



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

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Robert Day
Senior Specialist, Business Planning and Performance Reporting
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8

By email: rday@osc.gov.on.ca

Re: OSC Notice 11-768 – Statement of Priorities

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”) regarding the Statement of Priorities for Financial Year to End March 31, 2014 (the “2013-2014 Statement of Priorities”).

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 \$1 trillion 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.

PIAC welcomes the various proposals in the 2013-2014 Statement of Priorities, but was disappointed by the few governance related initiatives. In last year's response letter to the 2012-2013 Statement of Priorities, PIAC commented on two sections of the Statement of Priorities set out under Goal #1 – Deliver Responsive Regulation. PIAC believes that these sections should have remained in the 2013-2014 Statement of Priorities as they were only partially accomplished with the amendments to the TSX Company Manual on majority voting disclosure requirements and the anticipated consultation paper on the review of the proxy voting system discussed more fully below.

The first section of the 2012-2013 Statement of Priorities we commented on read as follows:

- *Facilitate shareholder empowerment in director elections by advocating for the elimination of slate voting, the adoption of majority voting policies for director elections and enhancing disclosure of voting results for shareholder meetings.*

Last year, PIAC encouraged the OSC to move forward as quickly as possible with shareholder empowerment in director election. PIAC salutes the measures taken by the TMX with its amendments in late 2012 to Part IV of the Toronto Stock Exchange Company Manual which eliminated slate voting and enhanced disclosure of voting results. While satisfied with the first step towards more stringent majority voting requirements, PIAC encourages the OSC to consider a mandatory majority voting standard for TSX-listed issuers as an initiative for its 2013-2014 Statement of Priorities.

PIAC believes that a majority voting standard provides a meaningful way for shareholders to hold directors accountable by ensuring that the persons representing the shareholders have the confidence of a majority of those shareholders. In our view, a mandatory majority voting standard will bolster investor confidence in Canadian capital markets by aligning the director election practices of TSX-listed companies with those established in almost all other major international jurisdictions. Furthermore, when considering the resignation of a director that receives a majority of “withhold” votes a board of directors should only delay the acceptance of the resignation of said director under extraordinary circumstances relating to the composition of the board or voting results and that rejecting the resignation should only be considered in the rarest of cases. In all instances, the board must exercise its use of discretion in a manner consistent with its fiduciary duties and in the spirit of shareholder accountability.

The other section of the 2012-2013 Statement of Priorities we commented on read 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*

While we understand that a consultation paper on the review of the proxy voting system is expected to be issued this summer, we believe that the improvements to the proxy voting system are so important that they should continue to be a priority for 2013-2014.

We appreciate this opportunity to comment on the 2013-2014 Statement of Priorities. Please do not hesitate to contact Stéphanie Lachance, Chair of the Corporate Governance Committee (514-925-5441; slachance@investpsp.ca), if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read "BMcInnes". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Brenda McInnes
Chair