



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

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

Re: OSC Notice 11-766 – 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, 2013 (the “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 would like to comment on two sections of the Statement of Priorities set out under Goal #1 – Deliver Responsive Regulation.

The first section reads 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.*

PIAC encourages the OSC to move forward as quickly as possible with shareholder empowerment in director election.

PIAC strongly believes that shareholders should be given the opportunity to elect directors individually, on an annual basis, as opposed to being presented with a slate of director nominees. We also believe that a majority voting policy for the election of directors should be adopted by all issuers. The individual voting and the implementation of a majority voting policy will hold directors accountable for their performance and ensure that members of the board have the full confidence of shareholders.

PIAC also believes that detailed voting results for all meeting agenda items should be disclosed to the public as soon as possible following all shareholder meetings, regardless of whether the vote was by way of a show of hands or ballot. Shareholders already have a reasonable expectation that issuers who have adopted or committed to adopt a majority voting policy will publically disclose detailed voting results setting out the level of support that a director received. Consequently, PIAC is strongly of the view that the requirement to make public disclosure of voting results should be formalized in a rule and that the required disclosure should be by way of a press release and a filing on SEDAR.

The other section we wish to comment on reads 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 the first two points set out above.

PIAC agrees that the OSC (or 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. 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.

While we acknowledge that facilitating discussions amongst market participants is always worthwhile, 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. We are unsure if repeating this exercise at this point would be useful for the OSC. Moreover, there are private sector initiatives currently underway that are seeking to facilitate these same discussions.

We appreciate this opportunity to comment on the 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,



Julie Cays
Chair