

## ISS Proposed Policy Changes for 2020

### 1. United States

#### *Problematic Governance Structure – Newly Public Companies*

ISS's proposed amended policy will recommend generally voting against or withholding from directors (individually, committees members or the entire board) if, prior to going public, the board adopted bylaw or charter provisions that are considered to be materially adverse to shareholders, specifically:

- Supermajority vote requirements to amend bylaws or charters
- Classified board structure
- Other egregious provisions

Not applicable to our corporation as a Canadian and US listed corporation.

Please note that the *Canada Business Corporations Act*, the Canadian federal legislation under which our corporation is amalgamated (ie organized), requires a supermajority vote for fundamental changes, including:

- Amending articles (charter)
- certain types of amalgamations
- dissolution
- continuance
- selling all, or substantially all, of the company's assets.

We expects that when ISS is assessing Canadian incorporated issuers, that the above expectations of U.S. listed issuers regarding supermajority voting would not apply.

#### *Problematic Capital Structure – Newly Public Companies*

ISS's proposed policy will recommend generally voting against or withholding from the entire board if, prior to going public or in connection with the public offering, the board implemented a multi-class capital structure in which classes of shares have unequal voting rights without subjecting the structure to a reasonable time-based sunset (no more than 7 years was seen as appropriate by more than have of the investor respondents).

Not applicable.

#### *Independent Board Chair – Shareholder Proposals*

ISS's proposed amendment to the policy (to generally recommend a vote in favour for shareholder proposals requiring that the board chair be filled by an independent director), removes the additional considerations that had been previously taken into account when considering an alternative recommendation. The proposed amendment also adds the factors that will be given substantial weight, noting that other considerations will still be taken into account, but do not need to be set out.

The added factors which will increase the likelihood of a FOR recommendation are:

- A weak or poorly defined lead independent director role that fails to serve as an appropriate counterbalance to a combined CEO/chair role;
- The presence of an executive or non-independent chair in addition to the CEO, a recent recombination of the role of CEO and chair, and/or departure from a structure with an independent chair.

Not applicable. Our practice is to have an independent Board Chair per best practice.

**Specific question for proposed change:** What other factors would your organization consider, if any, that should be taken into account and may increase the likelihood of supporting a shareholder proposal calling for an independent chair?

Not applicable. See above.

#### *Share Repurchase Program Proposals*

ISS's proposed amendment to the policy of voting for management's proposals to institute open market share repurchase plans, adds text to provide for safeguards from greenmail or buyback of insider shares at a higher than market price, boosting earnings per share to increase insider/executive compensation or to threaten long-term viability of the company.

**Specific question for this proposed change:** For companies solely listed in the U.S., would your organization consider other factors in determining whether or not to support a share buyback proposal (for example, the potential magnitude of the buyback as a percentage of outstanding shares, the duration of the authority, or maximum purchase price)? If yes, please specify.

Not applicable as our corporation is listed in Canada and the U.S.

However, on the topic of whether or not to support share buyback proposals, we would consider (a) the potential magnitude of the buyback as a percentage of outstanding shares, (b) the duration of the authority, and (c) the maximum purchase price.

## **2. Additional policy changes for the following regions include:**

### **Americas Regional and Brazil**

Indemnification Proposals, which include proposed amendments to ISS's policy to vote on a case-by-case basis for proposals seeing indemnification and liability protection for directors, officers, fiscal council members and employees. This change was made in order to address the use of D&O insurance coverage for protecting "administrators".

### **Continental Europe**

**Director Terms:** ISS's policy on Director Terms for Belgium, France, Greece, Netherlands, Spain and Switzerland, is proposed to be amended to expand the expectation of a four-year maximum board term to all European companies and providing a one-year transition period to comply (until 2021). This will impact Germany and Austria who currently have the legal maximum term of 5 years for re-election.

*Board Gender Diversity:* ISS is proposing the addition of a Diversity section to its Non-Contested Election of Directors policy, requiring boards to adhere to domestic legal requirements or local best practice, or in the absence of either to align with European established practice. ISS's policy is to generally vote against the nominating committee chair or other directors when there are no female directors on the board (of a widely-held company). Will consider the commitment to appoint at least one female within a year, or other relevant factors.

*Remuneration Committee Responsiveness:* ISS proposed to amend their policy to provide an adverse vote recommendation, on a case by case basis, for the reelection of the chair, and where relevant other members, of the compensation committee, reelection of the board chair, etc., where companies have not responded or made visible changes to remuneration practices following continued and systematic shareholder dissent on pay issues.

*Use of Discretion by Remuneration Committees:* ISS proposes to amend its policy to require compensation committees to demonstrate how targets subject to discretion are no less challenging than original targets and that business performance remains properly reflected in targets subject to discretion.

#### **UK & Ireland**

*Board Gender Diversity:* ISS proposed to amend its current policy to add a gender diversity section in its board of director policy, requiring at least one female director on the board of widely-held companies. This proposed amendment aligns with ISS US and Continental European approaches.

*Use of Discretion by Remuneration Committees:* ISS proposes to amend its policy to add the requirement for the remuneration committee to disclose how it accounts for ESG matters when determining remuneration outcomes, and if they are not reflected in compensation outcomes, the reasons why.