

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial and Consumer Affairs Authority
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, Ontario M5H 3S8
E-mail: comments@osc.gov.on.ca

And

Me 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
E-mail: consultation-en-cours@lautorite.qc.ca

19 June 2014

RE: CSA Notice and Request for Comment: Proposed National Policy 25-201 *Guidance for Proxy Advisory Firms*

Thank you for the opportunity to comment on the above proposal.

SHARE is a national non-profit organization and an advisor on responsible investment to Canadian institutional investors. Responsible investment is an approach which recognizes the importance of environmental, social and governance (ESG) factors in the financial performance of investments and the long-term stability of capital markets. Our clients, which include pension funds, asset managers,

foundations, religious institutions and trade unions, have assets under management of more than \$14 billion. We offer responsible investment services to help clients incorporate ESG issues into their investment management processes, and provide education, policy advocacy and practical research on relevant issues. Proxy voting is one service we offer to clients.

We and our clients view the voting rights attached to company shares as valuable assets and the exercise of those rights is a critical part of responsible investment. Our analysts research ballot issues and vote according to SHARE's public proxy voting guidelines or customized client guidelines.

We wish to underscore that the key relationships in the voting process are between the issuer and the shareholder and between the institutional investor and its beneficiaries. By voting their shares, institutional investors are exercising their rights as owners of the companies and are acting on behalf of beneficiaries. We agree with the statement in the consultation paper that "issuers ... may engage with their shareholders, who have the ultimate responsibility of determining how to exercise their right to vote, to explain why they have adopted a given corporate governance practice."¹ Proxy advisory firms are important facilitators and advisers to the voting process, but they are not the ultimate decision makers.

Responsible ownership, supported by such standards as the UN Principles for Responsible Investment (UNPRI) and the UK Stewardship Code, encourages institutional investors to scrutinize and engage with the companies they own, and aims to enhance the responsiveness of issuers to institutional investors. These standards extend to service providers. The UK Stewardship Code states, "the Code ...applies, by extension, to service providers, such as proxy advisors and investment consultants."² The UNPRI suggests that signatories "communicate ESG expectations to investment service providers."³ We believe that directing the CSA's attention to investor stewardship as a whole would be of greater benefit to capital markets.

In view of the above, we agree with the CSA that separate, prescriptive regulation of proxy advisory firms is not warranted. In the interests of greater transparency on the part of all actors in the voting system, we have no objection to voluntary guidance for proxy advisory firms which would encourage disclosure of conflict of interest policies, proxy voting guidelines, and the methodologies used in analysis. Many of our practices already conform to the suggestions contained in the proposed policy. However, we suggest the CSA give further thought to whether the guidance should include information on communications with clients, market participants, the media and the public, which may be overly prescriptive. Regarding question 5 of the consultation paper, we do not see the need to encourage proxy advisory firms to engage with issuers as they prepare vote recommendations as this will depend on the particular approach of the advisory firm.

¹ CSA Notice and Request for Comment, Proposed National Policy 25-201 *Guidance for Proxy Advisory Firms*, April 24, 2014, p. 4

² The UK Stewardship Code, September 2012, Application of the Code, s.2, p.2

³ UN Principles for Responsible Investment, Principle 4, "Possible Actions". <http://www.unpri.org/about-pri/the-six-principles/>

Thank you again for the opportunity to comment. SHARE would be pleased to elaborate on any of the arguments outlined above.

Sincerely,



Peter Chapman
Executive Director
Shareholder Association for Research and Education