

# Goodmans<sup>LLP</sup> Update

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## ISS Releases 2019 Proxy Voting Guidelines Updates for Canada

Institutional Shareholder Services Inc. (ISS) released its *2019 Americas Proxy Voting Guidelines Updates* effective for meetings held on or after February 1, 2019. Most notably, and as announced last year (see our November 20, 2017 Update, *ISS Releases Final 2018 Voting Policy Updates for Canada*), ISS is (i) expanding the scope of its Canadian board gender diversity policy to cover a broader universe of “widely held” companies listed on the Toronto Stock Exchange (TSX) and (ii) removing the attendance factor from, and increasing the thresholds of, its Canadian overboarding policy.

### Broadened Scope of Gender Diversity Policy

ISS introduced its board gender diversity policy for the 2018 proxy season for S&P/TSX Composite Index companies. Beginning in the 2019 proxy season, the policy will apply to “widely-held” companies, which ISS characterizes as not only S&P/TSX Composite Index companies, but also other companies ISS designates as such based on the number of ISS clients holding securities of the company.

Under the gender diversity policy, ISS will generally recommend voting “withhold” for the Chair of the nominating committee (or the Chair of the committee designated with the responsibility of a nominating committee, or the Chair of the board if no such committee or Chair has been identified), where:

1. the company has not disclosed a formal written gender diversity policy; and
2. there are more than four directors on the board, none of whom are female.

An exemption from the policy continues to apply for newly listed or graduated companies that will be given a one-year transition period before becoming subject to the policy.

### Harmonization Revisions to Overboarding Policy

ISS is also moving forward with previously announced changes to its director overboarding policy. Under the amended policy, beginning in the upcoming 2019 proxy season, a director’s meeting attendance record will no longer be relevant and the number of public company boards a director can serve on before he or she is considered to be overboarded has increased. The changes are intended to harmonize the Canadian policy with ISS’s U.S. guidelines.

Under the policy, ISS will generally vote “withhold” for individual director nominees who:

1. are non-CEO directors and serve on more than five public company boards; or
2. are CEOs of public companies who serve on the boards of more than two public companies besides their own.

Serving as a director of a parent or subsidiary public company will count in determining whether a CEO is overboarded. However, ISS will not recommend voting withhold at the CEO’s home company or any parent or subsidiary public company, even if the CEO is overboarded.

## Update on Potential Use of Economic Value Added (EVA) Data in Pay-for-Performance Model

ISS has been assessing the potential use of EVA data in the Financial Performance Assessment screen of its pay-for-performance model to add insight into company performance beyond market performance (TSR) and accounting performance (GAAP) measures. For the time being, ISS will continue to use GAAP measures in the Financial Performance Assessment and explore the use of EVA data. ISS plans to feature EVA metrics in ISS research reports on a phased-in basis over the 2019 proxy season.

Please contact any member of our [Corporate Securities Group](#) to discuss these developments and ensure your board is prepared for these changes.

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