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March 31, 2011

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

Dear Sir:

Re OSC Staff Notice 54-701 Regulatory Developments Regarding Shareholder Democracy Issues dated January 10, 2011

Hugessen Consulting Inc. ("Hugessen") is pleased to respond to the Ontario Securities Commission's ("OSC") request for comment on whether to develop regulatory proposals to address the shareholder democracy issues identified in the OSC Staff Notice 54-701.

Hugessen is a leading provider of executive compensation consulting advice to the boards and compensation committees of many large issuers in Canada and the United States. The three issues under consideration by the OSC have important ramifications for our clients and we are pleased to have the opportunity to provide our views.

Slate Voting & Majority Voting for Uncontested Director Elections

Slate voting versus individual director voting

By limiting shareholders to only two options - vote for the entire slate of directors or withhold from voting - slate voting precludes shareholders from voting for directors based on individual qualifications, expertise and/or behaviour. With slate voting, boards can only interpret a decision to withhold a vote as dissatisfaction with the entire board, when this may not in fact be the case. Slate voting is therefore a blunt instrument for delivering feedback to directors, and we believe our board clients recognize the need for the more direct and unambiguous feedback that individual voting brings.

Although the use of slate voting has been declining in recent years without regulatory intervention, we support the OSC's move to provide shareholders with a right to vote for individual directors of all issuers as a matter of regulation. While its adoption may be inevitable given the current support for individual voting among shareholders and shareholder groups, and the number of large issuers that have already adopted the practice**,** we see no reason why such an essential and fundamental shareholder right should be left to voluntary adoption.

Majority voting versus plurality voting

There is increasing pressure from shareholders for issuers to move towards the adoption of mandatory majority voting over plurality voting for uncontested director elections and we commend the OSC in its efforts to address this important issue. A majority voting standard is fundamental to shareholder democracy: under a plurality system, a director can be elected with a single vote cast in his or her favour and even a majority of withheld votes will not remove a director from his or her post.

Majority voting has widespread shareholder support in Canada. In the U.S., although the final version of the Dodd-Frank Act dropped an earlier requirement for mandatory majority voting in director elections, we are seeing shareholders in the U.S. continue to pressure issuers to adopt a majority vote rule through an increase in shareholder proposals on the matter. A large number of issuers have already taken steps to address shareholders' concerns and have adopted majority voting voluntarily.

We believe that the OSC's move towards mandatory majority voting is important to an effective governance structure and we encourage the OSC to take action in this area. Specifically, we support a requirement that in the event a director fails to receive a majority of votes in favour of his or her election, the director is required by law to offer his or her resignation from the board. The board can then accept or reject the resignation as they see fit, but with a legal obligation to provide full disclosure of the rationale for their decision. Note that we would not support a regulatory requirement that would trigger the immediate dismissal of that director on failing to receive majority support.

Mandated shareholder advisory votes on executive compensation

The shareholder advisory vote on executive compensation has been an important focus for boards and shareholders in Canada in recent years. The relatively rapid rate of adoption of Say-on-Pay, with approximately 50 companies holding or committing to hold a vote over the last two years, has occurred without regulatory input. However, given the United States' decision in 2010 to legislate such a vote for public issuers, we believe that it is appropriate that the OSC at least consider the relative potential benefits and drawbacks of doing so in Ontario. Based on the current landscape relating to the shareholder advisory vote, we believe mandated Say-on-Pay is not warranted at this time.

We recognize that Say-on-Pay encourages meaningful communication by shareholders with the board and management and making it a legal requirement would level the playing field with those of companies that have already adopted Say-on-Pay.

Nevertheless, currently in Canada, shareholders are able to communicate with issuers through proxy voting, shareholder proposals and, in some cases, direct engagement with the board. Any shareholder who holds, or has the support of persons who hold, one percent of the total number of outstanding voting shares or the number of shares with a value of $2,000, for at least six months, is eligible to submit a proposal for a shareholder advisory vote on executive compensation. This protocol provides a viable method for the shareholders of a Canadian company to implement an advisory vote where they have an appetite to do so and we question whether shareholders should be required to do so where that appetite is not present.

Further, shareholders can express their dissatisfaction over the board's compensation decisions through a majority voting standard rather than the existing plurality system, and when shareholders can vote for directors individually rather than by slate. As we argue above, we believe slate and majority voting to be areas where regulation is appropriate. In the case of Say-on-Pay, we believe that continuing to monitor and revisit the issue makes the most sense at this time.

Effectiveness of proxy voting system

While we do not have expertise in the area of proxy voting, our clients have a vested interest in ensuring that shareholders' views are accurately communicated to them. And since proxy voting remains the dominant method of shareholder communication, we support the OSC's review of the proxy voting system in order to assess the need for reform. A general consensus has emerged on the part of most market participants that the proxy system, both here and in the U.S., is not working as effectively as it should. Transparency in the system is lacking - it is very difficult to get a sense of how the system actually functions or to follow a vote from the shareholder through various intermediaries to voting confirmation. There are enough examples of discrepancies in voting outcomes (for instance, between how shareholders report they voted and the voting results), that concern seems warranted.

In Canada, recently, Davies Ward Phillips & Vineberg LLP released a comprehensive report on various problems with the current system, including such as uncounted, double counted or empty voting. In the U.S., the SEC in 2010 released a Request for Comment on their far-reaching review of the proxy system there, requesting comments from stakeholders on perceived problems and proposed solutions. Given the recent momentum on this issue, we believe it is an appropriate time for the OSC to undertake a review. While we recognize that the task is a large one, we believe it is necessary and support an examination by the OSC into whether securities law amendments are the proper way to address these matters.

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In conclusion, Hugessen is pleased to have the opportunity to present its views on these important matters. If you have any questions, please feel free to contact either of the undersigned.

Ken Hugessen

Georges Soares

Hugessen Consulting Inc.
March 31, 2011