



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

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BY EMAIL

Dear Ms. Pomotov,

RE: Amendments to Part IV of the Toronto Stock Exchange (“TSX”) Company Manual

This submission is made by the Pension Investment Association of Canada (“PIAC”) in reply to the request for comment published on October 4, 2012 (the “October 2012 RFC”) on amendments to Part IV of the TSX Company Manual which would require issuers listed on the Toronto Stock Exchange to have majority voting for director elections at uncontested meetings (the “Amendments”).

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

PIAC member funds are long-term institutional investors in the global equity markets. Through proxy voting we promote better corporate governance and corporate responsibility with the objective of enhancing issuer performance and shareholder value.

We thank the TSX for considering our submission to the request for comments issued by TSX on September 9, 2011 (the "September 2011 RFC") which indicated our strong support for mandatory voting and are pleased that the TSX has responded with the Amendments. We believe that mandatory majority voting is an essential reform and will result in a meaningful improvement in the corporate governance practices of TSX listed issuers.

The following are our responses to the specific questions set out in the October 2012 RFC.

Do you support TSX mandating that its listed issuers have majority voting, which may be satisfied by adopting a majority voting policy for uncontested director elections? Please identify potential positive and negative impacts if issuers are required to have majority voting. What positive or negative impacts may the Amendments have on other market participants or the market in Canada in general?

PIAC believes that a majority voting standard should be adopted by all issuers. Majority voting provides a meaningful way for shareholders to hold directors accountable for their performance and ensures that those directors have the confidence of a majority of shareholders. In our view, the Amendments will bolster investor confidence in Canadian capital markets by aligning the director election practices of TSX-listed companies with those established in almost all other major international jurisdictions.

While some comment letters to the September 2011 RFC identified possible negative impacts from majority voting director election requirements, such as failed elections or the loss of directors with particular experience/expertise, these concerns have not come to fruition at companies that have adopted majority voting. We are of the view that the benefits from the Amendments far outweigh any potential negative impacts.

Do you believe it would be useful for TSX to provide specific guidance that it expects that the board of directors will typically accept the resignation of a director that receives a majority of "Withhold" votes, absent exceptional circumstances? If you agree, please suggest the preferred means to provide it (for example in a Staff Notice, in commentary about the Amendment or in the drafting of the Amendment itself).

We believe it would be useful for TSX to provide specific guidance outlining the expectations of the board of directors when considering the resignation of a director that receives a majority of "withhold" votes in the drafting of the Amendment itself. We suggest clarifying in the guidance that delaying the acceptance of the resignation may

be appropriate under extraordinary circumstances relating to the composition of the board or voting results and that rejecting the resignation should only be considered in the rarest of cases. In all instances, the board must exercise its use of discretion in a manner consistent with its fiduciary duties and in the spirit of shareholder accountability.

Do you support the jurisdiction of TSX to adopt and enforce the Amendments? If not, please support your response, and differentiate the Amendments from the September [2011] RFC Amendments being finalized today.

We believe that it is appropriate for all stock exchanges to require their listed companies to adopt minimum corporate governance standards and for TSX to pursue the Amendments. In our view, TSX involvement in this area is complementary to similar efforts underway by securities regulators and will expedite the adoption of commonly accepted best practices in Canada.

We appreciate this opportunity to comment on the consultation. Please do not hesitate to contact Stéphanie Lachance, Chair of the Corporate Governance Committee (514-925-5441; slachance@investpsp.ca), if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,



Julie Cays
Chair