

BY EMAIL

Robert Day
Manager, Business Planning
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8

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").

The CPP Investment Board ("CPIB") is a professional investment management organization based in Toronto. Our purpose is to invest the assets of the Canada Pension Plan in a way that maximizes returns without undue risk of loss. CPIB holds shares in 2,600 companies globally, of which roughly 700 are Canadian Companies. At its fiscal year end on March 31, 2012, the CPIB's holdings amounted to more than \$160 billion, with more than \$81 billion in public equities, including \$14 billion in Canadian public equities.

We would like to comment on two sections of the Statement of the Draft 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*

CPIB strongly supports the adoption of corporate governance practices aimed at improving shareholder democracy. We believe that shareholders should have the opportunity to elect directors separately, on an annual basis, rather than simply responding to a slate of directors recommended by the company. We also believe that a majority vote policy for the election of directors should be adopted by all issuers. Together, individual voting and the adoption 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.

CPIB 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. We further believe that 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, CPIB 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 each of the points set out above.

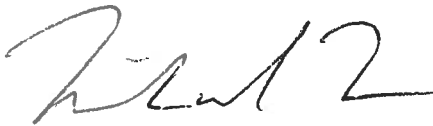
- We agree that the OSC (or the Canadian Securities Administrators (the CSA)) should conduct an empirical review of the system. We emphasize that this review must be an independent review. By that we mean that the party conducting the review must be independent of the third party service providers who 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.
- We are not concerned about the role of proxy advisers. They provide a number of valuable services. While their voting recommendations may be a matter of interest to us, we evaluate matters on which we are entitled to vote carefully and cast our votes as we consider appropriate.

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.

Thank you again for this opportunity to comment on the Draft Statement of Priorities. Should you have any questions, please contact Michael Ma at 416-874-5147 or mma@cppib.ca.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Ma', written in a cursive style.

Michael Ma