

Glass Lewis 2022 Canadian Policy Updates

On November 16, 2021 Glass Lewis released its annual policy updates for the upcoming proxy year. Below is a summary of these changes as they apply directly to the Canadian market. The full text of Glass Lewis' 2022 proxy voting policy guidelines for Canada can be found [here](#).

Primary Updates

1) Board Gender Diversity

Glass Lewis has replaced all references to female directors or women within their guidelines with "gender diverse directors". "Gender Diverse Directors" is defined as directors that identify with a gender other than male.

For meetings held after January 1, 2022 the following voting policy will apply:

- **TSX listed issuers with more than six directors:** Minimum of two gender diverse directors on the board.
 - Companies with only one gender diverse director are at risk of a negative recommendation for the chair of the nominating committee.
 - Companies with no gender diverse directors on the board are at risk of receiving negative recommendations for all directors who serve on the nominating committee.
- **TSX listed issuers with six and fewer directors and all venture listed issuers:** Minimum of one gender diverse directors on the board.

In each case, Glass Lewis may refrain from making negative recommendations if the company has provided sufficient explanation or disclosed a plan to address the lack of diversity on the board.

For meetings held after January 1, 2023 the following voting policy will apply:

- **TSX listed issuers:** 30% gender diversity.

2) Environmental and Social Risk Oversight

For meetings held after January 1, 2022, Glass Lewis will **begin noting** environmental and social disclosure concerns at all S&P/TSX Completion Index constituents (the S&P/TSX Completion Index is comprised of all S&P/TSX Composite Index companies except for constituents of the S&P/TSX 60). Prior to this update Glass Lewis was only noting concerns at constituents of the S&P/TSX 60. Glass Lewis will be noting concerns where these constituents have not provided clear disclosure relating to board-level oversight of environmental and/or social issues.

For meetings held after January 1, 2023, Glass Lewis will **generally recommend voting against** the governance chair of S&P/TSX Composite Index constituents that fail to provide explicit disclosure surrounding the board's role in overseeing environmental and/or social issues.

Glass Lewis believes effective board oversight of E&S can be conducted by specific directors, the entire board, a separate committee, or combined with the responsibilities of a key committee.

3) Multi-Class Share Structures with Unequal Voting Rights

Starting in 2022, Glass Lewis will recommend voting against the governance chair at companies with a multi-class share structure and unequal voting rights in the absence of a reasonable sunset provision (generally seven years or less).

4) Size of Key Committees

For meetings held after January 1, 2022, Glass Lewis will generally recommend voting against the compensation, nominating and/or governance committee chair at any Canadian issuer if the respective committee does not have more than one member for the majority of the fiscal year.

Clarifying Amendments

Overall Approach to ESG

To help provide additional details regarding their considerations when evaluating ESG related topics, Glass Lewis has added a new section to its policy titled “Glass Lewis’ Overall Approach to ESG”. This new section describes in detail, the disclosure that Glass Lewis expects to see in companies’ circulars that assists shareholders in understanding how ESG factors are being considered and how attendant risks are being mitigated.

Shareholder Proposals

A new sub-section titled “Shareholder Proposals” has been added to the “Governance Structure and the Shareholder Franchise” section of Glass Lewis’ policy guidelines. This new sub-section summarizes Glass Lewis’ case-by-case approach to evaluating shareholder proposals with an ultimate view on promoting long-term shareholder value.

Linking Executive Pay to Environmental and Social Criteria

Glass Lewis has included its view on the use of E&S metrics in the variable incentive programs for named executive officers. This view does not provide a policy on the inclusion of these metrics, but rather the expectation from Glass Lewis for robust disclosure on the metrics, performance targets, and potential payout determinations.

Short-Term and Long-Term Incentives

For short-term and long-term incentive awards, Glass Lewis will consider adjustments to GAAP financial results in their analysis. Clear disclosure surrounding rationale for any adjustments to metrics or results is equally important for both long-term and short-term incentive awards.

Grants of Front-Loaded Awards

For front-loaded incentive awards, Glass Lewis will now be evaluating the impact of the overall size of awards on dilution of shareholder wealth in addition to the quantum of the award on an annualized basis for the full vesting period of the awards.

Authorizations/Increases in Authorized Preferred Stock

Glass Lewis will generally recommend voting against a company’s request for preferred stock authorizations or increases in the absence of disclosure from the company that this request will not be used as an anti-takeover defense or in a shareholder rights plan, unless the company indicates that any shareholder rights plan will be put to a shareholder vote prior to its adoption.

Disclosure of Fees for Audit Services

Where a company has not clearly disclosed the breakdown of fees paid to its external auditing firm for the most recent fiscal year, Glass Lewis will recommend voting against the audit committee chair.

Additional Updates

Laurel Hill’s 7th Annual Trends in Corporate Governance

Additional updates on governance in the Canadian market can be found in Laurel Hill’s 7th annual Trends in Corporate Governance report which can be found [here](#).

About Laurel Hill

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