



November 5, 2012

Ms. Michal Pomotov
Legal Counsel
Toronto Stock Exchange
The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J2
Email: tsxrequestforcomments@tsx.com

Re: Request for Comments – Amendments to the Toronto Stock Exchange Company Manual – Director Elections

Dear Ms. Pomotov:

We are writing in response to the Toronto Stock Exchange (TSX) request for comments on proposed further Amendments to Part IV of the TSX Company Manual relating to director elections at TSX-listed issuers.¹ NEI Investments commends TSX for its efforts to enhance listing standards in Canada, and for seeking stakeholder input.

With approximately C\$5 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies integrating best environmental, social and governance (ESG) practices into their strategy and operations will build long-term sustainable value for all stakeholders and provide higher risk-adjusted returns to shareholders. Through our company evaluations, our active engagement with companies in our funds, and our research, we have developed considerable insight into good practice and weaknesses in corporate governance and shareholder democracy provisions.

NEI Investments has engaged with TSX over several years on how the exchange could support enhanced disclosure from issuers on environmental and social risks. TSX has been very responsive in that dialogue and we are encouraged to see the exchange continue to evolve its governance standards.

We welcome the decision to mandate annual election of individual directors and the disclosure of vote results. Below we address the questions posed in the request for comments on the proposed further Amendments relating to director elections.

1. 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.

¹ Toronto Stock Exchange (2012). Request for comments: Amendments to Part IV of the Toronto Stock Exchange Company Manual. http://tmx.complinet.com/en/display/display_main.html?rbid=2072&element_id=821

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We support TSX mandating majority voting. We do not foresee any negative impacts if a mandatory majority voting policy is adopted, as so many issuers already have such a policy.

We are concerned that if the proposed further Amendments are not adopted, allowing a comply or explain approach will create uncertainty among investors and undermine the purpose this exercise—modernizing TSX listing requirements so that issuers adopt global best practices. Furthermore, we cannot conceive of any sound arguments that could be used to justify not adopting majority voting under a comply or explain approach.

2. 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 that including specific language within the Amendments is critical in establishing clarity for issuers. We would support adding language to the proposed further Amendments clarifying the expectation that boards will accept the resignation of directors, absent exceptional circumstances.

3. What positive or negative impacts may the Amendments have on other market participants or the market in Canada in general?

We do not foresee any negative impacts from the proposed further Amendments, and we expect that the image of Canadian markets will be enhanced by the move. This is a matter of international interest: in March 2011 we co-led a global group of investors representing U.S. \$832 billion in assets under management in writing to the Ontario Securities Commission regarding the consultation on shareholder democracy issues under OSC Staff Notice 54-701², calling for requirements on individual director elections and majority voting.

Under a comply or explain approach, the possibility that issuers will switch to plurality voting whenever a board is facing re-election problems will remain a concern for investors. Hence, we believe adopting mandatory majority voting will prevent uncertainty among investors.

4. 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 RFC Amendments being finalized today.

We encourage TSX to pursue this initiative and fully support the jurisdiction of TSX in the adoption and enforcement of the proposed further Amendments. We believe these corporate government standards are relevant for all exchanges, and commend TSX for taking a lead to ensure that Canada does not lag behind other jurisdictions.

5. Are there additional ancillary rule amendments or other relevant issues not discussed in this Request for Comments that should be considered in adopting the Amendments?

² NEI Investments/SHARE (2011). Re: OSC Staff Notice 54-701, March 31, 2011.

http://www.neiinvestments.com/neifiles/PDFs/5.5%20Public%20Policy%20and%20Standards/UNPRI%20Signatory%20submission%20to%20OSC_Staff%20Notice%2054-701.pdf



We have no further suggestions relating to these Amendments, although there are a number of other issues that we would like to see TSX address in further developing its listing standards, such as the need for enhanced disclosure on environmental and social issues.

Conclusion

We commend TSX for putting forward the proposed further Amendments, which we believe would be in the interest of shareholders. Should you have questions with regard to this submission, please do not hesitate to contact Michelle de Cordova (Director, Public Policy & Standards, NEI Investments) at mdecordova@NEIinvestments.com or +1-604-742-8319.

Sincerely,
NEI Investments

A handwritten signature in black ink, appearing to read "Robert Walker", followed by a long horizontal line extending to the right.

Robert Walker
Vice President, ESG Services & Ethical Funds

CC:
Ms. Susan Greenglass, Director, Market Regulation, Ontario Securities Commission (email: marketregulation@osc.gov.on.ca)
Ms. Eleanor Fritz, Director, Disclosure & Compliance, Toronto Stock Exchange