

Here are our comments on Canada and US proposed policies changes.

## **Canada**

### Director Overboarding

We do not have limits in our policy regarding overboarding. We do a case-by-case analysis. We find it difficult to rely on such numbers only to make a decision, since the information does not take into account the private company boards as well as non-profit organisations boards. As well, quality of the contribution is not factored in but we acknowledge the difficulty of such an exercise. However, we find useful to have this information – it helps in our case-by-case analysis.

### Equity Plan Scorecard

We are in favor of adopting a scorecard approach for Canadian Equity Plans.

The following factors should be more heavily weighted:

- Plan features
  - Reasonable share dilution from equity plans relative to market best practice.
  - Absence of problematic change-in-control (CIC) provisions.
  
- Grant practices
  - Reasonable three-year average burn rate relative to market best practices;
  - Meaningful time vesting requirements for the CEO's most recent equity grants (three-year lookback)
  - The issuance of performance-based equity to the CEO;

Potential share dilution is an important feature for us in order to ensure a reasonable proportion of compensation of executives compared to all the other shareholders. As well, CIC provisions must be reasonable and not an incentive to make financial transactions that would be to the benefit of management rather than the company's. We suggest to add the cost of shares buybacks in the consideration of the dilution since some companies seem to use it to reduce dilution after granting and exercising stock options. We acknowledge the complexity of it but we would appreciate to have at least the information on how many shares were bought back, in the reports.

As for grant practices, a burn rate must be reasonable in a long term and retention perspective as well as meaningful vesting requirements. We favor performance-based equity in general for reasons of aligning the interests of the management with those of the company.

### Compensation at Externally Managed Issuers

We are in favor of the proposed policy approach to review a range of factors for both director elections and say on pay resolutions at externally managed companies.

## **United States**

## Unilateral Board Actions

- Are there any unilateral board actions other than board classification or implementation of supermajority vote requirements to amend the bylaws or charter that you consider equally problematic in negatively impacting shareholder rights?

Proxy access issues and the conditions required.

- When, prior to or in connection with an initial public offering (IPO), the board classifies and implements supermajority vote requirements to amend the bylaws or charter, do you consider it appropriate to hold the directors accountable through continuing adverse vote recommendations at annual meetings following the initial public offering?

In general yes but maybe only for the Governance Committee members or president. An analysis of the specific situation should also be taken into consideration.

## Director overboarding

Same comments as for Canada.

## Compensation at Externally Managed Issuers

- Does your organization agree that an "Against" vote recommendation for an externally-managed company's say-on-pay proposal is appropriate when the company does not provide sufficient disclosure on executives' compensation arrangements with the external manager?

Yes. Such disclosure is essential to understand and analyze the compensation structure and make an opinion on the different compensation features. It is not possible to vote on such a proposal without disclosure on those arrangements. It would be equivalent of not having a SOP. It is also necessary to evaluate the reasonableness of the management fee.

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