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May 29, 2012

**BY EMAIL**

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

Dear Mr. Day:

**RE: 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”). We hope that you find our comments thoughtful and relevant.

With more than \$117.1 billion in assets, the Ontario Teachers' Pension Plan (“Teachers”) is the largest single-profession pension plan in Canada. An independent organization, it invests the pension fund's assets and administers the pensions of 300,000 active and retired teachers in Ontario.

While we have limited our specific comments to specific points under Goals #1 and #2, we are generally supportive of the priorities set out by the OSC.

**Goal #1 – Deliver Responsive Regulation**

We would like to provide specific comments on bullet points one (facilitate shareholder empowerment) and two (improve the proxy voting system) included under Goal #1 – Deliver Responsive Regulation.

*Shareholder Empowerment*

In March of 2011, Teachers’ responded to OSC Staff Notice 54-701 – Regulatory Developments Regarding Shareholder Democracy Issues. In our submission, we expressed our support for the elimination of slate voting and the adoption of majority voting policies (albeit as an interim step to having true majority voting enshrined into corporate law). We continue to believe that both voting for directors on an individual basis and majority voting should be fundamental shareholder rights and we continue to support the OSC’s initiative in this area.

Teachers' has always been a proponent of disclosure that is both complete and useful. Given the growing importance of the shareholder vote, it follows that the disclosure of that vote should be made promptly after a shareholder meeting and be provided at a level of detail to include the total votes cast for, against, withheld or abstained (as the case may be) on each resolution voted on at the meeting. Any other form of vote reporting, such as simply stating a proposal "passed" or "failed" or disclosing only percentages and not total votes cast, is of little utility to shareholders and therefore should not be permitted.

### *Proxy Voting System*

We would like to also comment on the second bullet point set out under Goal #1 – Deliver Responsive Regulation, which 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.<sup>1</sup>

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.

### **Goal #2 – Deliver Effective Enforcement and Compliance**

Teachers' generally supports efforts to deliver effective enforcement and compliance. We believe that an effective enforcement and compliance regime is essential to ensure the integrity of the Canadian capital markets.

Thank you again for this opportunity to comment on the Draft Statement of Priorities. Should you have any questions, please contact Paul Schneider Manager, Corporate Governance at paul\_schneider@otpp.com or 416-730-5307.

Yours sincerely,



Wayne Kozun  
Senior Vice-President, Public Equities

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<sup>1</sup> It should be noted that proxy advisor Glass Lewis & Co. is an indirect wholly-owned subsidiary of the Ontario Teachers' Pension Plan Board. However, we must stress that the relationship between Teachers' and Glass Lewis & Co. is at arms length and Teachers' has no influence or input on the proxy analyses undertaken by Glass Lewis & Co. Any conflicts or potential conflicts of interest are addressed under the terms of the Conflict of Interest Statement found on the Glass Lewis web site (<http://www.glasslewis.com/about-glass-lewis/disclosure-of-conflict/>).