

**Canadian Coalition for
GOOD GOVERNANCE**
THE VOICE OF THE SHAREHOLDER

October 11, 2011

Ms. Michal Pomotov
Legal Counsel
Toronto Stock Exchange
The Exchange Tower
130 King Street West
Toronto, ON
M5X 1J2

Dear Ms. Pomotov:

**Re: September 9, 2011 Proposed Amendments to Part IV of the Toronto Stock Exchange ("TSX")
Company Manual (the "Proposed Amendments")**

We have reviewed the Proposed Amendments and we thank you for the opportunity to provide you with our comments, which are set out below.

Representing the interests of institutional shareholders, CCGG promotes good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders, and to promote the efficiency and effectiveness of the Canadian capital markets. CCGG has 48 members who collectively manage almost \$2 trillion of savings on behalf of most Canadians. A list of our members is attached to this submission.

We applaud the TSX for moving forward with the Proposed Amendments. As set out below, we are of the view that some of the Proposed Amendments do not go far enough to make a meaningful improvement in the corporate governance practices of TSX-listed issuers.

Role of the TSX

CCGG agrees that it is appropriate for the TSX to pursue the Proposed Amendments and that they should apply to issuers listed on the TSX and TSX-V. CCGG has encouraged the OSC and CSA to move forward with similar proposals but as noted by the TSX, the current OSC proposals are very preliminary. The TSX has the ability to act more quickly and CCGG encourages it to do so. CCGG agrees with the TSX that any initiatives by securities regulators in areas covered by the Proposed Amendments will be complementary.

Individual Director Elections

We agree with the Proposed Amendments to eliminate slate voting for TSX-listed issuers. Slate voting does not allow shareholders to cast their votes in respect of each individual director, and accordingly slate voting does not allow shareholders to hold each director accountable.

Although CCGG has urged companies to abandon this practice, approximately 17% of companies in the TSX/S&P Composite Index still have slate voting and it is more common in smaller companies. As the TSX has noted, most countries outside Canada already require individual director elections so this proposal will help TSX-listed issuers meet international best practices.

Annual Director Elections

We also agree with the Proposed Amendments to prohibit staggered boards and require annual director elections. Staggered boards reduce director accountability and can impede the ability of shareholders to make needed changes to the board, since not all directors come up for re-election each year. We note that most large Canadian companies already have moved to annual director elections without any disruptions to their boards or their ability to engage in long-term planning.

Majority Voting

We are pleased that the TSX has acknowledged that “majority voting policies support good governance by providing a meaningful way for security holders to hold directors accountable and remove underperforming or unqualified directors”. Indeed, a majority voting standard to elect directors is one of the most important governance reforms currently being sought by CCGG.

However, we disagree with the suggestion by the TSX that majority voting “is not yet widely understood or accepted”. Since 2006, CCGG has contacted hundreds of public companies of all sizes each year and urged them to adopt a majority voting policy. The efforts of CCGG and other groups calling for majority voting have been well-publicized in the business community and should be well-understood. To date, 135 TSX-listed companies have adopted CCGG’s majority voting policy, representing 85% of the TSX/S&P Composite Index. This wide-spread adoption of majority voting by Canada’s leading companies is indicative of the growing understanding of the practice and support for it. It also demonstrates that it can be implemented without business interruption.

CCGG’s view is that it is not sufficient for the TSX to require majority voting policies on a “comply or explain” basis only. Instead, the TSX should require all of its listed issuers to adopt majority voting policies. As the TSX has acknowledged, since majority voting policies provide a “workaround” the plurality voting standard established by corporate and securities laws, the TSX does not need to be concerned that such a requirement would conflict with those laws. We note that the TSX also has acknowledged that concerns over potential problems that could be caused by majority voting have not come to fruition in companies that have adopted majority voting policies.

Finally, it is worth noting that to the best of our knowledge, Canada and the U.S. are the only countries in the world that do not use a majority vote standard for uncontested director elections. Requiring TSX-listed issuers to adopt majority voting will improve the international reputation of Canada’s largest securities market and will help TSX-listed issuers meet internationally accepted best practices.

With respect to majority voting in the context of equity controlled corporations, we refer you to Guideline #1 of our recently released *Governance Differences of Equity Controlled Corporations*, a copy of which is enclosed.

Reporting Detailed Vote Results

In CCGG's view, it is not sufficient to have disclosure made only to the TSX of detailed vote results following a director election where a TSX-listed issuer has not adopted a majority voting policy.

CCGG's view is that the TSX should require its listed issuers to disclose publicly (and not just to the TSX) the detailed vote results of all matters listed on the proxy, including director elections, irrespective of how the vote was conducted. A public report by an issuer that states only whether a matter was passed or defeated does not give shareholders any information through which they can assess the level of shareholder support for directors or any other matter listed on the proxy, nor can they ascertain any trends in changing levels of support.

In addition, companies are not under any obligation to confirm to shareholders voting by proxy that their votes have been received and tabulated. This lack of confirmation, when coupled with the fact that the vote results are not reported, makes it virtually impossible for shareholders to know whether their votes have been counted.

CCGG does not take issue with show of hands voting and summary reporting of whether the matter was carried or defeated for routine procedural matters related to the conduct of the meeting. However, as stated above, companies should be required to report detailed and accurate vote results for all matters listed on the proxy, including director elections.

CCGG has been urging companies to provide detailed vote results as a matter of best practice. Many of Canada's largest companies voluntarily report their vote results for director elections, but approximately 38% of companies in the S&P/TSX Composite still do not. (That number would likely be much higher if smaller non-index companies were considered.) CCGG's view is that all public companies should be required to disclose the detailed results of shareholder votes for all substantive matters listed on the proxy.

We thank you again for the opportunity to provide you with our comments. If you have any questions regarding the above, please feel free to contact our Executive Director, Stephen Erlichman, at 416.868.3585 or serlichman@ccgg.ca.

Yours very truly,



Daniel E. Chornous, CFA
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CCGG MEMBERS

Acuity Investment Management Inc.
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 Alberta Teachers' Retirement Fund Board
 Aurion Capital Management Inc.
 BlackRock Asset Management Canada Limited
 BMO Harris Investment Management Inc.
 British Columbia Investment Management Corporation (bcIMC)
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 Connor, Clark & Lunn Investment Management
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 Genus Capital Management
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 Jarislowsky Fraser Limited
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 Mackenzie Financial Corporation
 McGill University Pension Fund
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 MFC Global Investment Management
 NAV Canada
 New Brunswick Investment Management Corporation (NBIMC)
 NEI Investments
 Ontario Municipal Employees Retirement Board (OMERS)
 Ontario Pension Board
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 State Street Global Advisors Ltd. (SSgA)
 TD Asset Management Inc.
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 United Church of Canada
 University of Toronto Asset Management Corporation
 Workers' Compensation Board - Alberta
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