SOCIAL INVESTMENT ORGANIZATION

The Canadian Association for Socially Responsible Investment

184 Pearl St. 2nd floor
Toronto, Canada M5H 1L5
416-461-6042 t
416-461-2481 f
www.socialinvestment.ca

March 31, 2011

Ontario Securities Commission
20 Queen St. West
19th floor, Box 55
Toronto ON M5H 3S8
Attention: John Stevenson, Secretary
Via Email: jstevenson@osc.gov.on.ca

Dear Mr. Stevenson:

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

I am writing on behalf of the members of the Social Investment Organization, the national association for socially responsible investment (SRI). Our sustaining and associate members include 34 financial institutions, asset management firms, fund companies, research companies, investment consulting firms and credit unions. As well, our membership includes about 150 advisors, consultants, lawyers and non-profits from across Canada. Our members are committed to the development of socially responsible investment, which is the integration of social and environmental considerations into the selection and management of investments. Our members serve more than a million Canadian depositors and investors.

With this letter, we are responding to the recent request for comment on the proposed rules and amendments regarding shareholder democracy issues.

We would like to comment on two of the items that you mention in your request for comments: slate voting and majority voting, and advisory votes on executive compensation. We would like to propose three specific regulations that would improve the democratic accountability of publicly-listed companies.

Slate Voting and Majority Voting

First, we believe that the current system that allows slate voting does not serve the best interests of shareholders because it prevents shareholders from voting against specific directors on performance issues such as poor board attendance or decision-making on a specific board committee. This prevents shareholders from expressing dissatisfaction with a single member of the board, and confuses shareholder sentiment for the entire board with views on individual members. Shareholders that object to, or are unsatisfied with, the performance of one board member are forced to vote against the entire board or initiate a costly proxy fight. We recommend that slate voting be eliminated.

Slate voting should be replaced with individual director voting based on a majority voting standard. This means that each candidate for director would be subject to an individual vote by shareholders. Any directors not receiving a majority of the votes cast would not be elected. This would ensure that each director's performance would be individually assessed by shareholders and each would be accountable to shareholders.

Such a system is gaining widespread acceptance in the US. In 2010, Calpers proposed voluntary majority vote practices at 58 of its largest holdings. In December 2010, Calpers announced that 20 of the 58 had voluntarily adopted the majority voting standard.[i]

We believe the elimination of slate voting and the institution of a majority voting standard would significantly improve corporate accountability to shareholders.

Advisory Votes on Executive Compensation

Executive compensation is a major issue of discussion and debate by corporations and their shareholders. As you note in your Staff Notice, legislation in the UK, Australia and some European jurisdictions already require companies to give shareholders a "Say on Pay" vote on executive compensation. In addition, the Dodd-Frank Act requires US public companies to include advisory votes on executive compensation in their first shareholder meeting after January 2011, and to permit shareholders to vote on how frequently subsequent votes will be held. In addition, Dodd-Frank also mandates such advisory votes on certain golden parachute provisions in mergers or acquisitions.

We support such proposals. We believe that shareholders are becoming increasingly concerned about how executive compensation packages can create incentives for management actions that may be contrary to shareholder interests. We recommend that the OSC require public companies to hold an annual advisory vote on executive compensation. We believe that such a regulation would be an important new tool for shareholder accountability.

Conclusion

We recommend that the OSC take necessary steps to end slate voting, incorporate majority voting and adopt an annual advisory vote on executive compensation in securities regulation in Ontario. Further, we recommend that the OSC promote the incorporation of these measures into the securities regulations of the other Canadian jurisdictions, so that these provisions become national securities policy.

Sincerely,

Eugene Ellmen
Executive Director
ellmen@socialinvestment.ca

---

[i] Calpers Press Release. December 22, 2010. http://www.calpers.ca.gov/index.jsp?bc=/about/press/pr-archive/pr-2010/dec/2010-majority-vote.xml