

August 30, 2010

Mr. John Stevenson  
Secretary  
Ontario Securities Commission  
20 Queen Street West, 19<sup>th</sup> Floor Box 55  
Toronto, Ontario M5H 3S8

via email: [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

Ms. Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
CP 246, tour de la Bourse  
Montréal, Québec H4Z 1G3

via email: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

**Re: Comments on CSA Proposed Amendments to National Instrument 54-101 –  
Communication with Beneficial Share Owners**

Dear Mr. Stevenson and Ms. Beaudoin,

I am writing as the Chief Executive Officer and Chief Investment Officer of British Columbia Investment Management Corporation (bcIMC). bcIMC is among Canada's leading institutional investors, with responsibility for managing approximately CAD\$ 80 billion in assets on behalf of more than 400,000 pension beneficiaries in our province. We own millions of shares in hundreds of Canadian companies and in connection with this share ownership, bcIMC places significant value on meaningful and active communications in the context of voting and governance. Therefore, we appreciate this opportunity to put our investor views forward on the issues of facilitating access to and execution of proxy voting.

New “notice and access” model proposed

The CSA is proposing changes to shareholder communication rules via the introduction of a “notice and access” model for routine proxy votes. We understand that this would allow Canadian public companies to send their shareholders a notice informing them that their proxy materials are available online, or on demand, rather than automatically sending the entire package of materials.

The benefit for companies is the cost savings from not having to mail out a physical package of proxy materials to their shareholder base. The cost is the possibility that fewer investors will exercise their votes if they don't receive "encouragement" by way of a physical proxy. This, in turn, could weaken corporate accountability to shareholders. To mitigate the risk of a lower voter turnout, we encourage the CSA to implement the following measures along with a notice and access system:

- As a new communications system is implemented, launch a national investor education campaign to explain the proxy voting process and to encourage individual investors to vote their proxies at shareholder meetings. We believe that many investors do not understand the mechanics, benefits or rules around their voting rights.
- Reduce possible investor confusion by requiring companies to utilize notice and access for *all* beneficial owners. Currently, the CSA proposal would allow issuers to selectively utilize notice and access.
- Prescribe with greater clarity the type, tone, content and purpose of additional materials that issuers might include with the notice and voting instruction form. Without such clarity, there is the potential for a company to (intentionally or unintentionally) include an incomplete or misleading (some points could be overemphasized or underemphasized) summary of the information contained in the proxy circular. This suggestion again speaks to the need to reduce possible investor confusion.
- Ensure that all shareholders are treated alike regarding their rights to shareholder information and proxies. Currently, the CSA proposal would continue to allow companies to not pay for the delivery of proxy notifications and materials to Objecting Beneficial Owners (OBOs). The proposal only mandates that companies must pay for delivery of proxy-related materials to Non-Objecting Beneficial Owners (NOBOs). Consequently, we are greatly concerned that NI 54-101 has the effect of reducing some shareholders' ability to exercise their right to vote. According to data shown to us recently by Broadridge Financial Solutions Inc., a leading proxy intermediary, about 37% of Canadian companies are refusing to pay for the delivery of OBO proxy materials. Although some intermediaries are picking up costs in some instances, a meaningful proportion of shareholders may be disenfranchised because they are not receiving proxy materials. It is our contention that NI 54-101 should be amended to require companies to deliver proxy information (through notice and access or otherwise) at their expense to all beneficial owners, regardless of their NOBO or OBO status.

## The Proxy Voting System

While the focus of the proposed CSA amendments to NI 54-101 is on implementing a more efficient, electronic means by which shareholders are sent proxy-related materials, we are pleased that comments are also being invited on ways to improve Canada's proxy system as a whole.

In our view, the proxy voting process should be fully transparent and verifiable, starting with the compilation of a reconciled list of beneficial owners eligible to vote and ending with a final tabulation of votes cast at a shareholder meeting. Currently, this is not the case in Canada and we encourage the CSA to quickly introduce the necessary voting system reforms.

For example, bclMC votes at annual general meetings by returning voting instruction forms – electronically – to a proxy intermediary, Broadridge. At the present time, the intermediary can only confirm back to us that our votes were forwarded to the company. The next logical and important, but missing, step is confirmation to us from the company that bclMC's share positions were actually voted as instructed.

To enhance the integrity of the voting process, companies should be required to return a detailed confirmation to shareholders of vote instructions received. We understand that the proxy messaging "tools" to deliver vote confirmations have been developed and are beginning to be voluntarily implemented in North America.

The consequences of a miscast or missed vote can have serious economic implications. In mergers and acquisitions activity, particularly in very tight contested takeover situations, a miscast or missed vote could lead to financial losses for investors. In addition, where there is a particularly contentious resolution on the ballot, the matter of a few votes can make the difference about whether a measure will pass. As majority voting for director elections gains ground in Canada, we believe that accurate and verifiable voting becomes even more important.

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In conclusion, bclMC appreciates the opportunity to add our views and experiences to this consultation project and should you have any questions or require further information, please feel free to contact me.

Sincerely,



Doug Pearce  
Chief Executive Officer and Chief Investment Office