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VIA EMAIL

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

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Dear Sirs/Mesdames:

Re: Canadian Securities Administrators Consultation Paper 25-401 - Potential Regulation of Proxy Advisory Firms (the "Consultation Paper")

This submission is made on behalf of George Weston Limited ("Weston") and its subsidiary, Loblaw Companies Limited ("Loblaw"), each a publicly-traded company. Mr. W. Galen Weston controls, directly and indirectly through private companies which he controls, approximately 63% of the outstanding common shares of Weston. In turn, Weston owns approximately 63% of the outstanding common shares of Loblaw. Accordingly, both Weston and Loblaw are "controlled companies".

Weston and Loblaw generally concur with the concerns set out in the Consultation Paper with respect to the services provided by proxy advisory firms, namely (i) potential conflicts of interest, (ii) lack of transparency, (iii) potential inaccuracies and limited opportunity for issuer engagement, (iv) potential corporate governance implications, and (v) extent of reliance by

institutional investors on the advice of such firms. The positions of Weston and Loblaw on these five issues are summarized below.

(i) Potential Conflicts of Interest

Proxy advisory firms should disclose generally that there is a potential for conflicts of interest given that proxy advisory firms are retained by institutional shareholders and issuers for various matters, including with respect to corporate governance matters and M&A transactions. Adequately disclosing and managing actual and potential conflicts of interest is an important component in maintaining and improving the integrity of the proxy voting process and market integrity generally. In an instance where there is an actual conflict of interest, this should be specifically set forth in the applicable report or similar work product in a conspicuous manner. Additionally, we question whether a proxy advisory firm should be able to provide voting recommendations on business items where that proxy advisory firm has provided consultancy or advisory services to the issuer on the business items in question.

(ii) Lack of Transparency

In some instances there may be a lack of transparency with respect to how and why a proxy advisory firm makes a voting recommendation. Our understanding is that certain proxy advisory firms may outsource the financial analysis component of their reviews of an issuer's disclosure and as a result may not be able to fully explain to an issuer on a timely basis the foundation for certain calculations or financial conclusions. This lack of transparency is compounded by the limited opportunity for issuer engagement.

Additionally, in certain circumstances the summary of an issuer's disclosure provided by a proxy advisory firm may not be detailed enough to provide the reader with sufficient information to fully understand such disclosure. This may result in misinterpretation or a lack of understanding by the reader of the proxy advisory firm's report, the issuer's disclosure and, by extension, the basis for a voting recommendation.

(iii) Potential Inaccuracies and Limited Opportunity for Issuer Engagement

Reports prepared by proxy advisory firms tend to distill significant amounts of information and although helpful in this regard, may omit certain pertinent details required for an investor to make a truly informed decision. Additionally, advisory reports sometimes contain inaccuracies which issuers may be unable to identify or correct because issuers are generally given a very short time frame in which to comment on draft reports. In the face of a growing demand for proxy advisory services, these factors can have a significant impact on market integrity.

(iv) Potential Corporate Governance Implications

Proxy advisory firms currently operate in accordance with their own policies and standards and these guidelines determine proxy advisory firms' voting recommendations. Such policies and standards do not necessarily reflect the current securities laws that are applicable to an issuer. While proxy advisory firms may have indicated that policies and standards adopted by them are likely to reflect institutional investor clients' perspectives as well as the views of other market participants, there is little transparency on why and how such policies and standards are developed or mention that such policies and standards are different in some aspects from

applicable securities laws. These standards reflect a "one size fits all" approach that is not necessarily applicable to all issuers. For example, the Canadian Coalition for Good Governance has released new governance guidelines for equity controlled corporations in recognition of the "legitimate governance differences for controlled corporations" in comparison to widely held corporations. The "one size fits all" approach coupled with the reliance that some institutional investors place on summary reports provided by proxy advisory firms can lead to institutional shareholders not appreciating the specific and detailed disclosure provided by issuers.

(v) Extent of Reliance by Institutional Investors

The concerns raised above are magnified because proxy advisory firms offer automatic vote execution services which allows for automatic voting based on proxy advisory firms' recommendations. This reliance on information that may not be entirely complete, accurate or described in such a manner that takes into account the nuances or specifics of an issuer's affairs can lead to unintended results, such as votes withheld for directors or votes against a particular corporate proposal. Weston and Loblaw are of the view that the ability to completely rely on the advice of proxy advisory firms serves as a disincentive for institutional investor clients to conduct their own due diligence, including review of materials carefully prepared by issuers for the benefit of their investors.

For the reasons provided above, we believe that a regulatory response is warranted and support the implementation of a policy-based approach which will (i) encourage proxy advisory firms to adopt best practices, policies and standards reflecting the views of all relevant market participants, (ii) avoid fostering a "one size fits all" governance model, (iii) improve accuracy and transparency of information communicated to institutional investor clients, and (iv) discourage investors from relying solely on advisory reports. To achieve these objectives, we believe that a policy-based regime with best practice guidelines is preferable to a rule-based regime for the following reasons:

1. Weston and Loblaw agree with the CSA that a policy-based framework does not ensure compliance; however Weston and Loblaw are of the view that a rule-based framework does not ensure compliance unless resources are dedicated to enforcement. The costs which need to be incurred to implement and enforce a new set of rules will likely outweigh the benefits. At present, securities regulators' resources can be used for more pressing issues.

2. A rule-based regulatory framework may serve as a deterrent for other proxy advisory firms to enter the market. Strong competition in the industry promotes better services, which may translate into more transparency and higher accuracy in the materials prepared for investors.

3. Rule-based regulation may serve to institutionalize proxy advisory firms, and may lead to an increase in reliance on proxy advisory firms as institutional investors may expect that securities regulators are enforcing the rules applicable to proxy advisory firms.

A policy-based framework should, among other things, include the following policies to specifically address accuracy, transparency and investor reliance issues and protect market integrity:

- proxy advisory firms should include cautionary language to encourage clients to read, in addition to their advisory reports, all of the issuer's relevant disclosure documents;

- proxy advisory firms should not offer, or at the very least not encourage clients to register for, automatic vote execution service;

- proxy advisory firms should, where applicable, use definitions or terms adopted or used by Canadian Securities Administrators;

- if making a recommendation to withhold votes, proxy advisory firms should disclose the reasons for such recommendation and include any other pertinent information which voters should consider;

- proxy advisory firms should disclose in each report any conflicts of interest concerning that report and disclose generally that there are potential conflicts of interest;

- proxy advisory firms should provide issuers with sufficient time to review and comment on draft reports and voting recommendations before disseminating such reports and voting recommendations to their clients;

- proxy advisory firms should disclose in a summary report whether the issuer has reviewed the summary report and whether the issuer disagrees with any component of such summary; and

- proxy advisory firms should disclose the methodology behind calculations of financial metrics and whether the proxy advisory firm has outsourced this particular component of a report.

Weston and Loblaw are of the view that if a policy-based approach is not effective in promoting best practices by proxy advisory firms and resolving the issues of concern to market participants, then a rule-based framework would be appropriate as a secondary step.

Thank you for the opportunity to comment on this issue.

Yours truly,

Robert A. Balcom
Senior Vice President, General Counsel - Canada and Secretary
George Weston Limited