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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").

bcIMC manages a C\$91.1-billion portfolio of globally diversified investments on behalf of the public sector pension plans of British Columbia, and publicly-administered trust funds, as well as other public sector bodies. As a large, diversified investor, bcIMC believes that sound corporate governance and corporate responsibility practices contribute to the long-term success of the public corporations in which we own shares. bcIMC also believes that by being an active shareholder, we can influence directors and management to improve corporate governance practices and disclosure and hold company board of directors to account when necessary.

Proxy voting is our most basic means of influence and holding directors to account. bcIMC votes our shares in every meeting of every Canadian company, plus all of our American holdings and the top 75% by market value of our international holdings. We devote substantial resources to proxy voting. In 2011, we voted on more than 9,000 issues at just under 1,800 companies globally, of which 1,400 issues were voted at 411 Canadian companies. We do all our voting with internal resources and we have our own Corporate Governance and Proxy Voting Guidelines.

Yet we are never sure that our votes are counted accurately. In our view, the proxy voting process should be fully transparent and verifiable, starting with the compilation of a reconciled list of beneficial owners eligible to vote and ending with a final tabulation of votes cast at a shareholder meeting. Since this is not the case in Canada, we welcome the OSC's interest in the proxy voting system.

We would like to comment in particular on one section of the Draft Statement of Priorities set out under Goal #1 – Deliver Responsive Regulation. That section reads in part 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 Barb MacDonald, Manager, Shareholder Engagement at 250-356-6641 or barb.macdonald@bcimc.com.

Yours sincerely,



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