



Michelle Caturay
Vice-President, Corporate Secretary
& Associate General Counsel
Corporate Secretary's Division
199 Bay Street
Commerce Court West, 44th Floor
Toronto, Ontario
Canada M5L 1A2
Tel. 416-980-3045
Fax. 416-980-7012
michelle.caturay@cibc.com

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Ms. Debra L. Sisti
Executive Director
Head of Canadian Research
ISS/Institutional Shareholder Services
Suite 203, 26 Wellington Street East
Toronto, ON M5E 1S2

Dear Debra:

In connection with Institutional Shareholder Services (ISS) 2018 Benchmark Policy Comment Period, we appreciate the opportunity to provide feedback on "Canada Policy - Director Elections - Overboarded Directors (TSX-Listed Issuers)". Our comments on ISS Canada's proposed policy change are below.

Numerical limit difference between ISS Canada and ISS US

ISS Canada and ISS US have different numerical limits in their policies on overboarded directors. As a result, we are concerned about the impact of ISS Canada's proposed policy change on directors who serve the boards of Canadian and US public companies.

ISS Canada policy on overboarded directors states: "Generally vote withhold for individual director nominees if:

- Irrespective of whether the company has adopted a majority voting director resignation policy, the director is overboarded AND the individual director has attended less than 75 percent of his/her respective board and key committee meetings held within the past year without a valid reason for these absences."

ISS Canada policy defines "overboarded" as: "'Overboarded" is defined by ISS as a CEO of a public company who sits on more than one outside public company board in addition to the company of which he/she is CEO; OR the director is not a CEO of a public company and sits on more than 4 public company boards in total."

ISS US policy on overboarded directors states: "Generally vote against or withhold from individual directors who:

- sit on more than five public company boards; or
- are CEOs of public companies who sit on the board of more than two public companies besides their own (withhold only at their outside boards)."

We do not understand the reason for different numerical limits in ISS policies on overboarded directors within North America. However, the presence of an attendance factor in the current overboarding policy of ISS Canada has helped bridge the gap between the different numerical limits for directors who serve on the boards of Canadian and US public companies. For example, at CIBC, we have strong performing US directors who serve on the boards of four US public companies in addition to CIBC. They are not considered overboarded under ISS US policy because they do not exceed the numerical limit of five public company boards, and they are not considered overboarded under the existing ISS Canada policy because of their excellent attendance record. The proposed policy change means that these directors would be considered overboarded by ISS Canada but not ISS US.

If ISS Canada proceeds with the proposed policy change, we recommend one of the following:

1. ISS Canada set the numerical limit for non-CEOs at five (rather than four) and for CEOs at two (rather than one) in alignment with ISS US to establish a North American approach; or
2. ISS Canada create an exception for directors who serve on Canadian and US public company boards to address the conflicting numerical limits on overboarding in ISS US policy.

Other relevant factors

The rationale underlying the policy of ISS Canada is director effectiveness. ISS Canada policy states: "Directors must be able to devote sufficient time and energy to a board in order to be effective representatives of shareholders' interests." We believe there are directors who have the time and ability to maintain the focus and commitment expected at board and committee meetings of multiple—public companies, but it is critical for a company's board or board committee to monitor director performance regularly and assess the impact of multiple board service (or other activities) on a director's contribution to and effectiveness in overseeing the business and affairs of that company.

As ISS Canada reviews its overboarding policy, we urge ISS Canada to consider public company disclosure on a variety of factors that are relevant to the effectiveness of a director who exceeds ISS Canada's numerical limit on the number of boards a director serves. Some examples of these factors may include the following:

- the director's meeting attendance record for the most recent fiscal year and prior fiscal years;
- the director's contributions at meetings and to the operation of the board;
- results of any board effectiveness/performance assessment;
- the role of that director on other boards; and
- industry, size, location, regulatory complexity and financial cycle of the public companies that director serves.

Transition period

We believe the proposed one-year transition period should be longer. We recommend a two year transition period to allow affected public companies sufficient time to recruit qualified directors to fill vacancies on the board that may arise from the retirement or resignation of a director who is considered to be overboarded under the proposed policy change. The process of determining the desired director profile; identifying potential candidates; meeting with candidates; conducting background and security checks; completing regulatory due diligence; and obtaining board approval on the appointment of a director could take up to a year or more depending on the candidate pool, the availability of the desired director nominee, and the complexity of a company's business and/or industry sector in which the company operates.

We would be pleased to discuss our comments. Thank you again for the opportunity to provide our feedback.

Yours truly,



Michelle Caturay
Vice-President, Corporate Secretary
& Associate General Counsel

- c. Michael Capatides
Senior Executive Vice-President, Chief Administrative Officer
& General Counsel