taking into account the Board Charter, respective committee mandates and the Member Profile.
- Overseeing the processes to regularly assess the performance of the Board, its committees and Board members and making recommendations to the Board.
- Reviewing the orientation process for new directors, and plans for the ongoing development of existing Board members.

#### ***Member Nomination***

- Reviewing the Member Profile, Member/Director Attributes to ensure that the profile of attributes, qualifications and expertise that Members should possess, individually and collectively, is appropriate for the effective stewardship and oversight of the Commission.
- Recommending a selection and screening criteria to ensure suitable nominees are identified and recommended to the Commission for subsequent recommendation to the Minister and appointment by the Lieutenant Governor in Council.
- Approving the agency and advertised position listing with the Public Appointments Secretariat describing the duties of a Member and the qualifications sought of candidates.
- Reviewing the skills and competencies of candidates and recommending to the Commission suitable nominees for recommendation to the Minister, taking into account the individual skills of the nominee and the collective skills, competencies and requirements of the Commission as defined in the Member Profile, Member/Director Attributes.

***Chair and Vice-Chair***

- Establishing and reviewing the powers, functions and duties of the Chair and each Vice-Chair, and setting the objectives the each is expected to meet.
- Recommending to the Board candidates for the position of Vice-Chair of the Commission when required, for subsequent recommendation to the Minister and appointment by the Lieutenant Governor in Council.
- Recommending every two years to the part-time Members the candidates for appointment as Lead Director.

***Ethical Behaviour and Compliance***

- Overseeing the application of policies and processes to promote ethical behaviour and compliance of Members with the highest standards of corporate governance, ethics and integrity.
- Reviewing and recommending to the Board the Commission's governing documents, including Commission By-law No. 2 governing conflicts of interest in the conduct of Commission affairs, and the Commission's *Code of Conduct*.
- Overseeing the compliance by Members with Commission By-law No.2 and the Commission's *Code of Conduct*.

## **Ontario Securities Commission**

### **Human Resources and Compensation Committee Mandate**

#### **Establishment of Committee**

The Commission has adopted the Charter of Governance: Roles and Responsibilities (the "Charter") to delineate its role and responsibilities and to ensure transparency in its governance structure. Members of the Commission, either directly or through Committees of the Board, are responsible for performing the duties set out in the Charter, and have established the Human Resources and Compensation Committee (the "Committee") to assist the Members in fulfilling their governance and regulatory responsibilities.

The Committee has been created by the Board of Directors of the Commission (the "Board") and is governed by the Charter in the conduct of its duties. The Committee's purpose is to assist the Board in fulfilling its oversight in relation to:

- (iv) executive compensation policies, programs and executive pension plans;
- (v) human resources policies and procedures; and
- (vi) ethical reporting policies and procedures.

#### **Committee Governance**

##### ***Membership***

The Committee consists of three or more of the Part-Time Members of the Commission, all of whom are appointed by the Board. The Board makes its appointments of the members of the Committee at the first Board meeting immediately following March 31 of each year upon the recommendation of the Chair of the Commission and the Lead Director. No Member is expected to serve longer than five years, absent exceptional circumstances. The Board may appoint a Member to fill a vacancy occurring in the Committee within the year as may be required.

##### ***Appointment of Committee Chair and Secretary***

The Chair of the Commission and the Lead Director recommend to the Board the nomination of one member of the Committee as Chair. The position of Chair is normally rotated every three years, but the term of any Chair may be extended by the Board for a term not exceeding five years in the aggregate.

The Secretary to the Commission acts as the Secretary of and counsel to the Committee. The Secretary records and maintains minutes of all proceedings of the Committee and provides all minutes of Committee meetings to be presented to the Board, following their approval and adoption by the Committee.

##### ***Meetings***

The Committee meets as frequently as it determines is necessary, but not less frequently than quarterly. The Chair of the Committee may call meetings of the Committee, and shall call a meeting when requested to do so by a member of the Committee, the Lead Director, the Chair of the Commission, or the Executive Director. Notice of any such meeting must be given not less

than 48 hours prior to the time of the meeting. The Chair of the Committee or his or her designate shall preside at all meetings of the Committee at which he or she is in attendance.

Each meeting shall include a closed session at which only the members of the Committee are present.

A quorum of the Committee shall consist of a majority of the Committee members. Procedure and all related matters are determined by the Committee as a whole. The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present. However, the Chair of the Committee may determine that any business to be transacted by the Committee in the absence of a quorum may be transacted by resolution in writing provided that:

- (v) no member of the Committee objects; and
- (vi) the resolution is subsequently signed by all members of the Committee.

### ***Board Reporting and Recommendations***

The Committee meets at least annually with the Lead Director to review the Committee's agenda for the following year and any other matters that the Lead Director or Committee consider appropriate. In so doing it annually reviews and assesses the adequacy of the Committee Mandate, and submits any amendments that the Committee may propose to the Governance and Nominating Committee.

The Chair of the Committee reports orally to the Board the proceedings of each meeting and all recommendations made by the Committee at the Board's next meeting. The Committee reports its activities in writing to the Board annually.

The Committee has the authority to make recommendations to the Board but does not have decision-making authority, unless such authority is specifically provided by resolution of the Board. In carrying out its duties the Committee may retain any outside advisor without Board approval at the expense of the Commission at any time, and has the authority to determine any such advisor's fees and other retention terms.

### **Duties and Responsibilities**

The Committee is responsible for the oversight of the Commission's human resources policies and procedures, succession and compensation planning, and making recommendations thereon to the Board. These duties are undertaken in conjunction with the Independent Compensation Committee established by the Minister. The Chair of the Committee is a member of the Independent Compensation Committee.

In making recommendations to the Board, the Committee is responsible for the following:

#### ***Executive Employment Contracts***

- Negotiating the terms of employment of Chair and Vice-Chairs, other than those terms that are the prerogative of the Lieutenant Governor in Council under the *Securities Act* (Ontario).
- Recommending, in consultation with the Independent Compensation Committee, approval of the terms of employment of the Chair and Vice-Chairs to the Board.

- Reviewing the terms of employment for the Chair and Vice-Chairs to ensure that they are competitive for the purpose of attracting and retaining qualified executives, reasonably related to personal and corporate performance, have the appropriate balance between short-term incentives and long-term incentives and are of general benefit to the Commission.
- Reviewing the recommendation of the Chair with respect to the terms of employment of the Executive Director.

#### ***Executive Pension Plans***

- Reviewing external consultant reports on an annual basis focusing on pension plan performance and the funded status of the plans for the Chair, Vice-Chairs and Executive Director (the "Executive Office").
- Reviewing reports on an annual basis focusing on other relevant issues relating to the pension plans.

#### ***Executive Performance and Compensation***

- Review and approve corporate goals and objectives with respect to the compensation of the Executive Office.
- Review and annually recommend to the Board and the Independent Compensation Committee the performance compensation for each member of the Executive Office after conducting an evaluation of achievements against the approved corporate goals and objectives.

#### ***Compensation of Part-Time Members***

- Reviewing and making recommendations to the Board and Independent Compensation Committee in respect of the fees and other compensation paid to the members of the Board to ensure that they are competitive for the purpose of attracting and retaining the services of experienced and highly qualified Part-Time Members.

#### ***Human Resources Policies and Procedures***

- Reviewing all significant human resource policies and programs and considering their alignment with the Commission's strategic direction for recommendation for approval and adoption by the Board.
- Reviewing annually the succession plans for the Executive Management Team of the Commission.
- Reviewing the significant employee compensation policies of the Commission against its objectives, operations and the risks to which it is exposed.

#### ***Integrity and Ethical Standards***

- Approving policies and processes designed to ensure the highest ethical standards and integrity for staff and Members.
- Reviewing the effectiveness of ethical reporting policies and procedures to ensure its effectiveness.

## **EXTERNAL COMPENSATION COMMITTEE**

### **CONSTITUTION AND TERMS OF REFERENCE**

The External Compensation Committee (the “Committee”), jointly constituted pursuant to By-Law No. 1 of the by-laws of the Ontario Securities Commission (the “Commission”) by the Minister responsible for the administration of the *Securities Act* (Ontario) (the “Minister”) and the Chair of the Commission, shall, subject to the provisions of the by-laws of the Commission and to the applicable provisions of the *Securities Act* (Ontario) and any other applicable legislation, have the constitution, function and responsibilities herein set forth.

#### **OBJECTIVES**

The primary objective of the Committee is to consider, from time to time, matters pertaining to the compensation of the members of the Commission, and to recommend, for purposes of section 3.8 of Commission By-Law No. 1, the maximum level of remuneration and benefits for members of the Commission.

#### **CONSTITUTION**

1. The Committee shall consist of three members, one of whom shall be the Chair of the Compensation Committee established by resolution of the Board of Directors of the Commission on September 8, 1998 (the “Compensation Committee”), and two of whom shall be individuals that are at arm’s length to the Commission and jointly appointed by the Minister and the Chair of the Commission.
2. The Chair of the Committee shall be the member appointed as Chair of the Compensation Committee in accordance with paragraph 2 of the Compensation Committee’s Constitution and Terms of Reference. No member of the Committee, including the Chair of the Committee, shall serve on the Committee for a period of more than four consecutive years.
3. A quorum of the Committee shall be a majority of its members and no business shall be transacted by the Committee except at a meeting at which a quorum of the Committee is present. Notwithstanding the foregoing, the Chair of the Committee may determine that any business to be transacted by the Committee may be so transacted by resolution in writing in lieu of a meeting of the members of the Committee, provided that: (i) no member of the Committee objects; and (ii) such resolution in writing, to be effective, shall be evidenced by the signatures of all of the members of the Committee.
4. The Secretary to the Commission shall be the Secretary of the Committee. The Secretary shall record and maintain minutes of all proceedings of the Committee.
5. The Committee shall meet at such time and in such place as the Chair of the Committee shall determine and the procedure in all things at such meetings shall be determined by the Committee. Additional meetings may be held from time to time as requested by the Chair of the Committee or a member of the Committee, and the time and place of such meeting shall be determined by the Chair of the Committee.

**FUNCTION AND RESPONSIBILITIES**

6. The Committee shall be responsible for reviewing and recommending the maximum level of remuneration and benefits for members of the Commission for purposes of section 3.8 of Commission By-Law No. 1.
7. The Committee shall review any compensation that is recommended by the Compensation Committee, including any performance bonuses, allocated to the members of the Commission and, where appropriate, provide comments to the Compensation Committee.

Approved and adopted by the Minister and the Commission  
on the seventeenth day of May, 2005

*“G. Phillips”*

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Minister

*“D. A. Brown”*

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Chair, Ontario Securities Commission

## ONTARIO SECURITIES COMMISSION

### REMUNERATION SCHEDULE FOR PART-TIME COMMISSIONERS EFFECTIVE: APRIL 1, 2005

1. Part-time Commissioners are remunerated for the following activities:
  - Acting as a Part-time Commissioner (Annual Retainer)
  - Serving as a Member of a Committee of the Board (Annual Retainer)
  - Serving as a Chair of a Committee of the Board (Annual Retainer)
  - Attendance at meetings of the Commission, Board and Committees (Per diem rate)
  - Attendance at a Quorum of the Commission – Duty Panel (Per diem rate)
  - Attendance at Other Meetings (including Commission retreats, training sessions, orientation sessions and meetings with Staff of the Commission, attending conferences or other events at the request of the Commission, etc.) (Per diem rate)
  - Serving on an Adjudicative Panel (Per diem rate)
  - Preparation for Commission, Board, Committee and other meetings (Per diem rate)
  - Preparation for Adjudicative Proceedings (Per diem rate)
  - Attendance at deliberations of Adjudicative Panels prior to, during and following a hearing (Per diem rate)
  - Other activities on behalf of the Commission approved by the Chair and/or requested by the Commission, the Board or a Committee
  
2. Part-time Commissioners are not remunerated/reimbursed for:
  - Travel time and related expenses such as mileage or parking fees, limousine, car hire, train, airline or similar expenses are considered to be compensated for in billable time and are not normally reimbursed separately.
  - Hotel, meals, hospitality and related expenses.
  - Any other expenses not specifically identified in this policy.
  - These expenses, however, may be reimbursed if incurred in connection with activities undertaken at the request of the Commission and by prior approval of the Chair. These expenses are reimbursed according to *Part XIII: Expense Reimbursement* of the Commission's *Financial Policies* in effect from time to time (attached as Appendix "A").
  
3. Part-time Commissioners shall be paid the following Annual Retainers:
 

• As a Member of the Commission	<b>\$5,000</b>
• As Lead Director	<b>\$4,000</b>
• For each Committee of which the Commissioner is a Chair:	<b>\$4,000*</b>
• For each Committee of which the Commissioner is a member:	<b>\$2,000</b>
  
- \* The Annual Retainer paid to a Part-time Commissioner as a Chair of a Committee includes that Commissioner's Annual Retainer as a member of that Committee and is not in addition thereto.
  
- Annual Retainers are paid in four quarterly instalments.
  
4. The following billable times and rates shall be applied in calculating the remuneration:

- Minimum billable time/rate per 24 hour period **0.25 day** **\$250**
- Maximum billable time/rate per 24 hour period **1.5 days** **\$1,500**

Part-time Commissioners may charge in blocks of time of 0.25 day increments.

Part-time Commissioners may charge for multiple activities occurring within any 24 hour period up to a **maximum of 1.5 days**.

5. The following are the **maximum** billable times/rates that may be applied in calculating the remuneration that may be paid in any 24 hour period in connection with the stipulated activity:

- Attending Quorum /Duty Panels **0.5 day \$500**
- Preparation for Committee/Board/Commission meetings **1.0 day \$1,000**
- Attending Committee/Board/Commission meetings **1.0 day \$1,000\***
- Preparation for Adjudicative Proceedings **1.0 day \$1,000**
- Attending at Adjudicative Proceedings **1.0 day \$1,000**
- Attending at deliberations of Adjudicative Panels **1.0 day \$1,000\*\***
- Attending at Other Meetings **1.0 day \$1,000**

\* When a Part-time Commissioner attends a meeting of the Board/Commission and also attends a Committee meeting, a Duty Panel or other multiple activities, on the same day the Commissioner may charge for such meeting(s) up to an additional 0.5 day for a total aggregate maximum billable time of 1.5 days for that day.

\*\* When a Part-time Commissioner attends a meeting of Adjudicative Panel members on the same day the Commissioner attends the hearing, the Commissioner may charge for such meeting(s) up to an additional 0.5 day for a total aggregate maximum billable time of 1.5 days for that day.

6. The **maximum** billable times/rates that may be applied in calculating the remuneration that may be paid to a Part-time Commissioner in any 24 hour period in connection with Other Activities carried out by the Commissioner on behalf of the Commission at the request of the Chair, the Commission, the Board or a Committee shall be determined by the Chair.

7. Part-time Commissioners shall submit their remuneration claims (other than for Annual Retainers) as follows:

- Remuneration claims should be submitted to the Secretary using the Remuneration Claims Form (attached as Appendix “B”) on a timely basis and no less frequently than quarterly.
- The Remuneration Claims Form may be submitted via e-mail.
- Expense claims should be submitted to the Secretary as soon as practicable after the expense has been incurred.
- The Secretary will approve the Remuneration Claim. Expense claims will be forwarded by the Secretary to the Chair for approval.

**Ontario Securities Commission  
2006-07 Statement of Governance Practices**

**Schedule “C”**

**Mandate of the Chair of the Commission  
Mandate of the Vice-Chairs of the Commission  
Lead Director Mandate**

## ONTARIO SECURITIES COMMISSION

### MANDATE OF THE CHAIR

The Chair is designated by the *Securities Act* (the Act) as the Chief Executive Officer of the Commission. The Chair's powers, functions and duties as are set forth in the Act and the Regulation, the *Memorandum of Understanding* with the Minister of Finance, and the Commission By-Laws. The Chair also carries out such other functions and duties under authority delegated by the Board to the Chair. The Chair and the Board are governed by the Commission's *Charter of Governance, Roles and Responsibilities* in the conduct of their respective duties.

#### **Summary of Key Responsibilities and Duties of the Chair and Chief Executive Officer**

- ensures the provision of regulatory services that protect the public interest and enhance public confidence in the capital markets
- responsible for the initiation of the development of securities policies and initiatives, and provides strong leadership in identifying emerging issues and trends in the capital markets
- develops and implements the Commission's strategic direction, including the annual Statement of Priorities and business and operating plans required to meet the strategic objectives as agreed with the Commission and the Minister
- leads and manages the Commission, maintaining both a high level of employee morale and the highest ethical standards of honesty, integrity, and impartiality
- oversees the establishment of effective risk management and appropriate control systems
- recommends to the Board significant operational changes and major capital expenditures where these are beyond delegated authority
- acts as the primary Commission contact with the Minister, and manages the accountabilities and deliverables established in the Memorandum of Understanding
- represents the Commission at national and international regulatory bodies and organizations, and oversees the Commission's initiatives with other securities regulators, including the Canadian Securities Administrators
- chairs Board and Commission meetings
- in consultation with the Lead Director, manages Commission's corporate governance and plans and organizes the activities of the Board/Commission in accordance with good governance practices, including:
  - (a) the agenda for, preparation for, and the conduct of meetings;
  - (b) the quality and timeliness of the information that goes to the Board and Commission;
  - (c) the formation of committees and the integration of their activities with the work of the Board;
  - (d) the evaluation of the Board's effectiveness, and implementation of improvements; and
  - (e) the development of the Commission, including Member recruitment, orientation, development, and continuing education

- oversees the exercise of delegated Commission authority, as appropriate, to Commission staff for the orderly administration of the Act
- acts as the Commission's principal spokesperson and communicates with a wide range of constituencies on Commission policies, practices, initiatives and on matters that affect or have the potential to affect the Ontario capital markets.

## **ONTARIO SECURITIES COMMISSION**

### **MANDATE OF THE VICE-CHAIRS**

A Vice-Chair is appointed by the Lieutenant Governor in Council for a term of office not exceeding five years. A Vice-Chair, in addition to serving as a full-time Member of the Commission, assists the Chair in carrying out his or her functions and duties. While this position does not involve direct supervision of Commission staff, it represents the most senior advisory role within the Commission.

The Vice-Chair's powers, functions and duties as are set forth in the Act and the Regulation and the Commission By-Laws. The Vice-Chair is governed by the Commission's *Charter of Governance, Roles and Responsibilities* in the conduct of his or her respective duties.

#### **Summary of Key Responsibilities and Duties of the Vice-Chair**

- serves as a member of the Board of Directors and Commission
- serves on adjudicative panels that conduct hearings and render decisions independently of the Commission as a whole
- acts as executive sponsor for the development of securities policy and rule-making initiatives
- acts as Chair should the office of Chair become vacant or if the Chair is absent or unable to act for any reason
- assists in providing direction and advice on the development, implementation and execution of securities regulations and policy, and provides leadership in identifying emerging issues in securities regulation
- represents the Commission at national and international regulatory bodies and organizations, and participates as required with the Canadian Securities Administrators on policy matters and other initiatives
- represents the Commission publicly, including addressing conferences, and assists as required with the communication of Commission policies, practices, and initiatives and on matters that affect or have the potential to affect the Ontario capital markets.

## **ONTARIO SECURITIES COMMISSION**

### **MANDATE OF THE LEAD DIRECTOR**

#### **Establishment of the Position of Lead Director**

The Commission has adopted the Charter of Governance: Roles and Responsibilities (the "Charter") to delineate its role and responsibilities and to ensure transparency in its governance structure. Members of the Commission, either directly or through Committees of the Board, are responsible for performing the duties set out in the Charter, and have established the position of Lead Director to assist the Members in fulfilling their governance responsibilities.

The position of Lead Director has been created by the Board of Directors of the Commission and is governed by the Charter in the conduct of his or her duties. The Lead Director's purpose is to assist the Board in ensuring that:

- (i) the responsibilities of the Board and its committees are well understood by the Members and management of the Commission;
- (ii) the Board works as a cohesive team;
- (iii) adequate resources and timely and relevant information are available to the Board and its committees to enable them to fulfil their mandates;
- (iv) the effectiveness of the Board and its committees is assessed on a regular basis;
- (v) the Board's committee structure and mandates are appropriate and adequate for the proper discharge of the Board's responsibilities; and
- (vi) the scheduling, organization and procedures of Board and committee meetings provide adequate time for due consideration and meaningful discussion of relevant issues.

#### **Appointment of the Lead Director**

The Lead Director is a Part-time Member of the Commission and is appointed by the Part-Time Members only at the first Board meeting immediately following March 31 of each year upon the recommendation of the Governance and Nominating Committee of the Board. The Lead Director shall be appointed for one year and may be reappointed, although is not expected to serve longer than three years, absent exceptional circumstances. The Board may appoint a Part-time Member to fill a vacancy occurring in the position as may be required.

#### **Board Reporting and Recommendations**

The Lead Director meets at least annually with the Chairs of each of the Committees of the Board to review each Committee's agenda for the following year and any other matters that the Committee Chairs consider appropriate. In so doing the Lead Director annually reviews and assesses the adequacy of the Committee Mandates, and recommends any amendments to such Mandates to the Governance and Nominating Committee.

The *Securities Act* provides that the Chair of the Commission shall preside as chair at all meetings of the Board and, in his or her absence, a Vice-Chair shall do so. In the absence of the Chair and Vice-Chairs, the Lead Director presides as chair of the meetings of the Board.

The Part-time Members alone meet in the absence of the Chair and Vice-Chairs of the Commission immediately following each regularly scheduled meeting of the Board. Additional

such meetings of Part-time Members may be held as determined by the Lead Director or upon request of a Part-time Member. The Lead Director presides as chair of all meetings of Part-time Members the Board.

The Lead Director shall be given notice of and the agenda materials for all Committee meetings and may attend any Committee meeting, but does not have authority to vote on any matter before any Committee other than as a member of that Committee.

The Lead Director has the authority to make recommendations to the Board, but does not have decision-making authority, unless such authority is specifically provided by resolution of the Board. In carrying out his or her duties, the Lead Director may retain any outside advisor without Board approval at the expense of the Commission at any time, and has the authority to determine any such advisor's fees and other retention terms.

### **Duties and Responsibilities**

The Lead Director is responsible for the oversight of the exercise of the governance obligations of the Board and its committees as set out in the Charter and the Committee Mandates and making recommendations thereon to the Board.

In making recommendations to the Board, the Lead Director is responsible for the following:

#### ***Board and Committee Agenda***

- To review with the Secretary the draft annual agenda and each meeting agenda for the meetings of the Board and the draft annual agenda for each Committee to ensure that all matters required to be considered by the Board and each Committee as set out in the Charter and the Committee Mandates, or are otherwise required for sound governance, are scheduled for consideration;
- To recommend to the Chair of the Commission matters to be placed on the agenda for meetings of the Board;
- To recommend to the Chairs of each Committee matters to be placed on the agenda for meetings of each Committee.
- To ensure that meetings of Part-time Members alone are held on a regular basis and to determine the agenda for such meetings.
- In consultation with the Secretary, to ensure that there is an appropriate system in place for identifying and scheduling carry-forward matters for consideration by the Board and each Committee;
- To report annually to the Board on the status of its consideration of matters required to be considered as set out in the Charter.

#### ***Appointment of Committee Chairs and Members***

- To recommend to the Chair the appointment of Committee Chairs and members of Committees.

#### ***Nominations for Appointment of the Vice-Chair(s)***

- Together with the Chair of the Governance and Nominating Committee, to recommend to the Chair the nomination for appointment of the Vice-Chair(s).

***Appointment of the Secretary to the Commission***

- Together with the Chair, to recommend to the Board the appointment of the Secretary.

***Board and Committee Effectiveness***

- To meet individually with each member annually to discuss the Member's assessment of the effectiveness of the Board and its committees and to report thereon to the Board.
- To recommend to the Board amendments to the practices and procedures of the Board and its Committees to enhance their effectiveness.