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**BY EMAIL**

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**Ontario Securities Commission– 2012-2013 Statement of Priorities**

Thank you for the opportunity to provide comments to the Ontario Securities Commission (the "OSC") in response to the OSC's 2012-2013 Statement of Priorities released in draft for comment on March 30, 2012 (the "Draft Statement of Priorities").

We would like to comment in particular on one section of the Draft Statement of Priorities set out under Goal #1 – Deliver Responsive Regulation. That section reads in part as follows:

- *Improve the proxy voting system by:*
  - *conducting an empirical analysis to review concerns raised about the accountability, transparency and efficiency of the voting system*
  - *facilitating discussions amongst market participants on improving the functioning of the proxy system, taking into account the needs and concerns of retail investors, and*
  - *working with the CSA to review the role of proxy advisers in our capital markets by soliciting feedback from issuers, investors and other market participants*

In our view, improvements to the proxy voting system are long overdue and are critical to the credibility of shareholders' votes. We would therefore like to respond to each of the points set out above.

- We agree that the OSC (or the Canadian Securities Administrators (the CSA)) should conduct an empirical review of the system. We emphasize that this review must be an independent review. By that we mean that the party conducting the

review must be independent of the third party service providers who operate the proxy voting system. We are concerned that securities regulatory authorities have been too dependent on these third party service providers for information about the operation of the proxy voting system and the problems that may exist. While each of these providers makes a significant contribution to the operation of the system, they are also heavily invested in the current model and in any changes that might be made to that model. The OSC must understand the issues that may exist without regard to the agendas of those whose business is dependent on the system. An independent review will require a significant expenditure of funds, but without such a review we do not believe that the OSC will be in a position to evaluate the integrity of the system.

- While we acknowledge that facilitating discussions amongst market participants is always worthwhile, we think the OSC's time would be better used on the independent evaluation of the system. Moreover, one of the most important third party service providers in the system (Broadridge) is not a market participant. The OSC and the CSA have included the various service providers in working groups and consultation sessions relating to the proxy voting system over the years. Repeating this exercise at this point would not be the best use of OSC staff's time. Moreover, there are private sector initiatives currently underway that are seeking to facilitate these same discussions.
- In our view, the role and of proxy advisors and the impact that their voting recommendations have on the outcome of individuals meetings needs to be better understood. Many of our issuer clients are concerned with flawed analysis in the reports produced by certain proxy advisors. Before addressing any regulatory solution, more information is required about the extent of the influence proxy advisors in fact have.

In summary, we believe that an independent systemic review is the most valuable contribution the OSC could make to improve the proxy voting system, and only the OSC (or the CSA) have the authority to conduct a review that will be credible for everyone with an interest in the integrity of system.

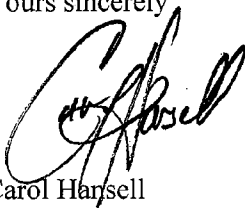
Moreover, this review will allow the OSC or CSA to address the other two issues which we believe should be short term priorities. The first is ensuring that the lists of beneficial holders entitled to vote at a meeting that are submitted by intermediaries in response to a notice of record date must be fully reconciled so that only one person may provide voting instructions with respect to each share. The other is ensuring that beneficial holders must

receive confirmation from the issuer (through intermediaries as appropriate) that their voting instructions have been received and recorded at the meeting.

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Thank you again for this opportunity to comment on the Draft Statement of Priorities. Should you have any questions, please do not hesitate to contact me at the number above.

Yours sincerely

A handwritten signature in black ink, appearing to read "Carol Harsell", written over a horizontal line.

Carol Harsell