2023 Canada Proxy Season Preview

Wednesday, March 1st, 2023 | 12:00 PM EDT | 5:00 PM GMT

Oren Lida
Research Director, Israel & Canada
Glass Lewis

Lisa-Marie O’Malley
Senior Research Analyst, Canada and IVOX International
Glass Lewis

Daniel Murphy
Senior Research Analyst, Canada and IVOX International
Glass Lewis

Conor Cusak
Research Analyst, Canada
Glass Lewis
The World's Choice for Governance Solutions

We enable institutional investors and publicly listed companies to make sustainable decisions based in research and data.

• Our customers include the majority of the world’s largest pension plans, mutual funds, and asset managers, collectively managing over $40 trillion in assets.

• We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

• We cover 30,000+ meetings each year, across approximately 100 global markets.

• Our offerings include Proxy Paper proxy research reports, Viewpoint Proxy voting platform, and extensive thought leadership (learn more at GlassLewis.com).

• For public companies, our Governance Hub provides easy access to tools and resources, including Glass Lewis research and thought leadership, to help companies optimize their corporate governance programs and ESG strategies.

Contact your Glass Lewis representative to discuss further or email our teams at:

grow@glasslewis.com (institutional investors)  |  engage@glasslewis.com (public companies)
2023 Canadian Proxy Season Preview
Introductions

Oren Lida – Research director
  • Joined Glass Lewis in 2016
  • Co-ordinates Glass Lewis' research product initiatives and oversees governance, equity plan and executive compensation research in Canada.

Daniel Murphy – Senior Research Analyst
  • Joined Glass Lewis in 2019
  • Specializes in corporate governance analysis and custom client policy

Lisa-Marie O’Malley – Senior Research Analyst
  • Joined Glass Lewis in 2019
  • Specializes in custom client policy, corporate governance research and Glass Lewis policy development

Conor Cusack – Research Analyst
  • Joined Glass Lewis in 2020
  • Specializes in Canadian corporate governance research
**Please Note:** This webinar will be recorded and available on demand through your registration link and our website. We will send out a copy of the slide deck in a follow-up email.

- Colleagues can still sign up and view on-demand via our website (or you can forward them a link)
- View additional webinars at [www.glasslewis.com/webinars](http://www.glasslewis.com/webinars)

**Agenda**

- Introductions
- Key Trends
- Board Composition and Corporate Governance
- Executive Compensation
- Q&A
Board Composition and Corporate Governance
Elections of Directors

Policy Updates

• Board level E&S Oversight

General recommendation to withhold votes from the governance committee chair in S&P/TSX Composite Companies which fail to provide explicit disclosure concerning the board oversight regarding E&S issues

Approximately 23 S&P/TSX Composite companies in 2022 which failed to provide clear board level oversight disclosure

• Board Overcommitment Policy (Public Executives)

Amended our policy for the number of boards public company executives serve on in addition to their ‘home’ company (regardless of whether they serve on that board); from two total boards to one board in addition to their executive role.

For TSXV issuers: from five total boards to four boards in addition to their executive role
Elections of Directors

• Majority vote standard
  • Vote “against” option appearing on Form of Proxy of CBCA-incorporated issuers.
  • Question over whether “majority vote” policies are needed at CBCA issuers
  • Clarification: we will not issue adverse vote recommendations re. CBCA issuers on the basis of not having a majority voting policy.

• Continuance proposals
  • Change of governance jurisdiction
  • Policy unchanged; as before, we assess extent to which shareholder rights are worsened and whether action is adequately justified.
    o In the chart: continuance proposals in period September through March.
Board & Management Diversity

Policy Update

• Change in board diversity policy from a fixed approach to a percentage-based approach (30%) – more reasonable due to varying board sizes
  • In rare cases, policy may not be applied if direction of travel or board’s disclosed considerations warrant an exemption.
  • Approximately 275 TSX Companies under the 30% threshold in 2022 (199 non-index)

GENDER DIVERSITY PROGRESS

*Company’s Disclosure*
We have assessed the Company’s gender diversity performance as follows:

<table>
<thead>
<tr>
<th>LEVEL</th>
<th>2021 AGM</th>
<th>2022 AGM</th>
<th>2023 AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>14%</td>
<td>29%</td>
<td>33%</td>
</tr>
<tr>
<td>Senior Management</td>
<td>13%</td>
<td>13%</td>
<td>29%</td>
</tr>
</tbody>
</table>

*Source: Enghouse Systems Limited 2023 Proxy Paper*
Board & Management Diversity

Key Trends

• Expected continuing trend in companies having some board level designated group representation increase into 2023:
  • S&P/TSX 60: 88% (10pp increase in 2022)
  • S&P/TSX Composite: 70% (18pp increase in 2022)
  • Non-index: 43% (9pp increase in 2022)

• Continually less boards with no female representation. 4pp decrease in number of TSX boards with no women within last year
  • Hope of minimal cases of withholding entire nominating committee in line with new policy
  • ~3pp decrease in no female management representation across all TSX issuers - No voting policy
  • 3pp overall increase in the number of women on across all TSX boards within last year
Multi-Class Share Structures

Policy Update

• Starting in 2022, we began to generally recommend against nom/gov chair at companies that had multi-share structures with unequal voting rights, if the share structures did not have a reasonable (7 years or less) sunset provision.

• This approach has been updated as follows:
  • We may now consider recommending against a representative of the multi-class shareholder, in cases where it is deemed more appropriate
  • Certain exemptions may be given to directors if there is clear evidence of exemplary governance and responsiveness to concerns of minority shareholders of the Company

• We have also clarified our approach to proposals seeking to unwind multi-class share structures.
  • This will include an analysis of how this will impact each class of equity holder, as well as any other financial compensation being offered to holders of shares with superior rights
Multi-Class Share Structures

Key Trends

• Approximately 19% of all companies which had their Initial Public Offering in 2022 had multi-class share structures with unequal voting rights
• The popularity of this share structure does not appear to be diminishing among issuers
• Although not always the case, companies with these unequal share structure may be less incentivized to foster high corporate governance standards.

How GL represents these share classes:

2023 Proxy Paper for Transcontinental Inc.
## Multi-Class Share Structures

<table>
<thead>
<tr>
<th>Company</th>
<th>AGM Date</th>
<th>Index</th>
<th>Withhold Vote Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cogeco Communications Inc.</td>
<td>January 13, 2023</td>
<td>S&amp;P/TSX Composite</td>
<td>Louis Audet</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>President of Gestion Audem Inc., which controls Cogeco Inc, the sole owner of the Company's multiple voting shares</td>
</tr>
<tr>
<td>Corus Entertainment Inc.</td>
<td>January 19, 2023</td>
<td>S&amp;P/TSX Composite</td>
<td>Mark Hollinger</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chair of the Corporate Governance and Nomination Committee</td>
</tr>
<tr>
<td>CGI Inc.</td>
<td>February 1, 2023</td>
<td>S&amp;P/TSX Composite</td>
<td>Serge Godin</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Co-founder, executive chair and beneficially owns approximately 54% of the Company's voting rights</td>
</tr>
</tbody>
</table>
Executive Compensation
Executive compensation key trends

• Increased scrutiny by investors of SoP here to stay?
  • 5 failed say on pay proposals in 2022 (1 in 2\textsuperscript{nd} half of year)
    o Reduction from the record 6 in 2021 but still high by historical standards (0 in 2020 and 2 in 2019).
  • 11 companies with shareholder opposition of 25-50% (stable compared to 2021).
  • As always, we will closely scrutinise a company’s response to significant shareholder dissent to SoP proposal.

• Impacts of inflation and cost of living crisis
  • Will executive pay continue to increase in 2023?
    o Median and average pay increased for S&P/TSX Composite companies in 2022.
    o Potential for windfall gains in certain sectors due to factors outside management influence
  • Companies will have to balance pay increases with the experience of the wider workforce and other stakeholders.
Executive compensation key trends

• **Continued rise in voluntary say-on-pay in Canada?**
  • Legislation/listing rules updates still not in effect but slight uptick in how many companies are including it on the ballot.
    o 93% of TSX 60 companies had SoP on the ballot in 2022
    o Of the S&P/TSX composite companies we covered, only 53 did not have SoP on the ballot

• **Ever increasing presence of ESG metrics in incentive programs at TSX companies**
  • 77% of S&P/TSX 60 had ESG metrics in 2022 (up from 70% in 2021).
  • 71% of S&P/TSX Completion had ESG metrics in 2022 (up from 64% in 2021).
  • Still overwhelmingly seen in short-term rather than long-term plans.

• **Bear market vs competition for executive talent**
  • Most companies emphasize the highly competitive market for executive talent.
  • As we face into the first protracted economic downturn in a decade, will option repricing/option exchanges be back in vogue?
    o See Glass Lewis blog for more on this topic.
Executive compensation policy updates

• **Performance-Based Long Term Incentive Awards**
  • We revised our threshold for the minimum percentage of the long-term incentive grant that should be performance-based from 33% to 50%.
  • We may refrain from a negative recommendation in the absence of other significant issues with the program’s design or operation, but a negative trajectory in the allocation amount may lead to an against recommendation.

• **One-Time Awards and Compensation Committee Performance**
  • We have clarified that we expect discussion around the determination of quantum and structure for such awards.
  • We will generally recommend against the chair of the compensation committee when outsized awards (“mega-grants”) have been granted and there are concerns such as excessive quantum, lack of sufficient performance conditions, and/or are excessive dilution.

• **Grants of Front-Loaded Awards**
  • We have expanded on our concerns regarding the increased restraint placed upon the board to respond to unforeseen factors when front-loaded awards are used.
Executive compensation updates

- **Short and Long-Term Incentives**
  - We have explained that we recognise the importance of the compensation committee’s responsible exercise of discretion over incentive pay outcomes but that we believe companies should provide thorough rationale for any decisions to exercise discretion over incentive pay outcomes or refrain from applying it.

- **Company Responsiveness to Say-on-Pay**
  - We have clarified that we scrutinise high levels of disapproval from disinterested shareholders when assessing the support levels for previous years' say on-pay votes.
  - We also provided more detail on what we consider robust disclosure.
Meetings To Watch

Compensation

- BlackBerry Limited – failed SOP (56% against) and significant opposition to compensation committee members at 2022 AGM – likely a result of the insufficient response to 41% against SoP at the 2021 AGM

- Agnico Eagle Mines Limited – lowest shareholder support for SOP in 2022 (76% against) – likely based on pay for performance concerns – will be looking for responsiveness from company to this very significant shareholder dissent

Environmental & Social

- Companies where climate is identified as a material engagement theme

- Hut 8 Mining Corporation and H&R REIT - Historically well governed but has failed to provide clear and up to date disclosure on board oversight of E&S issues

Governance

- Shopify – How will governance look after adoption of CEO’s “Founder” share despite opposition of majority of equity holders (1:1 vote basis).
Shareholder Proposals/ESG

- **Continued Focus on ESG**
  - ESG "backlash"

- **Shareholder proposals**
  - Growth in number of proposals but average support levels may not keep pace

- **Climate Change**
  - More scrutiny from investors on climate proposals
  - Climate Finance
  - Global Focus:
    - Say on Climate
  - Director accountability
Contact Us:
Institutional Investors | GROW@glasslewis.com
Public Companies     | ENGAGE@glasslewis.com
What’s Next at Glass Lewis

• **New Features in Proxy Paper**
  - **New ESG Book Page**: Redesigned and simplified for data clarity. Request access to Arabesque platform at [www.ESGbook.com](http://www.ESGbook.com). For data verification or more information, contact GL_helpdesk@arabesque-sray.atlassian.net.
  - **New BitSight Cyber Risk Page**: Complete redesign and new data, expected early March 2023. Complete the form on BitSight’s [corporate web page](http://corporate.web.page) to submit requests regarding the page.
  - **Glass Lewis ESG Profile Page Updates**: Issuers can verify select data points through the IDR. New data includes peer comparison and year-over-year change, if applicable.

• **Issuer Data Report (IDR)** - Registration for public companies is always open.

• Using the **Governance Hub**, public companies can access the Proxy Papers for their company and on peers, with watchlists and alerts for immediate notification as research is published. Included with Governance Hub subscriptions is the ability to provide a **Report Feedback Statement (RFS)**, which enables public companies to have their opinions on our research and recommendations delivered directly to investor customers.

• **Engagement Solutions** - Centralize and record engagement activities using the **Engagement Management Platform**. **Engagement Letter Writing** and the **Engagement Data Solution** are also available. See our website for further information.

Contact your Glass Lewis representative to discuss further or email our teams at:

Institutional Investors | GROW@glasslewis.com | Public Companies | ENGAGE@glasslewis.com
Glass Lewis ESG Profile

Introduced in 2022

- Snapshot of companies’ ESG performance/disclosure on key topics
  - Coverage expanded to roughly 5,400 in 2023

- New Data Points
  - Comparative feature for companies covered in 2022
  - Has Biodiversity Policy
  - Has Scope 1 & 2 Emissions Reduction Target/Has Scope 3 Emissions Reduction Target
    - Replaces broader GHG reduction target data point
  - Has Board Oversight of Human Capital Management
  - Has “Just Transition” Disclosure
    - Included in Climate Risk Mitigation module
Centralize Your Workflow

Record
- Objectives
- Engagements
- Activities
- Controversies
- Meetings and Votes

Track
- Your Tasks
- Progress to targets
- Responses
- Reminders in-app or via email

Report
- Outcomes
- Off the Shelf case studies for SFDR
- "Live" Website Disclosure
- Raw Data XLS
- API/SFTP
Glass Lewis Governance Hub

**Company Proxy Paper**
Access research and vote recommendations for your annual or special meeting

**Alerts**
Immediate notification of Glass Lewis Proxy Paper for your company or peers

**Policy Guidelines**
Glass Lewis voting guidelines for each market, available as they are published

**Peer Proxy Papers**
Search across Glass Lewis reports, covering 20,000+ meetings across 100+ markets annually

**Report Feedback Statement**
Deliver your opinions on our research directly to 1,300+ inst. investors

**Thought Leadership**
ESG content, special reports, and thought leadership by Glass Lewis’ research team
Thanks for Listening!

Institutional Investors  |  GROW@glasslewis.com
Public Companies       |  ENGAGE@glasslewis.com

Corporate Website      |  Glasslewis.com
Email                  |  Info@glasslewis.com
Social                 |  @glasslewis.com  LinkedIn  |  Glass, Lewis & Co.
Disclaimer

© 2023 Glass, Lewis & Co., and/or its affiliates. All Rights Reserved.

This webinar is intended to provide a preview of the issues that may be up for shareholder vote during the upcoming proxy season. It is not intended to be exhaustive and does not address all potential voting issues. Moreover, this webinar should be listened to and understood in the context of other information Glass Lewis makes available concerning, among other things, its research philosophy, approach, methodologies, sources of information, and conflict management, avoidance and disclosure policies and procedures, which information is incorporated herein by reference. Glass Lewis recommends all webinar participants to carefully evaluate such information, which is available at: http://www.glasslewis.com.

None of the information included in this webinar has been set or approved by the U.S. Securities and Exchange Commission or any other regulatory body nor should it be relied upon as investment advice. The content of this webinar has been developed based on Glass Lewis’ experience with proxy voting and corporate governance issues, engagement with clients and issuers, and review of relevant studies and surveys, and has not been tailored to any specific person or entity. Moreover, it is grounded in corporate governance best practices, which often exceed minimum legal requirements. Accordingly, unless specifically noted otherwise, a failure to meet certain guidelines set forth herein should not be understood to mean that the company or individual involved has failed to meet applicable legal requirements.

No representations or warranties express or implied, are made as to the accuracy or completeness of any information included herein. In addition, Glass Lewis shall not be liable for any losses or damages arising from or in connection with the information contained herein or the use, reliance on or inability to use any such information. Glass Lewis expects its subscribers to possess sufficient experience and knowledge to make their own decisions entirely independent of any information contained in this webinar.

All information contained in this webinar is protected by law, including but not limited to, copyright law, and none of such information may be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any such purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person without Glass Lewis’ prior written consent.