

Goodmans^{LLP} Update

Glass Lewis Releases 2019 Canadian Proxy Voting Guidelines

Proxy advisor Glass, Lewis & Co. recently released its [2019 Canadian Guidelines to Proxy Advice](#). With few exceptions, these policy guidelines will apply to shareholder meetings beginning in January 2019. The new and amended policies address a number of issues at the forefront of the Canadian corporate governance landscape, certain of which are described below.

Environmental and Social Risk Oversight

Glass Lewis codified its approach to reviewing how boards monitor and manage environmental and social risks. For large-cap companies and in the instance where Glass Lewis identifies material oversight issues concerning environmental and social risks, Glass Lewis will review a company's overall governance practices and identify which directors have oversight of environmental or social issues. Glass Lewis will also note instances where this oversight has not been clearly defined by companies in their governance documents. If Glass Lewis determines a company has not properly managed environmental or social risks "to the detriment of shareholder value, or when such mismanagement has threatened shareholder value", it may consider recommending shareholders vote against responsible board members. Absent explicit board oversight of environmental and social issues, Glass Lewis may recommend shareholders vote against members of the audit committee or any other committee responsible for risk oversight.

Gender Diversity

Glass Lewis' previously announced board gender diversity policy will take effect for meetings held after January 1, 2019. Under this new policy, Glass Lewis will generally recommend voting against the nominating committee chair (and potentially other nominating committee members), if the board has no female members. Glass Lewis may also recommend voting against where the board has not adopted a formal written gender diversity policy. Unlike the Institutional Shareholder Services' policy, the Glass Lewis policy will use a single trigger. However, Glass Lewis indicated it may refrain from recommending against directors of companies outside the S&P/TSX composite index or if the board has provided a sufficient rationale for the lack of female board members (which rationale may include a timetable to address the lack of gender diversity and any notable restrictions in place regarding the board's composition).

Board Skills

Glass Lewis updated its guidelines to reflect its stance that companies should disclose sufficient information to allow for meaningful assessment of a board's skills and competencies. Beginning in 2019, Glass Lewis' analysis of director elections for S&P/TSX 60 index companies will include board skills matrices to assist in determining the board's skills and identifying any potential gaps.

Executive Compensation

Glass Lewis made the following changes and/or clarifications concerning its proxy voting policies relating to executive compensation:

- *Contractual Payments and Arrangements.* Glass Lewis extended its policy regarding contractual payments to and arrangements with executives to clarify the terms that may result in a recommendation against a say-on-pay proposal. When evaluating severance and sign-on arrangements, Glass Lewis will consider the general Canadian market practice and the size and design of entitlements.
- *Grant of Front-Loaded Awards.* A discussion of the practice of providing large grants intended to serve as compensation for multiple years, often referred to as front-loaded awards, was added to the 2019 policy guidelines. Glass Lewis believes there are certain risks associated with front-loaded awards, including that they effectively tie the hands of the compensation committee. Glass Lewis will take into account the quantum, design and company rationale in evaluating the granting of front-loaded awards.

- *“Clawback” Provisions.* Glass Lewis indicated it is increasingly focusing its attention on the specific terms of “clawback” policies and while review of such policies will not directly affect voting recommendations on say-on-pay proposals, it will inform Glass Lewis’ overview of a company’s compensation program.

Virtual Shareholder Meetings

Glass Lewis’ previously announced virtual shareholder meeting policy will take effect for meetings held after January 1, 2019. Under this new policy, Glass Lewis may recommend voting against members of the corporate governance committee if the board holds a virtual-only shareholder meeting and the company does not provide disclosure in its proxy circular assuring shareholders will be afforded the same rights and opportunities to participate in the meeting as they would have in person. Glass Lewis describes effective disclosure to include: (1) 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 how questions and comments will be recognized and disclosed to meeting participants; (2) procedures, if any, for posting appropriate questions received during the meeting and the company’s answers, on the investor page of the company’s website as soon as is practical after the meeting; (3) addressing technical and logistical issues related to accessing the virtual meeting platform; and (4) procedures for accessing technical support should any difficulties accessing the virtual meeting arise.

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

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