



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

March 31, 2011

John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
19th Floor, Box 55  
Toronto, Ontario M5H 3S8  
Email: [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

**RE: OSC Staff Notice 54-701 *Regulatory Developments Regarding Shareholder Democracy Issues* (the “Staff Notice”)**

This submission is made by the Pension Investment Association of Canada (“PIAC”) in reply to the request for comments by the Ontario Securities Commission (the “OSC”) in the Staff Notice.

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$940 billion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

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.

Our comments on the specific shareholder democracy issues identified in the Staff Notice as requiring additional review are set out below.

### **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 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.

### **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. 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.

We appreciate this opportunity to comment on the Staff Notice. Please do not hesitate to contact Stephanie Lachance, Chair of the Corporate Governance Committee (514-925-5441; [slachance@investpsp.ca](mailto:slachance@investpsp.ca)), if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,



Barbara Miazga  
Chair

- cc.** British Columbia Securities Commission – [meady@bcsc.bc.ca](mailto:meady@bcsc.bc.ca)  
 Alberta Securities Commission – [tom.graham@asc.ca](mailto:tom.graham@asc.ca)  
 Saskatchewan Financial Services Commission – [dean.murrison@gov.sk.ca](mailto:dean.murrison@gov.sk.ca)  
 Manitoba Securities Commission – [Chris.Besko@gov.mb.ca](mailto:Chris.Besko@gov.mb.ca)  
 Autorité des marchés financiers – [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)  
 New Brunswick Securities Commission – [manon.losier@nbsc-cvmnb.ca](mailto:manon.losier@nbsc-cvmnb.ca)  
 Registrar of Securities, Prince Edward Island – [lamatheson@gov.pe.ca](mailto:lamatheson@gov.pe.ca)  
 Nova Scotia Securities Commission – [leesp@gov.ns.ca](mailto:leesp@gov.ns.ca)  
 Superintendent of Securities, Newfoundland and Labrador – [connolly@gov.nl.ca](mailto:connolly@gov.nl.ca)  
 Registrar of Securities, Northwest Territories – [securitiesRegistry@gov.nt.ca](mailto:securitiesRegistry@gov.nt.ca)  
 Superintendent of Securities, Yukon Territory – [securities@gov.yk.ca](mailto:securities@gov.yk.ca)  
 Registrar of Securities, Nunavut – [securities@gov.nu.ca](mailto:securities@gov.nu.ca)