

2020 Proxy Advisor Firm Reports

Both **Glass Lewis** and **ISS** have published their proxy guidelines for the 2020 proxy season. A summary of key updates from each and items of note set forth in the chart below.

| ISS Policy | Update | Impact / Recommendation |
|--|---|---|
| Director Attendance Minimum (TSX) | <p>The Policy update clarifies that the minimum attendance standard of 75% applies to the <u>aggregate total of board and key¹ committee meetings</u> held during the past year, without a valid reason for the absence and a pattern of low attendance based on prior years' attendance.</p> <p>ISS has also added flexibility to its attendance policy to account for director transitions with adequate disclosure.</p> | <p>As per before, ISS will Vote WITHHOLD for individual director nominees who fall below the 75% attendance threshold, but now considered on an aggregate basis, and will also consider CASE-BY-CASE director nominees who served for only part of the fiscal year or for new public companies or for new companies to the TSX.</p> |
| Board Composition – Former CEO/CFO on Audit/Compensation Committees (TSX) | <p>The Policy update clarifies that when determining whether a member of the audit or compensation committee is a former CEO/CFO (and therefore not independent), ISS will include having served in such positions with any affiliate of the issuer or of recently acquired companies.</p> | <p>Vote WITHHOLD for any director who has served as CEO (within the past 5 years) or CFO (within the past 3 years) of the company <u>or its affiliates or of a company acquired by the company</u> and is a member of the audit or compensation committee. A former CEO who has passed the 5 year threshold is to be considered CASE-BY-CASE.</p> |
| Over-boarding (TSX) | <p>The Policy update increases the flexibility in counting membership on other boards where adequate disclosure is provided regarding director transitions (i.e. that director will be stepping off at next annual meeting).</p> <p>ISS will however also include any new board that the director is joining in its count even if the shareholder meeting/election has not yet occurred.</p> | <p>Generally vote WITHHOLD for any non-CEO director² sitting on more than 5 boards (and for CEO directors sitting on more than 2 boards), <u>except for transitioning directors when it is included in the company's disclosure that the director is stepping off at the next annual meeting.</u></p> |

¹ Key Committees include audit, compensation and nominating committees.

² The 2 public company board count applicable to CEO directors is in addition to the board of the company they serve as CEO on and includes the parent company's publicly traded subsidiary boards but not the boards of subsidiaries of the parent company where those subsidiaries are more than 50% controlled subsidiaries of the parent.

| Glass Lewis (“GL”) Guidelines | Update | Impact / Recommendation |
|---|---|--|
| Attendance Records | Require disclosure of Board and Committee meeting attendance | Generally vote AGAINST governance committee chair when records for board and committee attendance are not disclosed. |
| Board Composition – Diversity and Skills | <p>Glass Lewis has not made any changes on account of the newly enacted CBCA diversity amendments.</p> <p>However, revised policy guidance clarifies the expectation that companies provide meaningful disclosure of board skills in line with developing best practice standards.</p> | <p>Glass Lewis will review disclosure and reflect the disclosure in their analysis for election of directors as applicable.³</p> <p>See Glass Lewis’ <u>Board Skills Appendix</u> for an overview of what skills Glass Lewis considers related to key sectors.</p> |
| Board Oversight – Environmental & Social Risks | Revised expectations regarding board oversight of material environmental and social risks. | <p>Glass Lewis will review governance practices to identify which directors or board committees have been charged with this oversight and whether or not it has not been clearly defined in company’s governance documents.</p> <p>Glass Lewis may recommend a vote AGAINST members of the board responsible for oversight of these risks (and in the absence of identifiable board members, against members of the audit committee or other committee responsible for risk oversight) where Glass Lewis finds that there has been mismanagement or insufficient mitigation of these risks to the detriment of or threat to shareholder value.⁴</p> |
| Executive Compensation - Contractual payments and arrangements | Revised policy guidance regarding the consideration of excessive severance payments, new or renewed single-triggered change in control arrangements and multi-year guaranteed awards. | Glass Lewis will consider the design of contractual payments and arrangements which may lead to a vote AGAINST same where they are excessively restrictive in favour of the executive or potentially incentivize behaviour contrary to the company’s best interest. |
| Say-on-Pay – Company Responsiveness to Low Support | The new policy guidance has an expanded discussion of what Glass Lewis considers to be an appropriate response to low say-on-pay shareholder support. | Glass Lewis may recommend a vote AGAINST an upcoming say-on-pay proposal where the issuer has not provided “robust disclosure of engagement activities and specific changes made in response to shareholder feedback” in connection with low support for say-on-pay proposal. |

³ Glass Lewis may vote WITHHOLD for the nominating committee chair where no female directors and an insufficient explanation or plan to address the lack of diversity or where the board has not adopted a formal policy when ISS has identified concerns regarding gender diversity of the board.

⁴ See Glass Lewis *Proxy Paper Guidelines for Shareholder Initiatives* for details on Glass Lewis policies regarding compensation and environmental and social initiatives.

Other Items: ISS also updated policy language to clarify **exceptions to the “non-audit fee” category** as it relates to determination of excessive non-audit fees⁵ as well as its considerations for majority owned companies.⁶ Glass Lewis also clarified that excessive non-audit fees for a second successive year may lead to a recommendation against all audit committee members and added clarification of an exception to the minimum board size expected at controlled companies. We also expect ISS to publish additional details regarding its pay-for-performance evaluations regarding executive compensation.

Expected for 2021:

- **GL: Audit Committee Meeting Frequency** – Beginning in 2021, Glass Lewis will recommend a vote against the audit committee chair if the audit committee did not meet at least 4 times during the past year.

⁵ Clarification that “Other fees” included in the “Non-audit fee” category is not a limited list of significant one-time capital restructure events (previously IPOs, emergence from bankruptcy and spinoffs) but that other events could be included in this exception (i.e. M&A transactions, such as dispositions) but that this exception is subject to adequate disclosure about the transaction and a clear fee breakdown.

⁶ Clarification that "Policy Considerations for Majority Owned Companies" is: (i) not intended to support management directors; and (ii) support for such companies' independence policies (subject to satisfying certain criteria) does not apply to directors who are or who represent a controlling shareholder (under ISS board independence or key committee independence policies) and are management directors.