



## OSC Seeks Input on Shareholder Democracy Reforms

On January 10, 2011, the Ontario Securities Commission (OSC) announced that it is considering regulatory proposals to address certain shareholder democracy issues. Staff Notice 54-701 *Regulatory Developments Regarding Shareholder Democracy Issues* (SN 54-701) specifically identifies "say-on-pay," the election of directors and the effectiveness of the proxy voting system as issues in the area of shareholder democracy requiring additional review at this time and, potentially, the development of regulatory proposals.

At this stage of the review, the OSC would be pleased to receive any comment on whether it is desirable that staff develop proposals in these areas and the appropriate scope of such proposals. The call for comments in SN 54-701 is a first step in the reform process. One can expect that the OSC will draft new regulations once it reviews the public responses and will seek further comment later on specific proposals.

### SHAREHOLDER DEMOCRACY ISSUES IDENTIFIED

SN 54-701 identifies the following three areas of shareholder democracy for review:

- ***Slate voting and majority voting for uncontested director elections:*** Plurality voting is the dominant voting standard and permits directors to be elected without receiving a majority of votes in their favour. OSC staff are assessing the appropriateness of regulatory requirements that would facilitate individual director voting and majority voting for director elections.
- ***Shareholder advisory votes on executive compensation:*** Securities regulators have focused on improving executive compensation disclosure to provide shareholders with meaningful information to exercise their voting rights. While a number of large public companies are voluntarily giving their shareholders a "say-on-pay," there is no current initiative to implement a mandatory "say-on-pay" regime. OSC staff are reviewing whether securities regulators should consider introducing mandatory "say-on-pay" requirements.
- ***The effectiveness of the proxy voting system:*** In addition to the issues being considered by the Canadian Securities Administrators in relation to the proposed amendments to National Instrument 54-101 Communications with Beneficial Owners of Securities of a Reporting Issuer (see our May 2010 Securities Bulletin on the proposals), OSC staff are looking at whether additional reforms are needed to the proxy voting system and to what extent securities regulators should address these matters.

### COMMENT PERIOD

Interested parties can provide their comments on these subjects to the OSC. The deadline is March 31, 2011. Information on submitting comments to the OSC can be found in SN 54-701. ■



**NEED ASSISTANCE?**

Heenan Blaikie has significant experience in connection with shareholder democracy issues. If you have any questions on the subjects addressed in this *Securities E-News* or would like assistance in formulating comments on these subjects, please feel free to contact us.

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