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June 27, 2016

**Subject:** Amendments to Toronto Stock Exchange Company Manual

Dear Ms. De Giusti:

Mercer has reviewed the proposed amendments to the Toronto Stock Exchange Company Manual to (i) introduce website disclosure requirements for TSX issuers and (ii) amend the disclosure requirements regarding security-based compensation arrangements (the "Proposed Amendments") and we appreciate the opportunity to share our comments.

Mercer is a global consulting leader in talent, health, retirement, and investments. We help clients around the world advance the health, wealth, and performance of their most vital asset — their people. Mercer's more than 20,000 employees are based in 43 countries, and the firm operates in over 140 countries. Mercer is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy, and human capital.

Mercer has extensive experience designing and implementing executive and director compensation programs and assisting public companies with their executive compensation disclosures. Our Talent business services also include consulting and expertise in broad-based rewards, HR transformation, talent strategy, communication, and mobility, as well as a full range of best-in-class information and technology solutions.

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## Mercer recommendations

We believe the proposed amendments are generally consistent with evolving disclosure practices and should facilitate shareholders' understanding of the key provisions of a company's security-based compensation arrangements. However, we have the following suggestions on the proposed Form 15 disclosure of annual burn-rates and outstanding security-based awards:

**Burn rate.** The Proposed Amendments would express burn rate as a percentage equal to the number of awards granted during the most recent fiscal year (or each of the most recent three fiscal years in the case of approval meetings), net of cancellations, times any multiplier, divided by the number of shares issued and outstanding at the beginning of the year. While we support the idea of consistent disclosures across companies, we believe having a single definition:

- May not accurately reflect a company's grant strategy
- May not be consistent with the methodologies used by many institutional investors and proxy advisers to analyze securities-based plan proposals
- Requires clarification of terms such as "multipliers", "cancellations", and "outstanding securities"

To address these issues, we recommend the following changes and clarifications to the Proposed Amendments:

- *Awards with multipliers should be included in burn rate calculations based on the target number of shares granted. We believe using the maximum number of shares would overstate a company's burn rate. Using target would more accurately reflect a company's annual share usage as most performance goals are set so that the maximum is a stretch, not a probable outcome. (Our comment assumes "multipliers" refer to performance-based awards where employees can earn a range of shares based on performance outcomes but this should be clarified.)*
- *If our recommendation to use the target number of shares is adopted, cancellations should not be netted out. Netting out cancellations could result in year-to-year swings if there are significant terminations in a particular year. (Our comment assumes "cancellations" include forfeitures but this should be clarified.)*

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- *The denominator should be the weighted average number of basic shares outstanding during the most recently completed fiscal year.* Using a weighted average, instead of the number of shares at the beginning of the most recently completed fiscal year, better reflects that equity awards are made over the course of the year, and would help smooth out the impact of share issuances and buybacks. (Our comment assumes “outstanding shares” means *basic* shares (vs *diluted* shares) but this should be clarified.)

In addition, companies should be allowed to supplement this disclosure with their own burn rate methodologies as long as they clearly explain any differences from what is required.

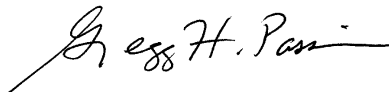
We believe our suggestions are more consistent with the various methodologies used by proxy advisers and institutional investors when they evaluate securities-based plan proposals.

**Outstanding awards.** For outstanding awards, companies would be required to show the maximum number of shares that could be awarded, with footnote disclosure of any multiplier. We believe it would be more appropriate to disclose the target number of shares, with a footnote discussion of the maximum. As discussed above under “burn rate”, most performance goals are set so that the maximum is a stretch, not a probable outcome. Alternatively, the Form could require a table showing threshold, target, and maximum number of shares.

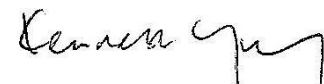
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Thank you for the opportunity to comment on the Proposed Amendments. Let us know if you have any questions or comments.

Regards,



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