



Canadian Oil Sands

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**VIA COURIER AND EMAIL**

March 28, 2011

To: Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8

**Attention: John Stevenson, Secretary**

cc: Alberta Securities Commission  
Alberta Stock Exchange Tower  
4<sup>th</sup> Floor, 300 – 5<sup>th</sup> Ave S.W.  
Calgary, Alberta T2P 3C4

**Attention: Tom Graham, Director, Corporate Finance**

Dear Sir:

**Re: *Comments on the OSC Staff Notice 54-701 Regulatory Developments Regarding Shareholder Democracy Issues (the "Shareholder Democracy Issues")***

With respect to the above noted Shareholder Democracy Issues, Canadian Oil Sands Limited (the "Corporation") would like to submit the following comments for your consideration. The Corporation is a reporting issuer under the applicable securities legislation in Canada and is the successor in interest to Canadian Oil Sands Trust. As of March 25, 2011, the Corporation has a market capitalization of approximately \$15 billion.

We fully support having individual voting rather than slate voting for directors. We believe that this allows shareholders to voice their individual views as to each board nominee.

Effective December 31, 2010, concurrent with our conversion to a corporate structure from an income trust structure, our board adopted a new policy regarding majority voting. Under this policy, if a director candidate is elected but receives less than 50% of the votes cast at the meeting appointing directors, or if a director gives notice that there has been a change in personal circumstances which may impact the director's ability to serve on the board, the board is to consider the circumstances of such vote, the particular attributes of the director candidate including his or her knowledge, experience and contribution at board meetings and make whatever determination the board deems appropriate, including without limitation, requesting such director to resign at an appropriate time. The board then will advise shareholders of the board's decision, including the factors considered, in that regard in due course. Accordingly, while the Corporation supports the concept that each nominee should receive a majority of the shareholder votes we do not believe that having a set requirement or legislatively mandated policy is appropriate. Each director on a corporate board has a fiduciary duty to act reasonably

and in the best interests of the corporation. Accordingly, it should be up to the board themselves as a whole to assess whether asking for the director candidate who receives less than 50% of the votes cast to resign or not as is appropriate in each particular circumstance through robust disclosure. There may be occasions where the particular skill sets and experience of a board member are critical to the future planning and oversight of an entity. Shareholders would not necessarily be privy to such knowledge nor would they have the understanding of the corporate needs with respect to board oversight. Accordingly, each board should have the discretion to make the appropriate determination in the circumstance. We would recommend that the Ontario Securities Commission ("OSC") not implement regulation requiring a majority voting for uncontested director elections but rather leave it up to each board to determine the appropriate course of action. We would be indifferent to a requirement that a board be required to advise as to whether or not they have a policy and what that policy is.

We do not believe that it is appropriate for the OSC to implement a mandated shareholder advisory vote on executive compensation and golden parachute payments. We believe that new initiatives, such as say-on-pay policies, blur the lines of responsibilities among boards, management and shareholders. Any such policies must be considered carefully in the context of directors' fiduciary duties and legislated responsibilities. At the current time, we do not believe that the say-on-pay concept and supporting policies are sufficiently defined and anticipate that this matter will continue to mature and a better working model will arise after seeing the outcome of the current proposals and legislation in the US, UK and Australia. We believe that it is more important that we continue to be engaged and inform our shareholders through robust disclosure as to the compensation policies and the rationale behind our policies. Sometimes shareholders react to events that occur after the fact and their views may be short term and fuelled by information that may not be fully accurate or understood. When taken on a longer term basis (3 or 5 years), there is more perspective as to the goals that are being established and the long term effect of those goals both on executive compensation and on shareholder value.

With respect to the OSC's review of the effectiveness of the proxy voting system, we would refer you to our letter dated August 13, 2010 with respect to comments on the proposed amendments to National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*, a copy of which letter is attached hereto.

Should you have any questions, or require anything further, please do not hesitate to contact the undersigned directly at (403) 218-6240.

## CANADIAN OIL SANDS LIMITED

Per:   
Trudy M. Curran  
General Counsel and Corporate Secretary

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cc: Marcel R. Coutu, President & Chief Executive Officers  
Ryan M. Kubik, Chief Financial Officer  
Donald J. Lowry, Chairman of the Board  
Ian A. Bourne, Chair of the Corporate Governance and Compensation Committee