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Senior Vice-President,
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VIA EMAIL

August 20, 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
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Me. Anne-Marie Beaudoin, Corporate Secretary
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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 Canadian Tire Corporation, Limited. Canadian Tire has an interest in the topic referred to in the Consultation Paper as a public company, as a public company with a controlling shareholder, Martha Billes, who is not a member of management, and as a public company that is committed to effective corporate governance. Canadian Tire’s controlling shareholder has a proven track record of commitment to the best in governance practices, with highly disciplined approach to the Board’s composition, its independence of

CANADIAN TIRE CORPORATION, LIMITED

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thought, and its duty to challenge. In that context, among other things, she supports the nomination, upon the recommendation of the Governance Committee of Canadian Tire's Board of Directors, of a majority of independent directors as well as the appointment of an independent Chairman.

Canadian Tire is of the view that voting decisions should be made with the benefit of relevant and reliable information. The Canadian regulatory framework mandates certain disclosure that is provided by issuers for investment and voting decisions and imposes a liability regime for disclosure (or lack thereof) that amounts to a 'misrepresentation'. We, like many other public companies in Canada and the United States, are concerned that the summary output of proxy advisory firms can be – and in the past has been – inaccurate or incomplete and often reflects a 'one size fits all' or doctrinaire approach.

We believe that this reality adversely affects the actual and perceived integrity of the proxy process as a result of the significant influence that proxy advisory firms have on the voting decisions of the institutions that subscribe to their services and retail investors that may become aware of the views – often on an incomplete basis – of the proxy advisory firms through media sources. We believe that the ownership structure, voting interests and commitment to corporate governance of Canadian Tire merit informed and balanced analysis and that neither the company nor investors are served by a broad brush and insular approach to this analysis. We also believe that, in the absence of an effective, institutionalized way for issuers to communicate their responses to proxy firm analyses and to have this communication reflected appropriately, the markets are not well-served. As such, we are in favour of a policy-based framework for proxy advisory firms that would specifically address accuracy, transparency and investor reliance issues, thereby enhancing investor protection and protecting the integrity and reputation of Canadian markets.

Canadian Tire agrees with each of the concerns identified in the Consultation Paper as set out below:

(i) Potential Conflicts of Interest

Proxy advisory firms should disclose generally that there is a potential for conflicts of interest and in instances where there is an actual conflict of interest, this should be clearly disclosed.

(ii) Lack of Transparency

It is often unclear how the corporate governance best practices and recommendations of proxy advisory firms are developed and formulated. In addition, proxy advisory firms are not required to explain why their views, if adopted, would make a company's corporate governance more effective. The same concerns that the Ontario Securities Commission has expressed in terms of 'boilerplate' or summary disclosure in the context of its review of disclosure documents are equally applicable to documents issued by proxy advisory firms. For example, the results of the

Canadian Tire Board of Directors' extensive considerations of effective corporate governance policies and practices for Canadian Tire are fully described in Appendix H of Canadian Tire's information circular. There currently is no requirement for disclosure of an equivalent standard for proxy advisory firms. The unfortunate reality is that investors may be more likely to read – and accept as an expert's views – a summary recommendation of a proxy advisory firm with respect to a specific matter to be voted on by shareholders of a specific issuer in a specific context and not the detailed disclosure that the issuer is required to provide.

(iii) Potential Inaccuracies and Limited Opportunity for Issuer Engagement

For issuers that are actively engaged in a process of pursuing “good governance”, the resources expended on the governance process, including related decision-making and proxy circular disclosure – and the associated cost – have increased dramatically over the past ten years. The amount of information, as well as the quality of and liability for the information, that now is expected to be provided by reporting issuers have increased significantly. The same cannot be said of disclosure by proxy advisory firms, notwithstanding the disproportionate impact that their materials may have as a result of their self-professed expertise and the reliance that certain institutional shareholders have placed on them. The tendency of proxy advisory firms to distill complex information into pre-determined boxes and apply a formulaic approach to governance matters in a manner that a reporting issuer would be criticised for amplifies the issues in this regard. The concern is further compounded by the practice of proxy advisory firms to generally not engage in a meaningful or constructive consultative process with reporting issuers, to provide little time to reporting issuers to comment on the firm's recommendations before they are published and to be resistant to amendment or correction of reports or recommendations.

(iv) Potential Corporate Governance Implications

We note that issuers who wish to be seen as adopting corporate governance “best practices” must not only ensure their compliance with applicable law, often in more than one jurisdiction, but also satisfactorily address the expectations of governance groups, media reports and proxy advisory firms. The expectations of these sources are not always reconcilable or effective in facilitating better governance or disclosure.

We do not believe that good governance results from adopting every opinion that is made public. Instead we suggest that good governance results from considering (i) the specific and perhaps unique circumstances of a company, (ii) current, relevant dialogue in the international governance arena and (iii) current events and, with the benefit of that information, developing, implementing, following and refining a corporate governance framework the directors of a company believe will be most effective for the company. We also believe that the framework needs to be adjusted as circumstances of that company require, and not necessarily in response to events that do not bear upon those circumstances.

(v) Extent of Reliance by Institutional Investors

We know that some of our investors undertake their own analysis of governance practices as we do correspond directly with our investors on governance matters when questions are asked. However an informal survey conducted by Canadian Tire some years ago indicated that a number of institutional investors adopt the recommendations of proxy advisory firms without further inquiry. We remain concerned about any automatic adoption of proxy advisory recommendations 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, quality and transparency of information communicated to institutional investor clients and that inevitably is communicated more broadly (and often in a more summary form) to retail investors so that they can understand the weight that it is appropriate to provide to that information in the specific circumstance, (iv) provide an effective mechanism through which inaccurate information can be corrected and to comment on views expressed by proxy advisory firms in materials that are likely to be read by persons that have read the view of the proxy advisory firms, and (v) discourage investor reliance 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. 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.
2. Rule-based regulation may serve to institutionalize proxy advisory firms. We believe that the market would be better served by a strengthening of investor analysis, enhancing the amount, depth and breadth of thought on corporate governance best practices and limiting ‘group think’.

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

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

- advisory firms should, where applicable, use definitions or terms adopted or used by Canadian Securities Administrators;
- if a recommendation is made to withhold votes or vote against a matter, the proxy advisory firm should disclose how it arrived at the recommendation and include any other pertinent information which voters should consider, including the issuer's views on the matter;
- proxy advisory firms should be required to disclose whether they have conflicts of interest generally and in relation to particular reports;
- 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 its clients; and
- 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 include a reasonable summary of the issuer's position.

Thank you for the opportunity to comment on this issue.

Yours truly,



Robyn Collver

cc: Maureen Sabia, Chairman of the Board, Canadian Tire Corporation, Limited
Jonathan Lampe, Director, Canadian Tire Corporation, Limited