HERMES EQUITY OWNERSHIP SERVICES LIMITED

Lloyds Chambers
1 Portsoken Street
London E1 8HZ
United Kingdom

Tel: +44 (0)20 7702 0888
Fax: +44 (0)20 7702 9452
www.hermes.co.uk

August 30, 2010

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission
Registrar of Securities, Prince Edward Island
Saskatchewan Financial Services Commission – Securities Division
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

C/O: John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8

Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec
H4Z 1G3

Dear Sir/Madame:

Re: Proposed Amendments to NI 54-101 and Companion Policy 54-101CP
Communication with Beneficial Owners of Securities of a Reporting Issuer*, NI 51-102 and Companion Policy 51-102CP *Continuous Disclosure Obligations* and NP11-201 *Delivery of Documents by Electronic Means

We have reviewed the proposed amendments, which we will refer to as the "New Proxy Rules". We are pleased that the CSA is addressing the pressing issues facing our proxy voting system and with respect to the amendments generally, we are satisfied with the direction the CSA is moving. However, we would like to see more done to ensure shareholders are not disenfranchised and to simplify the proxy voting system. Our comments are set out below.

Notice and Access
We find the CSA proposal to include a voting form in the notice package sent to shareholders preferable to the simple notice required by the SEC.

However, we think that excluding special meetings and allowing issuers to choose whether or not to utilize notice and access should be considered by the CSA to be a transitional step, rather than a final outcome. In addition, the selective use of notice and access by an issuer could create confusion among shareholders, who will not know where their material will be coming from, if at all.

The New Proxy Rules require issuers that utilize notice and access for some but not all beneficial owners to disclose that fact and explain why they are doing so. If an issuer chooses to establish notice and access, it is unclear to us why it should not be available to all beneficial owners. To the extent that notice and access has the potential to affect the level of voting by shareholders, we have some concern that an issuers' ability to offer it selectively could have the potential to affect voting results.

Materials provided to Shareholders

The Notice and Access Proposal will give issuers flexibility in the form of content of the notice provided that the notice contains certain specified information. While we do not oppose that flexibility, since the system is already so complex we do think it would be beneficial to standardize the information being provided to beneficial owners so that there is a uniform level of understanding of the system and the options available. You may be able to address this concern by ensuring that the "specified information" is sufficient to ensure such a uniform level of understanding.

The Notice and Access Proposal will also allow issuers to send additional material to beneficial owners with the required notice and voting instruction form. You have asked whether it would be appropriate for issuers to be allowed to include materials that address the substance of the matters to be voted on at the meeting. We do not think it would be appropriate for several reasons. First, we agree that it might create a disincentive to read the full information circular. Since the content of the notice and access materials would not be prescribed, there is the potential that an issuer could (intentionally or unintentionally) include an inaccurate or misleading summary of the information contained in the circular. Highlighting some items from the information circular and not others could also be misleading by omission and it is unclear whether there would be any liability associated with such additional information provided. Moreover, to the extent that notice and access will be offered to some beneficial shareholders and not others, allowing additional information to be sent with the notice could result in groups of shareholders receiving different information or having different information emphasized.

Delivery of materials to OBOs

We understand that a growing number of issuers, including some with significant market capitalization, are not delivering materials to shareholders who object to their personal information being provided to issuers ("OBOs"). As OBOs now make up the majority of shareholders in Canada, this has become a serious deficiency in our proxy system. We are surprised that the introduction of a relatively inexpensive notice and access delivery system is

not also accompanied by a requirement for issuers to deliver materials to OBOs, at least by way of notice and access.

The requirement that issuers disclose that they will not pay for delivery to OBOs may not be much of a step towards fixing this big gap in the current shareholder communication rules. While the requirement for transparency in this regard is a positive step, it does not help the OBO who is anticipating receiving a proxy voting package from an issuer that has chosen not to pay for OBO delivery. That shareholder likely will not know about the company's decision (disclosed in the proxy circular that he will not receive) until he finds out that the meeting has transpired. In our view, securities law should require issuers to send proxy related material (through notice and access or otherwise) at their expense to all of their shareholders, irrespective of whether they choose to protect the privacy of their personal information. We urge the CSA to ensure that at least notice and access cover **all** shareholders.

Obtaining NOBO Lists

We are very supportive of the amendments limiting the ability of a third party to obtain a NOBO list. We see no reason to provide lists to third parties other than to allow them to influence security holder voting or to announce an offer to acquire the security holder's shares. After implementation we believe the CSA should review information on the use of NOBO lists to ensure compliance.

Reform of the Proxy System

In determining how to improve the integrity of the proxy voting system, the CSA should prioritize simplicity and transparency.

We believe that the proxy voting system needs to be more transparent. While the protection of OBO identities makes transparency difficult, we believe a regulatory or independent audit of the system could preserve confidentiality and would be of great benefit. Such a review could be conducted for specific meetings where the vote was determined by a narrow margin. The possibility of such an audit would cause internal reviews and implementation of improved systems by all parties in the proxy voting chain.

We also recommend that you consider the analysis and recommendations of a report that is soon to be released by Carol Hansell of Davies Ward Phillips & Vineberg. We have had an opportunity to review and provide comments on a draft of that report and believe that the CSA will find it very useful.

We appreciate the extensive work that the CSA staff has done and look forward to working with the CSA to further improve Canada's proxy voting system. If you have any questions regarding the above, please feel free to contact Bill Mackenzie, Senior Advisor, at (416) 417-0173 or w.mackenzie@hermes.co.uk.

Sincerely yours,
William M. Mackenzie, Senior Advisor