

## Annex B

### Summary of Comments and CSA Responses

Commenters	Summary of Comments	CSA Responses
<b>Issuers and issuer-related associations</b>	The Policy targets the right concerns, but guidance setting out recommended practices and disclosure is not an appropriate approach. Proxy advisory firms should be regulated, subject to a comply or explain framework or at least be required to meet standards in certain key areas.	<p>Based on the comments received from other commenters and our analysis of the concerns raised, we continue to believe that guidance is the appropriate approach in the circumstances. In our view, this approach represents a sufficient and meaningful response to address the different perspectives of the respective market participant groups.</p> <p>The Policy recognizes the private contractual relationship between proxy advisory firms and their clients. The recommended practices and disclosure provide institutional investors or other clients with a framework for evaluating the services provided to them by proxy advisory firms.</p> <p>This approach is supported by our belief that proxy advisory firms will voluntarily adopt our suggested practices and disclosure. Proxy advisory firms have recently demonstrated a willingness to respond to concerns by voluntarily making changes to some of their processes.</p> <p>We also believe that the Policy is consistent with the recommendations arising from the current international initiatives. We note that no</p>

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		jurisdiction has adopted rules for proxy advisory firms at this time.
	<p>The recommended practices and disclosure will not promote meaningful changes since proxy advisory firms have already implemented most of the recommendations.</p>	<p>We recognize that proxy advisory firms have already implemented most of the recommendations. However, the recommended practices and disclosure will in our view</p> <ul style="list-style-type: none"> <li>• promote transparency in the processes leading to a vote recommendation and the development of proxy voting guidelines, and</li> <li>• foster understanding among market participants about the activities of proxy advisory firms.</li> </ul> <p>We believe that this approach has the benefit of conveying some measure of accountability for proxy advisory firms. It has the added benefit of setting minimum standards for proxy advisory firms and potential new entrants in the industry.</p> <p>The current international initiatives appear to be accelerating changes in disclosure practices. We anticipate that proxy advisory firms will continue to evaluate their practices and make other changes to enhance transparency.</p>
	<p>The CSA should monitor compliance with the recommended practices and disclosure after their adoption to determine if the policy objectives have been achieved.</p>	<p>We intend to continue monitoring market developments in the proxy advisory industry to evaluate if the Policy addresses the Canadian marketplace's concerns. We will also monitor</p>

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		other international initiatives that are bringing a renewed focus on the activities of proxy advisory firms.
	To avoid conflicts of interest, a proxy advisory firm should not be allowed to provide vote recommendations to an investor client on corporate governance matters of an issuer to whom the firm provided consulting services.	<p>We have decided not to adopt prescriptive measures regarding the activities of proxy advisory firms. We encourage proxy advisory firms to consider the recommendations in developing and implementing their own practices.</p> <p>There is general agreement amongst market participants of the potential for conflicts of interest in the proxy advisory industry, including those related to the business model or the ownership structure of a proxy advisory firm.</p> <p>We do not believe that it is the responsibility of the CSA to recommend a specific business model for proxy advisory firms. We expect proxy advisory firms to identify, manage and disclose actual or potential conflicts of interest. This approach is in line with the approach adopted for designated rating agencies in Canada.</p>
	The CSA should set out minimal qualifications, experience and training standards for analysts preparing vote recommendations.	We encourage proxy advisory firms to have the resources, knowledge and expertise required to prepare rigorous and credible vote recommendations. This includes hiring, training and retaining individuals that have the particular experience, competencies, skills and knowledge to perform their duties in the ordinary course of business.

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		<p>We do not believe that it is the responsibility of the CSA to recommend specific standards in this area. However, market participants could benefit from learning more about the steps taken by proxy advisory firms to ensure that they hire, train and retain qualified individuals.</p> <p>Accordingly, we added guidance in the Policy recommending that proxy advisory firms provide on their websites a general description of the practices adopted to ensure that they hire, train and retain individuals that have the appropriate qualifications to perform their duties.</p>
	<p>Proxy advisory firms should be required to provide draft research reports to issuers for review to avoid inaccuracies and include the issuers' comments prior to sending the final reports to clients.</p>	<p>We expect proxy advisory firms to disclose their policies and procedures regarding dialogue with issuers, shareholder proponents and other stakeholders when they prepare vote recommendations. We also expect proxy advisory firms to include the nature and outcome of such dialogue in their reports.</p> <p>The purpose of such dialogue is to promote the accuracy of vote recommendations. We expect proxy advisory firms to have measures in place, such as policies and procedures and internal safeguards and controls, to ensure the accuracy of vote recommendations. We believe that those measures will be adequate in ensuring that vote recommendations are accurate. However, to the extent that</p>

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		<p>proxy advisory firms decided to implement such dialogue as a means to further ensure the accuracy of vote recommendations, the CSA will support those initiatives.</p>
<p><b>Investors and investor-related associations</b></p>	<p>While a regulatory response to address any perceived concerns with respect to proxy advisory firms is not necessary, the guidance setting out recommended practices and disclosure is an appropriate approach since it is not intended to be prescriptive.</p>	<p>We acknowledge that proxy advisory firms play an important role in the proxy voting process. Certain market participants continue to raise concerns about the services provided by proxy advisory firms. We also note that other international initiatives have brought a renewed focus on the activities of proxy advisory firms.</p> <p>Therefore, we are of the view that a CSA response is warranted. We believe that guidance on recommended practices and disclosure will promote transparency in the industry and foster understanding among market participants.</p>
	<p>The recommended practices and disclosure will not promote meaningful changes since proxy advisory firms have already implemented most of the recommendations.</p>	<p>See response to issuers and issuer-related associations above.</p>
	<p>The <i>Best Practice Principles for Providers of Shareholder Voting Research &amp; Analysis</i> already address the issues outlined in the Policy.</p>	<p>We recognize that the <i>Best Practice Principles for Providers of Shareholder Voting Research &amp; Analysis</i> and the Policy address similar issues. However, this international initiative has been developed by industry members. We believe that a CSA response has the benefit of communicating our position to proxy advisory firms and other market participants.</p>

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		The Policy also recommends that proxy advisory firms take into account Canadian market or regulatory conditions when determining vote recommendations and developing proxy voting guidelines.
	The CSA should not encourage proxy advisory firms to engage with issuers when they prepare vote recommendations.	See response to issuers and issuer-related associations above.
<b>Proxy advisory firms</b>	Proxy advisory firms generally agree with the purpose and guidance set out in the Policy. They confirm having appropriate policies and procedures in place to address conflicts of interest, transparency, policy development and communications matters. They are committed to provide high quality and objective services to their clients in a consultative and comprehensive manner. They do not believe that their activities should be regulated and support the use of guidance.	We thank the commenters for their comments.