



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

July 8, 2014

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

C/O: Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, Square Victoria, 22th Floor
C.P. 246, Tour de la Bourse
Montreal, QC H4Z 1G3
consultation-en-cours@lautorite.qc.ca

The Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, P.O. Box 55
Toronto, ON M5H 3S8
comments@osc.gov.on.ca

BY EMAIL

Dear Sir/Madam:

**RE: Canadian Securities Administrators (“CSA”) Proposed National Policy
25-401: Guidance for Proxy Advisory Firms (the “Proposed Policy”)**

This submission is made by the Pension Investment Association of Canada (“PIAC”) in response to the Proposed Policy released on April 24, 2014 on guidance for proxy advisory firms.

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PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over \$1.2 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries.

We are pleased to have the opportunity to comment on the issues raised in the Proposed Policy. PIAC member funds are long-term institutional investors in the global equity markets. Through proxy voting our members promote better corporate governance and corporate responsibility with the objective of enhancing issuer performance and shareholder value.

Every three years, PIAC conducts a survey on proxy voting practices among its member funds. The survey results over the years have shown that, given the high volume of votes cast during the condensed period when annual general meetings are held, it is essential for a significant portion of our member funds to use the research services provided by proxy advisory firms. PIAC is not concerned about the role or current structure of proxy advisory firms and as stated in an earlier submission on November 22, 2013, we do not see the need for regulation of these firms. We feel that they provide a number of valuable services and generally promote good corporate governance practices.

While PIAC still feels that a CSA response is not necessary, we acknowledge that the CSA has arrived at a different conclusion. However, it is encouraging that the CSA has responded with the least onerous option of merely providing guidance on recommended practices and disclosure. Our view is that many of the recommended practices are already in place and PIAC supports the overall direction to not issue prescriptive guidance to proxy advisory firms.

In terms of whether or not the Proposed Policy will result in meaningful disclosure, our sense is that it will not. For example, conflicts of interest are already acknowledged by proxy advisory firms within the body of their reports and procedures are in place to deal with such conflicts. Many of the suggestions made in the Proposed Policy have already been addressed by additional disclosure on a voluntary basis.

We are somewhat concerned that the CSA has broadly defined the proxy advisory firms' responsibilities to include the media and the public. While high profile proxy contests may get attention in the press, a proxy advisory firm remains primarily accountable to its clients who pay for their research and services. The implication that proxy advisory firms are under some obligation to engage with the general public goes well beyond their responsibilities in our view.

In terms of questions 4, 5 and 6 posed in the Proposed Policy, PIAC views these as going beyond the realm of guidance, to being overly prescriptive. Suggesting a designated individual to assist with conflicts as well as vote recommendations, development of guidelines and communications enters the realm of specific business practices that really

should be left to the firm to decide. PIAC's view would be similar on whether firms should engage with issuers and requiring firms to obtain confirmation from clients on whether voting guidelines have been reviewed. We see no value in such prescriptive guidance that would have no real impact on how advisory firms conduct business or on how institutions would approach proxy voting.

To reiterate, PIAC does not see the need for regulation of proxy advisory firms but can support the development of best practice guidance that does not become prescriptive. As stated in our previous submission on this issue, we encourage the regulators to focus more resources on proxy voting reform to ensure the accountability, transparency and efficiency of the proxy voting system. This is an area where both issuers and investors largely agree on deficiencies that should be addressed.

We appreciate this opportunity to comment on the consultation. Please do not hesitate to contact Katharine Preston, Acting Chair of the Corporate Governance Committee (416-681-2944 or kpreston@optrust.com), if you wish to discuss any aspect of this letter in further detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Michael Keenan". The signature is fluid and cursive, with a small flourish at the end.

Michael Keenan
Chair