October 3, 2016

The Honorable Jeb Hensarling
Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515
USA

The Honorable Maxine Waters
Ranking member
House Committee on Financial Services
4340 Thomas P. O'Neil, Jr. Federal Office Building
Washington, DC 20515
USA

Dear Mr. Chairman and Ranking Member Waters,

RE: Proposed Legislation Relating to Proxy Advisory

Dear Mr. Chairman and Ranking Member Waters,

I am writing to you on behalf of the Pension Investment Association of Canada ("PIAC") to share our concerns about proposed legislation sponsored by Messrs. Sean Duffy and John Carney titled the Corporate Governance Reform and Transparency Act.

PIAC has been the national voice for Canadian pension funds since 1977. Senior investment professionals employed by PIAC's member funds are responsible for the oversight and management of over $1.5 trillion in assets on behalf of millions of Canadians. PIAC's mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries. PIAC's positions on public policy reflect the fiduciary framework in which member funds operate and its commitment to work in the best interests of plan members.

PIAC member funds are long-term institutional investors in the global equity markets. Through proxy voting our members promote better corporate governance and corporate responsibility with the objective of enhancing issuer performance and shareholder value.
Every three years, PIAC conducts a survey on proxy voting practices among its member funds. The survey results over the years have shown that, given the high volume of votes cast during the condensed period when annual general meetings are held, it is essential for a significant portion of our member funds to use the research services provided by proxy advisory firms.

Notwithstanding the stated objective in the legislation of improving the quality of proxy advisory firms, we are not concerned about the role or current structure of proxy advisory firms. We feel that they provide a number of valuable services to investors and generally promote good corporate governance practices. In addition, the proposed legislation overstates the extent of reliance by institutional investors on the advice of such firms. While proxy advisor reports and voting recommendations may be a matter of interest to some of our members, members generally evaluate matters on which they are entitled to vote carefully in accordance with their own proxy voting guidelines.

As such, PIAC does not see the need for regulation of proxy advisory firms. However, in the event that regulation is deemed necessary, regulation should be limited to disclosure requirements.

We would like to take this opportunity to provide our comments regarding some of the requirements currently found in the proposed legislation:

- **Requirement that proxy advisory firms provide companies advance copies of their recommendations**

  We believe that companies should be provided with a copy of the proxy advisory reports concerning an upcoming shareholder meeting although this does not need to be addressed through regulation. Companies should also have the opportunity to dialogue with the proxy advisory firms if there is a factual error in the proxy report or if they have a legitimate concern. However, we are cognizant of the fact that the short timelines between availability of proxy materials and voting deadlines provide only a short window of time to allow for a full review by companies. In order to allow investors as much time as possible to review the materials, proxy advisory firms should establish procedures that allow for an early review of the reports by companies without impacting the services to its clients, the investors.

- **Requirement to assess the adequacy of proxy advisory firms’ financial and managerial resources**

  We do not believe that the Securities and Exchange Commission should assess the adequacy of proxy advisory firms’ financial and management resources. Institutional investors or other clients that retain the services of the proxy advisory firms are best suited to make this assessment.
Management and disclosure of conflicts of interest

There is a perception from issuers that conflicts of interest exist with proxy advisory firms and that these conflicts of interest are not properly managed. We do not have any reason to believe that the current protocols at proxy advisory firms are inefficient or unable to properly manage potential conflicts of interest.

We thank you for the attention to our letter and would be happy to discuss this matter further with you or answer any questions you may have. Please do not hesitate to contact Katharine Preston, Chair of the Investor Stewardship Committee (1-416-681-2944 or kpreston@optrust.com), for additional information.

Yours sincerely,

Lisa Jankov
Chair