

July 7, 2017

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

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**Re: CSA Consultation Paper 51-404 – Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers**

This letter represents the comments of Broadridge Investor Communications Corporation<sup>1</sup> (Broadridge) in response to your request for comment on *CSA Consultation Paper 51-404 – Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* (hereafter, the “Consultation”).

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<sup>1</sup> Broadridge is an industry leader in the Canadian financial marketplace, facilitating the proxy communication process since 1987. Our services include delivery of shareholder communications and other documents on behalf of corporate issuers, mutual funds and banks, brokers and trust companies, in compliance with industry regulations. We currently support 70 proximate intermediaries (representing 297 financial institutions) holding securities on behalf of investors of approximately 3,600 Canadian public issuers, as well as custodians and institutional investors. Broadridge’s global reach also provides U.S. and other foreign investors the opportunity to receive materials from and participate actively in the voting process for Canadian reporting issuers. Unique to Broadridge are our domestic and global reach and our combined industry, regulatory and information technology expertise. Our clients rely on us to help them efficiently and cost-effectively comply with applicable proxy and disclosure laws and regulations through the deployment of technology-based solutions.

## **Introduction**

Broadridge supports the goal of the Consultation in seeking additional ways to allow non-investment fund reporting issuers to communicate efficiently and effectively with their securityholders. At the same time, it is understood that changes to regulations involving securityholder communications should not unintentionally reduce securityholders' access to information by requiring them to take steps to receive it. Information must remain easily accessible and available in the format preferred by the investor. We would submit that issuers and securityholders are benefitting from current rules and guidance for e-delivery and notice and access. Cost savings are growing and voting participation has increased. A change to an "access equals delivery" model would reduce costs on printing and postage but would also reduce securityholders' engagement with disclosure communications. By contrast, greater cost savings are available under current rules and guidance without a change in the delivery default simply by making it easier for more issuers to use the notice and access option that is currently available.

We will limit our response to Section 2.5 of the Consultation Paper – Enhancing Electronic Delivery of Documents – as this is where our expertise and experience are most relevant.

## **Consultation questions**

*31. Are there any aspects of the guidance provided in NP 11-201 which are unclear or misaligned with market practice?*

We believe that NP 11-201 provides appropriate guidance to securities industry participants that want to use electronic delivery to fulfill delivery requirements in securities legislation. We also acknowledge that it is the investor's choice to receive material electronically as their preferred preference.

The continued evolution of new channels and the increasing adoption of e-delivery suggest that the rule requires no change to the current guidance on the use of electronic delivery. Currently, the use of e-delivery results in the greatest savings to issuers. In the 2016 proxy season (year ending June 30, 2016), issuers collectively saved \$3,431,289 by using e-delivery.<sup>2</sup> We estimate that adoption of e-delivery by all eligible issuers and where all securityholders received material electronically would generate an additional savings of approximately \$87.5 million on printing, postage, and fees.

E-delivery continues to evolve with adoption of new technologies such as cloud communication channels. As we have commented on previous occasions, we would suggest the CSA ensure that language not be so prescriptive as to limit or preclude the adoption of new technologies as they emerge.

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<sup>2</sup> 50.3% of proxy mailings processed by Broadridge were eliminated through a combination of customized processing applied to bank and broker supplied data for account consolidations (i.e. discretionary managed accounts), ProxyEdge® and e-delivery. This compares to the 48.1% processed the previous season, and resulted in an estimated \$34 million in savings for issuers, a \$1.7 million improvement over the prior year.

32. (a) Since the adoption of the “notice-and-access” amendments, what aspects of delivering paper copies represent a significant burden for issuers, if any? Are there a significant number of investors that continue to prefer paper delivery of proxy materials, financial statements and MD&A?

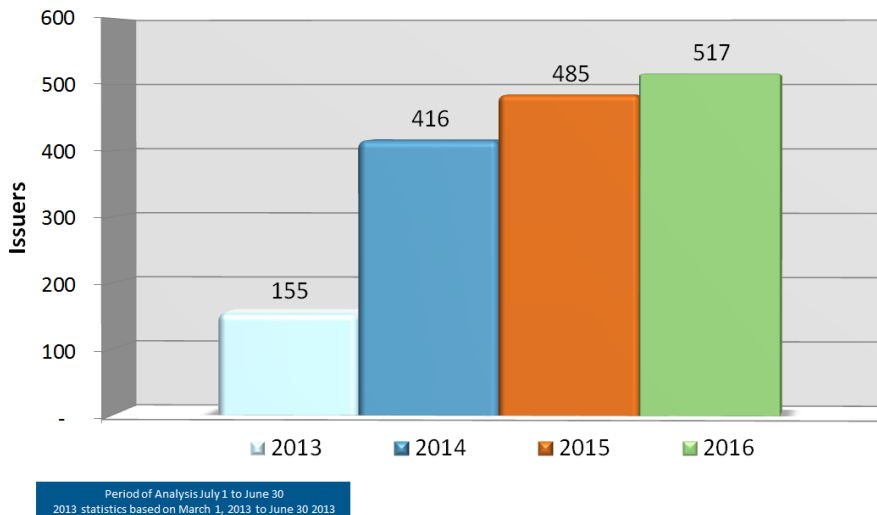
Since the introduction of Canadian notice and access delivery in 2013, Broadridge has tracked statistics on adoption and use for delivery of proxy materials. Specifically, the number of investors requesting full set (paper) proxy materials has been negligible. Fewer than 1% of investors requested paper materials after receiving the notice.

The following statistics<sup>3</sup> regarding the use of notice and access since its introduction are provided here for your further information. The statistic provided below pertain only to issuers that used notice and access for their beneficial shareholders.

**1. Adoption of notice and access is growing and there’s room for further growth.**

In 2016, 517 issuers used notice and access to deliver proxy materials to their beneficial shareholders. This represents approximately 14% of the estimated 3,600 Canadian issuers that could choose to use the notice and access method. In some cases, issuers used notice and access for their registered shareholders but not their beneficial shareholders due to certain restrictions in corporate regulations.

Notice and Access Adoption for distribution to beneficial shareholders  
(approx. 3,600 issuers in Canada)

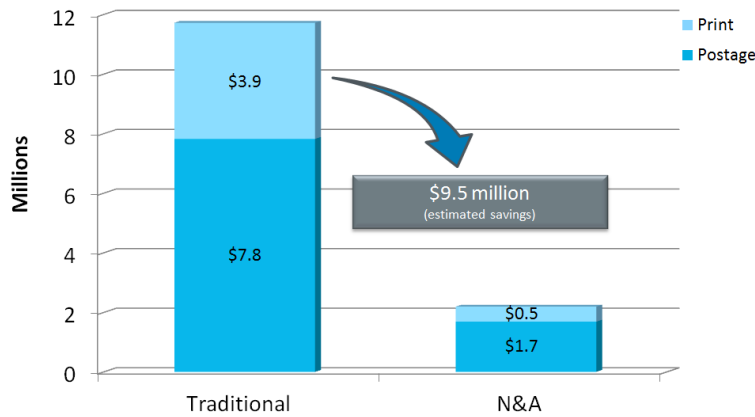


<sup>3</sup> Data is based on Broadridge fiscal year ending June 30, 2016.

**2. Cost savings to corporate issuers continues to increase with the notice and access option; a large opportunity remains.**

In 2016, the 517 issuers that used notice and access saved an estimated \$9.5 million on their costs for printing and postage. There is the potential for an additional \$23 million in savings to Canadian issuers annually if all beneficial holders were mailed notices in lieu of a full package of proxy materials.

Estimated Savings for 2,010,294 Notices mailed to beneficial holders

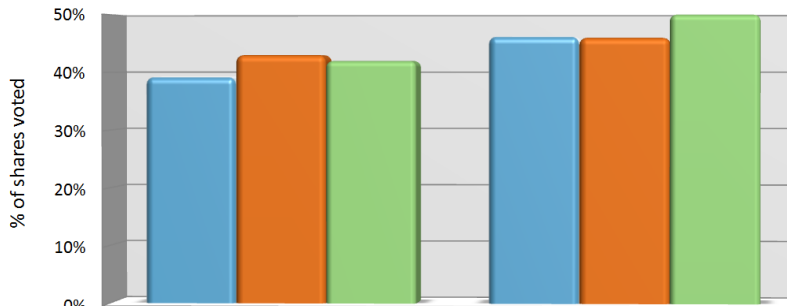


The unit savings is based on Broadridge internal data from July 1, 2015 to June 30, 2016  
The median print cost is estimated at \$1.94. Postage is calculated using 2016 Canadian postage fee at \$3.89.

**3. No negative impact to voting; voter participation increases with notice and access**

Since 2013, the percentage of shares voted when securityholders received a notice has been higher than with traditional delivery.

Voting Results –Traditional vs. Notice and Access



	Traditional	Notice and Access
2014	39%	46%
2015	43%	46%
2016	42%	50%

*32 (b) Do you think it is appropriate for a reporting issuer to satisfy the delivery requirements under securities legislation by making proxy materials, financial statements and MD&A publicly available electronically without prior notice or consent and only deliver paper copies of these documents if an investor specifically requests paper delivery? If so, for which of the documents required to be delivered to beneficial owners should this option be made available?*

The CSA was rigorous in its approach to the introduction of notice and access to ensure retail investors were not disengaged by an issuer's decision to use the notice delivery option.

The CSA's approach reflected the fundamental principle in legislation of "pushing" information to investors rather than expecting them to know when the information is available and requiring them to take steps to obtain it. (Parenthetically, this principle is also one that marketers have long relied on; namely, if people are to be made aware of information, it needs to be sent directly to them.) Obligating securityholders to search for their investment information would lead to a significant decline in participation and voting, a scenario that the CSA took particular interest to avoid when considering the empirical data on the negative participation impact of the notice and access regime in the U.S.

A large body of behavioural data on "defaults," "switches," and "nudges" is also incontrovertible. A change in the process along the lines of the Consultation would result in a significant and irreversible decline in investors' engagement with disclosure materials. Securityholders expect automatic delivery of a notice or the materials themselves *consistent with their standing preferences and default*. An investor consents to their preference to receive material rather than an issuer determining how they will make it available. Behavioural science shows that when there is a change in the underlying default, individuals typically take no action. They neither opt-in nor opt-out, even when taking action is in their best interest. Economists and policy experts generally have observed that defaults should be set in ways that encourage the greatest public good. There are many areas that involve the careful balancing of the efficiency needs of issuers against the information delivery preferences of investors. Canada's current rules on notice and access have been successful in striking a careful balance.

Practically speaking, the elimination of direct notification could also have a client service impact on intermediaries. Specifically, the CSA's language in question 32(b) "without prior notice or consent" would result in undue burden on the intermediary firms' ability to service those of their clients (investors) who are confused as to how they would need to access materials.

*32 (c) Would changes to the "notice-and-access" model as described in question (b) above pose a significant risk of undermining the protection of investors under securities legislation, even though an investor may request to receive paper copies?*

As per our response in 32 (b), we suggest that a change to the notice and access model would jeopardize the balance between the efficiency needs of issuers and the information delivery preferences of investors. Canada's current rules on notice and access have been successful in striking a careful balance.

*(d) Are there other rule amendments that could be made in NI 54-101 or NI 51-102 to improve the current “notice-and-access” options available for reporting issuers?*

In 2013, Broadridge worked with the CSA to inform the inclusion of the notice and access regime under National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer (NI 54-101) to give reporting issuers the option to use the notice and access method to post proxy-related materials on a website instead of having to mail materials to registered holders (under NI 51-102) and to beneficial owners (under NI 54-101). Under NI 51-102, notice and access may also be used to post annual financial statements and MD&A in lieu of sending such documents to all security holders.

Subsequently, we provided further guidance and statistical data to the CSA over several years as well as to Industry Canada (May 2014) and the Standing Committee on Industry, Science and Technology (April 2017) regarding the implementation of the notice and access method for CBCA issuers. The process to bring notice and access to Canadian issuers and to improve its implementation and adoption has been collaborative and thorough. It remains now for issuers to adopt that method in order to realize significant additional cost savings on printing and postage.

The CSA may want to consider a similar scheme to that of Enhanced Broker Internet Platforms (“EBIP”), a concept introduced by the SEC and the New York Stock Exchange (NYSE) in 2010 to increase electronic delivery adoption.

An EBIP concept would promote the continued development of new technology and an increase in adoption of electronic delivery, would require no regulatory change and would create for issuers the opportunity for even greater savings.

We encourage the CSA to seek to better understand why only 14% of issuers have adopted notice and access four years after its effective date. We would submit that its restrictions over traditional processes and timelines impact an issuer’s decision to use notice and access. The extended timelines required for use of notice and access may cause many issuers to not avail themselves of the option. Record dates for notice use must be set no less than 40 calendar days prior to the meeting date. Mailing dates must be no less than 30 calendar days prior to the meeting date. The CSA may wish to review timing as a factor to bring requirements in line with conventional proxy timelines.

*33. Are there other ways electronic delivery of documents could be further enhanced through securities legislation?*

It has been clearly demonstrated that the application of new and enhanced technologies benefits the efficiency and transparency of communications for all participants. The impetus for the evolution of shareholder communication vehicles includes:

- Historic declines in voter participation encouraged the creation of new communication channels



- Increased use of electronic / online / social media methods of communication by securityholders
- Improved access to and performance of online / electronic channels
- Regulatory change that expands communication options

Rapidly growing and popular digital delivery platforms can provide delivery of proxy and other financial information, determined by the preference of the investor, to the sites currently being visited by the investors (rather than at sites where the issuer determines they should go to find them). Interfaces are now available for Dropbox, Evernote, and other leading digital channels which millions of investors choose to use to receive information.

Enhancements are also being made to the format and content of email messages for delivering proxy information and other regulatory communications electronically. For example, issuers and brokers can more easily add branding to their e-delivery messages. This can enhance interest in the material and provide a communications “dialogue,” such as for a short video on a company’s market outlook. Customizable messages can provide useful information in the body of the email message itself, as well as links to the full report for compliance. These new formats offer opportunities to improve viewing rates of disclosure information.

Broadridge’s Communications Cloud solution integrates leading digital channels like epost, Amazon, Microsoft Drive, Doxo, Evernote, Google Drive and others together on to one digital communications platform. Issuers can expect to improve communication with their security holders in order to meet evolving digital preferences, comply with increased security and privacy standards and deliver more effective, actionable communications.

### **In Conclusion**

We would be pleased to meet with representatives from the CSA to discuss further the proxy communication process and our technology infrastructure that enables it. We are also happy to provide further quantitative data that may be informative and valuable.

Broadridge remains committed to improving the proxy system for issuers, intermediaries, investors and all other constituents of this critical capital markets infrastructure.

Sincerely,

“Patricia Rosch”

Patricia Rosch  
President  
Broadridge Investor Communications Corporation