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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
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

To the attention of:

M^e Anne-Marie Beaudoin, Corporate Secretary
Autorité des marchés financiers
800, Square Victoria, 22^e étage
C.P. 246, Tour de la Bourse
Montréal, Québec H4Z 1G3
e-mail: consultation-en-cours@lautorite.qc.ca

Mr. John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
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Dear Sir or Madam:

CSA Consultation Paper 25-401: Potential Regulation of Proxy Advisory Firms

This letter is submitted in response to consultation paper 25-401 (the **Consultation Paper**) published by the Canadian Securities Administrators (the **CSA**) on the potential regulation of proxy advisory firms (the **PA Firms**). Astral Media Inc. (**Astral**) welcomes the opportunity to share its views on some of the issues raised in the Consultation Paper.

As a member of the Working Group referred to in the Norton Rose letter, Astral confirms and reiterates the comments made therein. We would add the following brief comments from a more pragmatic standpoint of an issuer dealing with ISS' stranglehold on the outcome of a vote.

1. Notwithstanding that ISS in fact regulates issuers by imposing compliance with its "rules" of governance (as interpreted from time to time by ISS analysts), its methodology and the application of its models is not disclosed such that issuers are subject to "rules" without any guidance.
2. ISS in fact does not engage with issuers. We have experienced ISS' refusal to return our numerous calls or reply to our emails to discuss matters that did not fall within their proxy voting guidelines. Without any guidance as to how ISS would vote on the matter, we were left in the dark until we received a negative recommendation that had already been sent to ISS' clients.
3. In one case, upon receiving the negative recommendation, we challenged the analyst on the application of the ISS model, only to find out that the analyst had made a material mistake such that the recommendation should have been favourable.
4. Furthermore, we have no knowledge of the percentage of votes held by institutions that vote in accordance with ISS' recommendations. ISS recommendations will always influence the outcome of a vote and, depending on the percentage of votes held by institutions that vote in accordance with ISS recommendations, may **determine** the outcome of a vote.
5. ISS is without a doubt the dominant proxy advisory firm, with no meaningful competitor. This dominance has led to abusive behaviour by ISS including the refusal to disclose its methodology, refusal to engage with issuers and refusal to reflect corrections or comments on reports.
6. Despite evidence of its inordinate power over the voting process, ISS continues to be unregulated.
7. ISS has no economic interest in the companies it impacts, which in and of itself mandates regulatory oversight. Reference is made to the recent decision of the Supreme Court of British Columbia in *TELUS Corporation v. CDS Clearing Depository Services Inc.*: "*Shareholder democracy rests on the premise that shareholders have a common interest: a desire to enhance the value of their investment. Even when shareholders have different investment objectives, the shareholder vote is intended to reflect the best interests of the company in the pursuit of wealth maximization. When a party has a vote in a company but no economic interest in that company, that party's interests may not lie in the wellbeing of the company itself.*"

Lastly, we are of the view that the focus of regulatory oversight should not be on conflicts of interest but primarily on disclosure and issuer engagement. More specifically, we agree with and endorse the pragmatic solution on page 4 of the Institute of Corporate Directors letter of comments dated August 20, 2012.

Thank you for allowing us to comment on this subject.

Yours truly,



Brigitte K. Catellier
Vice-President, Legal Affairs and Secretary