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Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marches financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission
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

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Re: National Instrument 58-101 – Disclosure of Corporate Governance Practices

Dear Sirs:

We welcome the initiative of the Canadian Securities Administrators (the "CSA") in reviewing the Current Governance Materials (the "Materials").

The Power Group

Power Financial Corporation is a subsidiary of Power Corporation of Canada, a publicly-traded corporation. As an international holding company, we have invested many billions of dollars directly and indirectly in Canada, the United States and Europe. It has been our practice to take an active role in the oversight of our subsidiaries. Officers of Power Financial, whose full-time job is to focus and become knowledgeable about the affairs of the companies we are invested in, sit on the boards of our subsidiaries. We have no other relationship with our subsidiaries other than as directors and shareholders. We are major long term shareholders in such companies including our subsidiaries, and our interests are in seeing that our own shareholders, and indeed all our stakeholders prosper over the long term. Through our subsidiaries' boards and their committees, we work with management toward this objective.

We think this approach works well; as representatives of the controlling shareholder, executives of Power Financial are well placed to represent the interests of all shareholders in interacting with management at the board level. Some of our subsidiaries, such as Great-West Lifeco Inc. and IGM Financial Inc., are publicly traded. The fact that these companies have a controlling shareholder is transparent. In our view, it is because of this approach that many shareholders invest in Power Financial and in our publicly traded subsidiaries. These shareholders expect us to play a controlling role in this way, with proper respect for the interests of all.

General Comments

The Materials currently provide that a director is deemed to be not independent if, among other things, the director is, or has been within the last three years, an executive officer or an employee of the issuer's parent corporation. In our view, the determination of director independence should be based upon whether or not the director is independent of the issuer's management, and whether or not the director has any other relationships with the issuer which could reasonably be

expected to interfere with the exercise of the director's independent judgement. We believe that is a question of fact that should be determined by the issuer's board of directors on a case-by-case basis without reference to any presumptions such as those which are contained in the Materials. Controlling shareholder representatives should not be considered to be non-independent by definition.

Because the current independence deeming provisions contained in the Materials do not fit our model, we are made to appear to be "non-compliant" with the flawed definition of independence, and are required to explain ourselves. We believe this can give an inappropriate and misleading impression to the marketplace, as our directors sitting on our publicly traded subsidiaries' boards are deemed to be non independent when in fact, based on the basic test, they are independent. We find this troublesome given that we seek to meet the highest standards of governance practice and to provide accurate disclosure.

The CSA acknowledged in 2005 the concerns expressed by many reporting issuers as to whether the CSA's view of director independence was appropriate to companies such as Power Financial and its publicly traded subsidiaries. The CSA stated at the time, in National Policy 58-201, that it intended to "...carefully consider these concerns in the context of a study to examine the governance of controlled companies" and that it would "consider whether to change how this Policy...treats controlled companies". The CSA re-affirmed this commitment in 2007. We welcomed these undertakings by the CSA to reconsider its position vis-à-vis controlled companies.

The Principles-Based Approach Proposed by the CSA

We are pleased with the recognition by the CSA, in the proposed related National Policy, that there is no single model of good corporate governance and that the structures and practices that are most appropriate will vary among issuers. In this context, we welcome the principles-based approach for disclosure of corporate governance proposed by the CSA, as compared to a "comply or explain" model.

We fully endorse the proposed removal of the "bright line" tests that result in representatives of a controlling shareholder being deemed to be non independent. This change takes into account the realities of Canada's capital markets and its large proportion of controlled companies.

We believe that the governance issues typically associated with controlling shareholders are not ones of "independence", but rather relate to conflict of interests and "self-dealing". In our view, Principle 6 of the proposed materials appropriately addresses those concerns.

Specific Request for Comment-Question 6 (a)

In connection with question 6(a) of the Request for Comment, we share the concerns of the Alberta Securities Commission as to the introduction of a novel "perception" test for independence of directors. We are concerned that it could be unwieldy and an unworkable test for boards to attempt to determine what a third party may "perceive" with respect to a director as being independent or not, particularly in circumstances in which the board's own view of a director's independence is in conflict with their view of what might be perceived by a non-informed third party. We believe that this is a decision for the issuer's board of directors, having regard to all relevant circumstances, on a reasonable basis, as is currently the case. This also has the significant advantage of retaining the current test for this purpose, which boards have developed experience in applying, and with which investors have become familiar.

Specific Request for Comment-Questions 9 (a), (b) and (c)

With regard to questions 9(a) and (b) of the Request for Comment, we agree with the CSA that "independence" should mean independence from the issuer and its management and, in our view, relationships between a controlling or significant shareholder and the issuer can and should be effectively addressed through the recognition and management of conflicts of interest (the same principle should apply in our view to section 3.1 (b) of the proposed Companion Policy 52-110CP

for Audit Committees, which should be amended to refer to employees of "subsidiaries" of the issuer, rather than "affiliates", to avoid capturing employees of the controlling shareholder, which is inconsistent with the intent of the new definition of independence). Accordingly, we respond in the negative to your question 9(a) and positively to your question 9(b).

With regard to question 9 (c) of the Request for Comment, we respond positively, provided that the determination of the appropriate number of independent directors unrelated to the controlling shareholder be made by the board of directors of the issuer, based on its own particular circumstances.

We also have two additional comments in connection with the definition of independence:

i- We believe there should be an explicit statement (such as the one included in the Request for Comment) in National Instrument 52-110 or its companion policy that a controlling shareholder and its employees and executive officers are not disqualified from being independent.

ii- Considering that the definition of "executive officer" includes a chair or a vice-chair of an issuer, we are of the view that the CSA needs to reinsert the exceptions currently included in section 1.4 (7) of National Instrument 52-110 in order to give full and proper effect to the removal of the "bright line" tests that currently result in representatives of a controlling shareholder being deemed to be non independent.

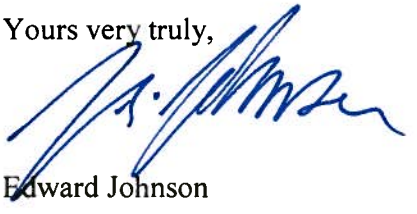
Finally, we share the concern of the Alberta Securities Commission, raised by their question 2 in Appendix A, relating to section 3.1(c) of the proposed Companion Policy 52-110CP for Audit Committees.

Implementation

Some observers have recently suggested publicly that given the existing challenges faced by issuers in Canada's capital markets, now is not the time to implement a new regulatory framework for corporate governance. Should the CSA decide to postpone the implementation of the principles-based approach, it should at least deal immediately with the long-standing issue of independence in connection with controlled companies and correct the current flawed definition. That change could be made easily, by straightforward amendments to sections 1.4 and 1.5 of current National Instrument 52-110.

Representatives of Power Financial would be pleased to discuss the foregoing with representatives of the CSA if that would be of assistance.

Yours very truly,



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