



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

May 5, 2017

Joanne Sancj
Legal Counsel, Regulatory Affairs
Toronto Stock Exchange
The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J2
Via email: tsxrequestforcomments@tsx.com

Dear Ms. Sancj,

Re: Amendments to Toronto Stock Exchange Company Manual (April 6, 2017)

The Pension Investment Association of Canada (PIAC) would like to extend its support in respect of the Toronto Stock Exchange's (TSX) proposed amendments to the TSX Company Manual (the Amendments). We appreciate the opportunity to provide comments in connection with these proposed 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 \$1.6 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's positions on public policy reflect the fiduciary framework in which member funds operate and its commitment to work in the best interests of plan members.

PIAC member funds are long-term institutional investors in the global equity markets. Through proxy voting our members promote better corporate governance and corporate responsibility with the objective of enhancing issuer performance and shareholder value. Proxy voting often involves scrutiny of proposals in light of the issuer's existing policies. By granting investors centralized access to the constating documents and pertinent policies of listed issuers, the Amendments will enhance an investor's ability to integrate key information into their proxy voting analysis.

Investors are often asked to consider proposals to either amend or approve a security based compensation plan. Since an important consideration with respect to these plans is the potential dilutive effect of the plan on existing shareholders, enhanced disclosure regarding security based compensation arrangements, including the disclosure of annual burn rates, will help investors to better analyze such proposals.

Comments on specific aspects of the Amendments

Part IV Amendments

We recognize that disclosing governance documents on the company website and ensuring that such documents remain up to date will result in an increased regulatory burden to listed issuers. However, we agree with the TSX's conclusion that the benefit of increased and centralized access to issuer information outweighs the regulatory burden of disclosing such information.

Question 1

We support requiring issuers to disclose existing policies on ethics, diversity, anti-corruption, human rights, the environment and health and safety. We believe that disclosing, and regularly updating, policies and procedures in respect of such issues would allow investors to assess the extent to which corporate decisions may contribute to or detract from shareholder value. Additionally, proxy voting analysis in respect of environmental, social and governance proposals often requires consideration of the proposal in light of the current disclosure available from the issuer. Website disclosure of such information would ensure that investors support proposals that request reasonable disclosure of additional information while opposing proposals that request duplicative or overly prescriptive information.

Part VI Amendments

Question 1 – Should the requirements to disclose static terms of a Plan (e.g., financial assistance, vesting, etc.) be limited to Approval Meetings?

In our view, the requirement to disclose static terms of a Plan should not be limited to Approval meetings because they provide value beyond the purposes of approving equity plans. Factors such as whether financial assistance has been provided to plan participants and vesting conditions are material to shareholders and help provide an understanding of the issuer's overall approach to compensation.

Question 2 – Is the burn rate and the formula for calculating it useful and appropriate disclosure?

Burn rate is a useful and important factor considered by our members when evaluating equity based plans up for shareholder approval. We are pleased that the burn rate formula now requires the use of a weighted average of outstanding securities for the denominator

rather than the number outstanding at the beginning of the most recently completely fiscal year. However, we believe that the proposed disclosure requirement concerning the impact of a multiplier is unclear. The Amendments state that if securities awarded include a multiplier, listed issuers are required to provide details in respect to such multiplier. In order to provide investors with an accurate measure of potential dilution, we recommend expressly requiring listed issuers to calculate the burn rate percentage using the maximum payout under the multiplier.

We trust that our responses have been helpful. Please do not hesitate to contact us if you have any further questions or concerns. We thank you for the attention to our letter and would be happy to discuss this matter further with you or answer any questions you may have. Please do not hesitate to contact Katharine Preston, Chair of the Stewardship Committee (416-681-2944 or kpreston@optrust.com), for additional information.

Yours sincerely,

A handwritten signature in black ink, appearing to read "K. M. Fahey". The signature is fluid and cursive, with a large, stylized "F" at the end.

Kevin Fahey
Chair

cc Susan Greenglass
Director
Market Regulation
Ontario Securities Commission
20 Queen Street West
Toronto, Ontario M5H 3S8
Via email: marketregulation@osc.gov.on.ca