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British Columbia Securities Commission
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Financial and Consumer Affairs Authority of Saskatchewan
The 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
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Yukon
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

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Re: Canadian Securities Administrators 25-201 –Proxy Advisory Firms

Power Corporation of Canada ("Power Corporation"), as a diversified international management and holding company, has directly and indirectly invested many billions of dollars in Canada, the United States, Europe and Asia, in public and private companies that are active in the financial services, communications and other business sectors. We are major long-term shareholders of Canadian public companies, notably Power Financial Corporation, Great-West Lifeco Inc. and IGM Financial Inc.

Power Corporation and its group companies are active participants in the public dialogue regarding shareholder democracy and corporate governance matters in Canada.

We had welcomed the Canadian Securities Administrators (the "CSA") initiative in considering the potential regulation of proxy advisory firms to address concerns raised about the activities of such firms and their potential impact on Canadian capital markets. We provided a detailed response to the Consultation Paper 25-401 dated September 19, 2012 (the "Consultation Paper"). We do not

re-iterate in this submission the thorough response we made at that time nor the research underlying it. That letter provides a comprehensive basis for our comments below, with supporting analysis, research and references. Our views have not changed.

Unfortunately, the proposed National Policy 25-201 (the "Policy") does not adequately address the concerns raised in the Consultation Paper and by reporting issuers. We believe there is a balanced approach which can address the concerns of all capital markets stakeholders, and, importantly, which can further the objectives of securities legislation (which, after all, should be the rationale for all proposed CSA initiatives).

Necessity for Regulatory Oversight

Based on an accumulation of anecdotal evidence and as a logical extrapolation of empirical studies regarding the influence of proxy advisors in the U.S. and throughout the world, we believe it is important for the CSA, through securities laws, to implement a comprehensive framework to regulate proxy advisors, including certain minimum prescribed requirements.

We think it is important to note that their advice impacts not just the proxy advisors' clients, but also other significant capital market participants, such as reporting issuers, their directors and most importantly their shareholders who are not the clients of such firms.

Issuer Engagement

The concern with which Power Corporation has the most experience relates to issuer engagement. Power Corporation has historically been the subject of factually erroneous reports by proxy advisors, which required corrections to reports after they had been issued and had influenced voting results. In other cases, corrections were not made.

Reflecting the importance of disclosure in an information circular, applicable Canadian securities legislation regards such a document as a "core document" for purposes of civil liability for secondary market disclosures.

As a consequence, we believe that it is appropriate to require that a proxy advisory firm properly engage with issuers during proxy season. Given the important role of proxy advisors in assisting investors in making voting decisions regarding matters to be presented at shareholder meetings and the consequential nature of the outcome of such votes to participants, including participants in the capital markets beyond the proxy advisory firm's clients (even on what may be viewed as routine matters), it is essential that proxy advisory reports contain accurate information and that voting recommendations are based on an accurate interpretation and comprehensive review of publicly available information. The outcome for matters voted on by shareholders, even if not patently strategic, can have an impact on both the current and future financial performance and reputation of an issuer and its directors.

Given that there is sufficient time between the release of meeting materials and investors' voting deadlines in Canada, a robust and credible issuer engagement process should be mandatory if a proxy advisor is to issue a report regarding an issuer.

Issuers should be provided with a draft voting advisory report prior to its release, especially in the case of "withheld" or "against" management voting recommendations and be given an appropriate opportunity to respond before a report is finalized. In this respect, as we previously indicated, we are particularly supportive of the CSA making mandatory certain aspects that have been recommended in the French Autorité des marchés financiers *Recommendation No. 2011-06 of 18 March, 2011 on Proxy Advisory Firms*.

One of the primary objectives of securities legislation is the timely, accurate and efficient disclosure of information concerning reporting issuers. It appears incongruous that the CSA would not enact certain minimum requirements for proxy advisory firms to achieve this fundamental objective of securities legislation, particularly as the proposed requirements we and other market participants previously suggested, and propose again herein, are not intrusive or onerous, and the benefits of which would only assist in timely, accurate and efficient disclosure.

Report Disclosure Liability

Canadian securities laws prescribe the level of detail and accuracy of information required to be disclosed by issuers for matters to be considered at shareholder meetings. In particular, if action is to be taken on any such matter, other than the approval of annual financial statements, issuers are required to briefly describe the substance of the matter in sufficient detail to enable reasonable securityholders to form a reasoned judgment concerning the matter. Rules concerning information circulars in respect of business combinations, related party transactions, take-over bids and issuer bids also mandate disclosure of all matters that would reasonably be expected to affect the decision of securityholders. Further, information circulars concerning take-over bids and issuer bids must contain executed certificates attesting that such documents contain no untrue statement of a material fact and do not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

As noted, applicable Canadian securities legislation regards such a document as a "core document" for purposes of civil liability for secondary market disclosures. To the extent that the disclosures contained in reports (or included, summarized or quoted in other documents) released by or with the consent of proxy advisors alter the mix of available information through the inclusion of an untrue statement of a material fact (e.g., an erroneous voting recommendation based on an untrue factual support for such a recommendation) or omits to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made (e.g., the absence of a sufficient explanation regarding the voting recommendations included in the report), we believe that there should be an appropriate liability regime for proxy advisors. As the sole purpose of a proxy advisor's voting report is to provide a voting recommendation, any error in such a report would likely be considered important to a reasonable shareholder in deciding how to vote on a matter. Considering the significant economic and reputational consequences that inaccurate or incomplete information concerning matters to be voted upon at a shareholder meeting can have on issuers and other stakeholders, proxy advisors should be held accountable for the content of their reports.

Policy Formulation/Application and Disclosure of Policies

As we previously indicated in our response to the Consultation Paper, as proxy advisory firms are strategically situated at the critical nexus of institutional investors, reporting issuers and shareholder democracy, a few proxy advisory firms have cultivated substantial, indirect rulemaking power, without any of the usual regulatory checks and balances. Proxy advisors have evolved, without securities regulatory oversight in Canada, and in the absence of the discipline provided by vigorous competition, into de facto standard setters or private regulators in respect of corporate and securities legal matters that have important and long-term national policy implications.

Although it is our view that issuer engagement during the policy formulation process is imperative, we are sensitive to the fact that proxy advisors function pursuant to contractual relationships with their clients and, accordingly, their policies may primarily reflect their clients' views. However, given the significance of their influence, we believe that policies developed and supported by proxy advisory firms should be clear, robust and based on empirical evidence, while also being flexible enough to appropriately contemplate and accommodate the approaches to governance that issuers thoughtfully determine to be appropriate for their unique circumstances. For example, there are legitimate governance differences for controlled companies like Power Corporation and our controlled public company subsidiaries. While a "one-size-fits-all" approach is clearly inappropriate, policies of proxy advisory firms should be formed and applied in a manner that reflects the diversity of businesses and structures that comprise Canada's capital markets.

Proxy advisors should accordingly be required to disclose the internal procedures, guidelines, standards, methodologies, assumptions and sources of information supporting their recommendations, including in respect of their data-gathering procedures. Such disclosure should be sufficient to permit not only the clients of proxy advisors, but others affected by them, to assess the quality of the data and analysis that inform voting recommendations and evaluate such recommendations on their merits.

We believe it is also important for sufficient disclosure to be made by proxy advisors, and be applied consistently, to allow issuers to form a reasonable expectation of voting recommendations in advance, without the issuer being required to purchase services and advice from the proxy advisor.

Resources

Regulation of proxy advisory firms should ensure that such firms deploy sufficient resources to carry out high-quality assessments of each proxy matter for which advice is to be provided. They should have appropriate knowledge, qualifications and experience with respect to the subject matter of voting recommendations (e.g., compensation policies, industry-specific aspects of complex merger and acquisition transactions, etc.), as well as appropriate time to consider such matters fully, after sufficient engagement with issuers, rather than just through a mechanical, "check-the-box" approach.

Potential Conflicts of Interest

Proxy advisors should be required to establish, maintain, enforce and disclose publicly written policies and procedures to address and manage conflicts of interests. Also, we believe that proxy advisors should be required to provide timely, clear and specific disclosure of any actual or potential conflict of interests they identify. A generic disclosure that a conflict of interest *may* exist in the circumstances is insufficient in our opinion. Finally, the CSA should consider whether disclosure may be insufficient to protect against the consequences of certain types of conflicts of interests, that go directly to the proxy advisor's decision making ability and whether such conflicts should not instead be prohibited.

We accordingly believe there should be certain minimum requirements relating to the matters referred to above, which would not unduly restrict the flexibility and operations of proxy advisor firms, which would address the concerns identified in the Consultation Paper, and, importantly, further the primary objectives of securities legislation.

Yours very truly,