



# CPP INVESTMENT BOARD

March 30, 2011

John Stevenson, Secretary  
Ontario Securities Commission  
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**RE: OSC Staff Notice 54-701 *Regulatory Developments Regarding Shareholder Democracy Issues (the “Staff Notice”)***

This submission is made by the Canada Pension Plan Investment Board (the “CPP Investment Board”) in response to the request for comments by the Ontario Securities Commission (the “OSC”) in the Staff Notice.

The CPP Investment Board is a professional investment management organization based in Toronto. Our purpose is to invest the assets of the Canada Pension Plan in a way that maximizes returns without undue risk of loss. The CPP Investment Board holds shares in 3,100 companies globally, of which roughly 550 are Canadian companies. At December 31, 2010, the CPP Investment Board’s holdings amounted to more than \$140 billion, with more than \$75 billion in public equities, including \$20 billion in Canadian public equities.

We believe the corporate governance reforms contemplated in the Staff Notice are essential to shareholder democracy and will enhance long-term shareholder value. We are pleased that the OSC has undertaken a review of these issues and encourage you to move ahead on developing regulatory proposals on these matters. We note that you intend to coordinate the development of regulatory proposals with other members of the Canadian Securities Administrators (“CSA”) and encourage all of the CSA members to move ahead with the development of uniform regulation in these areas.

### **Slate voting and majority voting for uncontested director elections**

One of the principal rights of voting shareholders is to elect the board of directors who oversee the company. Each individual director should be accountable to shareholders and have their confidence and support. This is compromised when directors are elected as a “slate”, leaving shareholders with an all-or-nothing choice rather than the opportunity to elect or oppose each director individually. To uphold individual director accountability, we urge the OSC to prohibit slate voting for the election of directors.

As noted in the Staff Notice, the dominant voting standard in Ontario is plurality voting. Plurality voting, in uncontested director elections, is inherently undemocratic as a director can be

elected if he or she receives at least one 'for' vote, regardless of the number of 'withhold' votes. If a director does not receive support of a majority of the votes cast, in an uncontested election, the director did not receive the support of the shareholders and should not be elected.

In order to hold directors accountable for their performance and ensure that members of the board have the full confidence of shareholders, we believe that it is appropriate for the OSC to establish rules mandating a majority voting standard for the election of directors. We recognize that many Canadian companies have adopted formal corporate governance policies providing for the resignation of a director who does not receive support of a majority of votes cast. While these policies present a meaningful improvement to a plurality vote standard, only slightly over half of S&P/TSX Composite Index companies have adopted such a policy and the practice has not evolved beyond the largest companies. We urge the OSC to raise Canada's shareholder democracy standards to levels found in international markets and impose a majority vote standard for the election of directors.

#### **Mandated shareholder advisory votes on executive compensation**

We believe that an advisory vote on executive compensation, or 'Say on Pay', is an effective means to improving executive compensation disclosure and practices while encouraging engagement between companies and shareholders. To date, despite the support of shareholders and mandatory 'Say on Pay' votes in many developed markets, including the U.S., the U.K. and Australia, only 48 Canadian companies have voluntarily agreed to provide shareholders with a "Say on Pay" vote. We believe it is appropriate for the OSC to require reporting issuers to provide shareholders with a 'Say on Pay'.

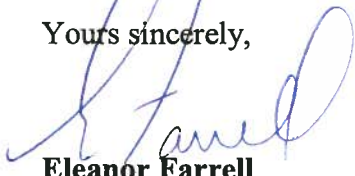
#### **Effectiveness of the proxy voting system**

We agree that an effective proxy voting system that allows shareholders to make informed voting decisions and ensures that their votes are counted at shareholder meetings is essential. The current proxy voting system is extremely complex and legitimate questions have been raised about its transparency, reliability and accuracy. We encourage the OSC to conduct a thorough review of the proxy system to truly evaluate its effectiveness and determine key changes that are required to improve the system, such as requiring vote confirmations so that investors can be certain that their votes have been counted correctly.

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We appreciate this opportunity to comment on the Staff Notice. Please do not hesitate to contact me (efarrell@cpii.ca, 416-868-6377), if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,



**Eleanor Farrell**

**Senior Manager – Corporate Governance and Legal**

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