

May 29 2012

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Ontario Securities Commission
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Sent via e-mail to: rday@osc.gov.on.ca

RE: Ontario Securities Commission Notice 11-766 – draft 2012-2013 Statement of Priorities

The Shareholder Association for Research and Education (SHARE) is pleased to offer comments on the Ontario Securities Commission's 2012-2013 Statement of Priorities.

SHARE is an advisor to Canadian institutional investors. Since its creation in 2000, SHARE has provided proxy voting and shareholder engagement services as well as education, policy advocacy and practical research on emerging responsible investment issues.

Our comments pertain to the first and, tangentially, the second key initiative set out under Goal #1 – Deliver Responsible Regulation. Specifically, the OSC undertakes to:

- 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.

We support the elimination of slate voting in director elections because shareholders assess directors individually when making their voting decisions, and if they decide to support only some of the nominees, they must misrepresent their views by voting for the entire board or withholding votes for all nominees.

We also support a requirement that issuers tabulate votes in director elections by using a majority vote standard. As you are aware, director nominees of Canadian incorporated issuers are overwhelmingly supported by shareholders who vote on their election or re-election. In

2011, the constituents of the S&P/TSX Composite Index¹ provided numerical vote results with respect to the individual election of approximately 1500 director nominees. Each nominee received the support of the majority of the votes cast.

The key issue for a securities regulator when contemplating the implementation of majority voting in director elections is whether the requirement will be “strict” in its application. That is, will the defeat of a director be decisive, and thus prevent that director from serving on an issuer’s board, or will the board be able to nullify the vote by rejecting the defeated nominee’s resignation. In our view, a nominee who receives fewer votes for than votes withheld does not have the confidence of shareholders for one or more reasons, and should not serve. Given how rarely a nominee fails to secure the majority support of shareholders, it is clear that the reason or reasons for this vote of non-confidence are of a very serious nature. In such cases, the nominee should not take up a seat on the board.

We believe that enhancing the disclosure of shareholder voting is a critical undertaking. Shareholders devote significant resources to reviewing and assessing proxy issues, and voting their shares. They are entitled to vote result reports which contain complete disclosure of the vote outcomes. Given that the overwhelming majority of votes are cast by proxy, issuers are able, at a minimum, to produce numerical disclosure of those votes, regardless of whether the views of the shareholders at the meeting are canvassed by ballot or a show of hands.

For director elections in particular, plurality voting means that a director nominee can fail to secure majority shareholder support, and although the issuer is aware of this fact, the vote report can simply indicate that the nominee was elected by a show of hands. As you are aware, this possibility has been exploited very recently by an Ontario issuer.

For other ballot items, issuers can decide to provide reports of voting results that are essentially devoid of meaningful information. An advisory vote on executive compensation that garners votes in favour of 99% is markedly different than one which secures 65% support. Although either result is an endorsement of the company’s approach to executive compensation, shareholders should expect radically different responses from a company where one share in three was cast against the approach to executive pay than from the company where there was very little dissent on the matter. Similarly, vote outcomes on stock based compensation plans and amendments to such plans provide the market with significant data about shareholder tolerance levels for these types of compensation and specific plan attributes.

¹ All references to the constituents of this Index are as of March 22 2011.

Vote disclosure for dual class and controlled companies presents specific challenges in order to be meaningful. For dual class or controlled companies, it is very difficult to interpret vote results even when there is disclosure of the percentage of votes cast for and withheld or against on the issues considered. We recommend that the OSC consider Imperial Oil Limited's reports of voting results as a model for such issuers. The company's 2012 report of voting results is appended to this letter for ease of reference.

For dual class companies, votes cast should be disclosed separately for subordinate and multiple voting shares. Similarly, for equity controlled companies, controlling shareholder votes and those of all other shareholders should be disclosed individually. This is crucial information to which the company has access. It is of interest to the market generally, and current or prospective shareholders specifically because only reporting all votes cast in one figure can mask significant levels of dissent among minority shareholders. Majority holders and holders of multiple voting shares can unilaterally ensure that all directors are elected, but through separate disclosure of the votes of minority shareholders, market observers can develop an understanding of the degree to which the views of controlling shareholders or the holders of multiple voting shares are aligned with those of minority shareholders.

Imperial Oil Limited's approach to vote reporting is ideal for companies with a dominant equity shareholder or a class of multiple voting shares. For every voting item on its meeting agenda, Imperial Oil Limited reports total votes cast for and withhold or against on each issue and also separately reports the votes cast for on each issue by its majority shareholder, Exxon Mobil, and the votes cast for and against or withhold by all other shareholders. In this way, all interested parties can gauge the levels of dissent among minority shareholders on all matters voted, and develop an understanding of the degree to which the views of the majority shareholder and the minority shareholders are aligned.

Other useful data that some S&P/TSX Composite Index constituents include in their proxy voting reports is the overall rate of shareholder participation for a meeting. In 2011, more than 10% of S&P/TSX Composite Index constituents included this in their vote result reports. If required of all public issuers, this data would be very useful to the market in at least two respects. As we move to a notice and access regime in Canada, participation rate data would assist the regulator and other interested parties in monitoring the impact of it on shareholder voting. In addition, such data may assist all interested parties in the analysis of concerns raised about the accountability, transparency and efficiency of the proxy voting system.

Finally, we recommend that issuers be provided with a reasonable deadline for filing a report of voting results, expressed in days following the relevant shareholder meeting. Most of the constituents of the S&P/TSX Composite Index filed vote result reports for their 2011 annual shareholder meeting, but in some cases months passed before the filing appeared and, in rare cases, we are still waiting.

We appreciate this opportunity to comment on the OSC's Draft Statement of Priorities. Do not hesitate to contact the writer if you have any questions or require further information.

Sincerely,



Laura O'Neill
Director of Law and Policy

IMPERIAL OIL LIMITED
ANNUAL MEETING OF SHAREHOLDERS
MAY 2, 2012

| Reappointment of PricewaterhouseCoopers LLP as auditors | | | | | | |
|--|------------------------|--------------------|---------------|-------------------|---------------|-------------|
| | | Votes FOR | % | Votes WITHHELD | % | Total Votes |
| | Total | 751,005,207 | 99.90% | 744,027 | 0.10% | 751,749,234 |
| | Exxon Mobil | 589,928,303 | | 0 | | |
| | Publicly traded shares | 161,076,904 | 99.54% | 744,027 | 0.46% | 161,820,931 |
| Election of directors | | | | | | |
| Nominee: | | Votes FOR | % | Votes WITHHELD | % | Total Votes |
| K.T. (Krystyna) Hoeg | Total | 741,783,964 | 99.81% | 1,420,046 | 0.19% | 743,204,010 |
| | Exxon Mobil | 589,928,303 | | 0 | | |
| | Publicly traded shares | 151,855,661 | 99.07% | 1,420,046 | 0.93% | 153,275,707 |
| B.H. (Bruce) March | Total | 726,344,394 | 97.73% | 16,859,616 | 2.27% | 743,204,010 |
| | Exxon Mobil | 589,928,303 | | 0 | | |
| | Publicly traded shares | 136,416,091 | 89.00% | 16,859,616 | 11.00% | 153,275,707 |
| J.M. (Jack) Mintz | Total | 742,355,684 | 99.89% | 848,326 | 0.11% | 743,204,010 |
| | Exxon Mobil | 589,928,303 | | 0 | | |
| | Publicly traded shares | 152,427,381 | 99.45% | 848,326 | 0.55% | 153,275,707 |
| R.C. (Robert) Olsen | Total | 719,395,503 | 96.80% | 23,808,507 | 3.20% | 743,204,010 |
| | Exxon Mobil | 589,928,303 | | 0 | | |
| | Publicly traded shares | 129,467,200 | 84.47% | 23,808,507 | 15.53% | 153,275,707 |
| D.S. (David) Sutherland | Total | 742,475,949 | 99.90% | 728,061 | 0.10% | 743,204,010 |
| | Exxon Mobil | 589,928,303 | | 0 | | |
| | Publicly traded shares | 152,547,646 | 99.52% | 728,061 | 0.48% | 153,275,707 |
| S.D. (Sheelagh) Whittaker | Total | 741,925,111 | 99.83% | 1,278,899 | 0.17% | 743,204,010 |
| | Exxon Mobil | 589,928,303 | | 0 | | |
| | Publicly traded shares | 151,996,808 | 99.17% | 1,278,899 | 0.83% | 153,275,707 |
| V.L (Victor) Young | Total | 742,418,433 | 99.89% | 785,577 | 0.11% | 743,204,010 |
| | Exxon Mobil | 589,928,303 | | 0 | | |
| | Publicly traded shares | 152,490,130 | 99.49% | 785,577 | 0.51% | 153,275,707 |