

## FEI Canada's top advocacy issues for 2014

- 1. Create a positive business environment through fiscal prudence and transparency:** Significant progress has been achieved in reducing deficits over the past several years, to the point where the government is forecasting a surplus position in fiscal 2015. We strongly support this outcome, in part because we believe that our governments at all levels need to prepare for, and have the necessary fiscal tools available to deal with the eventual next downturn in the economic cycle. With surplus projections, we request the federal government explain publicly its strategy and plans for deployment, including possible difficult decisions on allocation in areas including investing in economic growth and employment, funding of pension and other post-retirement programs for public sector plans, and making inroads into reducing the national debt by establishing specific debt targets and a strategy to achieve them. This public exposure of strategy should begin immediately.
- 2. Income tax simplification:** FEI Canada was an early advocate for making tax simplification a priority. The current Income Tax Act is the largest piece of legislation in Canada. It is overly complicated and inefficient to administer with many sections that are irrelevant in today's economy. In addition, reporting for income tax purposes is overly complex and inefficient since it is based on individual legal entities. Corporations should be allowed to report their economic entities on a consolidated basis since that is how many businesses are managed.
- 3. Adequate and sustainable retirement programs for Canadians:** FEI Canada continues to encourage the Government to examine options in the development of a national framework on adequate and sustainable retirement programs for Canadians. One recommended option within the framework is a modest expansion of the Canada and Quebec Pension Plans, professionally managed and cost effective, gradually becoming a "fully-funded" model over time. Included in this sustainability framework should be a plan to effectively manage the unfunded shortfall of public sector pension plans estimated to be ~\$300B (federal, provincial and municipal). Innovative solutions to the framework and model would ensure long term solvency of retirement programs while maintaining stable contribution rates and preserving a fair standard of living for Canadians.
- 4. Removal of interprovincial barriers regarding trade and labour mobility:** Canada is a large country that will continue to have high economic growth in certain areas and minimal growth in others. In order to meet labour force needs, barriers that prevent easy access to available jobs should be removed so that overall Canadian competitiveness remains at a high level.
- 5. Cyber security:** The majority of all business communication and transactions are done via the internet and there are no comprehensive, unified security standards over these items. Any sort of security breakdown or cyber-attack on this communication medium could have catastrophic effects on the Canadian economy. There should be a national framework involving government and business to protect this critical medium.
- 6. Accountability, independence and diversity on boards of directors:** FEI Canada supports the renewed focus on the corporate governance practices of modern corporations, particularly in relation to diversity. There is an inherent need for Board oversight as it pertains to the various policies, practices and processes within the organization in general. It has been identified that independence and diversity are important policy areas in corporate governance on a number of fronts, and the need to reflect diversity within the Board of Directors is crucial moving forward. There should be timetables for diversity actions put in place by regulators to monitor these activities.

## EDUCATION

- 7. Changes in reporting and internal control standards:** There are new frameworks being developed for integrated financial reporting and internal control. CFOs need to follow these developments closely and initiate communications with their stakeholders concerning how these developments could affect their business processes.
- 8. Risks and benefits of technology:** CFOs need to become more aware of the risks and benefits of technology integration and have heightened awareness of the risks associated with “cloud computing”. Integration of technology remains a difficult task for many organizations including businesses and government. Often the benefits of integration are not realized. CFOs can play an active role in technology integration. More and more companies are trusting their sensitive data operations to the “cloud,” yet few are aware where this data is actually going, or security of sensitive or confidential information. Senior financial executives should include an assessment of these and other issues when evaluating the risks in their business and choosing between IT options.
- 9. Enhance the focus on risk management and governance of pension plans:** Improve the Governance & Risk Management knowledge of persons responsible for managing pension plans. CFOs, plan sponsors and board members should be required to meet specific financial, investment and risk management knowledge criteria in order to carry out their fiduciary obligations and duties to plan members. Oversight and monitoring compliance would be required to ensure accountability along with the utilization of benchmarking to measure the efficiency and effectiveness of administration and service delivery to members. There is also a need to educate employees and plan members on financial matters, and perhaps incorporate financial literacy education in our school systems so young people are better educated on personal financial matters at an earlier age.