



**SOCIAL INVESTMENT ORGANIZATION**

*The Canadian Association for Socially Responsible Investment*

BY EMAIL

September 18, 2012

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Office of the Attorney General, Prince Edward Island  
Superintendent of Securities, Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon  
Superintendent of Securities, Nunavut

**Attention:**

Me Anne-Marie Beaudoin  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8  
Fax: 416-593-2318  
Email: [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

John Stevenson, Secretary  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, Tour de la Bourse  
Montréal, Québec H4Z 1G3  
Fax: 514-864-6381  
Email: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

**Re: Request for Comments – Consultation Paper 25-401: Potential Regulation of Proxy Advisory Firms**

This submission is made by the Social Investment Organization (SIO) in reply to the consultation paper published on June 21, 2012 on the potential regulation of proxy advisory firms (the “Consultation Paper”).

The SIO is the national association for socially responsible investment (SRI). Our members include banks, fund companies, asset management firms, pension funds, individual advisors and consultants to the financial industry. Our members are committed to the development of socially responsible investment, which is the integration of environmental, social and governance (ESG) considerations into the selection and management of investments. Our members serve more than a million Canadian depositors and investors.

We are pleased to be afforded this opportunity to provide comment on the issues raised in the Consultation paper. Institutional funds represent the lion's share of socially responsible investment (SRI) in Canada. Pension funds, for example, have assets under responsible investment guidelines of more than \$450 billion<sup>i</sup>. Many of these institutions have been early adopters of responsible investment policies and continue to show leadership in responsible investment worldwide.

The majority of these funds are also signatories to the United Nations Principles for Responsible Investment (UN PRI), a global coalition of signatories on responsible investment which has established a set of responsible investment principles for institutions to follow.

As responsible investors and fiduciaries, these funds are committed to incorporating ESG issues into their ownership policies and employ a range of practices consistent with active ownership, including, establishing proxy voting policies, exercising their voting rights, filing or co-filing shareholder resolutions, and directly engaging with corporate leadership.

Proxy advisory firms are a critical service in the facilitation these active ownership duties and provide a number of valuable functions. The SIO is not concerned about the role or current structure of proxy advisory firms and the regulatory environment in which they work and do not see any undue influence on corporate governance practices. In fact, it is the position of the SIO that proxy advisory firms have been an important voice in promoting good corporate governance practices in Canada, continually raising standards on a range of issues, from executive compensation, to board independence to shareholder rights. In practice, issuers have adopted enhanced governance practices in response to the recommendations of proxy advisory firms.

The SIO is aware that there are concerns, most often expressed by corporate issuers, about potential conflicts interest within proxy advisory firms or a lack of transparency; however, the SIO sees that proxy advisory firms in Canada are notable for the leadership they shown through the publication of their proxy voting guidelines, speaking at investor events, and publishing research and thought papers on a range of corporate governance issues.

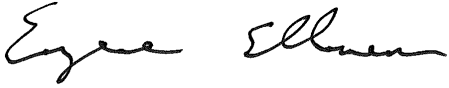
As a close observer of the proxy voting system in Canada, the SIO does have any special concern about potentially inappropriate influence on corporate governance practices by proxy advisory firms. Different clients of proxy advisory firms will use their proxy voting and advisory services in different ways, but the SIO is aware that for most institutional clients, the proxy voting analysis and recommendations provided by advisory firms are just some of a multitude of other resources used in making voting, investment or engagement decisions. It is also the position of the SIO that voting responsibility lies with owners of the voting rights.

To the extent that proxy advisory firms could be ever-more transparent, engage more fully with issuers or enhance the quality of their research, the SIO believes that these consideration are for their clients to make in an open and competitive market in which proxy advisory firms do indeed operate.

In conclusion, the SIO does not believe that a securities regulatory response is warranted in connection with any of the concerns raised in the Consultation Paper. The SIO believes and has expressed in previous submissions to the CSA that there are other pressing issues facing Canadian investors and securities regulators.

Thank you again for the opportunity to contribute our views to this discussion. If you have any questions about this submission please contact Ian Bragg, Associate Director, Research, Policy and Institutional Services at 416.461.6042 ext. 112, or [bragg@socialinvestment.ca](mailto:bragg@socialinvestment.ca).

Yours Sincerely,

A handwritten signature in black ink that reads "Eugene Ellmen". The signature is written in a cursive, flowing style.

Eugene Ellmen  
Executive Director

---

<sup>1</sup> Canadian Socially Responsible Investment Review, 2010.

[http://www.socialinvestment.ca/documents/CanadianSociallyResponsibleInvestmentReview2010\\_English\\_final.pdf](http://www.socialinvestment.ca/documents/CanadianSociallyResponsibleInvestmentReview2010_English_final.pdf)