



Canada Compensation Policies for 2019

Preliminary Frequently Asked Questions

Effective for Meetings on or after February 1, 2019
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Introduction

Each year, ISS publishes Frequently Asked Question (FAQ) documents and a methodological whitepaper designed to help all stakeholders understand upcoming changes to ISS' Canada compensation-related policies.

This preliminary FAQ document sooner addresses certain questions that ISS has received regarding potential changes to the Canadian compensation policies, in advance of the more detailed information to be provided in the comprehensive updates to the FAQs and whitepaper coming in January.

Unless otherwise noted, methodology changes noted in this document are effective for meetings on and after Feb. 1, 2019.

Quantitative Pay-for-Performance Screens

1. Will any of the quantitative pay-for-performance screens change for 2019?

No. There will be no changes to the quantitative screens for the 2019 proxy season. The secondary Financial Performance Assessment screen will continue to use GAAP/accounting performance measures. However, ISS will continue to explore the potential for future use of Economic Value Added (EVA) measures to add additional insight as part of the financial performance analysis. To that end, EVA measures will be featured in ISS research reports on a phased-in basis over the 2019 proxy season, although not as part of the quantitative screen methodology.

Canadian Equity Plan Scorecard (EPSC)

The below is not an exhaustive list of updates to the Equity Plan Scorecard (EPSC) methodology for 2019. The answers to these questions may be useful in understanding some of the more significant changes to the Canadian EPSC for annual meetings on or after Feb. 1, 2019. Refer to the comprehensive FAQ documents to be published in January for more information.

2. Will the EPSC passing scores change?

No, the passing scores for all Canadian EPSC models will remain the same as in effect for the 2018 proxy season.

3. Are there any substantive changes to the other EPSC factors?

The change in control (CIC) vesting factor will be updated to provide points based on the quality of disclosure of CIC vesting provisions, rather than based on the actual vesting treatment of awards. Specifically, full points for this factor will be earned where the company's equity plan discloses with specificity the CIC vesting treatment for both performance- and time-based awards. If the plan is silent on the CIC vesting treatment for either type of award, or if the plan provides for merely discretionary vesting for either type of award, then no points will be earned for this factor.

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