



**RBC Global
Asset Management™**

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March 31, 2011

Via Email

John Stevenson, Secretary¹
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

Dear Mr. Stevenson,

**Re: Ontario Securities Commission Staff Notice 54-701 – Regulatory Developments
Regarding Shareholder Democracy Issues**

We are writing in response to the request for comments issued by the Ontario Securities Commission ("OSC") on the *Regulatory Developments Regarding Shareholder Democracy Issues* published on January 14, 2011 (the "Notice"). We appreciate the opportunity to provide comments on this important initiative.

RBC Global Asset Management Inc. ("RBC GAM") is supportive of the OSC's objective in its review of the proxy voting system, which is to improve protections for shareholders' rights and corporate governance. RBC GAM considers shareholder democracy an essential part of an effective capital markets system, and we believe that improvement in the areas identified in the Notice would enhance shareholder democracy practices in Canada.

1. Slate Voting and Majority Voting for Uncontested Director Elections

The Canadian Coalition for Good Governance ("CCGG") stated in its February 2010 submission to the Parliamentary Committee on Industry, Science and Technology regarding the Statutory Review of the *Canada Business Corporations Act* that "approximately 25% of the largest Canadian companies still have slate voting". Coupled with the use of plurality voting, directors may be elected with as little as a single shareholder vote. This is due to the fact that slate voting is not prohibited or restricted by Ontario securities laws, and the applicable corporate legislation effectively allows the practice of plurality voting under certain circumstances.

RBC GAM is in favour of reforms to securities law that facilitate individual director voting and majority voting standards, as these are elements that promote a fair and democratic director election process. Likewise, a mechanism where individuals will not be re-elected as directors in response to the majority votes of the shareholders would enhance director accountability. We suggest that the majority voting standards should be aligned with the CCGG's Majority Voting Policy.

2. Shareholder Advisory Votes on Executive Compensation

RBC GAM is a strong supporter of requiring an annual advisory vote on executive compensation. In this regard, we applaud CCGG for its recent efforts to promote say-on-pay in Canada. We consider a non-binding say-on-pay to be an effective corporate governance practice as it:

- focuses boards on shareholders' interests in executive compensation policies and practices;
- encourages improved compensation disclosure practices;
- encourages dialogue between the board and significant shareholders of a company;
- creates an obligation on the board to demonstrate the link between pay and performance; and
- facilitates the ability to compare compensation practices on a company-by-company basis.

As indicated in the Notice, the positive experiences from the other countries that have introduced similar regulations further support this proposal.

We are also in favour of initiatives that would allow shareholders to approve golden parachute plans; that being said, such approvals should be subject to a threshold level. For instance, shareholders could be given the opportunity to approve all golden parachute plans that would exceed three times the current cash compensation of an executive (salary plus cash bonus). We would encourage the OSC to consider regulation in this direction.

3. Effectiveness of Proxy Voting System

RBC GAM supports initiatives that would improve the effectiveness of the current proxy voting system in Canada. As there appear to be challenges with the current system, it would be appropriate for regulators to initiate and encourage the discussion on how it can be improved. Among these challenges are a general lack of transparency and a high degree of complexity, lack of an ability to track votes cast in the system and to audit the results, and difficulty in maintaining an accurate voting system where the lending and borrowing of stock complicate record keeping.

We would also hope that any changes to securities laws are harmonized across all Canadian jurisdictions. Inconsistencies between regulatory requirements relating to the proxy system would cause confusion and inconsistent standards. Moreover, as an alternative to mandating certain initiatives as part of the applicable legislation and/or regulation(s), securities regulators could take the "comply or explain" approach pursuant to which issuers have the option either to follow best practices or explain why they considered they were not appropriate in the issuers' particular circumstances.

We would welcome the opportunity to discuss the foregoing with you in further detail. If you have any questions or require further information, please do not hesitate to contact the undersigned.

Sincerely,



Daniel E. Chornous, CFA
Chief Investment Officer
RBC Global Asset Management Inc.