

**Canadian Coalition for  
GOOD GOVERNANCE**  
THE VOICE OF THE SHAREHOLDER

May 23, 2017

Mr. Robert Day  
Senior Specialist Business Planning  
Ontario Securities Commission  
20 Queen Street West  
22<sup>nd</sup> Floor  
Toronto, Ontario  
M5H 3S8  
rday@osc.gov.on.ca

Dear Mr. Day,

**Re: Ontario Securities Commission ("OSC") Draft 2017-2018 Statement of  
Priorities**

We thank you for the opportunity to provide you with our comments on the OSC's draft 2017-2018 Statement of Priorities.

CCGG's members are Canadian institutional investors that together manage approximately \$3 trillion in assets on behalf of pension fund contributors, mutual fund unit holders, and other institutional and individual investors. CCGG promotes good governance practices in Canadian public companies, as well as the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders and to promote the efficiency and effectiveness of the Canadian capital markets. A list of our members is attached to this submission.

***General***

CCGG represents "the voice of the shareholder" and endeavours to ensure that this stakeholder perspective is reflected in regulatory initiatives. We therefore appreciate the opportunity to comment on the OSC's draft Statement of Priorities for 2017-2018.

We would first like to highlight our support for the OSC's continued focus on monitoring progress on disclosure related to women on boards and in executive officer positions. The OSC's targeted review of issuer disclosure for the year ending July 31, 2017 is an important measure, as is assessing the effectiveness of the disclosure to consider whether other regulatory action is needed. Gender diversity is a corporate governance issue of the utmost importance to CCGG's

members and we look forward to seeing the results of the OSC's initiatives in this area. As in past submissions to the OSC, we also encourage the OSC to focus on broader diversity issues beyond gender in the future.

We commend the OSC's continued work with the Capital Markets Authority Implementation Organization and the other jurisdictions participating in the Capital Markets Regulatory Authority (CMRA) as it transitions into the new CMRA organization.

However, after reading the initiatives identified in the draft 2016-2017 Statement of Priorities as areas where the OSC intends to focus its resources and actions, we note, as we did with respect to the OSC's Statement of Priorities for last year, that there are several shareholder democracy matters of significant importance to CCGG's institutional shareholder members which we believe should be high on the OSC's agenda but have not been mentioned. While we understand that not all the OSC's ongoing concerns are necessarily included in the Statement of Priorities, we want to make sure that the OSC is aware of the great importance we place on these matters, which we discuss below.

### ***Shareholder Democracy Issues***

#### Say-on-Pay

We note that the OSC did not include say-on-pay on its list of priorities. We continue to encourage the OSC to keep the issue of mandating say-on-pay under securities regulation on its agenda. CCGG's members believe it is an important issue that the OSC should prioritize and preferably spearhead as the regulator of Canada's primary capital market. As we have repeatedly noted in various submissions to the OSC and other regulators, Canada is an outlier among developed nations in not having a mandatory advisory say-on-pay vote that allows shareholders to voice their views on the appropriateness of an issuer's executive compensation practices. The benefits of say-on-pay in terms of enhanced issuer/shareholder communication and improved disclosure are broadly acknowledged and it is important that the OSC act to level the playing field so that all issuers and investors in Canada share in these benefits in. Leaving say-on-pay as it currently is, a voluntary mechanism for issuers to adopt or not as they wish, has resulted in a plateauing of the number of companies in Canada adopting say-on-pay.

#### Majority Voting

Canada is much closer to a statutory majority voting standard for uncontested director elections with the federal government's tabling of Bill C-25, which would enable shareholders of companies governed by the Canada Business Corporations Act to vote "against" directors rather than the "withhold" vote that is the current option. There is also some movement in Ontario towards a statutory majority voting standard with the Ontario Business Advisory Council recommending that majority voting be a "future consideration" for amendments to the Ontario Business Corporations Act. We were happy to see that OSC Chair Maureen Jensen publicly expressed her support of the

federal initiative<sup>1</sup> and we encourage the OSC to publicly lend its voice in support of both Bill C-25 and any similar Ontario developments.

In the meantime, we encourage the OSC to use its influence to have the TSX rules on majority voting expanded so that they apply to the approximately 1,600 issuers listed on the TSX-V as well as to TSX listed issuers. There is no reason to exclude the shareholders of smaller companies from this fundamental shareholder right.

We were happy to see the TSX publish a notice in March with respect to various deficiencies it found in its review of the majority voting policies of 200 TSX-listed issuers. We ask that the OSC use its influence to encourage the TSX to continue to actively monitor compliance with its majority voting rule, including its guidance on what constitutes the 'exceptional circumstances' that would allow a board to refuse to accept a resignation from a director who fails to receive a majority of votes in favour.

### Shareholder Involvement in the Director Nomination Process

CCGG views shareholders' ability to have a meaningful say in which persons are put forward as director nominees to be a fundamental right. CCGG believes<sup>2</sup> that, in the first instance, board composition should reflect the input of shareholders and that the director nominating process should actively and regularly incorporate shareholders' views. We believe that not only will this lead to better board quality but also to increasing board diversity.

CCGG further believes that shareholders meeting certain conditions, including significant shareholdings, should be able to nominate directors in proxy materials on an equal footing with management nominees.<sup>3</sup>

We believe that the OSC should make shareholder involvement in the director nomination process, including direct access to the proxy under certain conditions, a priority going forward. Shareholder proposals dealing with what is commonly known as "proxy access" were submitted at two of Canada's largest banks this year, with the proposal at TD Bank receiving 52.2% votes in favour and the proposal at Royal Bank of Canada receiving 46.8% votes in favour, which is unheard of support for first-time shareholder proposals in Canada. Both banks publicly stated their intention to review the issue with CCGG and other stakeholders in order to arrive at an enhanced proxy access solution appropriate for each of them. Clearly, the issue of shareholder involvement in the director nomination process has arrived in Canada and it is vital that the OSC bring its voice to this discussion.

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<sup>1</sup> Closing Remarks by Maureen Jensen, Chair and CEO, Ontario Securities Commission, Shareholder Rights Conference, University of Toronto October 28, 2016

<sup>2</sup> See CCGG's *Shareholder Involvement in the Director Nomination Process: Enhanced Engagement and Proxy Access*, [October 2015]

<sup>3</sup> See our document referred to in footnote 1 for further details

### Universal Proxies

We also recommend that the OSC adopt rules that would require the use of a 'universal proxy' in all contested director elections.<sup>4</sup> All director nominees in this situation should be included in a fair manner on the same proxy form whether nominated by management or by dissidents so that shareholders are able to freely choose the combination of nominees they wish to support, just as they are able to do if they attend the shareholder meeting in person.

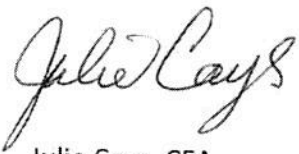
### Empty Voting

We also would like to see an acknowledgement that the OSC is considering the issue of empty voting. The separation of voting interests from economic interests calls into question some of the fundamental assumptions of shareholder democracy upon which our system of corporate governance is based and we believe the OSC should turn its attention to this issue.

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We thank you again for the opportunity to provide you with our comments. Please feel free to contact our Executive Director, Stephen Erlichman (416-847-0524 or [serlichman@ccgg.ca](mailto:serlichman@ccgg.ca)) or our Director of Policy Development, Catherine McCall (416-868-3582 or [cmccall@ccgg.ca](mailto:cmccall@ccgg.ca)) if you would like to discuss the matters in this letter further or if we can be of any assistance.

Yours truly,



Julie Cays, CFA  
Chair of the Board  
Canadian Coalition for Good Governance

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<sup>4</sup> See CCGG's Universal Proxy Policy, September 2015

**CCGG Members – May 2017**

Alberta Investment Management Corporation (AIMCo)  
Alberta Teachers' Retirement Fund (ATRF)  
Archdiocese of Toronto  
BlackRock Asset Management Canada Limited  
BMO Asset Management Inc.  
BNY Mellon Asset Management Canada Ltd.  
British Columbia Investment Management Corporation (bcIMC)  
Burgundy Asset Management Ltd.  
Caisse de dépôt et placement du Québec  
Canada Pension Plan Investment Board (CPPIB)  
Canada Post Corporation Registered Pension Plan  
CIBC Asset Management Inc.  
Colleges of Applied Arts and Technology Pension Plan (CAAT)  
Connor, Clark & Lunn Investment Management Ltd.  
Desjardins Global Asset Management  
Electrical Safety Authority (ESA)  
Fiera Capital Corporation  
Franklin Templeton Investments Corp.  
Greystone Managed Investments Inc.  
Healthcare of Ontario Pension Plan (HOOPP)  
Hillsdale Investment Management Inc.  
Industrial Alliance Investment Management Inc.  
Jarislowsky Fraser Limited  
Leith Wheeler Investment Counsel  
Lincluden Investment Management Limited  
Mackenzie Financial Corporation  
Manulife Asset Management Limited  
NAV Canada  
Northwest & Ethical Investments L.P. (NEI Investments)  
OceanRock Investments Inc.  
Ontario Municipal Employee Retirement System (OMERS)  
Ontario Pension Board  
Ontario Teachers' Pension Plan (OTPP)  
OPSEU Pension Trust  
PCJ Investment Counsel Ltd.  
Pension Plan of the United Church of Canada  
Pier 21 Asset Management Inc.  
Public Sector Pension Investment Board (PSP Investments)  
RBC Global Asset Management Inc.  
Régimes de retraite de la Société de transport de Montréal (STM)  
Russell Investments Canada Limited  
Scotia Global Asset Management  
Sionna Investment Managers Inc.  
State Street Global Advisors, Ltd. (SSgA)  
Sun Life Investment Management Inc. (SLIM)  
TD Asset Management Inc.

Teachers' Retirement Allowances Fund  
UBC Investment Management Trust Inc.  
University of Toronto Asset Management Corporation  
Vestcor Investment Management Corporation  
Workers' Compensation Board - Alberta  
York University