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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 Territory
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

c/o

Me Anne-Marie Beaudoin
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The Secretary
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Re: Proposed National Policy 25-201 *Guidance for proxy advisory firms*

Dear Sirs/Mesdames:

We have reviewed the proposed National Policy 25-201 *Guidance for proxy advisory firms* (“Proposed Policy”) and we thank you for the opportunity to provide our comments.

Addenda Capital Inc. is a privately owned investment management firm responsible for investing more than \$23 billion in assets for pension funds, insurance companies, foundations, endowment funds and third party mutual funds of major financial institutions.

General comments

The Canadian Securities Administrators' focus on proxy voting is welcome but we believe that efforts should be focused on addressing the systemic problems in the proxy voting system like accurate vote reconciliation and end-to-end vote confirmation. There does not appear to be strong evidence that the guidance in the Proposed Policy is necessary or that it would change the behaviour of proxy advisory firms. The Best Practice Principles for Shareholder Voting Research & Analysis and the associated Guidance appear to address the issues outlined in the Proposed Policy.

As you note, proxy voting is an important feature of the capital markets. Proxy advisory firms provide their clients, investors, with valuable information that is useful for monitoring the governance practices of companies and exercising voting rights. Well informed and conflict-free voting advice helps investors consider relevant information and make optimal voting decisions for their beneficiaries or clients. Proxy advisory firms help investors in many ways by, for example, applying local market corporate governance expertise to analysis and voting recommendations for global investors, translating languages and helping deal with the time constraints of concentrated proxy seasons.

As the CSA has determined that a response to the comments received on Consultation Paper 25-401 *Potential regulation of proxy advisory firms* is warranted, we are pleased that the nature of the Proposed Policy is guidance that is "not intended to be prescriptive or exhaustive."

One item the Proposed Policy does not seem to address in depth is the development of custom voting policies and the accuracy of vote recommendations adherence to those policies. Institutional Shareholder Services' response to this consultation indicates that this is an important consideration, saying, "for clients representing over 60 percent of the aggregate assets held by all of our clients, ISS manages and applies over 400 custom policies."¹

¹ See http://www.osc.gov.on.ca/documents/en/Securities-Category2-Comments/com_20140621_25-201_carterm-sistid.pdf

Responses to specific questions

Question 1. *Do you agree with the recommended practices for proxy advisory firms? Please explain.*

Yes, we agree with the guidance included in the Proposed Policy.

Question 2. *Are there any material concerns with proxy advisory firms that are not covered in the Proposed Policy? Please explain.*

We do not have any material concerns and hence it is not possible for any to not be covered in the Proposed Policy.

Question 3. *Will the Proposed Policy promote meaningful disclosure to the proxy advisory firms' clients, market participants and the public? If not, what additional information should be disclosed?*

We do not think the Proposed Policy will change the behaviour of proxy advisory firms.

Question 4. *We encourage proxy advisory firms to consider designating a person to assist with addressing conflicts of interest. Should we also encourage proxy advisory firms to have the person assist with addressing determination of vote recommendations, development of proxy voting guidelines and communication matters?*

The additional guidance proposed in this question sounds overly prescriptive.

Question 5. *We expect proxy advisory firms to disclose their approach regarding dialogue or contact with issuers when they prepare vote recommendations. Should we also encourage proxy advisory firms to engage with issuers during this process? If so, what should be the objectives and format of such engagement?*

The additional guidance proposed in this question sounds overly prescriptive.

Question 6. *A proxy advisory firm may provide automatic vote services to a client based on the proxy advisory firm's proxy voting guidelines. Should we encourage proxy advisory firms to consider obtaining confirmation that the client has reviewed and agreed with the proxy advisory firm's proxy voting guidelines leading to vote recommendations? If so, should we encourage proxy advisory firms to consider obtaining such confirmation annually and*

following any amendments to the proxy advisory firm's proxy voting guidelines?

The concept of having proxy advisory firms hold investors accountable for their stewardship activities is not suitable for the Proposed Policy. We are very supportive of enhanced engagement between investors and issuers and see a role for the CSA in promoting effective engagement. We have a favourable view of developments like the UK Stewardship Code, the Japanese Stewardship Code and the Canadian Coalition for Good Governance's 2010 Principles for Governance Monitoring, Voting and Shareholder Engagement.

In closing, thank you for soliciting comments on the Proposed Policy. If you would like to discuss our comments, please do not hesitate to contact me at +1 647-253-1029 or b.minns@addenda-capital.com.

Yours Sincerely,

A handwritten signature in black ink that reads "Brian Minns". The signature is written in a cursive, slightly slanted style.

Brian Minns
Sustainable Investment Specialist

c.c. Frank Bomben, Director, Public Affairs and Government Relations, The Co-operators Group Limited