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BY E-MAIL AND FAX

Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Nova Scotia Securities Commission
Securities Administration Branch, New Brunswick
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice,
Government of the Northwest Territories
Registrar of Securities, Legal Registries Division,
Department of Justice, Government of Nunavut

Proposed Multilateral Policy 58-201
Proposed Multilateral Instrument 58-101

We are pleased to be have an opportunity to provide you with our comments on Proposed Multilateral Policy 58-201 (the **"Policy"**) and Proposed Multilateral Instrument 58-101 (the **"Instrument"**). We would like to commend the securities regulatory authorities involved in developing the Policy and the Instrument.

The following are responses to the questions raised for specific comment:

1. Disclosure in Relation to Best Practices

(a) The Policy will provide useful guidance for issuers. Most, if not all of the practices in the Policy are consistent with the existing practices of many of our clients. New issuers and issuers who wish to further develop their governance practices will find that the Policy provides them with a useful methodology for developing governance practices appropriate to them. In addition, the Instrument will assist issuers by specifying what disclosure should be included in their Annual Information Forms ("AIFs"). Issuers with alternative structures (income

trusts or limited partnerships) might find it useful to receive more extensive guidance on the application of the Instrument and Policy to their structures.

(b) The governance disclosure required in the Instrument will provide meaningful disclosure to investors. The body of information that has been available about governance practices of Canadian issuers as a result of the requirements of corporate governance guidelines (the **"TSX Guidelines"**) of the Toronto Stock Exchange (the **"TSX"**) has provided investors with a basis to understand the governance practices of the issuers in which they invest and to compare practices from one issuer to another. The disclosure requirement has also been an incentive for some issuers to improve their governance practices. However, the decision to place this disclosure in the AIF (which is not delivered to all shareholders) instead of the management information (proxy) circular (which is delivered to all shareholders) may diminish the impact of this disclosure.

(c) Describing governance practices with reference to a set of best practices has the disadvantage of issuers disclosing only those aspects of their governance practices dealt with in the best practice guidelines. Disclosure by reference to categories of governance practice could result in a more comprehensive overview of an issuer's overall governance practices. These two approaches could be combined by adding to the Policy a section on shareholder disclosure which would encourage issuers to disclose not only the aspects of their governance practices contemplated in the Instrument, but any other governance practices which the issuer believes would assist an investor in understanding the issuer's approach to governance.

(d) The best practices set out in the Policy are consistent with best practices that have already been established by the TSX and, more recently, by the New York Stock Exchange. To the extent that the Policy includes new provisions (such as board responsibility for the organization's ethical framework and the process for nominating new directors), issuers will need to devote additional time to integrating those areas into their existing governance practices as appropriate.

2. Code of Ethics

(a) The text of the code of ethics is already and will become increasingly standard. As a result, the specific contents of the code may not be useful or informative disclosure for investors in many cases. However, the fact that an issuer has put in place a code of ethics may be quite useful – particularly as the process of developing a code is frequently one that involves consultation at all levels of an organization; it is rarely undertaken solely for legal purposes and often reflects a desire to promote a sense of community and shared responsibility within an organisation.

(b) Disclosure of waivers will be of great interest to investors. The disclosure requirement will discourage boards in some situations from granting a waiver.

(c) In the last two years a code of ethics has become increasingly common, largely as a result of U.S. influence. Some issuers choose not to adopt a code because of the time and expense involved in developing the code, educating employees and monitoring compliance. This does not typically reflect a lack of commitment to the principles set out in a code of ethics, but rather a belief that there are more cost effective ways of communicating and enforcing ethical behaviour. The requirement to disclose a code may discourage some issuers from adopting one, but the issues of time and expense are likely to be more significant considerations.

3. Compensation Committees

(a) The process used to determine compensation is already described in an issuer's Report on Executive Compensation. It would not be useful to contemplate similar, additional or duplicative disclosure in an issuer's AIF.

(b) The text of the compensation committee charter is useful to investors to the same extent that the text of the audit committee charter is useful. These charters are also becoming quite standardized. Accordingly, disclosure is useful to give investors the comfort that the committee performs the types of functions typically performed by a public company compensation committee. While the issuer could simply say this in its disclosure (rather than disclosing the charter itself), the disclosure requirement often serves to impose a discipline in developing the charter.

4. Nominating Process

(a) Disclosure of how director nominees are being selected would be of interest to investors, but more significantly, the requirement to disclose may promote more involvement by independent directors. It may also encourage board succession planning.

(b) Our response to the disclosure of this charter is the same as our response to item 3(b) above.

5. Assessment Process

Disclosure of the assessment process is only useful to the extent that it encourages boards to have an assessment process and demonstrates to investors that an issuer has such a process. Item 8 of proposed form 58-101F1 requires an issuer to describe the manner in which boards, committees and individual directors are assessed.

6. Additional Comments

We would like to offer the following additional comments:

(a) Definition of Independence - The definition of independence should appear in the Policy, rather than being cross referenced to Multilateral Instrument 52-110. There are a number of technical and practical problems with that definition. We have participated through the Securities Advisory Committee in providing you with comments in this regard. Please let us know whether you require anything further in this regard.

(b) Board mandate

(i) The idea of a board "explicitly assuming" the stewardship function has always been a difficult one. At least for corporate issuers, the board's statutory mandate charges it with the stewardship function and accordingly, explicitly assuming this function seems to be at least redundant. We would suggest that this provisions be revised to have the board "acknowledge" the stewardship function.

(ii) The list of board responsibilities should be clarified to make it clear that the board performs an oversight function only. For example, the board cannot be responsible for "identifying the principal risks of the business". This is a management responsibility, subject to board oversight.

(iii) Clarification of what is meant by "measures for receiving feedback from security holders" would be very useful. We recognize that this is drawn from the TSX Guidelines, but in our experience, few issuers have understood how to respond to this provision in those guidelines.

(c) Position Descriptions – Position descriptions for individual directors overlap significantly with the board mandate. We would suggest that this be eliminated as a best practice. You may wish to consider instead recommending that the board set out its expectations of its directors (whether in the board mandate or in a separate document). These expectations could involve, for example, the board setting how many board meetings are regularly scheduled and the nature and extent of the committee work expected of directors.

(d) Nomination of Directors – While the two step process for nominating directors is very thoughtful, we find this too detailed and prescriptive. Rather than stating that the board should adopt this process, we would suggest that the Policy provide that the board should adopt "a process". This two step process could be included as an example of an appropriate process.

Thank you for the opportunity to provide you with our comments. If you would like to discuss them with us in greater detail, please contact me at the number above, Rosemary Newman at 416-367-6970, Sébastien Roy at 514-841-6493 or David Torralbo at 514-841-6574.

Yours very truly,

Carol Hansell

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