

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8

30 January 2018

CSA Consultation Paper 52-404

Dear Sir/Madam,

I am writing to you on behalf of BMO Global Asset Management (EMEA), the European asset management hub of BMO Global Asset Management, whose institutional and retail clients collectively represent over \$100 billion* of assets. In addition, BMO has been authorised to vote and/or engage in dialogue on behalf of a further 26 investment institutions with assets totalling over \$136 billion*. We are an active investors within the Canadian market and wish to put to you our comments regarding your consultation on the approach to Director and Audit Committee Member Independence.

Our view is that the current three tiered approach provides sufficient flexibility for all Canadian companies to build an effective board, whilst protecting the need for truly independent oversight by the board and, in particular, the audit committee. We consider that it strikes the right balance on determining independence between setting bright lines on those independence issues that we consider to be critical towards ensuring independence, as well as allowing for more grey areas to be considered within a comply-or-explain framework. Therefore we would discourage against reducing these requirements as suggested in the consultation paper.

By means of example, if the bright lines currently in place were removed then a company would be able to use its own judgement to declare a director who was until very recently an executive of the company as independent. In such circumstances we would still be able to exercise our own judgement on them and consider them as non-independent under our own corporate governance guidelines, potentially lead to us withholding support on the election. However, given the importance of ensuring absolute independence within certain governance structures of a company, such as the audit committee, we would much prefer the protection that would come from this individual being blocked from nomination altogether through the bright line test, than for us having to rely upon a substantial proportion of shareholders voting against their re-election to block their appointment.

Thank you for the opportunity to comment on this matter and please feel free to contact me directly should you wish to discuss any of the above.

Yours sincerely,



David Sneyd, Senior Associate, Governance & Sustainable Investment