BLACKROCK

400 Howard Street
P.O. Box 7101
San Francisco, CA 94105
Tel +1 415 670 2779
Fax +1 415 618 5000
Robert.Zivnuska@blackrock.com

Robert E. Zivnuska
Director
Corporate Governance and
Responsible Investment

March 28, 2011

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

Re: OSC Staff Notice 54-701 - Regulatory Developments Regarding Shareholder Democracy Issues

Dear Mr. Stevenson,

BlackRock, Inc. ("BlackRock") welcomes the opportunity to comment on OSC Notice 54-701 – *Regulatory Developments Regarding Shareholder Democracy Issues* (the "Notice"). BlackRock is one of the world's leading asset management firms providing global investment management, risk management, advisory and trust services to institutional, intermediary and individual investors around the world. As of December 31, 2010, BlackRock's assets under management totaled approximately CAD $3.5 trillion across equity, fixed income, cash management, alternative investments, multi-asset and advisory strategies.

BlackRock is committed to engaging with companies and voting proxies in the best long-term economic interests of its clients. Our Corporate Governance and Responsible Investment ("CGRI") team comprises 18 professionals within our Portfolio Management Group dedicated to proxy voting and company engagement in six offices around the globe. Additionally, approximately 40 senior investment professionals across our global offices oversee and guide the work of the CGRI team. BlackRock votes at approximately 14,000 shareholder meetings annually, across 75 countries, in accordance with our internally-developed proxy voting guidelines.

As of December 31, 2010, BlackRock Asset Management Canada Limited ("BlackRock Canada") manages approximately CAD $113.9 billion on behalf of Canadian investors. BlackRock Canada is registered as a portfolio manager, investment fund manager and exempt market dealer in all the jurisdictions of Canada and as a commodity trading manager in Ontario. BlackRock's CGRI team votes at approximately 400 shareholder meetings in Canada annually. BlackRock Canada is a member of the Canadian Coalition for Good Governance ("CCGG"), a group of 45 institutional investors with over CAD $1.5 trillion assets under management that is dedicated in part to promoting good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders.[1]

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[1] www.ccgg.ca

In this letter, we provide our views on the three issues identified by the Ontario Securities Commission (the "Commission") staff as requiring additional review at this time: slate voting and majority voting for uncontested director elections; shareholder advisory votes on executive compensation; and the effectiveness of the proxy voting system.

Slate voting and majority voting for uncontested director elections

The election of directors is one of the most important corporate governance decisions we make as a shareholder. Directors serve a critical role in representing our interests in the boardroom, and the vote on directors is our primary tool to ensure accountability to shareholder interests.

In our view, two key requirements for meaningful board elections are: 1) the ability to elect directors individually; and 2) the right to elect directors by majority rule. As such, we believe that the elimination of slate voting and the implementation of majority voting would significantly improve shareholders' rights in Ontario by strengthening shareholders' primary tool for electing their representatives in the boardroom.

Slate voting

Generally, our starting position is to be supportive of boards in their oversight efforts on our behalf. However, boards can, and occasionally do, fail in their duty to protect shareholder interests. These failures may reflect action or inaction of the entire board, but more often we see failures that we attribute to a specific committee of the board or an individual director.

Unfortunately, the election of directors by slate provides for an "all or none" choice where shareholders can either support an entire slate or withhold support from an entire slate; investors do not have the ability to support or oppose individual directors despite their desire to do so. We strongly prefer to voice any concerns regarding individual directors by voting against those specific directors, for example by voting against members of the compensation committee in cases where we observe what is in our view a disconnect between pay and performance at a company. The slate voting mechanism allows directors to avoid individual accountability and prevents shareholders from providing specific and meaningful feedback via their proxy vote

We believe that slate voting is prevalent in very few developed markets. Research indicates that approximately 41% of Canadian companies employ slate voting, and we believe that slate voting has a higher prevalence in Canada than in almost any other developed market.[2]

We have not identified any legitimate benefits to slate voting We note that in recent Parliamentary hearings in which a representative of the CCGG testified that the *Canada Business Corporations Act*

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[2] Markets where slate voting is still the norm include Greece, Indonesia, Italy, Jordan, Kuwait, Portugal, Turkey and all Latin American and African countries. (Source: ISS)

should prohibit slate voting in Canada, there was no opposing information presented arguing that the prohibition of slate voting in Canada might impact corporate managerial performance.[3]

We believe that shareholders should have the opportunity to elect each board member individually without having to accept a single slate. We strongly urge the Commission to develop a proposal to eliminate slate voting as an option for director elections.

Majority voting for uncontested elections

Consistent with our stated views on the importance of the election of directors, BlackRock generally supports the concept of director election by majority vote. Majority voting standards assist in ensuring that directors who are not broadly supported by shareholders are not elected to serve as their representatives. We do not believe that the use of a plurality vote standard results in a meaningful election, because directors can be assured re-election regardless of the views of their constituencies. We note that the ability to elect directors individually is a prerequisite for majority voting to be an effective tool.

We note that majority voting is not appropriate in all circumstances, for example, in the context of a contested election. We also recognize that more than half of all of S&P/TSX Composite issuers – 81% by market capitalization – have adopted a majority voting policy[4]; many of these companies maintain a plurality voting standard but have adopted a resignation policy for directors who do not receive support from at least a majority of votes cast. We believe that this type of resignation requirement can be generally equivalent to a majority voting regime.

With this in mind, we respectfully suggest that the Commission consider adopting a majority voting regime in Ontario.

Mandated shareholder advisory votes on executive compensation

BlackRock does not believe that mandated shareholder advisory votes on executive compensation ("advisory votes") would contribute meaningfully to shareholders' rights in Ontario. We believe strongly that boards are responsible for ensuring that executive compensation is aligned with company performance relative to peers. Therefore, we conduct an annual pay-for-performance evaluation for each company in our clients' portfolios. In our experience, most Canadian boards do a good job of managing compensation most of the time

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[3] Statutory Review of the Canada Business Corporations Act, "Report of the Standing Committee on Industry, Science and Technology", Hon. Michael D. Chong, MP, Chair, June 2010, 40th Parliament, 3rd Session.

[4] Based on CCGG research as of December 2010. (Source: CCGG Policy, "Majority Voting Standard", February 2011)

Where we observe a disconnect between pay and performance relative to peers, we believe it is most effective for shareholders to express concern by withholding votes from compensation committee members. We believe that compensation committees are in the best position to make compensation decisions and should maintain significant flexibility in administering compensation programs, given their knowledge of the wealth profiles of the executives they seek to incentivize, the appropriate performance measures for the company, and other issues unique to the company. We believe that compensation committee members should be held directly accountable for these decisions.

We note that some proponents of advisory votes believe that the votes may lead to more meaningful engagement between boards and shareholders regarding executive compensation. We believe that in the event of questions or concerns regarding an observed pay-for-performance disconnect at a company, investors are best served by engaging directly with compensation committee members. Our experience with advisory votes in other markets is that these votes often cause distraction for investors and for issuers; advisory votes can lead to engagement that is narrowly focused on executive compensation at the expense of other value-oriented issues. We question whether an advisory vote adds value to the engagement process.

We therefore do not believe that the Commission should propose a rule to enact mandatory shareholder advisory votes on executive compensation. We believe that our votes on compensation committee members are a considerably more powerful mechanism to express concern regarding executive compensation than via an advisory vote. We respectfully submit that the Commission should focus its shareholder democracy reform efforts on the other topics addressed in the Notice, specifically slate voting and majority voting for uncontested director elections, which we believe will result in a much more meaningful increase in shareholder rights in Ontario.

Effectiveness of the proxy voting system

BlackRock believes that an in-depth review by the Commission, in conjunction with the Canadian Securities Administrators ("CSA"), on the effectiveness of the proxy voting system is warranted at this time. We note that there are several issues discussed in the public forum regarding the effectiveness of the Canadian proxy voting system. We would like to highlight two issues: 1) the challenges that intermediaries may experience in capturing vote entitlements for dually-listed securities; and, 2) the inefficiencies that may arise from the lack of a standardized proxy voting entitlement, distribution and processing system in Canada.

Challenges capturing vote entitlements for dually-listed securities

As both an investment manager and a provider of trust services, the most challenging issue related to proxy voting in Canada is capturing proxy voting entitlements for securities that are listed on both Canadian and American exchanges. Dual listings may lead to securities clearing through both the CDS Clearing and Depository Securities Inc. ("CDS") and the U.S. Depository Trust Company ("DTC"), thereby producing duplicate vote entitlements. Due to the challenges of reconciling duplicate vote

entitlements, there is an increased potential for under- or over-voting at shareholder meetings for issuers whose shares are clearing through both CDS and DTC.

Lack of standardized entitlements distribution and processing

Canada does not currently have a standardized proxy voting entitlement, distribution and processing system. A troubling result of the lack of standardization is the differing treatment of investors who do not reveal their identity to issuers (Objecting Beneficial Owners, "OBOs") and investors who have made their identity known to issuers (Non-Objecting Beneficial Owners "NOBOs").

Under National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer* ("NI 54-101"), Canadian issuers bear the cost of proxy materials distribution to NOBOs. Issuers contact NOBOs in whatever manner the issuer deems appropriate (methods include fax, email and mail), whereas OBOs are generally contacted through their custodians via an established intermediary, such as Broadridge, around which many investors have well-tested controls. We believe that investors would benefit from the establishment of a standardized proxy voting processing system that takes into account the global scope of many investors' shareholdings and that utilizes established intermediaries that are positioned to implement such a standardized system.

Conclusion

The issues and ideas presented in the Notice reflect the possibility of major revisions to the current Canadian proxy system. We welcome the Commission's efforts in the Notice and support the concepts to create greater accountability for directors and to improve the effectiveness of the proxy voting system. We respectfully suggest that the Commission should further explore the effectiveness of the proxy voting system, in particular with regards to the cross-border clearing of securities and of the impacts of NI 54-101. We are concerned that certain other ideas for change, for example, mandating shareholder advisory votes on executive compensation, may lead to unintended consequences. We also encourage the Commission to work more broadly with the CSA on the above issues in order to develop a consistent approach to shareholder democracy issues across Canada.

Thank you for considering BlackRock's views on these important issues. If you have further questions, please contact the undersigned.

Sincerely,

Robert Zivnuska
Director, Corporate Governance and Responsible Investment, Americas