ONTARIO REGULATION 544/20

made under the

CORPORATIONS ACT

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EXTENSION OF TEMPORARY SUSPENSION PERIOD

Extension of temporary suspension period for certain provisions

1. For the purposes of sections 3, 5 and 6 of Schedule 2 to the Act, the temporary suspension period is extended to end on May 31, 2021.

Commencement

2. This Regulation comes into force on the day it is filed

FROM THE CORPORATIONS ACT

SCHEDULE 2

SPECIAL RULES DURING EMERGENCY

MEETINGS FOR CORPORATIONS

1 The operation of subsection 93 (3) of the Act is temporarily suspended and the following replacement provisions are in effect during the temporary suspension period only:

Poll

(3) If a poll is demanded, it shall be taken in such manner as the by-laws prescribe, and, if the by-laws make no provision therefor, then as the chair directs.

Changes re meeting after notice given

(4) If a notice of meeting of shareholders has been given in respect of a meeting to be held on a day that falls within the period of the declared emergency and, after the notice is given, the date, time or place of the meeting is changed in order to hold the meeting by telephonic or electronic means, another notice of meeting is not required to be given but the persons entitled to receive the notice must be informed of the change in a manner and within a time that is reasonable in the circumstances.

2 The operation of subsection 97 (1) of the Act is temporarily suspended and the following replacement provision is in effect during the temporary suspension period only:

Information to be laid before annual meeting

(1) For an annual meeting of shareholders held on a date that is in the period that begins on March 17, 2020 and ends on the 120th day after the day the declared emergency is terminated, the directors shall lay before the meeting,

(a) in the case of a private company, a financial statement for the period that commenced on the date of incorporation and ended before such annual meeting or, if the company has completed a financial year, that commenced immediately after the end of the last completed financial year and ended before such annual meeting, as the case may be, made up of,

(i) a statement of profit and loss for such period,

(ii) a statement of surplus for such period, and

(iii) a balance sheet as at the end of such period;

(b) in the case of a public company, a comparative financial statement relating separately to,

(i) the period that commenced on the date of incorporation and ended before such annual meeting or, if the company has completed a financial year, that commenced immediately after the end of the last completed financial year and ended before such annual meeting, as the case may be, and

(ii) the period covered by the financial year next preceding such latest completed financial year, if any,

made up of,

(iii) a statement of profit and loss for each period,

(iv) a statement of surplus for each period,

(v) a statement of source and application of funds for each period, and

(vi) a balance sheet as at the end of each period;

(c) the report of the auditor to the shareholders;

(d) such further information respecting the financial position of the company as the letters patent, supplementary letters patent or by-laws of the company require.

MEETING BY ELECTRONIC MEANS, MEMBERS' AND SHAREHOLDERS' MEETINGS

3 The operation of section 125.1 of the Act is temporarily suspended and the following replacement provisions are in effect during the temporary suspension period only:

Meeting by electronic means, all corporations

125.1 (1) Despite any provision in the letters patent, supplementary letters patent or by-laws of a corporation that provides otherwise, a meeting of the members or shareholders of a corporation may be held by telephonic or electronic means and a member or shareholder who, through those means, votes at the meeting or establishes a communications link to the meeting is deemed for the purposes of this Act to be present at the meeting.

Same

(2) Despite section 117, subsection (1) applies to all corporations to which this Act, or any provision thereof, applies.

TIME EXTENSION FOR ANNUAL MEETINGS, INSURANCE CORPORATIONS

4 The operation of subsection 159 (1) of the Act is temporarily suspended and the following replacement provisions are in effect during the temporary suspension period only:

Annual meeting

(1) A meeting of the shareholders and members for the election of directors shall be held within the first three months of every year at such time and place as the by-laws of the corporation prescribe.

Annual meeting, time extension

(1.1) Despite subsection (1), the meeting of the shareholders and members for the election of directors required to be held in 2020 shall be held no later than the 90th day after the day the emergency is terminated.

MEETING BY ELECTRONIC MEANS, DIRECTORS' MEETINGS

5 The operation of subsection 283 (3.1) of the Act is temporarily suspended and the following replacement provision is in effect during the temporary suspension period only:

Meeting by electronic means

(3.1) Despite any provision in the letters patent, supplementary letters patent or by-laws of a corporation that provides otherwise, a meeting of directors or of a committee of directors may be held by such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in the meeting by those means is deemed for the purposes of this Act to be present at the meeting.

MEANS FOR MEETINGS OF SHAREHOLDERS OR MEMBERS

6 The operation of subsection 287 (1) of the Act is temporarily suspended and the following replacement provisions are in effect during the temporary suspension period only:

Election of directors

(1) The directors shall be elected by the shareholders or members in general meeting and the election shall be by ballot or in such other manner as the by-laws of the corporation prescribe.

Method of voting or election

(1.1) Despite any provision of this Act or the regulations, where a meeting of shareholders or members is held by telephonic or electronic means in accordance with subsection 125.1 (1), the chair shall conduct a vote or election by ballot or by such other manner as the by-laws of the corporation prescribe, if feasible, otherwise the chair may direct the vote or election by alternate means.

TIME EXTENSION FOR ANNUAL MEETINGS, GENERAL

7 The operation of section 293 of the Act is temporarily suspended and the following replacement provisions are in effect during the temporary suspension period only:

Annual meetings

293 (1) A corporation shall hold an annual meeting of its shareholders or members not later than eighteen months after its incorporation and subsequently not more than fifteen months after the holding of the last preceding annual meeting.

Annual meetings, time extension

(2) Despite subsection (1), if the last day on which a meeting is required to be held under subsection (1) is a day that falls within the period of the declared emergency, the last day on which the meeting is instead required to be held is no later than the 90th day after the day the emergency is terminated.

Same

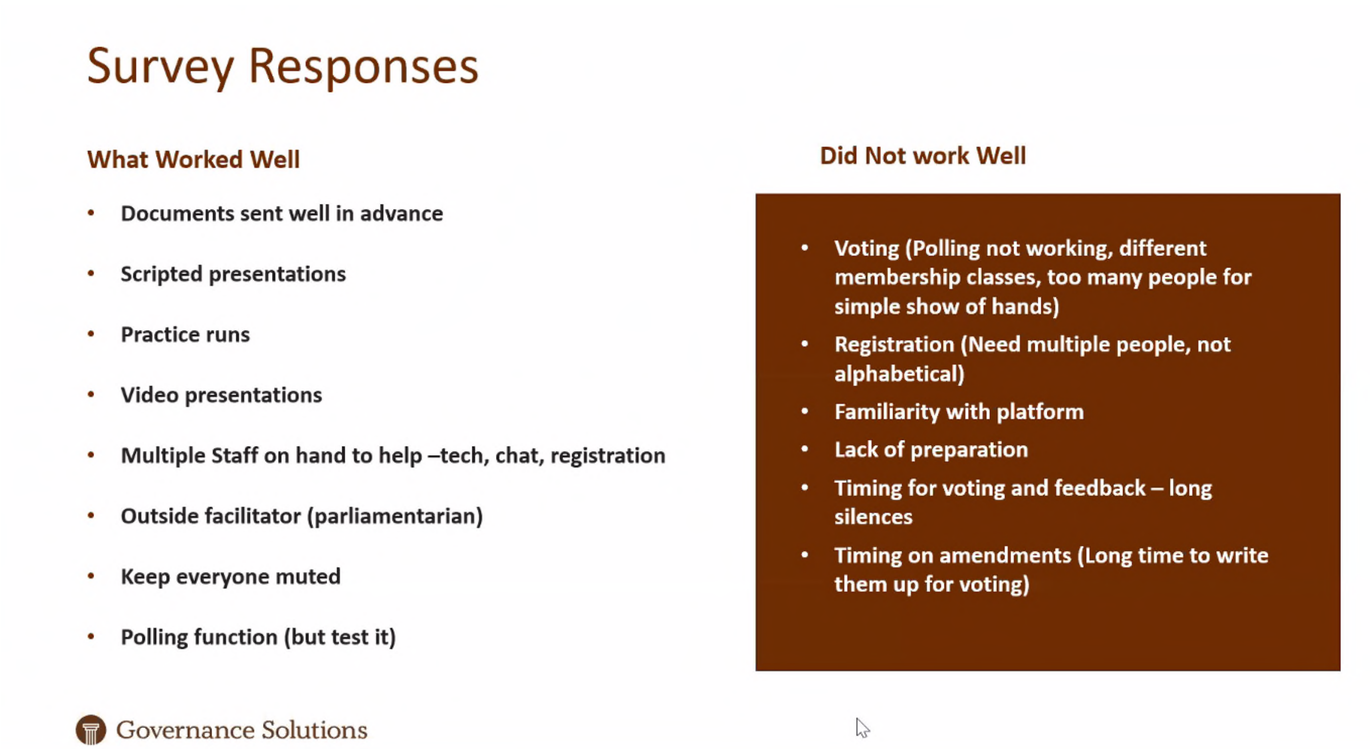
(3) Despite subsection (1), if the last day on which a meeting is required to be held under subsection (1) is a day that falls within the 30-day period that begins on the day after the day the emergency is terminated, the last day on which the meeting is instead required to be held is no later than the 120th day after the day the emergency is terminated.

2020, c. 7, Sched. 7, s. 12

Best Practices for Virtual AGM's – Presentation by Governance Solutions

Date: December 15, 2020

#1 Recommendation is to engage your members regardless of whichever platform you use. Last week Governance Solutions initiated a "Best Practices" members survey for Virtual AGM's. The responses are as follows:



Have a process – depending on how many screens of people that are participating in the virtual meeting. Need to practice it.

- When presenting, if only using one screen minimize PowerPoint to view participants and speak to the camera
- Use a team to monitor chat, online enrollment, troubleshooting, number of people will depend on size of AGM.
    - Roles:
        - Presenters (practiced and scripted) include video during a practice run. Go through the whole presentation using video using the computer set up that each presenter will use during the live event
        - Have a person to manage the PowerPoint aside from the presenter (in case of connectivity issues, technical experience)

- Chat monitoring – may need multiple people monitoring
- Motions/Polling
    - Have a person dedicated to preparing/editing polling questions on the fly during the event if needed
    - Have a dedicated person monitoring and/or recording motions/polling
- Have an experienced software tech support be online and available in case of platform issues
- Dedicate people for registrations and notification processes – provide them with admin rights
- Get advance notice out to attendees on how to use the technology
- Everyone on the team needs to be proficient in terms of software technology

Preferred AGM software based on feedback from attendees to last week's Governance Solutions meeting:

Survey Results

Platform	Usage	Rating
Zoom	94	4.36
Microsoft Teams	11	4.18
GoTo Meeting	7	4.14
Webex	6	4
GoTo Webinar	2	4

Governance Solutions

You may need to use different polling/motion software in addition to the platform software.

More do’s and don’ts

- Do not use complicated slide decks – keep it simple
- Practice presentations – especially if it is for a hybrid AGM (onsite and virtual), especially if you are using multiple screens for the set up
- Do not use a software platform for the first time if presenting a virtual AGM
- As much preparation is required for a regular AGM, it is 1.5x amount of preparation time for virtual AGM’s
- Still not the same as an in-person meeting, but can still accomplish what you need if you practice
- Save extra time for communication if people have questions – takes more time in a virtual environment
- Keep meeting length to a comfortable length – virtual AGM’s tend to go faster. Keep under 2 hours, otherwise you will need to add breaks (after 90 minutes or sooner) to keep people engaged
- If you have weighted voting, complex voting, important and controversial AGM content may need a more robust platform to accommodate
- Managing quorum would be done by the registrant: need to manage this effectively. Multiple people are on. Online people will need to have their video “on” to verify attendees
- What happens when members don't have access to internet? Election Buddy is good to use via email and/or text if needed. This provides multiple channels

From: https://www.mondaq.com/canada/shareholders/925406/guidance-for-conducting-virtual-agms-in-response-to-covid-19

CONTRIBUTOR

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Canada: Guidance For Conducting Virtual AGMs In Response To COVID-19

04 May 2020

by Jessica Brown , Lindsay Cox and Jeff Holloway

Burnet, Duckworth & Palmer LLP

In response to the ongoing COVID-19 pandemic, Canadian issuers are exploring alternative options for conducting their annual general meetings (**AGMs**). With the Alberta Government and other governments across the country implementing travel bans, restrictions on social gatherings and social distancing measures, it has become necessary for some Canadian companies to explore whether they can hold their AGMs remotely rather than in person. Securities regulators and other regulatory authorities are aware that many issuers are considering virtual alternatives for their AGMs and have provided some relief and guidance on how these meetings can be conducted while remaining in compliance with applicable securities laws and regulations.

This article briefly identifies and summarizes some of the key considerations issuers existing under Alberta or federal corporate statutes should be aware of when exploring virtual-only AGM alternatives. The discussion below focuses on key considerations for AGMs only. Issuers conducting meetings involving non-routine special business, proxy contests, business combination transactions or obtaining securityholder approvals for a transaction for which Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special*

Transactions applies, should contact a member of our Business Law Group to discuss appropriate considerations.

Is an issuer permitted to conduct a virtual-only AGM?

Whether an issuer is permitted to hold a virtual-only AGM will depend on its organizing statute and its constating documents. Generally, an issuer existing under the *Business Corporations Act* (Alberta) (the **ABCA**) or the *Canada Business Corporations Act* (the **CBCA**) will be entitled to hold a virtual-only AGM so long as (i) the issuer's by-laws specifically provide that a meeting of shareholders may be held entirely by electronic means, and (ii) shareholders are able to participate and vote electronically and can "communicate adequately with each other during the meeting". An issuer considering a virtual-only AGM should review their current articles and by-laws to confirm that there are no restrictions on where or how the meeting is conducted. If the issuer's constating documents do not permit meetings of shareholders to be held entirely by electronic means, or if the AGM is required to be held at a specified place, the issuer may need to consider amending or replacing its articles and/or by-laws before going forward with a virtual-only AGM.

Another key consideration for whether an issuer can hold a virtual-only AGM is whether quorum can be established if the meeting is held by virtual means only. For a virtual-only AGM, shareholders participating electronically need to be considered as "present" at the meeting for quorum purposes. Under both the ABCA and the CBCA, a shareholder participating at an AGM entirely by electronic means will, subject to the issuer's by-laws, be deemed to be present at the meeting. Issuers should review their by-laws to ensure their quorum requirements can be satisfied at a virtual-only AGM.

Can an AGM be postponed or adjourned?

Under Section 132 of the ABCA, an issuer is required to call and hold an AGM on a date that is no later than: (i) 18 months after the date of its incorporation or amalgamation; and (ii) subsequently, 15 months after its last preceding AGM. The CBCA similarly requires that an AGM be called on a date that is no later than: (i) 18 months after the date it came into existence; and (ii) subsequently, 15 months after its most recent AGM, but no later than six months after the end of the issuer's preceding financial year. Issuers listed on the Toronto Stock Exchange (**TSX**) are also typically required to hold their AGM within six months of their fiscal year end and the policies of the TSX Venture Exchange (**TSXV**) mirror those of the ABCA.

The TSX and the TSXV have each issued temporary relief for their listed issuers, providing that issuers may postpone and hold their AGM on any date in the 2020 calendar year. However, similar relief has not been provided from the provisions of the CBCA and, as such, the deadlines noted above will continue to apply. If an issuer organized under the CBCA wishes to postpone its AGM to a date that falls outside of the time frames noted above, it may need to obtain a court order to extend the deadline.

On April 9, 2020, the Government of Alberta issued a Ministerial Order (the **Order**) which included an order that suspended "any obligation to convene an in-person meeting" under Section 132 of the ABCA and further provides that nothing precludes an issuer from conducting a meeting through remote means, such as videoconference, teleconference or other means. Unfortunately, it is unclear what the intent of the Order is in relation to the required timing to hold a shareholder meeting, as Section 132 of the ABCA does not impose any obligations to hold an in-person shareholder meeting, nor does it speak to forms of remote meetings. As such, without further clarification or a new order from the Government of Alberta, the Order does not provide any relief to issuers organized under the ABCA who wish to postpone their AGM beyond the ABCA imposed deadlines without a court order nor any relief to those who wish to hold virtual-only AGMs without amending their constating documents.

It is noted that the Government of Ontario has explicitly temporarily suspended the provisions of the *Business Corporations Act* (Ontario) requiring AGMs to be held within a 15 month period, which more closely aligns with the relief provided by the TSX and TSXV, and has also temporarily amended the legislation to allow for forms of electronic meetings without requiring an issuer to amend their constating documents.

Shareholders must be adequately notified of a virtual-only AGM or a hybrid AGM

An issuer who has chosen to conduct a virtual-only AGM or a hybrid AGM (as discussed below) must adequately inform both registered and beneficial shareholders of the change. The Canadian Securities Administrators (**CSA**) has published guidance to assist issuers in adopting virtual-only or hybrid AGMs while still fulfilling their obligations under applicable securities legislation. The CSA expects issuers to notify shareholders in a timely manner of its plans to conduct a virtual-only AGM or hybrid AGM and to provide clear directions and logistical details about how the meeting will be conducted, including instructions on how they can access, participate in and vote at the virtual-only or hybrid AGM.

If the issuer has not yet distributed and filed its proxy materials, then the details of the virtual-only AGM or hybrid AGM must be included in its proxy materials for the AGM. If the issuer has not yet decided whether it will conduct its AGM entirely by electronic means, in person or as a hybrid AGM, language should be included in the proxy materials advising shareholders that a decision will be made at a later point and setting out how shareholders will be notified. Any such language included in the proxy materials should clearly explain the issuer's decision to adopt the virtual-only or hybrid meeting format, along with clear and detailed instructions on how to attend and vote at the AGM.

If the issuer has already distributed its proxy materials to shareholders, the CSA guidance provides that they do not need to prepare and re-distribute additional proxy materials to shareholders for the sole purposes of switching to a virtual-only or hybrid AGM. Instead, the CSA has indicated that to adequately notify shareholders of the change, an issuer will need to promptly:

- issue a news release announcing the change, including abundant detail on how to access and participate in the AGM electronically and any minimum technology requirements to do so;
- file the news release on SEDAR; and
- take all reasonable steps to inform all parties involved in the proxy voting infrastructure of the change, including the issuer's transfer agent and intermediaries.

The CSA guidance also provides that any issuers considering changes or alternatives to their AGMs must send the notices in a manner such that their registered holders and beneficial holders are treated equally and receive the same information.

Generally, regardless of whether shareholders are notified of the virtual-only AGM by way of language in the proxy materials or by way of an update news release, full and transparent disclosure in this regard should include the following, as recommended by Glass Lewis and current best practices followed for virtual-only meetings in the United States:

- addressing the ability of shareholders to ask questions during the virtual-only meeting, including time guidelines for shareholder questions, rules around what types of questions are allowed, and rules for how questions and comments will be recognized and disclosed to meeting participants;
- procedures, if any, for posting appropriate questions received during the virtual-only meeting, and the issuer's answers, on the investor page of their website as soon as is practical after the meeting;
- addressing technical and logistical issues related to accessing the virtual meeting platform; and
- procedures for accessing technical support to assist in the event of any difficulties accessing the virtual-only meeting.

Issuers should also consider any other notice requirements under its organizing statute when changing to a virtual-only or hybrid AGM. For example, under the ABCA, shareholders must be given at least 21 days' notice of the time and place of the AGM and, unless consent to electronic delivery has been obtained from shareholders, such notice is to be delivered by mail or personal delivery. The 21 day notice period would still apply where the issuer has already delivered proxy materials to shareholders and is advising shareholders that there has been a change from a physical location to a virtual-only or hybrid meeting. If the issuer is unable to provide at least 21 days' notice of the change, a court order may be required to allow a shorter notice period and/or a modified form of delivery of such notice to shareholders. Given the limited number of applications being heard as a result of court closures due to the COVID-19 pandemic, an issuer may be unable to obtain a court order in a timely manner or at all, in which case issuers must decide whether to proceed without a court order and/or discuss with their legal advisors whether steps may be taken at a later time to ratify and confirm any actions.

Technological considerations for virtual-only AGMs

An issuer choosing to conduct a virtual-only AGM needs to ensure the platform used is sufficient for shareholder participation. The platform should include, at a minimum, certain features to support electronic voting, balloting and quorum counting. The platform must also be capable of ensuring all shareholders are equally able to participate in the meeting. The issuer's transfer agent will need to be able to work with the platform provider in order to ensure the issuer's quorum requirements have been satisfied and to count and tally final voting results for all matters raised at the meeting. There are currently only a limited number of companies that are capable of providing platforms to facilitate virtual-only meetings in Canada and an issuer should contact them as soon as possible if they are interested in booking this type of meeting.

The issuer will also need to ensure that the platform used provides adequate means for shareholders and all participants to communicate adequately with each other during the meeting. While this is a statutory requirement under the ABCA and the CBCA, the interpretation of "communicate adequately" is vague and Canadian courts have not yet judicially addressed its meaning. As such, some shareholders or other market participants may have concerns over whether the chosen platform is suited to facilitate adequate communication amongst participants. However, given the steps being taken by governments and regulatory authorities across the country to afford relief to issuers in response to the COVID-19 pandemic, the risk of a participant successfully challenging an issuer holding a virtual-only AGM on the basis of inadequate communication appears to be very low so long as the issuer's constating documents permit a meeting entirely by electronic means, shareholders have received appropriate information with respect to how to attend and participate at the meeting, and the issuer has otherwise complied with the guidance provided by the CSA.

Alternatives to a virtual-only AGM

In addition to conducting an AGM entirely by electronic means, an issuer may also consider the following alternative meeting formats:

In-person meeting

The issuer can choose to continue with an in-person meeting in the normal course, but restrict access to the AGM to only those persons legally entitled to attend the AGM in accordance with the issuer's by-laws and organizing statute, which typically include registered shareholders and duly appointed proxyholders, the Chair, members of the board of directors, the issuer's auditors and the secretary and scrutineers of the AGM. In this scenario, shareholders should be urged in the proxy materials and any other public disclosure to vote their shares via proxy in advance of the AGM. The issuer may also consider including a webcast or teleconference of the AGM so that shareholders, including beneficial shareholders, can view the meeting online or listen to the meeting if they are unable or prohibited from attending in person. However, shareholders viewing the webcast or participating by teleconference would not be deemed as present at the meeting and therefore would not be able to vote, other than by proxy, and would not be counted towards quorum requirements. Issuers choosing to continue with an in-person meeting will also need to comply with any government-mandated restrictions on social gatherings. The Alberta Government has currently restricted the size of group gatherings to no more than 15 people in one location and any such gatherings must also be held at a location that allows for at least two metres to be kept between attendees to comply with mandatory physical distancing requirements.

Hybrid meeting

A hybrid meeting is a mix of an in-person meeting and a virtual meeting where the issuer conducts the AGM at a physical location, but also affords shareholders and duly appointed proxyholders the opportunity to participate and vote electronically—provided the chosen technology platform allows it—if they so choose. Having a physical location for the meeting can eliminate concerns about satisfying quorum requirements because, for an uncontested meeting, the management nominees who serve as designated proxy holders in the issuer's form of proxy will typically hold sufficient proxies to satisfy quorum. If the management nominees are physically in attendance, it will not be necessary to rely on statutory provisions that deem a shareholder participating electronically to be present at the meeting in order to properly constitute the meeting. Additionally, proxy advisory firms have historically favored hybrid meetings as an AGM format as shareholders are afforded the right to appear at the meeting in person if they so desire. However, as previously noted, participants will be required to adhere to the current restrictions on gathering sizes imposed by the government in the jurisdiction where the AGM is to be held and, as a result, the issuer may still be required to restrict attendance in-person at a hybrid AGM to those legally entitled to attend in accordance with the issuer's constating documents and organizing statue.

Proxy advisory firms' expectations

While proxy advisory firms have not typically been in favour of issuers holding their AGMs in a virtual-only format, Glass Lewis and Institutional Shareholder Services (**ISS**) have recently taken steps to provide updates to their guidelines in light of the risks and health concerns presented by the COVID-19 pandemic and the growing necessity of conducting virtual-only AGMs in the circumstances. Due to concerns that virtual-only AGMs limit shareholders' ability to meaningfully communicate with management, Glass Lewis would typically recommend voting against members of an issuer's governance committee where the issuer's proxy materials do not provide robust disclosure assuring shareholders that they will be afforded the same participation rights as they would have been afforded at an in-person meeting. This policy has been suspended for virtual-only AGMs slated to be held up until June 30, 2020, provided the issuer, at a minimum, cites the pandemic as its rationale for conducting a virtual-only AGM. While ISS does not currently have a formal voting policy and has not provided any commentary with respect to virtual-only meetings in Canada, in light of the COVID-19 pandemic, it has similarly encouraged issuers to disclose the rationale for their decision to go forward with a virtual-only AGM and to strive to provide shareholders with a meaningful opportunity to participate, including providing the ability for shareholders to ask questions of directors and senior management and to engage in a dialogue. ISS has also indicated that they encourage boards to indicate in their proxy materials a commitment to a return to in-person or hybrid meetings as soon as practicable.

Key go-forward considerations

In addition to the recommendations and discussion above, issuers considering adopting a virtual-only AGM or hybrid AGM should consider the following recommended best practices:

- Consult regularly with legal counsel to stay abreast of the latest recommendations and policies from regulatory authorities, public health bodies and other interested stakeholders. The legal and regulatory environment in light of the COVID-19 pandemic continues to be fluid and it is expected that additional updates and guidance applicable to AGMs will be periodically released.
- Consider the items to be voted on and business to be dealt with at the meeting when deciding on a meeting format. For example, an issuer should consider whether a meeting dealing with non-routine special business, controversial proposals or matters subject to significant shareholder dissent can appropriately dealt with at a virtual-only or hybrid meeting.
- Provide shareholders with proper notice and details on how to access and participate electronically at virtual-only or hybrid AGM, including what technology platform they will need to use and detailed instructions for their electronic participation. Also ensure that the technology platform selected is capable of accommodating adequate communication among shareholders and with senior management and test the platform in advance of the meeting.
- Ensure shareholders are provided with an opportunity for meaningful engagement with the issuer's directors and senior management. It is important for virtual participants to have the opportunity to see, hear and ask questions of board members and independent board leadership. Consider allowing shareholders to submit questions in advance of the meeting.

- Create formal rules of conduct and reasonable time guidelines with respect to shareholder participation. Any rules and guidelines should be communicated to shareholders before or at the commencement of the meeting.
- Consider recording the virtual meeting and archiving any questions received from shareholders in connection with the meeting, and keep such information publicly available on the issuer's website for at least a year. At a minimum, issuers should consider posting the recording and any questions and responses from the meeting on their website following the meeting.
- Consider having a technical support line available for shareholders before and during the meeting.
- If a virtual-only meeting is not practicable and the issuer must hold an in-person meeting, strongly encourage shareholders to vote by proxy ahead of the meeting and not to attend in person, if possible.

Resources

CSA guidance on AGMS: https://www.osc.gov.on.ca/en/NewsEvents_nr_20200320_csa-guidance-conducting-annual-general-meetings-during-covid-19-outbreak.htm

Government of Alberta Ministerial Order: https://open.alberta.ca/dataset/53370c8c-05bb-4edf-a533-6fcb1a2006cb/resource/2ec92c93-d2c7-4c11-8434-7472744a6218/download/sa-mo-2020-009-changes-to-requirements-re-time-location-distance.pdf

TSX Staff Notice providing COVID-19 relief: https://decisia.lexum.com/tsx/sn/en/item/466093/index.do

TSX-V bulletin providing COVID-19 relief: https://www.tsx.com/resource/en/2230

Glass Lewis policy guidelines: https://www.glasslewis.com/wp-content/uploads/2016/11/Guidelines_Canada.pdf

ISS guidance for impacts of COVID-19: https://www.issgovernance.com/file/policy/active/americas/ISS-Policy-Guidance-for-Impacts-of-the-Coronavirus-Pandemic.pdf

Broadridge principles and best practices for virtual annual shareowner meetings: https://www.broadridge.com/_assets/pdf/broadridge-vasm-guide.pdf

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GLASS LEWIS

2020

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

CANADA

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Guidelines Introduction

MARKET OVERVIEW

Each territory and province in Canada is responsible for its own securities regulation. There is no federal regulatory agency like in many markets, such as the Securities and Exchange Commission in the United States. Most provincial regulatory authorities, however, use as a guide the rulemaking of the Ontario Securities Commission ("OSC"), which oversees the Toronto Stock Exchange ("TSX") and administers and enforces the provincial Securities Act, the Commodities Futures Act and certain provisions of the Canada Business Corporations Act ("CBCA"). These acts set out the OSC's authority to develop and enforce rules that help safeguard investors, deter misconduct and foster fair and efficient capital markets and confidence throughout Canadian markets. In addition, the TSX Company Manual provides a set of unified listing requirements to which issuers must adhere.

The Canadian Securities Administrators ("CSA") is an umbrella organization of Canada's provincial and territorial securities regulators who work collaboratively to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA regulates the securities markets through policies set out in a number of multilateral or national instruments. The 13 provincial regulatory bodies in Canada operate under a "passport" system, whereby each has agreed to adopt the decisions made by other agencies. While the OSC is not technically a part of the passport system, the 12 other agencies have agreed to abide by its decisions. The OSC continues to separately analyze decisions made by the other regulatory bodies.

Many Canadian market rules are similar to U.S. corporate governance legislation; however, contrary to the U.S. "rules-based" approach, the Canadian "principles-based" approach requires companies to publicly disclose the extent of their compliance with best practices and to describe the procedures they have implemented to meet each principle.

REGULATORY UPDATES

Amendments to the CBCA passed in May 2018 will come into force on January 1, 2020, imposing new disclosure obligations regarding organization diversity on corporations incorporated under the CBCA. Under existing securities regulations only TSX-listed issuers were required to provide disclosure about gender diversity.

The primary effect of the CBCA amendment is to broaden the meaning of diversity beyond gender to include other "designated groups". The new requirements will apply to all CBCA reporting issuers, including issuers listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and Canadian Securities Exchange (CSE). Aside from women, other now designated groups include Aboriginal persons, members of "visible minorities," and persons with disabilities. Companies may also voluntarily disclose further groups they feel contribute to diversity of board and management.

Like existing securities rules, the amendment imposes a "comply or explain" regime. Companies must disclose the number and proportion of directors and senior officers who are of such designated groups, and also whether they have adopted policies relating to diversity. However, companies are not required to adopt policies or quotas.

In practice, the increased disclosure requirements should not represent an overt burden to existing TSX issuers who already must disclose aspects of their organization's diversity policies and practices. For issuers on the junior exchanges, however, the new requirements may represent a headache for companies traditionally reliant on listing exemptions from more burdensome requirements applying to main exchange constituents.

SUMMARY OF CHANGES FOR THE 2020 CANADA POLICY GUIDELINES

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant section of this document:

COVID-19 IMPACT ON VIRTUAL-ONLY SHAREHOLDER MEETINGS POLICY

In our discussion of Virtual Shareholder Meetings beginning on page 37, we have added a discussion of how this policy applies during the 2020 proxy season in light of the COVID-19 pandemic. Specifically, for companies opting to hold a virtual-only shareholder meeting during the 2020 proxy season (March 1, 2020 through June 30, 2020), we will generally refrain from recommending to vote against members of the governance committee on this basis, provided that the company discloses, at a minimum, its rationale for doing so, including citing COVID-19.

Additionally, should these companies opt to continue holding virtual-only shareholder meetings in subsequent years, we expect future proxy statements to include the robust disclosure concerning shareholder participation described in these guidelines.

Our standard policy on virtual shareholder meetings will apply for all shareholder meetings occurring after June 30, 2020.

DIRECTOR ATTENDANCE/COMMITTEE MEETING DISCLOSURE

We have codified additional factors we will consider when evaluating the performance of governance and audit committee members at TSX companies. Specifically, Glass Lewis will generally recommend voting against the governance committee chair when: (i) records for board and committee meeting attendance are not disclosed, and; beginning 2021: (ii) the number of audit committee meetings that took place during the most recent year is not disclosed.

We believe that attendance at board and committee meetings is one of the most basic ways for directors to fulfill their responsibilities to shareholders and that disclosure of attendance records is a critical element in evaluating the performance of directors and the board more generally.

Beginning 2021, we will recommend against the audit committee chair if the audit committee did not meet at least four times during the year.

BOARD DIVERSITY

While we will not be altering our vote recommendation policies on the basis of the CBCA amendments coming into effect in 2020 (see above), we will review any new company diversity disclosure resulting from these amendments and, where relevant, reflect such expanded disclosure in our analysis for the election of directors at TSX issuers.

BOARD SKILLS

Following on from our 2019 Guidelines update, by which we codified our assessment of board skills as an integral part of the analysis of proposals to elect directors, we clarify our expectation that companies provide meaningful disclosure in line with developing best practice standards. Please refer to footnote 27 (p. 20).

CONTRACTUAL PAYMENTS AND ARRANGEMENTS

We have clarified our approach to analyzing both ongoing and new contractual payments and executive entitlements. In general, we disfavor contractual agreements that are excessively restrictive in favor of the executive, including excessive severance payments, new or renewed single-trigger change-in-control arrangements and multi-year guaranteed awards. Further, we believe that the extension of such entitlements through renewed or revised employment agreements represent a missed opportunity to remedy shareholder un-friendly provisions.

COMPANY RESPONSIVENESS

We have expanded our discussion of what we consider to be an appropriate response following low shareholder support for the say-on-pay proposal at the previous annual meeting, including differing levels of responsiveness depending on the severity and persistence of shareholder opposition. We expect a robust disclosure of engagement activities and specific changes made in response to shareholder feedback. Absent such disclosure, we may consider recommending against the upcoming say-on-pay proposal.

OTHER CLARIFYING AMENDMENTS

We codify our policy on the following two issues: (i) we may recommend voting against all audit committee members in the second successive year of excess non-audit fees; and (ii) we make an exception regarding the minimum board size we expect at controlled companies.

With respect to compensation, we define situations where we report on post-fiscal year end compensation decisions, setting expectations for disclosure of mid-year adjustments to STI plans and enhancing our discussion of excessively broad definitions of "change in control" in employment agreements.

Lastly, we have made several minor edits of a housekeeping nature in order to enhance clarity and readability.

A Board of Directors that Serves the Interests of Shareholders

ELECTION OF DIRECTORS

The purpose of Glass Lewis' proxy research and advice is to facilitate shareholder voting in favor of governance structures that will drive performance, create shareholder value and maintain a proper tone at the top. Glass Lewis looks for talented boards with a record of protecting shareholders and delivering value over the medium- and long-term. We believe that boards working to protect and enhance the best interests of shareholders are (i) independent, (ii) have directors with diverse backgrounds, (iii) have a record of positive performance, and (iv) have members with a breadth and depth of experience.

SLATE ELECTIONS

A diminishing minority of companies continue to elect board members as a slate, whereby shareholders are unable to vote on the election of each individual director, but rather may only vote for – or withhold votes from – the board as a whole.

Although the TSX listing rules prevents the use of slates for most Canadian companies, those traded on alternate exchanges such as the TSX Venture Exchange or Canadian National Stock Exchange are not required to comply. As a result, Glass Lewis will continue to provide recommendations for slates or for each individual director, as applicable. When we recommend voting for a slate but have identified concerns with individual directors, we will note the concerns in our analysis of the board.

Glass Lewis views the use of slate elections as a significant hindrance to the director election process that results in substantially reduced individual accountability. Therefore, when reviewing a slate election, if significant concerns[1] exist concerning any of the nominees, we may recommend withholding votes from the entire slate. However, when our concerns are limited to poor attendance or an excessive number of public company directorships or audit committee memberships, and the aggregate number of directors with these issues represent less than one-third of the total board, we will recommend that shareholders vote for the entire slate of directors.

INDEPENDENCE

The independence of directors, or lack thereof, is ultimately demonstrated through their decisions. In assessing the independence of directors, we will take into consideration whether a director has a track record indicative of making objective decisions. Ultimately, we believe the determination of a director's independence must take into consideration his/her compliance with the applicable listing requirements on independence, as well as his/her past decisions.

We look at each individual on the board and examine his or her relationships with the company, its associated entities and executives, and other board members. The purpose of this inquiry is to determine whether preexisting personal, familial or such financial relationships (apart from compensation as a director) are likely to

1 Such concerns generally relate to: (i) the presence of non-independent directors on a committee; (ii) the absence of an independent chair/lead director or compensation committee; (iii) an insufficiently independent board; (iv) excessive non-audit fees paid to the company's auditor; or (v) significant related-party transactions.

impact the decisions of that board member. We believe the existence of personal, familial or financial relationships make it difficult for a board member to put the interests of the shareholders above personal interests.

To that end, we classify directors in three categories based on the type of relationships they have with the company:

Independent Director — A director is independent if s/he has no direct or indirect material financial or familial connections with the company, its executives, its independent auditor or other board members, except for service on the board and the standard fees paid for that service. Employee relationships that have existed within the past five years and other relationships that have existed within the three years prior to the inquiry are usually considered to be "current" for purposes of this test. However, Glass Lewis does not apply the five-year look-back period to directors who have previously served as executives of the company on an interim basis for less than one year.

Affiliated Director — A director is affiliated if s/he has a material, financial, familial or other relationship with the company, its independent auditor or its executives, but is not an employee of the company. This includes directors whose primary employers have a material financial relationship with the company, as well as those who own or control at least 20% of either the company's issued share capital, or its outstanding voting rights. We note that in every instance in which a company classifies one of its directors as non-independent, that director will be classified as an affiliate by Glass Lewis.[2]

We view 20% shareholders as affiliates because they typically have access to and involvement with the management of a company that is fundamentally different from that of ordinary shareholders. More importantly, 20% holders may have interests that diverge from those of ordinary holders, for reasons such as the liquidity (or lack thereof) of their holdings, personal tax issues, etc. Glass Lewis applies a three-year look back period to all directors who have an affiliation with the company other than former employment, for which we apply a five-year look back.

Definition of "Material": A material relationship is one in which the dollar value exceeds: (i) C$50,000 (C$25,000 for venture firms), or where no amount is disclosed, for directors who personally receive compensation for a service they have agreed to perform for the company, outside of their service as a director, including professional or other services; (ii) C$100,000 (C$50,000 for venture firms), or where no amount is disclosed, for those directors employed by a professional services firm such as a law firm, investment bank or consulting firm where the firm is paid for services but not the individual directly (see section on TSX Venture Companies for exceptions). This dollar limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the director or the director's firm; (iii) 1% of either company's consolidated gross revenue for other business relationships (e.g., where the director is an executive officer of a firm that provides or receives services or products to or from the company).

Definition of "Familial" as used herein includes a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces and nephews, in-laws, and anyone (other than domestic employees) who share such person's home.

Definition of "Company" includes any parent or subsidiary in a consolidated group with the company or any entity that merged with, was acquired by, or acquired the company.

Inside Director — An inside director is one who simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

2 If the reason for a director's non-independent status cannot be discerned from the company's documents, we will footnote the director in the board table as "Not considered independent by the board." In all other cases where the director is considered affiliated or is an insider, we will footnote the reasons or circumstances for the director's status.

VOTING RECOMMENDATIONS ON THE BASIS OF INDEPENDENCE

Glass Lewis believes that a board will most effectively perform the oversight necessary to protect the interests of shareholders if it is independent. In general, at least a majority of a board should consist of independent directors.[3] However, Glass Lewis believes boards of companies in the S&P/TSX Composite Index should have a greater level of independence, reflecting both these companies' size and best practice in Canada. Therefore, we will expect such companies' boards to be at least two-thirds independent. Further, for venture-listed issuers, we apply a more lenient standard, requiring boards to have at least two independent directors, representing no less than one-third of the board. In the event that a board fails to meet these thresholds, we typically recommend shareholders withhold their votes from some of the inside and/or affiliated directors in order to satisfy these independence standards.

In the case of a staggered board, if the affiliates or insiders who we believe should be removed from the board are not standing for election, we will express our concerns about those directors; however, we will not recommend shareholders withhold their votes from the affiliates or insiders who are up for election just to achieve sufficient overall board independence.

We are firmly committed to the belief that only independent directors should serve on a company's audit, compensation and nominating and/or governance committees. As such, we typically recommend that shareholders withhold their votes from affiliated or inside directors seeking appointment to these committees; however, we allow for exceptions to this rule, including carve outs for significant shareholders and for controlled companies and firms listed on the TSX Venture Exchange, as discussed below. These exceptions do not extend to audit committee memberships nor do they extend to members or affiliates of management seeking appointment to the compensation committee.

PERFORMANCE

The most crucial test of a board's commitment to the company and its shareholders lies in the actions of the board and its members. We look at the performance of these individuals as directors and executives of the company and of other companies where they have served.

We find that a director's past conduct is often indicative of future conduct and performance. We often find directors with a history of overpaying executives or of serving on boards where avoidable disasters have occurred serving on the boards of companies with similar problems.

VOTING RECOMMENDATIONS ON THE BASIS OF PERFORMANCE

We typically recommend that shareholders vote against directors who have served on boards or as executives of companies with records of poor performance, inadequate risk oversight, excessive compensation, audit- or accounting-related issues, and/or other indicators of mismanagement or actions against the interests of shareholders. We will reevaluate such directors based on, among other factors, the length of time passed since the incident giving rise to the concern, shareholder support for the director, the severity of the issue, the director's role (e.g., committee membership), director tenure at the subject company, whether ethical lapses accompanied the oversight lapse, and evidence of strong oversight at other companies.

Likewise, we examine the backgrounds of those who serve on key board committees to ensure that they have the required skills and diverse backgrounds to make informed judgments about the subject matter for which the committee is responsible.

3 National Instrument 58-201 — Effective Corporate Governance.

We believe shareholders should avoid electing directors who have a record of not fulfilling their responsibilities to shareholders at any company where they have held a board or executive position. We typically recommend voting against:

1. A director who fails to attend a minimum of 75% of board meetings and/or committee meetings in the absence of a reasonable explanation for their poor attendance record.[4]

2. A director who is also the CEO of a company where a serious and material restatement has occurred after the CEO had previously certified the pre-restatement financial statements.[5]

3. A director who has received two against recommendations from Glass Lewis for identical reasons within the prior year at different companies (the same situation must also apply at the company being analyzed).

4. A director who exhibits a pattern of poor oversight in the areas of executive compensation, risk management or director recruitment/nomination.

BOARD RESPONSIVENESS

Glass Lewis believes that boards should be responsive to shareholder concerns and issues that may adversely affect shareholder value. In particular, we believe that a board response is warranted any time 20% or more of shareholders vote contrary to the recommendation of management. These include instances when 20% or more of shareholders: (i) withhold votes from (or vote against) a director nominee; (ii) vote against a management-sponsored proposal; or (iii) vote for a shareholder proposal. In our view, a 20% threshold is significant enough to warrant a close examination of the underlying issues and an evaluation of whether or not the board responded appropriately following the vote, particularly in the case of a compensation or director election proposal. While the 20% threshold alone will not automatically generate a negative vote recommendation from Glass Lewis on a future proposal (e.g., to recommend against a director nominee, against a say-on-pay proposal, etc.), it may be a contributing factor to our recommendation to vote against management proposals or certain directors in the event we determine that the board or a board committee did not respond appropriately to an ongoing issue.

With regards to companies where voting control is held through a dual-class share structure with disproportionate voting and economic rights, we will carefully examine the level of approval or disapproval attributed to unaffiliated shareholders when determining whether board responsiveness is warranted. Where vote results indicate that a majority of unaffiliated shareholders supported a shareholder proposal or opposed a management proposal, we believe the board should demonstrate an appropriate level of responsiveness.

As a general framework, our evaluation of board responsiveness involves a review of publicly available disclosures (e.g., the management information circular, press releases, company website, etc.) released following the date of the company's last annual meeting up through the publication date of our most current Proxy Paper. Depending on the specific issue, our focus typically includes, but is not limited to, the following:

- At the board level, any changes in directorships, committee memberships, disclosure of related party transactions, meeting attendance, or other responsibilities.

- Any revisions made to the company's articles of incorporation, bylaws or other governance documents.

4 However, where a director has served for less than one full year, we will typically not recommend voting against for failure to attend 75% of meetings. Rather, we will note the poor attendance with a recommendation to track this issue going forward. We will also refrain from recommending to vote against directors when the proxy discloses that the director missed the meetings due to serious illness or other extenuating circumstances.
5 National Instrument 52-109 requires the certification of all financial fillings by each the CEO and CFO.

- Any press or news releases indicating changes in, or the adoption of, new company policies, business practices or special reports.

- Any modifications made to the design and structure of the company's compensation program.

Our Proxy Paper analysis will include a case-by-case assessment of the specific elements of board responsiveness that we examined along with an explanation of how that assessment impacts our current vote recommendations.

SEPARATION OF THE ROLES OF CHAIR AND CHIEF EXECUTIVE

Glass Lewis believes that separating the roles of corporate officers and the board chair is typically a better governance structure than a combined executive/chair position.[6] The role of executives is to manage the business on the basis of the course charted by the board. Executives should report to the board regarding their performance in achieving goals previously set by the board. This process becomes much more complicated when management chairs the board.

Presumably the influence of any chief executive with his/her board will be considerable. A chief executive should be able to set the strategic course for the company, with the blessing of the board, and the board should enable the chief executive to carry out his/her vision for accomplishing the company's objectives. Failure to achieve this objective should lead the board to replace that chief executive with someone in whom it has greater confidence.

It can become difficult for a board to fulfill its roles as overseer and policy-setter when the chief executive/chair controls the agenda and the discussion in the boardroom. A combination of these roles generally provides chief executives with leverage to entrench their position, leading to longer-than-optimal terms, fewer checks on management, less scrutiny of the operation of the business and increased limitations on independent, shareholder focused goal-setting by the board.

We view an independent chair as better able to oversee the executives of the company and set a pro-shareholder agenda without the management conflicts that a chief executive or other insiders often face. This, in turn, leads to a more proactive and effective board of directors that is looking out for the interests of shareholders above all else. We will recommend shareholders withhold votes from the nominating/governance committee chair when a board does not have some established form of independent leadership.

We typically do not recommend that shareholders withhold votes from chief executives who chair the board. However, we generally encourage our clients to support a separation between the roles of board chair and chief executive whenever that question is posed in a proxy, as we believe such a governance structure is in the best long-term interests of the company and its shareholders.

Furthermore, Glass Lewis strongly supports the existence of an independent presiding or lead director with the authority to set the agenda for meetings and lead sessions outside the presence of the insider chair.

BOARD COMMITTEES

THE ROLE OF A COMMITTEE CHAIR

Glass Lewis believes that a designated committee chair maintains primary responsibility for the actions of his or her respective committee. As such, many of our committee-specific vote recommendations reference the applicable committee chair rather than the entire committee (depending on the severity of the issue). However, in cases where we would ordinarily recommend voting against a committee chair but one has not been appointed or disclosed, we apply the following general rules, which apply throughout our guidelines:

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6 National Instrument 58-201 states that the chair of the board should be an independent director and that where this is not appropriate, an independent director should be appointed to act as "lead director." Either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.

- If there is no committee chair, we recommend voting against the longest-tenured committee member or, if the longest-serving committee member cannot be determined, the longest-serving board member serving on the committee (i.e., in either case, the "senior director");

- If there is no committee chair, but multiple senior directors serving on the committee, we recommend voting against one, both (or all) such senior directors as applicable.

In our view, companies should clearly disclose which director is charged with overseeing each committee. In cases where this simple framework is ignored and a reasonable analysis cannot determine which committee member is the designated leader, we believe shareholder action against the longest serving committee member(s) is warranted. To be clear, this only applies in cases where we would ordinarily recommend voting against the committee chair but no such position exists or there is no designated director in such role.

When we would ordinarily recommend that shareholders vote against the committee chair but that committee does not exist, we will instead recommend that shareholders vote against the non-executive chair, or in the absence thereof, the longest-serving non-executive director on the board. Similarly, when we would otherwise recommend that shareholders vote against the board chair for a perceived governance failure, but the chair either cannot be identified or serves as an executive, we will recommend that shareholders vote against the senior non-executive member of the board.

AUDIT COMMITTEE PERFORMANCE

Audit committees play an integral role in overseeing the financial reporting process because stable capital markets depend on reliable, transparent, and objective financial information to support an efficient and effective capital market process. Audit committees play a vital role in providing this disclosure to shareholders.

When assessing an audit committee's performance, we are aware that this committee does not prepare financial statements, is not responsible for making the key judgments and assumptions that affect the financial statements, and does not audit the numbers or other disclosures provided to investors. Rather, the audit committee monitors and oversees the processes and procedures that management and auditors perform. The 1999 Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees stated it best:

> *"A proper and well-functioning system exists, therefore, when the three main groups responsible for financial reporting — the full board including the audit committee, financial management including the internal auditors, and the outside auditors – form a 'three legged stool' that supports responsible financial disclosure and active participatory oversight. However, in the view of the Committee, the audit committee must be 'first among equals' in this process, since the audit committee is an extension of the full board and hence the ultimate monitor of the process."*

STANDARDS FOR ASSESSING THE AUDIT COMMITTEE

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. In its audit and accounting recommendations, the Conference Board Commission on Public Trust and Private Enterprise said "members of the audit committee must be independent and have both knowledge and experience in auditing financial matters."[7]

Glass Lewis generally assesses audit committees against the decisions they make with respect to their oversight and monitoring role. Shareholders should be provided with reasonable assurance as to the material accuracy of financial statements based on: (i) the quality and integrity of the documents; (ii) the completeness of disclosures necessary for investors to make informed decisions; and (iii) the effectiveness of internal controls. The independence of the external auditors and the results of their work provide useful information for assess-

7 Commission on Public Trust and Private Enterprise. The Conference Board. 2003.

ing the audit committee.

We are skeptical of audit committees that have members who lack expertise as a certified public accountant, CFO or corporate controller of similar experience. While we will not necessarily vote against members of an audit committee when such expertise is lacking, we are more likely to vote against committee members when a problem such as a restatement occurs and such expertise is lacking.

When assessing the decisions and actions of an audit committee, we typically defer judgment to its members; however, we may recommend withholding votes from the following members under these circumstances:

1. The chair of the audit committee who served on the committee at the time of the audit, if audit and audit-related fees total less than 50% of the fees billed by the auditor; in the second consecutive year of excessive non-audit fees, all members of the audit committee who served on the committee during the period in question.

2. All members of the audit committee who presided over a significant failure to oversee material environmental and social risks, in the absence of a separate committee with dedicated environmental and social risk oversight functions.

3. All members of the audit committee who sit on an excessive number of public company audit committees.[8]

4. The audit committee chair if there is not at least one member who is financially literate, as required by the CSA.

5. Beginning 2021, we will recommend against the audit committee chair if the audit committee did not meet at least four times during the year.

6. The audit committee chair if the audit committee consisted of fewer than three members for the majority of the fiscal year (see section on venture firms for exceptions).

7. All members of the audit committee who served at a time when the company failed to report or have its auditors report material weaknesses in internal controls.

8. All members of the audit committee who served at a time when financial statements had to be restated due to negligence or fraud.

9. All members of the audit committee if the company has repeatedly failed to file its financial reports in a timely fashion.

10. All members of the audit committee if the committee re-appointed an auditor that we no longer consider to be independent for reasons unrelated to fee proportions.

11. All members of the audit committee who served at a time when accounting fraud occurred in the company.

12. All members of the audit committee if recent non-audit fees have included charges for services that are likely to impair the independence of the auditor.[9]

8 For audit committee members of TSX-listed companies, we generally consider three audit committee memberships to be a reasonable limit, and four for directors with demonstrable financial expertise such as a former CFO. For audit committee members of companies listed on the TSX Venture exchange, we generally consider four audit committees to be a reasonable limit, and five for directors with financial expertise. Factors that we will consider include company size, their geographical distribution and an audit committee member's level of expertise and overall commitments; ultimately we will evaluate a director's level of commitment on a case-by-case basis.

9 Such services include: (i) bookkeeping or other services related to the accounting records or financial statements of the audit client; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser, or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service that the board determines, by regulation, is impermissible.

13. All members of the audit committee if non-audit fees include charges for tax services for senior executives of the company, or include services related to tax avoidance or tax shelter schemes.

14. All members of the audit committee if options have recently been backdated, and: (i) there are inadequate internal controls in place, or, (ii) there was a resulting restatement and disclosures indicate there was a lack of documentation with respect to option grants.

15. All members of the audit committee who served on the committee during a period where the company has reported a material weakness in its controls over financial reporting which has been outstanding for more than one year or for which a credible remediation plan has not been disclosed.

In making recommendations on the basis of audit committee performance, we will consider the severity of the issues identified, any extenuating facts and circumstances, whether issues have been ongoing for multiple accounting periods, the overall composition of the committee and a company's disclosure regarding its oversight of audit related issues.

COMPENSATION COMMITTEE PERFORMANCE

Compensation committees have a critical role in determining the compensation of executives. This includes deciding the basis on which compensation is determined, as well as the amounts and types of compensation to be paid. This process begins with the establishment of employment agreements, including the terms for such items as base pay, pensions and severance arrangements. It is important for compensation arrangements to be based on a company's long-term economic performance and returns to shareholders.

Compensation committees are also responsible for overseeing the transparency of compensation. This oversight includes disclosure of various compensatory elements, including the overall disclosure of arrangements, pay-for-performance matrices and the use of compensation consultants. It is important that investors be provided clear and complete disclosure of the significant terms of compensation arrangements in order to help them reach informed opinions regarding the compensation committee's actions.

Finally, compensation committees are responsible for the oversight of internal controls in the executive compensation process. This duty includes supervising controls over gathering information used to determine compensation, establish equity award plans, and grant equity awards. Deficient controls can contribute to conflicting information being obtained, for example, through the use of non-objective consultants. Deficient controls can also contribute to the granting of improper awards, such as backdated or spring-loaded options, or unmerited bonuses.

Central to understanding the actions of a compensation committee is a careful review of the Compensation Discussion and Analysis ("CD&A") report included in each company's proxy. We review the CD&A in our evaluation of the overall compensation practices of a company, as overseen by the compensation committee. The CD&A is also integral to the evaluation of compensation proposals at companies, such as management-submitted advisory compensation vote proposals, which allow shareholders to vote on the compensation paid to a company's top executives. For more information on our approach to executive compensation, please refer to Section III — The Link Between Compensation and Performance.

We may recommend withholding votes from the following compensation committee members under the following circumstances:

1. All members of a compensation committee during whose tenure the committee failed to address shareholder concerns following majority shareholder opposition to a say-on-pay proposal in the previous year. Where the proposal was approved but there was a significant shareholder vote (i.e., greater than 20% of votes cast) against the say-on-pay proposal in the prior year, if the board did not respond sufficiently to the vote including actively engaging shareholders on this issue, we will also consider recommending voting against the compensation committee chair or all members of the compensation committee, depending on the severity and history of the compensation problems

and the level of shareholder opposition.

2. The compensation committee chair if the CD&A fails to provide a reasonable level of disclosure that allows shareholders to fully comprehend executive compensation policies or practices.

3. All members of the compensation committee who are up for election and served when the company failed to align pay with performance if shareholders are not provided with an advisory vote on executive compensation at the annual meeting.[10]

4. All members of the compensation committee (from the relevant time period) if the company has entered into excessive employment agreements and/or severance arrangements.

5. All members of the compensation committee if performance goals were changed (e.g., lowered) when employees failed or were unlikely to meet original goals, or if performance-based compensation was paid despite goals not being attained.

6. All members of the compensation committee if excessive employee perquisites and benefits were allowed.

7. The compensation committee chair if the compensation committee did not meet during the year.

We also believe that any company that pays its executives should maintain a committee to provide the necessary oversight for related matters. Therefore, we will usually recommend that shareholders withhold votes from the board chair or senior non-executive director when this key committee has not been established.

NOMINATING AND GOVERNANCE COMMITTEE PERFORMANCE

The nominating and governance committee, as the agent for shareholders, is responsible for the board's governance of the company and its executives. In performing this role, the board is responsible and accountable for the selection of objective and competent directors. It is also responsible for providing leadership on governance policies adopted by the company, such as the implementation of shareholder proposals that have received a majority vote. In Canada, the committees that are charged with fulfilling these roles may be combined or separated. As such, our voting recommendations may fluctuate depending on the specific duties charged to each committee.

Consistent with Glass Lewis' philosophy that boards should have diverse backgrounds and members with a breadth and depth of relevant experience, we believe that nominating and governance committees should consider diversity when making director nominations within the context of each specific company and its industry. In our view, shareholders are best served when boards make an effort to ensure a constituency that is not only reasonably diverse on the basis of age, race, gender and ethnicity, but also on the basis of geographic knowledge, industry experience, board tenure and culture.

Regarding the nominating committee, we may recommend that votes be withheld from the following members under these circumstances:

1. All members of the nominating committee when the committee nominated or re-nominated an individual who had a significant conflict of interest or whose past actions demonstrated a lack of integrity or an inability to represent shareholder interests.

10 If a company provides shareholders with a say-on-pay proposal, we will initially only recommend voting against the company's say-on-pay proposal and will not recommend voting against the members of the compensation committee unless there is a pattern of failing to align pay and performance and/or the company exhibits egregious compensation practices. However, if the company repeatedly fails to align pay and performance, we will then recommend against the members of the compensation committee in addition to recommending voting against the say-on-pay proposal. For cases in which the disconnect between pay and performance is marginal and the company has outperformed its peers, we will consider not recommending against compensation committee members.

2. The nominating committee chair if the nominating committee did not meet during the year.[11]

3. The nominating committee chair and/or all members of the committee when the number of directors on the board is more than 20 or fewer than five directors (or four for venture exchange listed issuers).

4. The nominating committee chair, when a director who did not receive support from a majority of voting shares in the previous election was allowed to remain on the board and, further, the issues that raised shareholder concern were not addressed.[12]

5. The chair of the nominating committee where the board's failure to ensure the board has directors with relevant experience, either through periodic director assessment or board refreshment, has contributed to a company's poor performance.

6. The nominating committee chair when the board has no female directors and has not provided sufficient explanation or disclosed a plan to address the lack of diversity on the board.

7. The nominating committee chair when the board has not adopted a formal diversity policy and we have identified concerns regarding the gender diversity of the board.

We may recommend withholding votes from the following members of the governance committee in these circumstances:

1. The governance committee chair[13] when the board chair is not independent and an independent lead or presiding director has not been appointed.

2. All members of the governance committee who served at a time when the board failed to implement a shareholder proposal approved by shareholders with a direct and substantial impact on shareholders and their rights.

3. All members of the governance committee when the board fails to adopt a majority voting policy.[14]

4. The governance committee chair when the board has provided poor disclosure on key issues, such as the identity of its chair, related-party transactions or other information necessary for shareholders to properly evaluate the board.

5. The governance committee chair when the board has failed to disclose detailed voting results from the previous annual meeting.

6. The governance committee chair when: (i) records for board and committee meeting attendance are not disclosed, and; beginning 2021: (ii) the number of audit committee meetings that took place during the most recent year is not disclosed.

OTHER CONSIDERATIONS

DIRECTOR COMMITMENTS

We believe that directors should have the necessary time to fulfill their duties to shareholders. In our view, an

11 In the absence of a chair, we will recommend that shareholders withhold votes from the senior member of this committee or, in the absence of this committee, the board chair. In the absence of a board chair, we will recommend withholding votes from the senior non-executive director.

12 Considering that shareholder discontent clearly relates to the director who received a greater than 50% against vote rather than the nominating chair, we review the validity of the issue(s) that initially raised shareholder concern, follow-up on such matters, and only recommend voting against the nominating chair if a reasonable analysis suggests that it would be most appropriate. In rare cases, we will consider recommending against the nominating chair when a director receives a substantial (i.e., 20% or more) vote against based on the same analysis.

13 In the absence of a chair, we will recommend that shareholders withhold votes from the senior member of this committee or, in the absence of this committee, the senior non-executive director.

14 Only applies to companies listed on the Toronto Stock Exchange.

overcommitted director can pose a material risk to a company's shareholders, particularly during periods of crisis. In addition, recent research indicates that the time commitment associated with being a director has been on a significant upward trend in the past decade. As a result, we generally recommend that shareholders vote against a director who serves as an executive officer of any public company while serving on more than two public company boards and any other director who serves on more than five public company boards.[15]

Because we believe that executives will primarily devote their attention to executive duties, we generally will not recommend that shareholders vote against overcommitted directors at the companies where they serve as an executive.

When determining whether a director's service on an excessive number of boards may limit the ability of the director to devote sufficient time to board duties, we may consider relevant factors such as the size and location of the other companies where the director serves on the board, the director's board roles at the companies in question, whether the director serves on the board of any large privately-held companies, the director's tenure on the boards in question, and the director's attendance record at all companies. In the case of directors who serve in executive roles other than CEO (e.g., executive chair), we will evaluate the specific duties and responsibilities of that role in determining whether an exception is warranted.

We may also refrain from recommending against certain directors if the company provides sufficient rationale for their continued board service. The rationale should allow shareholders to evaluate the scope of the directors' other commitments, as well as their contributions to the board including specialized knowledge of the company's industry, strategy or key markets, the diversity of skills, perspective and background they provide, and other relevant factors. We will also generally refrain from recommending to vote against a director who serves on an excessive number of boards within a consolidated group of companies or a director that represents a firm whose sole purpose is to manage a portfolio of investments which include the company.

CONFLICTS OF INTEREST

In addition to the above three key characteristics we analyze in evaluating board members — independence, performance and experience — we also consider other issues in making voting recommendations.

We believe that a board should be wholly free of people who have identifiable conflicts of interest. Accordingly, we generally recommend shareholders withhold votes from affiliated or inside directors in the following circumstances:

1. A CFO currently serving on the board. In our view, the CFO holds a unique position relative to financial reporting and disclosure to shareholders. Given the critical importance of financial disclosure and reporting, we believe the CFO should report to the board and not be a member of it.

2. A director, or an immediate family member of a director, who provides material consulting or other material professional services to the company. These services may include legal, consulting, or financial services. We question the need for the company to have consulting relationships with its directors. We view such relationships as creating conflicts for directors, since they may be forced to weigh their own interests against shareholder interests when making board decisions. In addition, a company's decisions regarding where to turn for the best professional services may be compromised when doing business with the professional services firm of one of the company's directors. However, we will consider the specific nature of the professional services relationship between the company and a director and the independence profile of the board and its key committees.[16]

3. A director, or an immediate family member of a director, who engages in, or receives benefits from, commercial deals, including perquisite type grants from the company, which we believe may force

15 Given the reduced time commitment and after consideration of all relevant circumstances (including attendance, company size, and a director's overall expertise and performance), we generally permit directors at TSX Venture firms to sit on up to nine boards (refer to "TSX Venture Companies" section for further information).

16 We provide an exception when companies structure compensation so that executives are paid as consultants rather than provided with salaries, as is common practice among venture companies.

the director in question to make unnecessarily complicated decisions that pit his/her interests against those of shareholders. Given the pool of director talent and the limited number of directors on any board, we believe shareholders are best served by directors who are independent of such relationships.

4. A director who has interlocking directorships with one of the company's executives. Top executives serving on each other's boards creates an interlock that poses conflicts that should be avoided to ensure the promotion of shareholder interests above all else.

BOARD SIZE

While we do not believe that there is a universally applicable optimum board size, we do believe that boards should have a minimum of five directors in order to ensure that there is a sufficient diversity of views and breadth of experience in every decision the board makes. At the other end of the spectrum, we believe that boards with more than 20 directors will typically suffer under the weight of "too many cooks in the kitchen" and have difficulty reaching consensus and making timely decisions. Sometimes the presence of too many voices makes it difficult to draw on the wisdom and experience in the room by virtue of the need to limit the discussion so that each voice may be heard.

To that end, we typically recommend withholding votes from the chair of the nominating and/or governance committee at boards with fewer than five directors (or the board chair, in the absence of this committee), or four directors for venture issuers. For boards consisting of more than 20 directors, we typically recommend withholding votes from the nominating committee chair (or governance committee, in the absence of a nominating committee).[17]

EXCEPTIONS FOR RECENT IPOs

We believe companies that have recently completed an initial public offering ("IPO") should be allowed adequate time to fully comply with marketplace listing requirements as well as to meet basic corporate governance standards. We believe a one-year grace period immediately following the date of a company's IPO is sufficient time for most companies to comply with all relevant regulatory requirements and to meet such corporate governance standards. Except in egregious cases, Glass Lewis refrains from issuing voting recommendations on the basis of corporate governance best practices (e.g., board independence, committee membership and structure, meeting attendance, etc.) during the one-year period following an IPO.

DUAL-LISTED COMPANIES

For those companies whose shares trade on exchanges in multiple countries or are traded and incorporated in two different jurisdictions, and which may seek shareholder approval of proposals in accordance with varying exchange- and country-specific rules, we will apply the governance standards most relevant in each situation. We will consider a number of factors in determining which Glass Lewis country-specific policy to apply, including but not limited to: (i) the corporate governance structure and features of the company including whether the board structure is unique to a particular market; (ii) the nature of the proposals; (iii) the location of the company's primary listing, if one can be determined; (iv) the regulatory/governance regime that the board is reporting against; and (v) the availability and completeness of the company's proxy filings.

ENVIRONMENTAL AND SOCIAL RISK OVERSIGHT

Glass Lewis understands the importance of ensuring the sustainability of companies' operations. We believe that an inattention to material environmental and social issues can present direct legal, financial, regulatory and reputational risks that could serve to harm shareholder interests. Therefore, we believe that these issues should be carefully monitored and managed by companies, and that companies should have an appropriate oversight structure in place to ensure that they are mitigating attendant risks and capitalizing on related opportunities to the best extent possible.

17 Certain exceptions may be made for large banks on a case-by-case basis.

Glass Lewis believes that companies should ensure appropriate board-level oversight of material risks to their operations, including those that are environmental and social in nature. Accordingly, for large-cap companies and in instances where we identify material oversight issues, Glass Lewis will review a company's overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues. Glass Lewis will also note instances where such oversight has not been clearly defined by companies in their governance documents.

Where it is clear that a company has not properly managed or mitigated environmental or social risks to the detriment of shareholder value, or when such mismanagement has threatened shareholder value, Glass Lewis may consider recommending that shareholders vote against members of the board who are responsible for oversight of environmental and social risks. In the absence of explicit board oversight of environmental and social issues, Glass Lewis may recommend that shareholders vote against members of the audit committee or any other committee responsible for risk oversight. In making these determinations, Glass Lewis will carefully review the situation, its effect on shareholder value, as well as any corrective action or other response made by the company.

TSX VENTURE EXCHANGE COMPANIES

The TSX Venture Exchange is a marketplace for emerging companies with generally fewer resources and employees than firms trading on the main market of the TSX. Venture firms usually follow more lenient governance standards, and while we make several exceptions to our independence standards for them, we still expect venture companies to maintain a minimum degree of director independence on their boards and central committees.

The independence exceptions we make for venture firms are as follows:

1. We do not require venture firms to meet the same independence thresholds we apply for companies listed on the main market of the TSX. We believe such companies can more reasonably be expected to have at least two independent directors, as long as they represent at least one-third of the board.[18]

2. Although the TSX only requires the audit committees of venture firms to be majority independent, we believe they should be entirely independent, with at least two members.

3. While the TSX does not require venture firms to maintain a compensation committee, we believe any public firm that pays its executives should have a compensation committee to oversee such payments. For venture firms, this committee should be majority independent, with no insiders.[19]

4. Nominating/governance committees, if they exist, should consist of a majority of independent directors.

Also, we believe venture firms should maintain a board of at least four members, as opposed to the five-member minimum standard applied to other TSX companies.[20]

Further, as these smaller companies typically require less time and action from their boards than their larger counterparts, we will generally permit directors at venture firms to serve on up to nine boards. Factors which we will consider include company size and a director's overall attendance record and expertise. We note that a large number of directors at venture companies tend to serve on multiple public company boards, but given that many of these firms could benefit from the guidance and oversight provided by an experienced and knowledgeable board member, we believe that a higher threshold is appropriate.

18 TSX Venture Exchange Policy 3.1 stipulates that venture firms have at least two independent directors. However, we believe that the two independent directors should comprise at least one-third of the entire board in order to ensure an effective level of independent oversight. When this is not the case, we generally recommend withholding votes from non-independent directors or the board chair or senior non-executive director, as applicable.

19 We generally recommend withholding votes from the board chair when a company does not have a standing compensation committee. In the absence of a chair, we recommend withholding votes from the senior non-executive director.

20 TSX Venture Exchange Policy 3.1 requires all issuers to have at least three directors. However, we do not believe three directors can adequately protect the interests of shareholders.

We also note that directors often serve on a mix of TSX and venture boards. In these cases we will apply a case-by-case approach to evaluating the director's commitments in the aggregate.

Note that for other small exchanges, such as the Canadian Securities Exchange ("CSE")", we will apply our TSX Venture guidelines.

CONTROLLED COMPANIES

For controlled companies, we provide an exception to our independence standards. The board of directors' function is to protect the interests of shareholders; however, when a single individual or entity owns more than 50% of the voting shares, the interests of the majority of shareholders are the interests of that entity or individual. Consequently, Glass Lewis does not recommend withholding votes from boards whose composition reflects the makeup of the shareholder population. In other words, affiliated directors and insiders who are associated with the controlling entity are not subject to our standard independence thresholds.

However, we believe that there should be enough independent directors in order to fairly reflect minority shareholder interests. As such, we would consider, in very limited cases, recommending shareholders withhold votes from certain directors if there is not a sufficient representation of minority shareholder interests on the board.

We make the following exceptions for controlled companies:

1. We do not require controlled companies to meet our standard independence thresholds. So long as the insiders and/or affiliated directors are connected with the controlling entity, we accept the presence of non-independent directors on the board.

2. We do not require controlled companies to meet our minimum board size threshold (five directors on the TSX, four on the TSXV). We continue to believe that 20 directors is an acceptable maximum board size for Canadian issuers, including for controlled companies.

3. The compensation, nominating and governance committees do not need to consist solely of independent directors.[21]

4. We believe that controlled companies do not need to have standing nominating and corporate governance committees. Although a committee charged with the duties of searching for, selecting and nominating independent directors can be of benefit to all companies, the unique composition of a controlled company's shareholder base make such a committee both less powerful and less relevant.

5. In a similar fashion, controlled companies do not need to have an independent chair or lead director. While we believe an independent director in a position of authority on the board — such as the chair or presiding director — is best able to ensure the proper discharge of the board's duties, controlled companies serve a unique shareholder population whose voting power ensures the protection of its interests.

6. We do not require controlled companies to adopt a majority voting policy for the election of directors. Although we believe a majority voting policy generally increases board accountability and performance, we understand that this may be irrelevant given the influence a controlling shareholder has on all matters requiring shareholder approval.

We do not make independence exceptions for controlled companies in the case of audit committee membership. We believe audit committees should consist solely of independent directors regardless of the company's controlled status. The interests of all shareholders must be protected by ensuring the integrity and accuracy

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21 However, National Instrument 58-201 stipulates that companies must provide additional disclosure to describe the steps taken by the board to ensure that objective nomination and compensation processes are utilized. In the absence of a reasonable justification, we recommend withholding votes from any nominee seeking appointment to these committees, regardless of the company's controlled status.

of the company's financial statements. Allowing affiliated directors to discharge the duties of audit oversight could present an insurmountable conflict of interest.[22]

BOARD RESPONSIVENESS AT DUAL-CLASS COMPANIES

With regards to companies where voting control is held through a dual-class share structure with disproportionate voting and economic rights, we will carefully examine the level of approval or disapproval attributed

to unaffiliated shareholders when determining whether board responsiveness is warranted. Where vote results indicate that a majority of unaffiliated shareholders supported a shareholder proposal or opposed a management proposal, we believe the board should demonstrate an appropriate level of responsiveness.

SIGNIFICANT SHAREHOLDERS

Similarly, where an individual or entity holds between 20-50% of a company's voting power, we will allow for proportional representation on the board and committees (excluding the audit committee) based on the individual or entity's percentage of ownership.

TRUSTS AND FUNDS

Investment trusts pool investors' money and invest in the shares of a wider range of companies than most people could practically invest in themselves. Generally the task of investing is delegated to a professional fund manager. Investment trusts often maintain no permanent employees.

National Instrument 81-107 requires all publicly offered investment funds to have an independent review committee ("IRC") to oversee decisions involving conflicts of interest faced by the person or company that directs the business, operations and affairs of the investment fund. The manager[23] must appoint each member of an investment fund's first IRC, and thereafter, the IRC must fill any vacancy that arises.

A member of the IRC is considered independent if the member has no material relationship[24] with the manager, the investment fund, or an entity related to the manager. A current or former independent member of the board of directors of an investment fund, or a former independent member of the board of directors of the manager, may be considered independent; however, it would be unlikely that a current member of the board of directors of a manager could be considered independent. Investment funds may share an IRC with investment funds managed by another manager.

POLICIES FOR TRUSTS AND FUNDS

Given the different structure of investment trusts relative to other publicly traded companies, we believe it is appropriate to apply a different set of corporate governance guidelines to such firms. The following is a summary of significant policy differences:

1. Boards may have a minimum of four directors, rather than five.

2. Boards need not maintain standing compensation or nomination committees. However, in the event that a trust does not have a compensation committee, we believe it should disclose the procedures it utilizes to ensure objectivity in the setting of compensation levels. Compensation and nomination committees need not be entirely independent; however, they must consist solely of non-executive directors, a majority of whom are independent.

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22 National Instrument 52-110 provides that, in the case of a controlled company, an audit committee member who sits on the board of directors of an affiliated entity is exempt from the requirement that every audit committee member must be independent, if the member, except for being a director of the company and the affiliated entity, is otherwise independent of the company and the affiliated entity.

23 A manager is defined as a person or company who directs the business, operations and affairs of an investment fund, and includes a group of members on the board of an investment fund where they act in the capacity of decision-maker. We interpret this term broadly.

24 A material relationship means a relationship that could reasonably be perceived to interfere with the member's judgment regarding a conflict of interest.

3. Trusts need not put their auditors up for ratification, unless there was a change of auditor in the previous fiscal year or a change of auditor is expected following the annual general meeting. However, we continue to recommend withholding votes from the chair of the audit committee if fees paid to the external auditor have not been disclosed, or if there are other audit-related issues.

DECLASSIFIED BOARDS

Glass Lewis favors the repeal of staggered boards in favor of the annual election of directors. We believe staggered boards are less accountable to shareholders than boards elected annually. Furthermore, we feel the annual election of directors encourages board members to focus on shareholder interests.

Empirical studies have shown that the use of staggered boards reduces a firm's value. Further, in the context of hostile takeovers, staggered boards operate as a takeover defense, which entrenches management, discourages potential acquirers and delivers a lower return to target shareholders.

In our view, there is no evidence to demonstrate that staggered boards improve shareholder returns in a takeover context. Research shows that shareholders are worse off when a staggered board blocks a transaction. A study by a group of Harvard Law professors concluded that companies whose staggered boards prevented a takeover "reduced shareholder returns for targets ... on the order of eight to ten percent in the nine months after a hostile bid was announced."[25] When a staggered board negotiates a friendly transaction, no statistically significant difference in premiums occurs. [26]

We note that staggered boards are extremely rare in Canada and that the TSX Company Manual now requires annual elections. As such, we do not expect staggered boards to be a significant issue going forward.

BOARD COMPOSITION AND DIVERSITY

REFRESHMENT

Glass Lewis strongly supports routine director evaluation, including independent external reviews, and periodic board refreshment to foster the sharing of diverse perspectives in the boardroom and the generation of new ideas and business strategies. Further, we believe the board should evaluate the need for changes to board composition based on an analysis of skills and experience necessary for the company, as well as the results of the director evaluations, as opposed to relying solely on age or tenure limits. When necessary, shareholders can address concerns regarding proper board composition through director elections.

In our view, a director's experience can be a valuable asset to shareholders because of the complex, critical issues that boards face. This said, we recognize that in rare circumstances, a lack of refreshment can contribute to a lack of board responsiveness to poor company performance.

On occasion, age or term limits can be used as a means to remove a director for boards that are unwilling to police their membership and enforce turnover. Some shareholders support term limits as a way to force change in such circumstances.

While we understand that age limits can aid board succession planning, the long-term impact of age limits restricts experienced and potentially valuable board members from service through an arbitrary means. We believe that shareholders are better off monitoring the board's overall composition, including its diversity of skill sets, the alignment of the board's areas of expertise with a company's strategy, the board's approach to corporate governance, and its stewardship of company performance, rather than imposing inflexible rules that don't necessarily correlate with returns or benefits for shareholders.

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25 Lucian Bebchuk, John Coates, Guhan Subramanian, "The Powerful Antitakeover Force of Staggered Boards: Further Findings and a Reply to Symposium Participants," December 2002, page 1.

26 Id. at 2 ("Examining a sample of seventy-three negotiated transactions from 2000 to 2002, we find no systematic benefits in terms of higher premia to boards that have [staggered structures].").

However, if a board adopts term/age limits, it should follow through and not waive such limits. If the board waives its term/age limits, Glass Lewis will consider recommending shareholders vote against the nominating and/or governance committees, unless the rule was waived with sufficient explanation, such as consummation of a corporate transaction like a merger.

DIVERSITY

Glass Lewis recognizes the importance of ensuring that the board is comprised of directors who have a diversity of skills, thought and experience, as such diversity benefits companies by providing a broad range of perspectives and insights. As such, Glass Lewis closely reviews the composition of the board for representation of diverse director candidates.

Glass Lewis will generally recommend voting against the nominating committee chair of a board that has no female members. In addition, we may recommend voting against the nominating committee chair if the board has not adopted a written diversity policy. Depending on other factors, including the size of the company, the industry in which the company operates, the gender diversity of the management team, the overall governance profile of the company and whether there are other concerns regarding the board's composition, we may decline to make recommendations on this basis or extend these recommendations to other nominating committee members.

When making these voting recommendations, we will carefully review a company's disclosure regarding diversity matters and may refrain from recommending shareholders vote against directors of companies outside the S&P/TSX Composite index, companies which have provided a sufficient explanation as to why they do not currently have any female board members, or companies which have disclosed a plan to address the lack of diversity on the board.

PROFESSIONAL SKILLS & EXPERIENCE

Glass Lewis believes companies should disclose sufficient information to allow a meaningful assessment of a board's skills and competencies. Our analyses of director elections at large-cap TSX index companies include board skills matrices in order to assist in assessing a board's competencies and identifying any potential skills gaps.[27]

PROXY ACCESS

In lieu of running their own contested election, proxy access would not only allow certain shareholders to nominate directors to company boards but the shareholder nominees would be included on the company's ballot, significantly enhancing the ability of shareholders to play a meaningful role in selecting their representatives. Glass Lewis generally supports affording shareholders the right to nominate director candidates to management's proxy as a means to ensure that significant, long-term shareholders have an ability to nominate candidates to the board.

Companies generally seek shareholder approval to amend company bylaws to adopt proxy access in response to shareholder engagement or pressure, usually in the form of a shareholder proposal requesting proxy access, although some companies may adopt some elements of proxy access without prompting. Glass Lewis considers several factors when evaluating whether to support proposals for companies to adopt proxy access including the specified minimum ownership and holding requirement for shareholders to nominate one or more directors, as well as company size, performance and responsiveness to shareholders.

When resolutions requesting U.S.-style proxy access are proposed at companies that are outside of the United States, Glass Lewis will review on a case-by-case basis. We will carefully examine the relevant regulatory landscape to assess if existing proxy access rights are sufficient or preferable to those requested by the proposal. In instances where we believe that existing laws, policies or regulations either provide shareholders with adequate proxy access rights or would prohibit a company's adoption of the requested provision, we will recom-

27 See Board Skills Appendix for an overview of skills Glass Lewis considers in relation to certain key sectors, as of 2019.

mend that shareholders vote against such proposals. However, we will continue to carefully monitor how other companies within the target company's market are responding to issues related to proxy access as well as any regulatory changes that may affect the manner in which shareholders may access management's proxy and will make our voting recommendations accordingly.[28]

28 For a discussion of recent regulatory events in this area, along with a detailed overview of the Glass Lewis approach to Shareholder Proposals regarding Proxy Access, refer to Glass Lewis' Proxy Paper Guidelines for Shareholder Initiatives, available at www.glasslewis.com/guidelines.

Transparency and Integrity in Financial Reporting

ALLOCATION OF PROFITS/DIVIDENDS

Unlike many other countries, Canadian companies are not required to submit the allocation of income for shareholder approval, and the board has the sole discretion to determine the amount of any dividends it intends to distribute. However, the CBCA prohibits the allotment of a dividend if there are reasonable grounds for believing that a company would be unable to pay its liabilities as they become due, or if the realizable value of the company's assets would be less than the aggregate of its liabilities and stated capital after payment.

AUDITOR RATIFICATION

The auditor's role as gatekeeper is crucial in ensuring the integrity and transparency of the financial information necessary for protecting shareholder value. Shareholders rely on the auditor to ask tough questions and conduct a thorough analysis of a company's books to ensure that the information provided to shareholders is complete, accurate, fair, and a reasonable representation of a company's financial position. The only way shareholders can make rational investment decisions is if the market is equipped with accurate information about a company's fiscal health.

Shareholders should demand an objective, competent and diligent auditor who performs at or above professional standards at every company in which the investors hold an interest. As with directors, auditors should be free from conflicts of interest and should avoid situations requiring a choice between the interests of the auditor and the public. Almost without exception, shareholders should be able to annually review an auditor's performance and ratify a board's auditor selection. Additionally, Glass Lewis believes auditor rotation can ensure both the independence of the auditor and the integrity of the audit; we will typically recommend supporting proposals to require auditor rotation when the proposal uses a reasonable period of time (usually not less than 5-7 years) particularly at companies with a history of accounting problems.

VOTING RECOMMENDATIONS

We generally support management's recommendation regarding the selection of an auditor and granting the board the authority to fix auditor fees, except in cases where we believe the independence of a returning auditor or the integrity of the audit has been compromised.

Some of the reasons why we may not recommend voting in favor of the auditor and/or authorizing the board to set auditor fees include:

1. When audit fees and audit-related fees total less than 50% of overall fees.[29]

2. When there have been any recent restatements or late filings by the company where the auditor bears some responsibility for the restatement or late filing (e.g., a restatement due to a reporting error).[30]

29 We make an exception in cases where the non-audit fees exceed 50% of the total fees as a result of transactions of a one-time nature (e.g., initial public offerings or merger and acquisition transactions).

30 An auditor does not perform an audit of interim financial statements and accordingly, in general, we do not believe auditors should be opposed for a restatement of interim financial statements, unless the nature of the misstatement is clear from a reading of the incorrect financial statements.

3. When the company has aggressive accounting policies.

4. When the company has poor disclosure or a lack of transparency in its financial statements.

5. When there are other relationships or issues of concern with the auditor that might suggest a conflict between the interests of the auditor and those of shareholders.

6. When the company is changing auditors as a result of a disagreement between the company and auditor on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

7. In determining whether shareholders would benefit from rotating the company's auditor, where relevant we will consider factors that may call into question an auditor's effectiveness, including auditor tenure, a pattern of inaccurate audits, and any ongoing litigation or significant controversies.

In addition, we will generally support a board's decisions to change auditors. We believe that rotating auditors is an important safeguard against the relationship between the auditor and companies becoming too close, resulting in a lack of oversight due to complacency or conflicts of interest. However, we will apply heightened scrutiny in these instances to ensure that there were no significant disagreements between management and the auditor that led to the auditor's resignation.

The Link Between Compensation and Performance

Glass Lewis carefully reviews the compensation awarded to senior executives, as we believe that this is an important area in which the board's priorities are revealed. Glass Lewis strongly believes executive compensation should be linked directly with the performance of the business the executive is charged with managing. We typically look for compensation arrangements that provide for a mix of performance-based short- and long-term incentives in addition to fixed pay elements.

EVALUATION OF EXECUTIVE COMPENSATION AND SAY-ON-PAY

Comprehensive, timely and transparent disclosure of executive pay is critical to allowing shareholders to evaluate the extent to which pay is keeping pace with company performance. When reviewing proxy materials, Glass Lewis examines whether the company discloses the performance metrics used to determine executive compensation. Performance metrics vary significantly between companies and industries and may include a wide variety of financial measures as well as industry-specific performance indicators.

It is rarely in shareholders' interests to disclose competitive data about individual salaries below the senior executive level. Such disclosure could create internal personnel discord that would be counterproductive for the company and its shareholders. While we favor full disclosure for senior executives and we view pay disclosure at the aggregate level (e.g., the number of employees being paid over a certain amount or in certain categories) as potentially useful, we do not believe shareholders need or will benefit from detailed reports about individual management employees other than the most senior executives.

In accordance with National Instrument 51-102, companies are now required to include a Compensation Discussion and Analysis ("CD&A") in each proxy filing, which replaces the previously required Statement of Executive Compensation. The CD&A is intended to enhance disclosure of compensation policies and practices in a uniform format across Canada, as well as provide shareholders with a transparent and comprehensive rationale for executive compensation levels.

We review the CD&A as part of our evaluation of the overall compensation practices of a company. In our evaluation of the CD&A, we examine, among other factors, the following:

1. The extent to which the company has utilized performance goals in determining overall compensation.

2. How clearly the company has disclosed performance metrics and goals, as well as how the metrics and goals were determined, so that shareholders may make an independent determination that goals were met.

3. The extent to which the disclosed performance metrics, targets and goals are demonstrably linked to enhancing company performance.

4. The selected peer group(s), so that shareholders can make a comparison of pay and performance across the appropriate peer group.

5. The terms of executive employment agreements, including the inclusion of single and double trigger change-of-control provisions and "golden parachutes" that result in large guaranteed payouts upon termination of employment.

6. The amount of discretion granted to management or the compensation committee to deviate from defined performance metrics and goals in granting awards.

SAY-ON-PAY VOTING RECOMMENDATIONS

The practice of approving a company's compensation reports is standard in many markets and has been a requirement for companies in the United Kingdom and Australia since 2003 and 2005, respectively. In Canada, advisory votes on executive compensation were introduced voluntarily by some companies in 2010 and have been quickly adopted by others, with around 200 companies offering their shareholders a "say on pay" in the first half of 2019, and the prospect of as-yet not effective CBCA amendments potentially requiring annual say on pays after the 2020 proxy season. We believe these proposals should be submitted annually, as they provide an effective mechanism for enhancing transparency in setting executive pay, improving accountability to shareholders and providing for a more effective link between pay and performance.

Glass Lewis applies a highly nuanced approach when analyzing advisory votes on executive compensation. We review each advisory vote on a case-by-case basis, with the belief that each company must be examined in the context of industry, size, financial condition, its historic pay-for-performance practices, and any other mitigating internal or external factors.

We believe that each company should design and apply specific compensation policies and practices that are appropriate to the circumstances of the company and, in particular, will attract and retain competent executives and other staff, while motivating them to grow the company's long-term shareholder value. Where we find those specific policies and practices serve to reasonably align compensation with performance, and such practices are adequately disclosed, Glass Lewis will recommend supporting the company's approach. If, however, those specific policies and practices fail to demonstrably link compensation with performance, Glass Lewis will generally recommend voting against the say-on-pay proposal.

Glass Lewis reviews say-on-pay proposals on both a qualitative basis and a quantitative basis, with a focus on several main areas:

- The overall design and structure of the company's executive compensation program, including selection and challenging nature of performance metrics.

- The implementation and effectiveness of the company's executive compensation programs including pay mix and use of performance metrics in determining pay levels.

- The quality and content of the company's disclosure.

- The quantum paid to executives.

- The link between compensation and performance as indicated by the company's pay-for-performance practices.

We also review any significant changes or modifications, including post fiscal year end changes and one-time awards, particularly where the changes touch upon issues that are material to Glass Lewis recommendations.

In cases where our analysis reveals a compensation structure in drastic need of reform, we may recommend that shareholders vote against the say-on-pay proposal. Generally such instances include evidence of a pattern of poor pay-for-performance practices, unclear or questionable disclosure regarding the overall compensation structure (i.e., limited information regarding benchmarking processes, limited rationale for bonus performance metrics and targets, etc.), questionable adjustments to certain aspects of the overall compensation structure (i.e., limited rationale for significant changes to performance targets or metrics, the payout of guaranteed bonuses or sizable retention grants, etc.), and/or other egregious compensation practices.

Although not an exhaustive list, we believe the following practices are indications of problematic pay practices which may cause Glass Lewis to recommend against a say on pay vote:

- Inappropriate or outsized peer group and/or benchmarking issues, such as compensation targets set well above peers.
- Egregious or excessive bonuses, equity awards or severance payments, including golden handshakes and golden parachutes.
- Targeting overall levels of compensation at higher than median without adequate justification.
- Discretionary bonuses paid when short or long-term incentive plan targets were not met.
- Insufficient response to low shareholder support.
- Performance targets which are not sufficiently challenging, and/or provide for high potential payouts.
- Performance targets lowered without justification.
- Problematic contractual payments, such as guaranteed bonuses.
- Executive pay that is comparably high (as compared to the company's peers), and is not reinforced by outstanding company performance.
- The terms of the long-term incentive plans are inappropriate (please see "Long-Term Incentives").

The aforementioned issues may also influence Glass Lewis' assessment of the structure of a company's compensation program. We evaluate structure on a "Good, Fair, Poor" rating scale whereby a "Good" rating represents a compensation program with little to no concerns, a "Fair" rating represents a compensation program with some concerns and a "Poor" rating represents a compensation program that deviates significantly from best practice or contains one or more egregious compensation practices.

We believe that it is important for companies to provide investors with clear and complete disclosure of all the significant terms of compensation arrangements. Similar to structure, we evaluate disclosure on a "Good, Fair, Poor" rating scale whereby a "Good" rating represents a thorough discussion of all elements of compensation, a "Fair" rating represents an adequate discussion of all or most elements of compensation and a "Poor" rating represents an incomplete or absent discussion of compensation. In instances where a company has simply failed to provide sufficient disclosure of its policies, we may recommend shareholders vote against this proposal solely on this basis, regardless of the appropriateness of compensation levels.

In general, most companies will fall within the "Fair" range and Glass Lewis largely uses the "Good" and "Poor" ratings to highlight outliers.

In the case of companies that maintain poor compensation policies year after year without any apparent steps to address the issues, we may also recommend that shareholders vote against the chair and/or additional members of the compensation committee. We may also recommend voting against the committee based on the practices or actions of its members, such as approving large one-off payments, the inappropriate use of discretion, or sustained poor pay for performance practices.

COMPANY RESPONSIVENESS

For companies that receive a significant level of shareholder opposition (20% or greater) to the say-on-pay proposal at the previous annual meeting, we believe the board should demonstrate some level of engagement and responsiveness to the shareholder concerns behind the discontent, particularly in response to shareholder feedback.

While we recognize that sweeping changes cannot be made to a compensation program without due consideration, and that often a majority of shareholders may have voted in favor of the proposal, given that the average approval rate for say-on-pay proposals is about 90%, we believe the compensation committee should provide some level of response to a significant vote against. In general, our expectations regarding the minimum appropriate levels of responsiveness will correspond with the level of shareholder opposition, as expressed both through the magnitude of opposition in a single year, and through the persistence of shareholder discontent over time.

Responses we consider appropriate include engaging with large shareholders to identify their concerns, and, where reasonable, implementing changes that directly address those concerns within the company's compensation program. In the absence of any evidence that the board is actively engaging shareholders on these issues and responding accordingly, we may recommend holding compensation committee members accountable for failing to adequately respond to shareholder opposition. Regarding such recommendations, careful consideration will be given to the level of shareholder protest and the severity and history of compensation.

PAY FOR PERFORMANCE

Glass Lewis believes an integral part of a well-structured compensation package is a successful link between pay and performance. Our proprietary pay-for-performance model was developed to better evaluate the link between pay and performance. Generally, compensation and performance are measured against a peer group of appropriate companies that may overlap, to a certain extent, with a company's self-disclosed peers. This quantitative analysis provides a consistent framework and historical context for our clients to determine how well companies link executive compensation to relative performance. Companies that demonstrate a weaker link are more likely to receive a negative recommendation; however, other qualitative factors such as overall incentive structure, significant forthcoming changes to the compensation program or reasonable long-term payout levels may mitigate our concerns to a certain extent.

While we assign companies a letter grade of A, B, C, D or F based on the alignment between pay and performance, the grades derived from the Glass Lewis pay-for-performance analysis do not follow the traditional U.S. school letter grade system. Rather, the grades are generally interpreted as follows:

- A: The company's percentile rank for pay is significantly less than its percentile rank for performance;
- B: The company's percentile rank for pay is moderately less than its percentile rank for performance;
- C: The company's percentile rank for pay is approximately aligned with its percentile rank for perfor mance;
- D: The company's percentile rank for pay is higher than its percentile rank for performance; and
- F: The company's percentile rank for pay is significantly higher than its percentile rank for performance.

For the avoidance of confusion, the above grades encompass the relationship between a company's percentile rank for pay and its percentile rank in performance. Separately, a specific comparison between the company's executive pay and its peers' executive pay levels is discussed in the analysis for additional insight into the grade. Likewise, a specific comparison between the company's performance and its peers' performance is reflected in the analysis for further context.

We also use this analysis to inform our voting decisions of say-on-pay proposals. As such, if a company receives a "D" or "F" grade from our proprietary model, we are more likely to recommend that shareholders vote against the say-on-pay proposal. However, other qualitative factors such as an effective overall incentive structure, the relevance of selected performance metrics, significant forthcoming enhancements or reasonable long-term payout levels may give us cause to recommend in favor of a proposal even when we have identified a disconnect between pay and performance.

ELEMENTS OF INCENTIVE-BASED COMPENSATION

SHORT-TERM INCENTIVES

A short-term bonus or incentive ("STI") should be demonstrably tied to performance. Whenever possible, we believe a mix of corporate and individual performance measures is appropriate. We would normally expect performance measures for STIs to be based on company-wide or divisional financial measures as well as non-financial factors such as those related to employee turnover, safety, environmental issues, and customer satisfaction. While we recognize that companies operating in different sectors or markets may seek to utilize a wide range of metrics, we expect such measures to be appropriately tied to a company's business drivers.

Further, Glass Lewis recognizes that some measures or performance targets may involve the disclosure of commercially confidential information but we believe companies should justify such non-disclosure.[31] However, where a short-term bonus has been paid, companies should disclose the extent to which performance has been achieved against relevant targets, including disclosure of the actual target achieved.

Where management has received significant STIs but short-term performance over the previous year appears, prima facie, to be poor or negative, the company should provide a clear explanation of why these significant short-term payments were made. Further, where a company has applied upward discretion, which includes lowering goals mid-year or increasing calculated payouts, we expect a robust discussion of why the decision was necessary.

The target and potential maximum awards that can be achieved under STI awards should be disclosed. Shareholders should expect stretching performance targets for the maximum award to be achieved. Any increase in the potential target and maximum award should be clearly justified to shareholders.

Given the pervasiveness of non-formulaic plans in this market, we do not generally recommend against a pay program on this basis alone. If a company has chosen to rely primarily on a subjective assessment or the board's discretion in determining short-term bonuses, we believe that the proxy statement should provide a meaningful discussion of the board's rationale in determining the bonuses paid as well as a rationale for the use of a non-formulaic mechanism. Particularly where the aforementioned disclosures are substantial and satisfactory, such a structure will not provoke serious concern in our analysis on its own. However, in conjunction with other significant issues in a program's design or operation, such as a disconnect be-tween pay and performance, the absence of a cap on payouts, or a lack of performance-based long-term awards, the use of a non-formulaic bonus may help drive a negative recommendation.

LONG-TERM INCENTIVES

Glass Lewis recognizes the value of equity-based incentive programs. When used appropriately, they can provide a vehicle for linking executive pay to company performance, thereby aligning their interests with those of shareholders. In addition, equity-based compensation can be an effective way to attract, retain and motivate key employees.

We feel that executives should be compensated with equity when their performance and that of the company warrants such rewards. While we do not believe that equity-based compensation plans for all employees need to be based on overall company performance, we do support such performance limitations for grants to senior

31 National Instrument 51-102F6, Item 2.1 (4).

executives (although even some equity-based compensation of senior executives without performance criteria is acceptable, such as in the case of moderate incentive grants included in an initial offer of employment).

Boards often argue that linking equity-based pay to performance would hinder them in attracting talent. We believe that boards can develop a consistent, reliable approach that would still attract executives who believe in their ability to guide the company to achieve its targets. If the board believes in performance-based compensation for executives, then these provisions typically will not hamper the board's ability to create such compensation plans. We generally prefer that at least a portion of medium or long-term incentives be linked to specific performance targets, particularly for developed companies.

STOCK OPTIONS

Stock options remain the most common form of long-term incentive in Canada. While option plans rarely include performance goals, options are generally granted at market price (or at a discount of up to 25%, for venture issuers, as permitted by the TSX Venture Exchange).

Many Canadian companies operate "rolling" option plans, whereby a company is authorized to issue a fixed percentage of its issued share capital (typically 10%) as compensatory shares. Venture firms utilizing rolling maximum plans must resubmit them for shareholder approval on an annual basis, while firms on the main market are required to resubmit such plans for approval every three years.

Such frequent requisite approval affords shareholders the opportunity to closely monitor equity compensation practices and express their approval, or lack thereof, on a regular basis. This practice increases management's accountability to shareholders for the company's remuneration practices, which should inhibit irresponsible behavior and limit unduly generous compensation arrangements.

We use a number of different analyses to evaluate stock option plans, comparing the program with both a carefully chosen peer group and reasonable absolute limits that we believe (and academic studies have shown) are key to equity value creation. In general, our model seeks to determine whether the proposed plan is either: (i) more than one standard deviation away from the average plan for the peer group on a range of criteria, such as projected annual cost compared to operating income, net income, revenue, enterprise value, etc.; or (ii) exceeds one of the absolute limits we have put in place to safeguard against creeping averages. Each analysis is weighted and plans are scored in accordance with that weight.

Our recommendations regarding stock option plans are guided by our stock option plan analysis model. When a proposal seeks shareholder approval for a new plan or changes to any quantitative element of an existing stock option plan, we will evaluate the plan using our stock option model.

If the proposal contains only non-quantitative amendments to an existing stock option plan, e.g., is not seeking additional shares, we will assess the proposed amendments against general principles of equity-based compensation plans and current best practice.

We evaluate option plans based on the following overarching principles:

- Companies should seek more shares only when needed.
- In the case of rolling equity plans, generally, the maximum percentage of shares available for issuance should not exceed 10%.
- Fixed plans should be small enough that companies should seek approval every three to four years.
- Annual net share count and voting power dilution should be limited.
- The annual cost of the plan (especially if not shown on the income statement) should be reasonable

as a percentage of financial results and in line with the peer group(s).

- The expected annual cost of the plan should be proportional to the value of the business.
- The intrinsic value received by option grantees in the past should be reasonable compared with the financial results of the business.
- The plan should deliver value on a per-employee basis when compared with programs at peer companies.
- Plans should not permit the repricing of stock options without shareholder approval.
- Plans should not contain excessively liberal administrative or payment terms.
- Plans should be administered by independent directors.
- Plans should not contain provisions allowing for excessive payouts in the event of a change of control.

Options are a very important component of compensation packages that are used to attract and retain experienced executives and other key employees. Tying a portion of an executive's compensation to the performance of the company also provides an effective incentive to maximize shareholder value by those in the best position to affect those values. However, we believe that such plans should include reasonable limits so as not to provide out-sized award levels or excessively dilute existing shareholders.

FULL VALUE AWARDS

The use of "full-value" awards, often tied to performance criteria or vesting schedules, is becoming more common in Canada. These awards are often granted in conjunction with stock options, and may be referred to as "medium-term" or "long-term" incentives. Some of the common full-value plans seen in Canada are "Restricted Share Plans", "Deferred Share Plans", "Share Award Plans" and "Incentive Compensation Plans."

Because the value ultimately received by executives typically depends on achievement of specific performance goals rather than share price gains, we generally consider such awards to provide better alignment with shareholder interests than stock options. However, because executives receive the full value of vested awards at no cost, an appropriate structure, including challenging performance targets and vesting schedules, is necessary to ensure that such awards accurately reflect performance. Glass Lewis believes that companies should strive for full-value award plans with the following features:

- The inclusion of performance metrics.
- Performance periods of at least three years.
- At least one relative performance metric that compares the company's performance to a relevant peer group or index.
- No re-testing or lowering of performance conditions.
- Performance metrics that cannot be easily manipulated by management.
- Stretching metrics that incentivize executives to strive for outstanding performance.
- Individual limits expressed as a percentage of base salary.
- Reasonable plan limits as a percentage of the company's issued share capital.

Performance measures should be carefully selected and should relate to the specific business/industry in which the company operates and, especially, the key value drivers of the company's business.

While cognizant of the inherent complexity of certain performance metrics, as discussed above Glass Lewis generally believes that measuring a company's performance with multiple metrics serves to provide a more complete picture of the company's performance than a single metric, which may focus too much management attention on a single target. When utilized for relative measurements, external benchmarks such as a sector index or peer group should be disclosed and transparent. The rationale behind the selection of a specific index or peer group should be disclosed. Internal benchmarks should also be disclosed and transparent, unless a cogent case for confidentiality is made and fully explained.

Some of the provisions of full-value award plans that could contribute to an "against" recommendation from Glass Lewis include the following:

- A plan limit set at a rolling maximum of more than 5% of a company's share capital.
- The absence of any performance conditions or vesting provisions.
- Failure to disclose a clear description of performance hurdles and vesting schedules.
- Participation of non-executive directors on the same basis as company executives.
- Administration of the plan by non-independent members of the board.
- The inclusion of a single-trigger change of control provision.

Some companies have sought to adopt full-value award plans that employ the same 10% rolling maximum limit commonly prescribed for Canadian stock option plans (see "Stock Options" section). Given the substantially greater cost of full-value award grants, we consider rolling limits above 5% to be excessive. However, for omnibus plans with a rolling limit greater than 5% we will consider the company's historical granting practices, the composition of the awards granted (i.e., the proportion of full value awards granted to options granted), and any associated performance conditions in making our recommendations.

Finally, Glass Lewis will also take into consideration the company's historic equity granting practices and over-all executive compensation structure. Companies with a history of excessive equity-granting practices or poorly structured, or disclosed, executive compensation practices are more likely to have similar issues with their full-value award plans, which will be taken into consideration when determining our voting recommendation for the renewal or adoption of such a plan.

GRANTS OF FRONT-LOADED AWARDS

While most Canadian companies utilize annual grants of cash and equity awards, some firms have chosen to instead provide larger grants that are intended to serve as compensation for multiple years. This practice, often called front-loading, is taken up either in the regular course of business or as a response to specific business conditions and with a predetermined objective. We believe shareholders should generally be wary of this approach, and we accordingly weigh these grants with additional scrutiny.

While the use of front-loaded awards is intended to lock-in executive service and incentives, the same rigidity also raises the risk of effectively tying the hands of the compensation committee. As compared with a more responsive annual granting schedule program, front-loaded awards may preclude improvements or changes to reflect evolving business strategies. The considerable emphasis on a single grant can place intense pressures on every facet of its design, amplifying any potential perverse incentives and creating greater room for unintended consequences. In particular, provisions around changes of control or separations of service must ensure that executives do not receive excessive payouts that do not reflect shareholder experience or company performance.

We consider a company's rationale for granting awards under this structure, and also expect any front-loaded awards to include a firm commitment not to grant additional awards for a defined period, as is commonly associated with this practice. Even when such a commitment is provided, unexpected circumstances may lead the board to make additional payments or awards for retention purposes, or to incentivize management towards more realistic goals or a revised strategy. If a company breaks its commitment not to grant further awards, we may recommend voting against its say-on-pay proposal unless a convincing rationale is provided.

The multiyear nature of these awards generally lends itself to significantly higher compensation figures in the year of grant than might otherwise be expected. In analyzing the grant of front-loaded awards to executives, Glass Lewis considers the quantum of the award on an annualized basis, rather than the lump sum, and may compare this result to prior practice and peer data, among other benchmarks.

ONE-TIME AWARDS

Glass Lewis believes shareholders should generally be wary of awards granted outside of the standard incentive schemes outlined above, as such awards have the potential to undermine the integrity of a company's regular incentive plans, the link between pay and performance or both. We generally believe that if the existing incentive programs fail to provide adequate incentives to executives, companies should redesign their compensation programs rather than make additional grants.

However, we recognize that in certain circumstances, additional incentives may be appropriate. In these cases, companies should provide a thorough description of the awards, including a cogent and convincing explanation of their necessity and why existing awards do not provide sufficient motivation. Further, such awards should be tied to future service and performance whenever possible.

Additionally, we believe companies making supplemental or one-time awards should also describe if and how the regular compensation arrangements will be affected by these additional grants. In reviewing a company's use of supplemental awards, Glass Lewis will evaluate the terms and size of the grants in the context of the company's overall incentive strategy and granting practices, as well as the current operating environment.

CONTRACTUAL PAYMENTS AND ARRANGEMENTS

Beyond the quantum of contractual payments, Glass Lewis will also consider the design of any entitlements. Certain executive employment terms may help to drive a negative recommendation, including, but not limited to:

- Excessively broad change in control triggers;
- Inappropriate severance entitlements;
- Inadequately explained or excessive sign-on arrangements;
- Guaranteed bonuses (especially as a multiyear occurrence); and
- Failure to address any concerning practices in amended employment agreements.

In general, we are wary of terms that are excessively restrictive in favor of the executive, or that could potentially incentivize behaviors that are not in a company's best interest.

SIGN-ON AWARDS AND SEVERANCE BENEFITS

We acknowledge that there may be certain costs associated with transitions at the executive level. In evaluating the size of severance and sign-on arrangements, we may consider the executive's regular target compensation level, or the sums paid to other executives (including the recipient's predecessor, where applicable) in evaluating the appropriateness of such an arrangement.

We believe sign-on arrangements should be clearly disclosed and accompanied by a meaningful explanation of the payments and the process by which the amounts were reached. Further, the details of and basis for any "make-whole" payments (paid as compensation for awards forfeited from a previous employer) should be provided.

With respect to severance, we believe companies should abide by predetermined payouts in most circumstances. While in limited circumstances some deviations may not be inappropriate, we believe shareholders should be provided with a meaningful explanation of any additional or increased benefits agreed upon outside of regular arrangements.

In the Canadian market, most companies maintain severance entitlements based on a multiple of salary and, in many cases, bonus. In almost all instances we see, the relevant multiple is three or less, even in the case of a change in control. We believe the basis and total value of severance should be reasonable and should not exceed the upper limit of general market practice. We consider the inclusion of long-term incentives in cash severance calculations to be inappropriate, particularly given the commonality of accelerated vesting and the proportional weight of long-term incentives as a component of total pay. Additional considerations, however, will be accounted for when reviewing atypically structured compensation approaches.

CHANGE IN CONTROL

Glass Lewis considers double-trigger change in control arrangements, which require both a change in control and termination or constructive termination, to be best practice. Any arrangement that is not explicitly double-trigger may be considered a single-trigger or modified single-trigger arrangement.

Further, we believe that excessively broad definitions of change in control are potentially problematic as they may lead to situations where executives receive additional compensation where no meaningful change in status or duties has occurred.

AMENDED EMPLOYMENT AGREEMENTS

Any contractual arrangements providing for problematic pay practices which are not addressed in materially amended employment agreements will potentially be viewed by Glass Lewis as a missed opportunity on the part of the company to align its policies with current best practices. Such problematic pay practices include, but are not limited to, excessive change in control entitlements, modified single-trigger change in control entitlements, and multi-year guaranteed awards.

OPTION EXCHANGES AND REPRICING

Glass Lewis is firmly opposed to the repricing of employee and director options regardless of how it is accomplished. Employees should have some downside risk in their equity-based compensation program and repricing eliminates any such risk. As shareholders have substantial risk in owning stock, we believe that the equity compensation of employees and directors should be similarly situated to align their interests with those of shareholders. We believe this will facilitate appropriate risk- and opportunity-taking for the company by employees.

We are concerned that option grantees who believe they will be "rescued" from underwater options will be more inclined to take unjustifiable risks. Moreover, a predictable pattern of repricing or exchanges substantially alters a stock option's value because options that will practically never expire deeply out of the money are worth far more than options that carry a risk of expiration.

In short, repricing and option exchange programs change the bargain between shareholders and employees after the bargain has been struck.

In general, we evaluate option repricing proposals on a case-by-case basis. While we are generally inclined to recommend voting against any proposal to reprice options, there are circumstances in which an option repricing may be appropriate, provided that the following criteria are true:

1. The stock decline mirrors the market or industry price decline in terms of timing and magnitude.

2. The new exercise price and terms of the options are reasonable, and management has provided a thorough explanation as to how such terms were decided.

3. Management and the board make a cogent case for needing to incentivize and retain existing employees.

TSX RULES ON EQUITY PLAN AMENDMENTS

TSX rules currently require that, in order for a company to amend an equity-based pay plan, that plan must specify whether shareholder approval is required for the relevant type of amendment. TSX rules also provide that shareholder approval is required for an extension of the terms or repricing of options held by insiders. As a result, we have seen, and will most likely continue to see, proposals seeking to automatically extend the expiry date of an option in the event that the option expires during or shortly after a blackout period. We do not believe such proposals are of concern to shareholders, provided that the proposed expiration provisions have been adequately disclosed to shareholders, and that the terms are such that: (i) the extension is only available when the blackout period is self-imposed by the company (i.e., not where the company or insiders are subject to a cease trade order); (ii) the extension is for a reasonable and fixed period of time (i.e., five to ten business days) that is not subject to board discretion; and (iii) the extension is available to all eligible participants under the plan, under the same terms and conditions.

LIMITS ON EXECUTIVE COMPENSATION

Generally, Glass Lewis believes shareholders should not be directly involved in setting executive pay. Such matters should be left to the compensation committee. In the absence of an advisory "Say-on-Pay" vote, we view the election of compensation committee members as an appropriate mechanism for shareholders to express their disapproval or support of board policy on executive pay. Further, we believe that companies whose pay-for-performance is in line with their peers should be able to pay their executives in a way that drives growth and profit, without destroying ethical values, giving consideration to their peers' comparable size and performance.

RECOUPMENT PROVISIONS ("CLAWBACKS")

Glass Lewis supports the use of clawback or 'malus' provisions to safeguard against unwarranted short- and long-term incentive awards and to similarly encourage executives and senior management to take a more comprehensive view of risk when making business decisions. Such provisions generally allow, at a minimum, for some or all of an annual incentive award to be recouped in the case of a material misstatement of financial results or fraud.

We are increasingly focusing attention on the specific terms of recoupment policies. More expansive policies allow for the recoupment of both short and long-term incentive awards in cases of financial restatement or misconduct that results in reputational or other types of harm to the company. While the terms and conditions associated with a company's recoupment policy (or lack thereof) are not directly determinative of our recommendations with respect to say-on-pay proposals, the inclusion of appropriately robust policies informs our overall view of a company's compensation program.

DIRECTOR COMPENSATION

Glass Lewis believes that non-employee directors should receive reasonable and appropriate compensation for the time and effort they spend serving on the board and its committees. In particular, we recognize that well-designed compensation plans that include option grants or other equity-based awards can help to align the interests of outside directors with those of shareholders. However, such grants for non-employee directors should not be tied to performance conditions, as a focus on specific aspects of financial performance could hinder a director's independence. Rather, we prefer a compensation structure that provides directors with the option of receiving some or all of their fees in deferred share units or common shares that are restricted until the director leaves the board. In our opinion, even share options without performance conditions run the risk of focusing the attention of directors on the short-term performance of the company's share price.

Director fees should be reasonable in order to retain and attract qualified individuals. At the same time, excessive fees represent a financial cost to the company and threaten to compromise the objectivity and independence of non-employee directors. We compare the costs of these plans to the plans of peer companies with similar market capitalizations in the same country to help inform our judgment on this issue.

Governance Structure and the Shareholder Franchise

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

We will evaluate proposed amendments to a company's articles of association on a case-by-case basis. We are opposed to the practice of bundling several amendments under a single proposal because it prevents shareholders from evaluating each amendment on its own merits. In such cases, we will analyze each change individually and recommend voting for the proposal only when we believe that, on balance, all of the amendments are in the best interests of shareholders.

QUORUM REQUIREMENTS

Glass Lewis believes that a company's quorum requirement should be set at a level high enough to ensure that a broad range of shareholders are represented in person or by proxy, but low enough that the company can transact necessary business. Pursuant to section 139 of the CBCA, irrespective of the number of persons present at a meeting, a majority of shares entitled to vote, either in person or by proxy, shall constitute a quorum. However, companies are permitted to stipulate a lower quorum requirement in the articles of association with the approval of shareholders. As such, should a company seek shareholder approval of a lower quorum requirement, we will generally permit a reduced quorum of at least 33% of shares entitled to vote, either in person or by proxy, when evaluating such proposals in consideration of the specific facts and circumstances of the company such as size and shareholder base.

However, when companies adopting new articles set quorum at 25% or higher, we will support the adoption so long as the new quorum represents an increase, or remains unchanged from prior levels.

Additionally, with regard to the number of directors required to constitute an acceptable quorum for a meeting of directors, Glass Lewis looks for a requisite quorum of a majority of the directors of the board.

ADVANCE NOTICE POLICIES

Glass Lewis recognizes the significant risks to shareholders from so-called "stealth proxy contests" whereby a shareholder nominates a director for election at a company's annual meeting without prior notice to the company or other shareholders. This could result in the election of a shareholder-nominated director with little to no support from other shareholders, in some cases exacerbated by low quorum requirements. It is reasonable, therefore, for companies to seek means, such as advance notice provisions, to ensure they (and shareholders) receive adequate notice in advance shareholder meetings of the intention of a shareholder to nominate one or more directors at the meeting.

However, we believe such provisions should be limited in scope to balance providing timely notice of the nomination to the company and shareholders against inhibiting the exercise of the nomination right. Glass Lewis therefore believes restrictions imposed under advance notice provisions should be reasonable so as not to present excessive impediments on shareholders who wish to nominate directors under such a policy. Accordingly, Glass Lewis will review such policies in consideration of the required time frames for shareholders to submit director nominations as well as other provisions setting forth requirements shareholders must meet to nominate directors.

Specifically, we will generally recommend that shareholders support policies that establish a reasonable notification period (generally 30 days) prior to the date of the annual meeting for shareholders to nominate one or more directors and that require a reasonably broad time period (e.g., a 35-day window) during which shareholders may submit such nominations.

Glass Lewis may consider recommending that shareholders vote against advance notice provisions if the minimum notice period is either too close to (e.g., 10 days) or too far in advance of (e.g., 60 days) the annual meeting. In addition, we will generally recommend that shareholders oppose such provisions where an advance notice policy does not allow for the commencement of a new time period for shareholder nominations in the event of an adjournment or postponement of the annual meeting.

Further, we will review advance notice policies to determine whether an issuer has implemented any unnecessarily burdensome or onerous requirements on shareholders seeking to nominate directors. In particular, Glass Lewis will review impediments to the nominations process such as excessive disclosure requirements (e.g., of sensitive, personal or irrelevant information), required commitments or undertakings to abide by unnecessarily broad or restrictive agreements, requirements to meet with certain individuals such as incumbent board members or other impediments that may frustrate shareholders ability or willingness to avail themselves of the nomination process.

VIRTUAL SHAREHOLDER MEETINGS

A growing contingent of companies have elected to hold shareholder meetings by virtual means only. Glass Lewis believes that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation of shareholders who are unable to attend a shareholder meeting in person (i.e. a "hybrid meeting"). However, we also believe that virtual-only meetings have the potential to curb the ability of a company's shareholders to meaningfully communicate with the company's management.

Prominent shareholder rights advocates, including the Council of Institutional Investors, have expressed concerns that such virtual-only meetings do not approximate an in-person experience and may serve to reduce the board's accountability to shareholders. When analyzing the governance profile of companies that choose to hold virtual-only meetings, we look for robust disclosure in a company's proxy statement which assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

Examples of effective disclosure include: (i) addressing the ability of shareholders to ask questions during the meeting, including time guidelines for shareholder questions, rules around what types of questions are allowed, and rules for how questions and comments will be recognized and disclosed to meeting participants; (ii) procedures, if any, for posting appropriate questions received during the meeting and the company's answers, on the investor page of their website as soon as is practical after the meeting; (iii) addressing technical and logistical issues related to accessing the virtual meeting platform; and (iv) procedures for accessing technical support to assist in the event of any difficulties accessing the virtual meeting.

We will generally recommend voting against members of the governance committee where the board is planning to hold a virtual-only shareholder meeting and the company does not provide such disclosure.

COVID-19 IMPACT ON VIRTUAL-ONLY SHAREHOLDER MEETINGS POLICY

We recognize that many companies may adopt a virtual-only format for their 2020 annual shareholder meeting due to the COVID-19 pandemic. For the duration of the 2020 proxy season (March 1, 2020 through June 30, 2020), we will take into account the extenuating circumstance of the COVID-19 pandemic when applying our policy on virtual-only shareholder meetings. We will review these on a case-by-case basis and will also note whether companies state their intention to resume holding in-person or hybrid meetings under normal circumstances.

For companies opting to hold a virtual-only shareholder meeting due to COVID-19 between March 1, 2020 and June 30, 2020, we will generally refrain from recommending to vote against members of the governance committee on this basis, provided that the company discloses, at a minimum, its rationale for doing so, including citing COVID-19.

Additionally, should these companies opt to continue holding virtual-only shareholder meetings in subsequent years, we expect future proxy statements to include the robust disclosure concerning shareholder participation described above and our standard policy on Virtual Shareholder Meetings will apply in those future years.

Finally, for all shareholder meetings occurring after June 30, 2020, our standard policy on virtual shareholder meetings will apply, and we expect robust disclosure in the proxy statement concerning shareholder participation.

DIRECTOR AND OFFICER INDEMNIFICATION

While Glass Lewis strongly believes that directors and officers should be held to the highest standard when carrying out their duties to shareholders, some protection from liability is reasonable to protect them against certain suits so that these officers feel comfortable taking measured risks that may benefit shareholders. As such, we find it appropriate for a company to provide indemnification and/or enroll in liability insurance to cover its directors and officers so long as the terms of such agreements are reasonable.

ANTI-TAKEOVER MEASURES

POISON PILLS (SHAREHOLDER RIGHTS PLANS)

Glass Lewis believes that poison pill plans generally are not in the best interests of shareholders. Specifically, they can reduce management accountability by substantially limiting opportunities for corporate takeovers. Rights plans can thus prevent shareholders from receiving a buy-out premium for their stock.

We believe that boards should be given wide latitude in directing the activities of the company and charting the company's course. However, where the link between the financial interests of shareholders and their right to consider and accept buyout offers is so substantial, we believe that shareholders should be allowed to vote on whether or not they support such a plan's implementation. This issue is different from other matters that are typically left to the board's discretion since its potential impact on and relation to shareholders is direct and substantial. It is also an issue in which the interests of management may be very different from those of shareholders, and therefore ensuring shareholders have a voice is the only way to safeguard their interests.

Subject to the inclusion of certain standard provisions, we will generally support a limited poison pill to accomplish a particular objective, such as the closing of an important merger, or a pill that contains what we believe to be a reasonable "qualifying offer" clause. We will consider supporting a poison pill plan if the trigger threshold is not unreasonably low (i.e., lower than 20%) and the provisions of the qualifying offer clause include the following attributes: (i) the form of offer is not required to be an all-cash transaction; (ii) the offer is not required to remain open for more than 105 business days; (iii) the offeror is permitted to make amendments to the offer, to reduce the offer or otherwise change the terms; (iv) there is no fairness opinion requirement; (v) there is a low to no premium requirement; and (vi) the plan does not allow the board the discretion to amend material provisions without shareholder approval.

Additionally, Glass Lewis will review the definition of beneficial ownership in such plans to ensure that ownership is strictly defined as shares held by an individual and does not include shares that are not owned, but can be directed to vote by a shareholder; Glass Lewis will generally oppose the adoption of such pills, also known as "voting pills," that expand the circumstances when a pill would be triggered including in the absence of a bid for the company. When these requirements are met, we typically feel comfortable that shareholders will have the opportunity to voice their opinion on any legitimate offer. Further, it should be noted that poison pills must be approved by shareholders every three years.

INCREASE IN AUTHORIZED SHARES

Glass Lewis believes that adequate share capital is important to the operation of a company. Companies generally seek an increase in authorized share capital in order to conduct equity fundraisings, stock splits or declare share dividends. We believe that it is critical for management to have access to a sufficient amount of the share capital in order to allow for quick decision-making and effective operations. However, prior to any significant transaction, we prefer that management justifies its use of any additional shares to shareholders, rather than simply asking for a blank check in the form of large pools of unallocated shares that can used for any purpose.

In general, we will support proposals to increase authorized shares by up to 100% of the number of shares currently authorized; however, if the proposed increase would result in less than 30% of all authorized shares being outstanding, then we may recommend shareholders reject the proposal.[32]

ISSUANCE OF SHARES

We recognize the viable reasons companies may have to issue shares; however, we also recognize that issuing shares dilutes existing holders in most circumstances. Further, the availability of additional shares, where the board has discretion to implement a poison pill, can often serve as a deterrent to interested suitors. Accord ingly, when we find that a company has not detailed a plan for the use of the proposed shares, or when the number of shares is excessive, we typically recommend shareholders vote against the issuance. In the case of a private placement, we will also consider whether the company is offering the securities at a discount to its share price.[33]

In November 2009, the TSX updated its requirements to provide that shareholder approval be required when a company intends to issue shares in excess of 25% of issued share capital as payment for an acquisition. In general, we will support proposals to issue shares with preemptive rights of up to 100% of the number of shares currently issued, and proposals to issue shares without preemptive rights of up to 20% of the current issued share capital. However, note that there are no preemptive rights in Canada unless specifically called for in a company's articles of association.

VOTING STRUCTURE

DUAL-CLASS SHARE STRUCTURES

Glass Lewis believes dual-class voting structures are typically not in the best interests of common shareholders. Allowing one vote per share generally operates as a safeguard for common shareholders by ensuring that those who hold a significant minority of shares are able to weigh in on issues set forth by the board.

Furthermore, we believe that the economic stake of each shareholder should match their voting power and that no small group of shareholders, family or otherwise, should have voting rights different from those of other shareholders. On matters of governance and shareholder rights, we believe shareholders should have the power to speak and the opportunity to effect change. That power should not be concentrated in the hands of a few for reasons other than economic stake.

We generally consider a dual-class share structure to reflect negatively on a company's overall corporate governance. Because we believe that companies should have share capital structures that protect the interests of non-controlling shareholders as well as any controlling entity, we typically recommend that shareholders

32 Pursuant to the CBCA, companies may only increase their share capital subsequent to shareholder approval of a special resolution.

33 Pursuant to the TSX Listing Rules, shareholder approval is required for issuances of stock by private placement of more than 25% of the number of shares outstanding in any six month period. However, issuances below this threshold are at the discretion of the board, which may issue any number of shares and determine their rights, privileges and restrictions.

vote in favor of recapitalization proposals to eliminate dual-class share structures. Similarly, we will generally recommend against proposals to adopt a new class of common stock.

With regards to our evaluation of corporate governance following an IPO or spin-off within the past year, we will consider the presence of dual-class share structures as a factor in determining whether shareholder rights are being severely restricted indefinitely.

When analyzing voting results from meetings of shareholders at companies controlled through dual-class structures, we will carefully examine the level of approval or disapproval attributed to unaffiliated shareholders when determining whether board responsiveness is warranted. Where vote results indicate that a majority of unaffiliated shareholders supported a shareholder proposal or opposed a management proposal, we believe the board should demonstrate an appropriate level of responsiveness.

SUPERMAJORITY VOTE REQUIREMENTS

Glass Lewis believes that supermajority vote requirements impede shareholder action on ballot items critical to shareholder interests. An example is in the takeover context, where supermajority vote requirements can strongly limit the voice of shareholders in making decisions on such crucial matters as selling the business. This in turn degrades share value and can limit the possibility of buyout premiums to shareholders. Moreover, we believe that a supermajority vote requirement can enable a small group of shareholders to overrule the will of the majority of shareholders. We believe that a simple majority is appropriate to approve all matters presented to shareholders.

MAJORITY VOTING

Over the past several decades, shareholders have sought a mechanism by which they might have a genuine voice in the election of directors. The common plurality vote standard ensures that directors who receive the highest number of votes are elected to serve on the board of directors. This system, at face value, appears to be a fair conduit through which the most favored candidates will be selected for service on the board. This system loses its efficacy, however, when the number of director candidates is equal to the number of open seats on the board, thereby permitting a nominee who receives a minority of shareholder support (as little as one vote) to assume a seat on the board. Majority voting, to the contrary, requires that each nominee receive the affirmative vote of at least a majority of shareholder votes cast in an election. In this manner a majority vote standard enhances shareholders' ability to determine who will serve as their representatives in the boardroom, resulting in increased board accountability and performance.

Since June 30, 2014 the TSX Company Manual requires all TSX-listed issuers (with an exception for controlled companies) to adopt majority voting for the election of directors.

Almost all companies that have adopted majority voting policies have opted for a director resignation policy in which any director who has received a majority of the total votes "withheld" from him or her (in an uncontested election) promptly tenders their resignation to the board or its nominating/corporate governance committee for consideration. The board or committee then considers the resignation and makes a decision on whether to accept or reject it. Such policies typically provide for 90 days to consider the resignation, after which the board will make its final decision known by way of a press release.

Although these policies are certainly preferable to no policy at all, since they require the board to consider the outcome of the vote and address shareholders' concerns, we believe there should be no need for further action by the board or any of its committees to have the candidate removed from the board. The board should not have the opportunity to ignore shareholders' will and allow the nominee to continue to serve as a director. The system ultimately leaves the decision-making process in the hands of board members, and not with shareholders, where we believe the power should lie.

TRANSACTION OF OTHER BUSINESS

We typically recommend that shareholders not give their proxy to management to vote on any other business items that may properly come before the annual meeting. In our opinion, granting unfettered discretion is unwise.

Shareholder Initiatives

Glass Lewis generally believes decisions regarding day-to-day management and policy decisions, including those related to social, environmental or political issues, are best left to management and the board as they in almost all cases have more and better information about company strategy and risk. However, when there is a clear link between the subject of a shareholder proposal and value enhancement or risk mitigation, Glass Lewis will recommend in favor of a reasonable, well-crafted shareholder proposal where the company has failed to or inadequately addressed the issue.

We believe that shareholders should not attempt to micromanage a company, its businesses or its executives through the shareholder initiative process. Rather, we believe shareholders should use their influence to push for governance structures that protect shareholders and promote director accountability. Shareholders should then put in place a board they can trust to make informed decisions that are in the best interests of the business and its owners, and hold directors accountable for management and policy decisions through board elections. However, we recognize that support of appropriately crafted shareholder initiatives may at times serve to promote or protect shareholder value.

To this end, Glass Lewis evaluates shareholder proposals on a case-by-case basis. We generally recommend supporting shareholder proposals calling for the elimination of, as well as to require shareholder approval of, anti-takeover devices such as poison pills and classified boards. We generally recommend supporting proposals likely to increase and/or protect shareholder value and also those that promote the furtherance of shareholder rights. In addition, we also generally recommend supporting proposals that promote director accountability and those that seek to improve compensation practices, especially those promoting a closer link between compensation and performance, as well as those that promote more and better disclosure of relevant risk factors where such disclosure is lacking or inadequate.

ENVIRONMENTAL, SOCIAL & GOVERNANCE INITIATIVES

For a detailed review of our policies concerning compensation, environmental, social and governance shareholder initiatives, please refer to our comprehensive *Proxy Paper Guidelines for Shareholder Initiatives*, available at www.glasslewis.com.

DISCLAIMER

This document is intended to provide an overview of Glass Lewis' proxy voting policies and guidelines. It is not intended to be exhaustive and does not address all potential voting issues. Additionally, none of the information contained herein should be relied upon as investment advice. The content of this document 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.

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GLASS LEWIS

Principles and Best Practices for Virtual Annual Shareowner Meetings

The Best Practices Committee for Shareowner Participation in Virtual Annual Meetings

THE BEST PRACTICES COMMITTEE FOR SHAREOWNER PARTICIPATION IN VIRTUAL ANNUAL MEETINGS

THIS COMMITTEE CONSISTS OF INTERESTED CONSTITUENTS, COMPRISED OF RETAIL AND INSTITUTIONAL INVESTORS, PUBLIC COMPANY REPRESENTATIVES, AND PROXY AND LEGAL SERVICE PROVIDERS.

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INTRODUCTION

State laws require companies to hold annual meetings of their shareowners to elect directors and to allow their shareowners to vote on matters in which a vote by shareowners is required for approval. In that context shareowners may be permitted to ask questions about items on the ballot prior to voting. The annual meeting often also serves as an opportunity for management to update the company's shareowners on company developments and to review the company's performance. It also can be an opportunity for shareowners to ask questions of management and directors about the business of the company if they wish to do so. It is generally accepted that shareowner participation should be welcomed and encouraged at a company's annual meeting of shareowners.

Shareowners who attend a company's annual meeting generally view it as an opportunity to see and hear the company's directors and management and judge their quality. For some shareowners it is an opportunity to express concerns or advocate action on important issues.

In recent years, some publicly traded companies have adopted virtual meetings of shareowners. Sometimes these are hybrids where in-person meetings include a virtual aspect to allow shareowners who could not travel to the meeting to participate remotely. Sometimes these meetings are virtual-only with no in-person participation.

We are a committee of interested constituents, comprised of retail and institutional investors, public company representatives, and proxy and legal service providers, who have been discussing best practices for virtual shareowner participation in annual meetings — with a view toward ensuring that the needs of all constituents are met in a fair and well-balanced manner.*

There is debate over virtual shareowner meetings. Virtual participation in shareowner meetings presents an opportunity for shareowners that cannot travel to more easily attend and participate. Some endorse virtual-only shareholder meetings, noting that few shareholders physically attend smaller companies' shareholder meetings. Others, including some committee members, are concerned that virtual-only participation could diminish the ability of shareowners to fully participate and have their questions and concerns heard without the risk of management exerting excessive control. In particular, if virtual technology is used to replace in-person meetings, in this view, the only opportunity for shareholder engagement with independent board members may be lost.

Every issuer will decide for itself the best way to conduct its annual meeting. Our purpose here is to ensure that when companies do opt for virtual participation in shareowner meetings, they are accessible, transparent and efficiently and cost-effectively managed, while meeting the important business and corporate governance needs of shareowners, boards and management.

For purposes of the following discussions, the phrase "virtual meeting" refers to a meeting in which shareowners are able to attend the meeting online via the internet, be certified electronically as a company shareholder, ask questions of the board of directors and management, and if desired cast their votes online in a secure manner while the meeting is in progress. It may or may not include an in-person meeting.

The phrase "virtual-only shareowner meeting" refers to a meeting of shareowners that is held exclusively through the use of technology (either online audio or video) — without a corresponding in-person meeting. The term "hybrid shareowner meeting" as used in this report refers to an in-person, or physical, meeting which shareowners are also able to attend virtually either through an online audio or video format, and if they wish to do so, cast votes online via the internet while the polls are officially open.

CORPORATE GOVERNANCE PRACTICES

The Committee noted that although there is great latitude regarding the conduct of an annual meeting, shareowner meetings should permit the exercise of all of the rights granted to shareowners under state law, as well as comply with stock exchange listing standards and a company's governing instruments. Shareowners are also entitled to be treated respectfully by their companies in the way shareowner meetings are conducted. Further, the Committee agreed that companies should acknowledge their shareowners' concerns about how shareowner meetings are conducted and ensure that they adopt procedures that are fair to, and respect, their shareowners — regardless of the medium by which the meetings take place.

*The majority of current committee participants worked together previously on consensus principles and best practices for online shareholder participation in virtual meetings, which were reflected in these June 2012. Guidelines for Protecting & Enhancing Online Shareholder Participation in Annual Meetings ("2012 Guidelines"). These Principles and Best Practices for Virtual Annual Shareowner Meetings are intended to supersede the 2012 Guidelines.

MEMBERS TAKE DIFFERENT POSITIONS ON HYBRID VS. VIRTUAL-ONLY MEETINGS

Each company must consider its own objectives, preferences and costs as well as its shareowners' concerns in deciding what kind of annual meeting to conduct. In some cases, companies have been holding in-person meetings for years and now want to move to a virtual meeting. Some Committee members state that virtual-only meetings are an acceptable practice under certain circumstances. Other Committee members believe that a hybrid meeting is always preferable to a virtual-only meeting. The goal of these guidelines is to present best practices to be considered by a company when evaluating the use of virtual shareowner meetings.

CONSIDERATIONS FOR VIRTUAL SHAREOWNER PARTICIPATION IN SHAREOWNER MEETINGS

When deciding whether to implement any aspect of a virtual shareowner meeting, companies should take the interests of all shareowners into account. A virtual component of a shareowner meeting can enhance participation, but it is important that the meeting be handled in a way that affords remote shareowners the same amount of access to participate in meetings as they would have in person. Some questions companies should consider:

- Do we have adequate technology to reach all shareowners, as well as management, who wish to participate?
- Do we have a plan in place to give equal opportunities to both in-person and online participants (in the case of a hybrid meeting)?
- Are we enabling meaningful engagement with shareowners?
- Does our investing base broadly understand why we are holding the meeting virtually?
- Is this virtual meeting in the best interests of the majority of our shareowners?
- Do we have a plan in place to ensure that shareowners have opportunities to ask questions outside of the parameters of the virtual meeting?

PRINCIPLES

Once a company has decided to hold a hybrid or virtual-only annual meeting, it should follow these important guiding principles that the Committee has generally agreed upon, following a review of applicable state laws that are discussed and summarized in Appendix A.

These principles are not intended to create a higher standard than currently accepted best practices for in-person shareowner meetings.

Broad investor participation in annual meetings should be valued and encouraged. The Committee endorses the view that companies incorporating virtual technology into their shareowner meeting should use it as a tool for broadening, not limiting, shareowner meeting participation. (That is the reason some members of the Committee only support virtual technology as an addition to in-person meetings, not a replacement.) With this objective, a virtual option, if used, should facilitate the opportunity for remote attendees to participate in the meeting to the same degree as in-person attendees.

Shareowner meetings should promote equitable and equal treatment of investor participants. Glass Lewis' 2018 guidelines for virtual meetings state the following: "When analyzing the governance profile of companies that choose to hold virtual-only meetings, we look for robust disclosure in a company's proxy statement which assures shareowners that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting."

Opportunities for meaningful engagement between investors and directors should be provided. Companies, and their boards, should strongly favor the value of, and ways to facilitate, meaningful engagement of shareowners with board members, as they consider time and cost factors.

Issuers should communicate the benefits of a virtual meeting to shareowners. Companies should communicate clearly with their shareowners before moving to virtual meetings in order to ensure that shareowners understand what a virtual meeting is and how they can meaningfully participate.

Virtual meetings should be used as a way to provide meaningful open dialogue between shareowners and companies. Virtual shareowner meetings should provide the same opportunities for questions and dialogue as an in-person meeting.

BEST PRACTICES

To ensure that virtual participation in shareowner meetings provides the same opportunity for dialogue among the company's shareowners, management and directors that is often possible at an in-person shareowner meeting, the Committee recommends that companies adopt the following best practices. These may be amended, as needed, to accommodate companies and their shareowners as they seek to enhance the annual meeting experience and increase shareowner participation at meetings as corporate governance practices evolve and technological advances are made.

Recognize that the meeting format is determined before the proxy is published. This means that the board needs to be fully aware of prospective investor reactions before deciding among a virtual-only, hybrid and in-person-only meeting. Companies should evaluate shareholder responses to previous meetings held virtually and consider requests to attend subsequent meetings in person. The format of the meeting and participation instructions should be clearly disclosed in the proxy statement.

When making a decision on annual meeting format, companies and their boards should consider the items to be voted on at the meeting as well as other issues that may be of current concern to their shareowners such as:

- Whether the meeting may be limited to the consideration of routine or noncontroversial proposals, such as the uncontested election of directors and the ratification of auditors.
- Whether a controversial management or shareowner proposal may be considered at the meeting.
- Whether a significant business transaction, such as a merger, may be considered at the meeting.
- Whether a matter to be considered at the meeting may be subject to counter-solicitation or a "vote no" campaign.
- Whether the company may be subject to significant shareowner dissent or activism concerns involving significant governance, operational or performance issues.

Evaluate constantly changing technology and process. Companies considering enabling a virtual component of the annual meeting—and particularly those contemplating, a virtual-only meeting—should fully and annually evaluate their technology and process for the meeting to ensure maximum shareowner participation. These evaluations should involve boards in decisions about future virtual meetings. After conducting an annual shareowner meeting that enables virtual participation, companies should evaluate whether goals were met and where they need to make changes.

Ensure equal access. Allow shareowner proponents to present their proposals on a "virtual basis" — whether via a phone line or a prerecorded or online video presentation. Open video, web lines and telephone lines should be implemented before the meeting to allow shareowners to test their access and be sure they will be able to participate in the meeting. When a company typically conducts a shareowner question and answer period after the official business of the meeting, it needs to ensure the ability of virtual participants to participate in that portion of the meeting.

Create formal rules of conduct. Companies should adopt formal, universal rules of conduct for participation in shareowner meetings. The rules should allow sufficient opportunities for shareowners to ask questions or make brief comments about each proposal that is up for a vote, while being respectful of the time of all meeting participants. The rules of conduct should be available before the meeting begins, and should be available to in-person and virtual attendees before and during the meeting. There should be rules that promote both the reality and the perception of scrupulous fairness during the voting and question and answer period when there is a virtual component to the meeting.

- As to the voting period, it is wise to always appoint an Independent Inspector of Elections to observe the virtual aspects of the meeting and review the final vote reconciliation prior to certifying the final results.
- As to the question and answer period, companies should allow shareowners to present questions in advance of the meeting, e.g. via their investor relations website or a shareowner discussion group or bulletin board. When there is a virtual component, companies should allow their shareowners to submit questions over the internet during the live meeting. When there is an in-person component to the meeting, companies should allow in-person shareowners to ask questions.

- The Committee recommends that the Chair take the first question received, after which the Chair should alternate among in-person attendees, those who submitted questions in advance and those shareowners online who may be submitting questions in real time.

- The Committee also believes that when there is a virtual component to the meeting, companies should consider including a toll-free number for their shareowners to call in during the meeting. Their call would be placed in a queue and taken in turn to ensure, to the fullest extent possible, that all shareowner questions will be taken on a first-come-first-served basis during the time that has been allotted for questions and general discussion. If there are still shareowners waiting to ask questions at the end of the allotted meeting time, the Chair of the meeting should consider extending the time, if possible.

Establish reasonable time guidelines. Companies should set reasonable time guidelines for shareowner questions, whether related to proposals during the formal part of the meeting or the company's overall business after the formal business of the meeting has been concluded. Time limits such as three- to five-minute limits for shareowners to present their proposals and two-minute limits for general questions or comments are widely perceived as being appropriate and helpful.

Establish rules for when questions are out of order. Companies should publish rules clearly explaining when questions, taken either in-person or online, will be ruled out of order. For example, questions or comments that are not related to the proposal under discussion, are about personal concerns not shared by shareholders generally, or use blatantly offensive language may be ruled out of order. In addition, companies should require that shareowners who have already spoken, either in-person or online, wait until all other questioners have had a turn to speak on a given matter before asking a second question or making a comment.

Establish rules to promote transparency. Companies should pay special attention to establishing rules of procedure that will promote transparency about how questions will be recognized. Where there is a virtual component to the meeting, companies should seek to avoid the appearance of, or potential for, manipulation with respect to the way they might screen, organize, combine, prioritize and answer, or fail to answer, their shareowners' questions received in advance or via the web. Such rules for recognizing questions and comments by shareholders should be disclosed to meeting participants.

Post questions received online during the meeting. Companies that have a virtual component to their meeting, or that solicit questions in advance of the meeting, should strongly consider posting all appropriate questions that have been received during the course of the meeting — and the company's answers — on the investor page of their website as soon as is practical after the meeting.

Ensure shareowners have access to board members. It is important for virtual participants to have the opportunity to see, hear and ask questions of board members and particularly independent board leadership. Where an independent director does not chair a board, an independent lead director should participate on at least an informal basis in chairing the meeting.

Have a technical support line available. Companies should provide a technical support line for shareowners that may have questions about accessing the webcast.

Archive virtual shareowner meetings for future viewing. Companies should archive the meeting on a publicly available website for a specific and reasonable period of time (ideally at least one year).

APPENDIX A

BACKGROUND INFORMATION AND INFORMATION ABOUT CURRENT STATE RULES REGARDING VIRTUAL AND HYBRID MEETINGS

The following is a brief background on Delaware's and other states' statutory provisions for virtual participation in shareowner meetings, as well as the proposed best practices — and shareowner safeguards — for such meetings.

DELAWARE LAW

Delaware General Corporation Law (DGCL) governs corporations incorporated in the state of Delaware, representing over 55 percent of U.S. publicly traded corporations and 65 percent of the Fortune 500. **From a legal perspective, the primary purpose of the annual meeting is to elect directors and take action on management proposals or shareowner proposals.**

In 2000, in an effort to keep Delaware law current with emerging technological advances, and realizing the importance of annual meetings in the corporate governance process, the Delaware legislature adopted amendments to Section 211 of the DGCL to allow companies to hold virtual-only and hybrid shareowner meetings.

Specifically, under Section 211 of the DGCL, a board, if authorized by its charter or bylaws, may determine the place of a meeting of shareowners, or, in its sole discretion, determine that the meeting should be held solely by means of remote communication. In addition, Section 211 provides that shareowners can use the internet or another form of "remote communication" to (1) participate, (2) be deemed present and (3) vote at an annual shareowner meeting if the following three conditions are met:

- The company takes reasonable measures to verify that each person deemed present and permitted to vote at the meeting is a shareowner or the holder of a valid proxy from a company shareowner;

- The company takes reasonable measures to provide such shareowners and proxy holders a reasonable opportunity to participate in the meeting — including an opportunity to read or hear the proceedings as they happen substantially and concurrently with such proceedings — and to vote on matters submitted to the shareowners; and

- The company maintains a record of votes and other actions taken at the meeting.

OTHER STATES

As noted above, many states, such as Delaware, permit virtual-only and hybrid shareowner meetings. Additionally, other states allow the practice in theory, but include restrictions that make it difficult, if not unrealistic, to conduct a virtual-only shareowner meeting. Some states do not permit companies incorporated in those states to hold virtual-only shareowner meetings, but do permit hybrid shareowner meetings. Lastly, some states require in-person meetings and do not permit virtual-only or hybrid shareowner meetings. Specifically, the laws of:

- 30 states, including Delaware, Minnesota, Ohio, Pennsylvania and Texas, allow virtual-only shareowner meetings. Most recently, Virginia, Washington and Wisconsin have allowed virtual-only shareowner meetings. However, some states, such as California and Maryland, while allowing virtual-only shareowner meetings, impose conditions that make them impractical or unrealistic (e.g., California requires unrevoked shareowner consent to hold a virtual-only meeting). **Please see the attached list regarding states' restrictions on virtual-only shareowner meetings.**

- 42 states in total, including New Jersey and Connecticut, as well as the District of Columbia, permit remote participation in such meetings via the internet (i.e., a hybrid meeting).

- 9 states, including Georgia, Idaho and New York, preclude corporations incorporated in those states from hosting virtual-only or hybrid shareowner meetings and require a physical meeting location.

Most states that allow virtual participation in shareowner meetings impose conditions on such participation. Generally, those states require that the company (1) verify that each person deemed present and permitted to vote at the virtual shareowner meeting is a shareowner or proxy holder, (2) maintain a record of the vote or other action taken at the shareowner meeting and (3) implement reasonable measures to provide a shareowner participating in a shareowner meeting virtually with the ability to:

- Participate in the meeting and vote on matters submitted in the meeting;

- See and hear the proceedings contemporaneously; and

- Communicate with the other participants of the meeting contemporaneously. In addition to these conditions, a company that intends to host a virtual-only shareowner meeting generally must make its shareowner list available for the examination by any shareowner during the meeting on a reasonably accessible virtual network.

FEDERAL LAW AND LISTING STANDARDS

Federal securities laws are largely silent on the conduct of the annual meeting, other than through the proxy solicitation rules. The NYSE and NASDAQ require listed companies to hold annual meetings, with NASDAQ requiring companies to afford shareowners an opportunity to discuss company affairs with management. The corporate codes of each state and the governing instruments of each company also provide guidelines for the conduct of annual meetings of shareowners.

State	Abbrev.	Virtual Only Allowed?	Hybrid Allowed?	In-Person Meeting Only?
Alabama	AL	N	N	Y
Alaska	AK	N	N	Y
Arizona	AZ	Y	Y	N
Arkansas	AR	N	N	Y
California	CA	Y	Y	N
Colorado	CO	Y	Y	N
Connecticut	CT	N	Y	N
Delaware	DE	Y	Y	N
*District of Columbia	DC	N	Y	N
Florida	FL	Y	Y	N
Georgia	GA	N	N	Y
Hawaii	HI	Y	Y	N
Idaho	ID	N	N	Y
Illinois	IL	N	Y	N
Indiana	IN	Y	Y	N
Iowa	IA	N	Y	N
Kansas	KS	Y	Y	N
Kentucky	KY	Y	Y	N
Louisiana	LA	N	Y	N
Maine	ME	N	Y	N
Maryland	MD	Y	Y	N
Massachusetts	MA	Y	Y	N
Michigan	MI	Y	Y	N

State	Abbrev.	Virtual Only Allowed?	Hybrid Allowed?	In Person Meeting Only?
Minnesota	MN	Y	Y	N
Mississippi	MS	N	Y	N
Missouri	MO	Y	Y	N
Montana	MT	N	Y	N
Nebraska	NE	N	Y	N
Nevada	NV	Y	Y	N
New Hampshire	NH	N	Y	N
New Jersey	NJ	N	Y	N
New Mexico	NM	N	N	Y
New York	NY	N	N	Y
North Carolina	NC	N	Y	N
North Dakota	ND	Y	Y	N
Ohio	OH	Y	Y	N
Oklahoma	OK	Y	Y	N
Oregon	OR	Y	Y	N
Pennsylvania	PA	Y	Y	N
Rhode Island	RI	Y	Y	N
South Carolina	SC	N	N	Y
South Dakota	SD	N	N	Y
Tennessee	TN	Y	Y	N
Texas	TX	Y	Y	N
Utah	UT	Y	Y	N
Vermont	VT	Y	Y	N
Virginia	VA	Y	Y	N
Washington	WA	Y	Y	N
West Virginia	WV	Y	Y	N
Wisconsin	WI	Y	Y	N
Wyoming	WY	Y	Y	N
TOTALS		**30**	**42**	**9**

*Nonstate
Matrix as of March 2018

APPENDIX B

SELECT POLICIES OR STATEMENTS ON VIRTUAL SHAREOWNER MEETINGS

Council of Institutional Investors, Corporate Governance Policies—September 15, 2017
4.7—ELECTRONIC MEETINGS: Companies should hold shareowner meetings by remote communication (so-called "virtual" meetings) only as a supplement to traditional in-person shareowner meetings, not as a substitute. Companies incorporating virtual technology into their shareowner meeting should use it as a tool for broadening, not limiting, shareowner meeting participation. With this objective in mind, a virtual option, if used, should facilitate the opportunity for remote attendees to participate in the meeting to the same degree as in-person attendees.

A Virtual Reality: New Opportunities for Shareholder Meetings in Virginia and Beyond, McGuireWoods, June 2017

Making the Switch: A Company's Guide to Virtual-Only Shareholder Meetings, Hunton & Williams, November 2017

2018 Proxy Paper—Guidelines, an Overview of the Glass Lewis Approach to Proxy Advice, United States—January 2018
VIRTUAL SHAREHOLDER MEETINGS: Glass Lewis is aware that a relatively small but growing contingent of companies have elected to hold shareholder meetings by virtual means only. We believe that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation of shareholders who are unable to attend a shareholder meeting in person (i.e., a "hybrid meeting"). However, we also believe that virtual-only meetings have the potential to curb the ability of a company's shareholders to meaningfully communicate with the company's management. In 2018, we will not make voting recommendations solely on the basis that a company is holding a virtual-only meeting. When analyzing the governance profile of companies that choose to hold virtual-only meetings, we look for robust disclosure in a company's proxy statement which assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting. Beginning in 2019, however, Glass Lewis will generally recommend voting against members of the governance committee of a board where the board is planning to hold a virtual-only shareholder meeting and the company does not provide such disclosure.

Virtual-Only Shareholder Meetings: The Good, Bad & Ugly, Boardroom Resources/The Conference Board, February 2018

New York City Pension Funds, 2017 Shareowner Initiatives—PostSeason Report—November 2017
HOLDING BOARDS ACCOUNTABLE FOR "VIRTUAL-ONLY" SHAREOWNER MEETINGS: In response to the surge in public companies holding "virtual-only" annual meetings, the NYC Funds amended their voting guidelines in spring 2017 to affirm their expectation that companies hold "in-person" annual meetings and only hold "virtual" meetings to supplement, not replace, in-person meetings. In-person meetings enable shareowners, regardless of their size, to have a face-to-face opportunity to engage and ask questions of senior management and directors in the presence of other investors at least once per year. Under the new guideline, the NYC Funds will vote against incumbent members of the governance/nominating committee at any company that holds a "virtual-only" annual meeting. This new guideline was implemented immediately for S&P 500 companies holding virtual-only annual meetings in 2017, with an exception for those companies that agreed in advance of their 2017 meeting dates to revert to in-person annual meetings in 2018; the voting guideline will extend to all U.S. portfolio companies in 2018.

Build a Better Meeting – Five tips for U.S. companies looking to convene a shareholder-oriented shareholder meeting, Council of Institutional Investors – October 2017

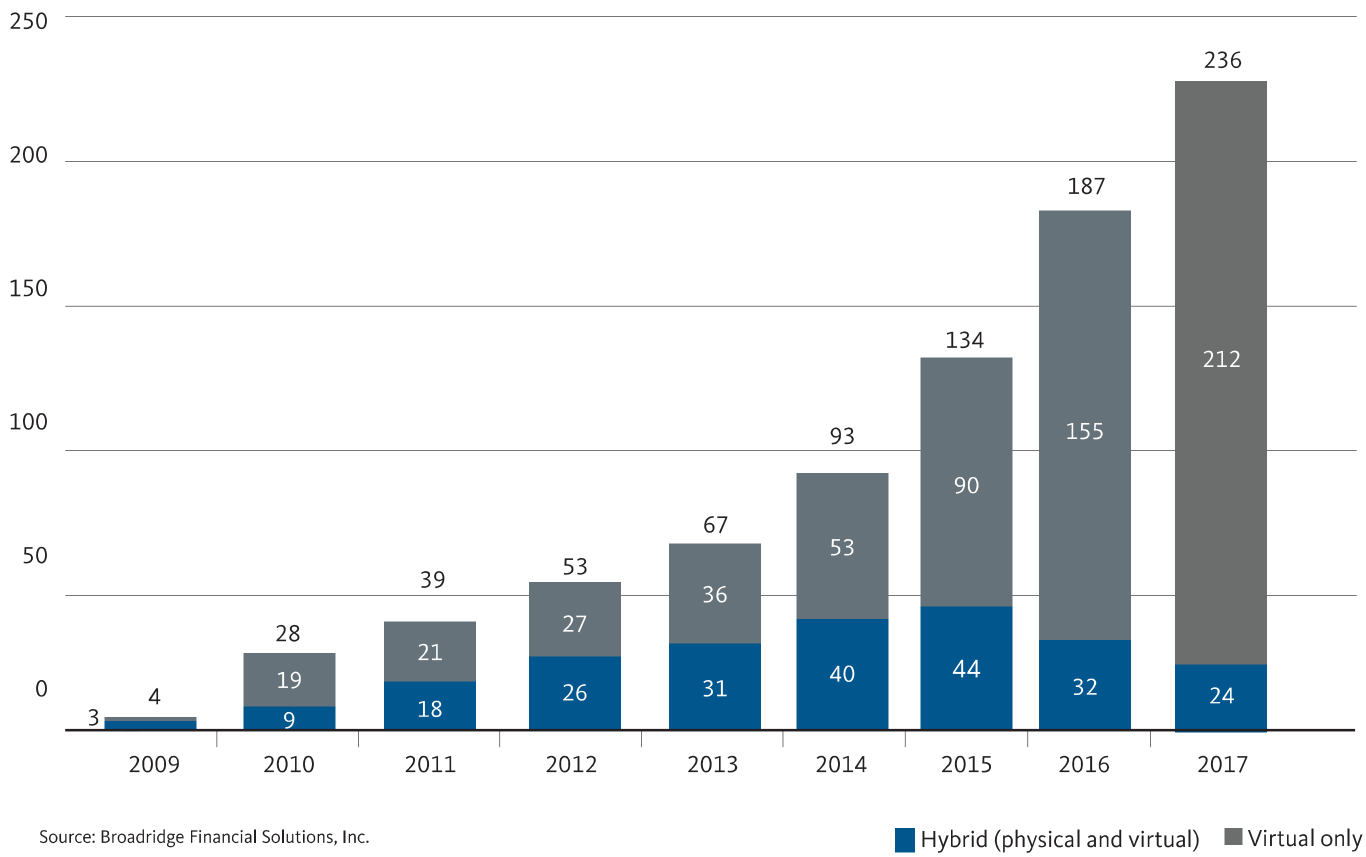
Virtual Annual Shareholder Meetings—A Great Idea, Andrew Wilcox, February 13, 2018

Hertz official sees easy path with virtual AGMs, Corporate Secretary, July 2017

APPENDIX C

CURRENT TRENDS AND STATISTICS RELATED TO VIRTUAL SHAREOWNER MEETINGS

Year-over-year statistics



Source: Broadridge Financial Solutions, Inc.

Broadridge, a global fintech leader with $4 billion in revenue, provides communications, technology, data and analytics solutions. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth.

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Communications
Technology
Data and Analytics

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Broadridge®

Virtual AGMs: Yes, you can!

Virtual AGM Facilitation Guide

02

Virtual AGMs: Yes, you can!

Switching your Annual General Meeting (AGM) online? As a provincial network, ONN has been doing virtual AGMs for four years! Our team has compiled our best tips and tricks to help nonprofits move their AGMs online and facilitate them effectively and efficiently.

Can your nonprofit host an AGM online?

Yes!

The Government of Ontario announced on March 31, 2020 an Emergency Order that permits nonprofits to hold meetings of directors, shareholders and members electronically or over the phone even if legislation (like Ontario's Corporations Act) or your bylaws say you can't. The electronic or phone system has to allow people to communicate with each other simultaneously and instantaneously. So, for example, an email chain over a few days likely would not qualify as a meeting.

This information is current at the time of publication, April 2020. For current legal resources and information, please go to Community Legal Education Ontario's Nonprofit Law page.

Choosing a platform

It's important to have a reliable platform that your team has tested. ONN uses GoToWebinar and Zoom platforms and will be referring to these platforms for this mini-guide. Other common platforms include Adobe Connect, BigMarker, and Microsoft Teams events. Each platform has free access to training to get your team adjusted in no time!

03

Meeting format versus webinar

A common question is whether you should host your AGM in a meeting format versus a traditional webinar format. The two main differences between the two formats are polling and attendee participation. In a webinar format, you have the option to poll and survey attendees. This is especially helpful for completing your voting. Additionally, in a webinar the host has the option to mute all participants. In a meeting format, polling functionality is not available on most platforms and participants must control the mute/unmute function for themselves to ask questions and join a discussion.

The electronic or phone system has to allow people to communicate with each other simultaneously and instantaneously.

Although having active participation is a benefit, please remember that not all attendees will remember to mute themselves or know how to use the function. If you have a large AGM, this can cause delays, background noise, and distractions during your AGM. For this reason, ONN chooses to use a webinar format, while also leveraging the chat, question, and poll functions to foster engagement from attendees.

You can view the full breakdown of meeting and webinar benefits for Gotomeeting and Zoom. In addition to traditional meeting and webinar platforms which include all of the functions we will discuss, there are also voting software options for nonprofits including Election Buddy and Simple Survey.

04

What functions are needed

While many nonprofits will have unique needs for the AGM, we have compiled some of the most common online meetings functions for virtual AGMs.

Meeting quorum and tracking attendance

A good practice is to ask attendees to type their name in the chat box once your webinar is live. Asking for their full name allows you to track attendance in your AGM minutes and ensure you have met quorum. Using the chat function as opposed to the registration for tracking attendance is important because not all attendees will use their full names when they register.

At ONN, we have a staff member record all names entered into the chat function into our meeting minutes. If you do not have the staff capacity to record names during the webinar, you can ask a volunteer to assist (in advance) and also leverage the “save chat history” function with Gotomeeting and Zoom. Tip: saving the chat history should be done prior to the webinar through your account settings and tested on a “mock webinar” ahead of time.

Voting

The polling function in webinar platforms allows users to create a question with multiple answers for attendees to choose from. Once a poll is launched, attendees can vote on one answer. The organizer is able to see the percentage of votes per answer and the percentage of attendees who have completed the poll. This helps to see participation and once the poll closes, webinar organizers have the option to share the results of the poll. Total responses can be shared. Individual responses remain confidential.

05

What functions are needed

Voting (continued)

By inserting the motion you want to pass in the question area of a poll and setting the answers to "favour, opposed or abstain", nonprofits can use the polling function to complete voting for passing motions. There are a of couple things to remember:

- To start collecting responses for a poll, you need to click the button to share the poll. Once you have shared the poll, you cannot launch it again. This includes during practice mode.
- The total character count on poll questions and answers is low for many platforms. Prepare exact questions prior to your AGM and add them ahead of time to avoid last minute troubles. You don't want to be editing "on the fly" as speakers and participants are waiting.

Passing motions

The chat function allows nonprofits to record motions. The speaker can ask for a motion verbally and/or onscreen. Members can type "first" or "second" in the chat box to indicate their support. Using the chat function as opposed to having members speak minimizes the chances of audio challenges, members speaking over each other, and ensures a record of voting.

Answering questions

The question "channel" is a great way to respond to questions and track them throughout the meeting. You can respond to attendees directly by message, or if you believe the question is helpful for everyone in the meeting, you can have the speaker respond to the question during their presentation.

06

What roles are needed

We've compiled a list of roles to help smooth the transition from in-person to online. We recognize that not all nonprofits have the capacity or number of staff or volunteers to match these roles. If you are a nonprofit with limited capacity, we recommend combining the roles and completing a mock AGM to ensure all team members are comfortable multi-tasking.

Presenter

Limiting the amount of speakers can help alleviate some of the logistical challenges of online AGMs. We recommend having one speaker to complete the introduction, land acknowledgement, and to present the motions. The speaker is usually the Chair of the Board. Make sure to delegate another team member to be responsible for advancing slides.

Slide Advancer

It is important to designate one person to be responsible for advancing all slides during a presentation. This could be a team member whose sole responsibility is advancing the slide deck or this could be combined with a Presenter role. It is important to keep the Slide Advancer apart from other roles.

Poll Manager

The Poll Manager is responsible for setting up the polls, launching the polls, and sharing the results with the attendees during the AGM.

07

What roles are needed

Chat and Motion Manager

The Chat and Motion Manager in an online AGM has two responsibilities. First, they tell the speaker when the AGM has met quorum and when a motion is passed. Second, if there is a question regarding a specific motion prior to passing, the moderator will present the question to the speaker.

To help limit the interruptions for questions, we recommend all questions not related to motions be discussed following the AGM.

Tech Support

Having a separate staff or volunteer(s) available for tech support ensures that the speaker and moderator can focus on the meeting. At ONN, we have one person completing tech support questions through the question box and another person available to answer questions by phone. The Tech Support team member can also be responsible for starting the AGM online and ending the AGM for all participants.

Phone/Email Reception Support

If your team has additional capacity, whether it's an additional staff member or volunteer, we recommend designating someone to answer email and phone questions during the set-up period.

Registration and reminders

Some of the platforms listed have their own registration functions to capture registrants' names prior to the AGM so you can track anticipated attendance. Or you can use other scheduling platforms, like online calendars, to do this. Some platforms also enable you to set automatic reminder emails to participants. You want to make it as easy as possible for participants to join (and find the meeting link in their full inboxes!).

08

Tips & tricks we've learned along the way

Have a few back-up members ready to join to ensure you have more than enough members registered for quorum

To ensure you meet quorum, make sure you have more registrants than needed (at least 20% more).

Always complete a mock AGM with your speaker and moderator

It’s important to ensure that each team member is comfortable with their role and the specific order of the AGM using the online platform you have chosen. What may seem straightforward on paper can be more difficult when carrying out in real time.

Complete technical testing at least one hour prior to starting the AGM

Tech testing, meaning audio and video checks for speaker (s)and moderator, only takes five to ten minutes if everything works. However, if it does not work, you will need the extra time to determine what the problem is. Trust us.

Have a back-up plan if audio cannot be fixed

Most online meeting platforms have an alternative call-in number for both speakers and attendees. Make sure that your speaker and moderator know the phone number prior to the event. Should their audio not be able to work, they can call in by telephone.

Tips & tricks...continued

Assume things will run late

Setting a timed agenda for your meeting is a helpful way to ensure you respect your attendees' time. Reviewing this at the beginning of the presentation will set expectations, while also helping attendees follow along. Since you cannot start the meeting without quorum, assume your meeting will start a few minutes late. It's easy to let attendees know that you have finished early. However, if you run late, you risk attendees leaving early and missing out on important information or votes.

Keeping attendees engaged

Keeping attendees engaged may be a challenge when completing online events such as AGMs. Here are some ways to improve attendee attentiveness during your AGM:

- Keep your AGM as concise as possible. If you plan on having an AGM for longer than 90 minutes, have a set break time in your agenda. You can also use polls and ask the audience questions to break-up content for longer AGMs.
- Have both your speaker(s) and moderator use their cameras so attendees can see their body language and expressions as they speak.
- Use clean, easy to read slides - especially for longer presentations. This means less words per slide, more images, and contrasting colours when possible. Here is a helpful list of slide deck recommendations by TED.

10

Templates and resources

Feel free to use our online AGM script template and AGM critical path template to start your planning.

Additionally, here are a few legal resources that may help:

- Nonprofit Law Ontario, free legal information to help you run a nonprofit
- AGMs during the COVID-19 pandemic, options and considerations for nonprofits
- Carters special COVID-19 update, legal information and implications for nonprofits

Questions and feedback

We welcome your feedback about this virtual AGM facilitation guide. Have additional resources to support nonprofits with AGMs?

Contact us by email (info@theonn.ca)or social media. Share them with us on social media by tagging us at @o_n_n (Twitter) and Ontario Nonprofit Network (Facebook and LinkedIn).

Virtual AGM Vendors and Services

	Vendor	Website	Details	Estimated Costs	
1	**Webcast Canada**	https://webcastcanada.ca/	Package includes: - One advance technical rehearsal with Webcast Producer. - One advance AGM rehearsal with all presenters, Webcast Producer and Voting Operator. - Branded webcast page with registration portal, webcast login page, and Q&A modules. - Email reminders sent to registrants. - Live technical support. - Control panel access to view number of, registrations, logins and questions. - Voting module with Operator. - Backup recording of video on server. - Platform management. - Webcast Producer with required equipment to stream event. - Voting Administrator to manage voting system. - Audience size of up to 5,000 viewers. - Post event login and audience question report, voting report and recording of event. - Webcast Production management and coordination. These factors could change the price: -Voting complexity (changing of motions, number of motions, calculations of voters, etc.) -Length of meeting. -Number of speakers/presenters. -Interpretation services.	Estimated cost $6,000-$9,000	customized weighted v amendmen number of and voting
2	**Lumi Global**	https://www.lumiglobal.com/	Offers Hybrid AGM, (in person and/or online) Electronic Voting and Virtual AGM, Presentations, Authenticated Shareholder verification, dedicated operator, software and data management	$10, 000 + depending on level of service	Dynamic O mobile eve engagemen event surve

Names and estimates are based on available information from vendor as of November 30, 2020. Final costs to be determined by features and volume selected by each member

	Vendor	Website	Details	Estimated Costs	
3	**Encore**	https://www.encoreglobal.com/	Offers 2 levels of virtual AGM's Level 1 Basic - includes full technical support and access to 2 types of Zoom platforms: Zoom Meeting or Zoom Webinar (OMIA used Webinar for 2020 Virtual AGM). This fee includes registration link, technical support prior to and during the meeting (muting/unmuting, Q & A and chat support), presentation management, recording and access up to 500 participants, 2+ weeks notice required prior to AGM. Level 2 Professional - offers hybrid virtual venue with custom logo's, back drop, personalized site development, live streaming, dedicated team to develop onsite and virtual presentations, voting capabilities, 4+ weeks notice prior to AGM required.	Level 1 Basic ~ $2,000 Level 2 Pro - ~$6,000 - $10,000	able to rec real time v
4	**Digicast**	https://www.digicast.ca/en/webcast/	Can do a poll and have different multiple choice answers to click and it comes out as a percentage. -can have a registration sheet and see who actually attended and for how long -can have a separate person managing the questions and checking off if they are answered Nothing to download, nothing to install either for the organizers, the speakers or the attendees Video and Audio webcast with two synchronized windows (media and ppt) Customizable lobby & registration pages Many levels of secured access PPT synch slides Web and SMS Q&A Polling Survey Online live support during the webcast Live and on demand reporting geolocalized, in real time and exportable in Excel Archiving	Approximately $8,000	-Live or on -Multi-bitra -Compatibl -Simultane discussion -Secure acc -Registratio -Interactive -Online pol -Simultane -Live statis -Global dis -Geo-redu

	Vendor	Website	Details	Estimated Costs	
5	**Broadridge**	[Broadridge AGM Services]	Live audio streaming optimized for desktop, tablet or mobile phone Single-step login and validation based on shareholder's control number Authenticated online voting and Q&A Robust and reliable infrastructure Simple process for your entire investor base of beneficial and registered shareholders	Core package fee for our solution is $8,000 and includes single slide, shareholder assistance line, and 12-month archive. Silver Package fee for our solution is $10,500 and includes everything listed in the Core package, plus the items in the attachment Gold Package fee for our solution is $16,000 and includes everything listed in the Core package, plus the items in the attachment Platinum Package fee for our solution is $20,000 and includes everything listed in the Core package, plus the items in the attachment	-Online val -Virtual onl -cashboard -Audio and Basic Packa Web Porta preview, h 8 hours of Remote sig Guest acce Single ager Shareholde Vote captu Live Q&A c Up to 1,00 One-hour l Meeting da Control nu Post meeti Post meeti Technical c

	Vendor	Website	Details	Estimated Costs	
6	**Go to Webinar**	https://www.gotomeeting.com/en-ca/webinar	-Reporting and Analytics -Polls, Handouts, and Q&A -Full Service Registration -Automated Emails -Accept Payments -Custom Branding -Integrations -VOIP, Phone & Toll Free -Online & Local Recording -GoToStage -1 Channel Page **500 Participants** -Reporting and Analytics -Polls, Handouts, and Q&A -Full Service Registration -Automated Emails -Accept Payments -Custom Branding -Integrations -VOIP, Phone & Toll Free -Online & Local Recording -GoToStage -3 Channel Pages -Custom URL -Recorded Events -Certificates -Video Editor	100 Participants - $104 a month, billed annually 500 Participants - $239 a month, billed annually	-Attendee -Event Ana -Source Tra -Integratio -Pre-recor -Recording -Polls & Su -Presenter -Engageme -Channel P on-demand -Custom R -Branding - images on -Webinar T -Flexible S -Event Ma

	Vendor	Website	Details	Estimated Costs	
7	**Zoom Meetings**	https://zoom.us/meetings	Able to host up to 100 participants, unlimited group meetings, Social Media Streaming. 1 GB Cloud Recording (per license) uilt-in collaboration tools Multiple participants can share their screens simultaneously and co-annotate for a more interactive meeting. Recording and transcripts Record your meetings locally or to the cloud, with searchable transcripts. Streamlined calendaring Support scheduling or starting meetings from Outlook, Gmail, or iCal. Team Chat Chat with groups, searchable history, integrated file sharing, and 10 year archive. Easily escalate into 1:1 or group calls. Voting Requirements can be met by using: Election Buddy	Zoom Pricing: $200/year/license External voting options to integrate with Zoom Meeting: • Election buddy pricing: Up to 20 voters free, up to 350 voters is $19 USD/voter • Swift Polling: up to 150 votes, free; up to 300 votes $15/mo • Simply Voting: up to 200 votes for $200 :	https

	Vendor	Website	Details	Estimated Costs	
8	**Zoom Webinar**	https://us02web.zoom.us/pricing/webinar	ZOOM VIDEO WEBINAR (ALL PLANS) 100 interactive video panelists, 49 viewable on screen at one time tooltip icon Screen Sharing from panelists (even videos with audio) Q&A with the ability to like and up-vote questions In-webinar text-chat Polling Attendee and webinar performance reporting tooltip icon Mute/unmute panelists Promote attendees to be panelists Whiteboarding and annotation tools Customizable branded registration pages Pre and post-webinar reminder emails Practice session for pre-event panelist prep tooltip icon Post-event survey link Recordings and transcripts tooltip icon Integration with CRM and marketing automation applications with registration and attendee information Live streaming to unlimited audiences on Facebook Live, YouTube, and custom streaming services PayPal Integration Language Interpreter support Source tracking (up to 50 sources)	100 Attendees $53 a month 500 Attendees $186 a month 1000 Attendees $452 a month Do not have to purchase a full year and can only do 1 Months worth.	Ease of use AGM

Names and estimates are based on available information from vendor as of November 30, 2020. Final costs to be determined by features and volume selected by each member

	Vendor	Website	Details	Estimated Costs	
9	**Microsoft Teams**	https://www.microsoft.com/en-ca/microsoft-365/microsoft-teams/group-chat-software	Hold up to 10,000 attendees, high quality audio and video communication for webinars, company-wide events and presentations inside or outside organization. Audio conferencing with global dial in numbers, secure, able to share content,	Need Office 365 in order to install Premium $25.60/user/month Standard $16.00/month + applicable taxes	less formal attendees, real time. protection manageme

Names and estimates are based on available information from vendor as of November 30, 2020. Final costs to be determined by features and volume selected by each member

	Vendor	Website	Details	Estimated Costs	
10	**Pragmatic**	https://pragmatic-conferencing.com/webcasting-services/	Service Highlights: No downloads for attendees Free & unlimited recordings Private branding and custom URL Comprehensive security controls Pragmatic advantages Reservations on demand Audio dial-in + slide integration Full pre-registration No unused line rates Access to the PIN code - On-time calls - No waiting times for participants -Accurate information in the lists of participants -More detailed participant lists Lead Operator Facilitated Q&A session (*1) Conference Viewer – Moderator control over the Q&A session Participant list Recording & replay (free)	-Base package (500 ports for 60 minutes): $950CAN -Additional ports: $150/100 -Additional time: $150/30 min -Operator-assisted audio dial-in: $0.14/min (optional)	OneCast cc in for all at managed, p polling, all Basic Featu • Video up • Desktop • Documer annotation • White bo

	Additional Providers Not Considered	**Why?**
Global	https://www.globibo.com/et/virtual-agm.php	Bigger than needed
EQS	https://www.eqs.com/en-us/ir-solutions/webcast/	Predominately webcasts
Hong Bao Media	https://www.hongbaomedia.com/Services/Virtual-and-hybrid-Annual-General-Meetings	Vendor located in Asia with no Canadian Representation
Motion Media	https://www.motionmediaworks.com/virtualagm	Bigger than needed
Dreamcast	https://www.dreamcast.in/blog/virtual-agm/	Vendor located in Asia with no Canadian Representation

Names and estimates are based on available information from vendor as of November 30, 2020. Final costs to be determined by features and volume selected by each member

Virtual Annual Meeting
Charter

Version #

Project Title:

VAM

Identifier:	Start Date	Target End Date
	Jan 6, 2021	Mar 13, 2021

Stakeholders

	Name	Department	E-Mail
Project Sponsor	Board		
Project Manager	Alec Harmer		
Other Stakeholders			
	Donna White		
	Warren Ting		
	Barb Dinnage		
	Ryan Colquhoun		
	Ashley Kamphorst		

Project Description

To create and implement HTM's first ever Virtual Annual Meeting

Project Purpose/Business Benefit

The pandemic has created an environment where an in-person annual meeting will not be possible. Extension beyond our regulatory required date of March 31st is not an option for 2021. This means we need to have a virtual meeting.

Here are some of the challenges we face...
1. Educating our policyholders on the new meeting process
2. Only policyholders can attend, so the registration process must have validations of attendees
3. There are several votes and with over 50 people (estimate), how do we record these votes
4. Potentially, one person could have voting rights of two or more organizations
5. Providing the opportunity for questions and comments during the meeting
6. Educating policyholders on the use of technology (how to vote for example)

Deliverables

We need to provide an annual meeting presentation consistent with the quality of an in-person event. We need to meet all regulatory and meeting requirements to ensure the annual meeting was "duly run".

Success Criteria

	Success Criteria	Authorization
	The project must be completed by the annual meeting	
	The meeting is held with the appropriate people in place	

	The meeting is held with appropriate controls in place	
	Voting on the important topics takes place and is recorded and accurate	
	All requirements for the annual meeting are successful	

In and Out of Scope

In Scope (Project Deliverables)		**Out of Scope** (Items that will not be delivered as an end result of this project)	
	Virtual planning meeting powerpoint		
	Scripts for all participants		
	Outlined duties for all support staff		
	Documentation to help policyholders		
	Use of current technology (Zoom)		

Constraints

Constraints (Project constraints include anythng that may limit the project team's ability to complete the project successfully)	
	The biggest constraint is regarding our software features (Zoom)

Risks

Risk Description	
	Connectivity
	Uninvited guests
	Missing votes
	Missing requests for question/comment
	Policyholder experience getting in to the meeting
	Disruption of the meeting (not muted, etc.)
	Loss of main presenter connectivity or freezing of software

Milestones

Milestone		**Target Completion Date**	✓
	Information to policyholders about the meeting	Jan 31, 2021	
	Document on how to access our meeting and registration process	Feb 28, 2021	
	Creation of Annual meeting presentation	Feb 28, 2021	
	Testing voting process	Feb 15, 2021	
	Rehearsing Scripts for presenters	Mar 5, 2021	
	Annual meeting presentation	Mar 13, 2021	

Resources

	Resource	Department
	Allan Sheppard, Chair	Director
	Dave Rutherford, Vice Chair	Director
	Brian Wilkinson	Auditor

Communication Plan

	Type	Audience	Frequency	Owner	Distribution Format
	Meetings - Virtual	Project Team	Bi-weekly	Alec	Zoom
	Board Update	Board	Monthly	Alec	Zoom

Project Team Roles & Responsibilities

	Role	Name	Responsibilities
	Project Manager	Alec	To ensure the project moves forward to meet all the milestones. Subject matter expertise on annual meeting requirements and voting. Presentation at the annual meeting.
	Presenter	Allan	Presentation to the policyholders at the virtual AGM.
	Presenter	Dave	Backup for Allan
	Presenter	Brian	As our Auditor, Brian will present the auditors report. He also acts as our parliamentarian
	Presenter / Technical	Donna	Donna will be presenting the financial report as well as providing technical assistance for the project
	Presenter / Administrative	Barb	Barb will present minutes of the 2020 annual meeting, communication to policyholders through various media of the meeting and access, reviewing virtual audience for voting confirmation and questions, backup for meeting minutes.
	Technical Support	Warren	Warren will provide additional technical support for the ZOOM product, reviewing virtual audience for voting confirmation and questions.
	Administrative Support	Ashley	Ashley will assist members of the project team, and preparing meeting minutes
	Technical	Ryan	Ryan will ensure the technology required to perform the meeting is suitable and investigate alternatives if necessary. Ryan will monitor the annual meeting and ensure backups are in place should a technical issue occur.

Project Approvals

Project Sponsor	Signature	Date
Project Manager	Signature	Date