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Glass Lewis Updates Benchmark Voting Policy

On November 24, 2020, Glass, Lewis & Co., LLC ("**Glass Lewis**") released its new 2021 Proxy Voting Policy Guidelines. Both the Canadian and U.S. policies take effect for shareholder meetings held on or after January 1, 2021, except for the policies on gender diversity and board oversight of environmental and social issues, which will be effective in 2022.

The following is a selected summary of updates to the Proxy Voting Policy Guidelines.

I. **Canada**

Board Gender Diversity

The current voting policy recommends voting against the chair of a nominating committee where the board has no female directors. For issuers listed on the Toronto Stock Exchange (the "**TSX**"), beginning with shareholder meetings held after January 1, 2022, Glass Lewis will increase this threshold to a negative voting recommendation for the chair of a nominating committee of a board with fewer than two female directors. However, the requirement will remain at one female director for boards with six or fewer total members.

The 2021 policy notes a holistic approach to analyzing board gender diversity. While beginning in 2021, Glass Lewis will begin to flag boards of TSX-listed issuers as a concern for having only one female director and will conduct a review of company disclosure on diversity considerations, targets and timelines, where the board has provided a sufficient rationale or plan to address the lack of diversity, it may treat those as mitigating factors against a negative recommendation.

Compared to the recently updated policy of Institutional Shareholder Services Inc. requiring a minimum of 30% female directors for issuers on the S&P/TSX Composite Index, the 2021 Glass Lewis policy covers a greater range of issuers. However, coupled with Glass Lewis' policy that boards should have at least five members to establish diversity, the updated two-female member requirement for 2022 represents a similar threshold that is easier to meet for companies with larger boards.

Board Skills

Under the 2021 policy, Glass Lewis may recommend voting against the chair of the nominating committee of a board that has not addressed major board composition concerns, including the composition, mix of skills and experience of non-executive members.

This is a continuation of Glass Lewis' approach to requiring boards with a diverse range of skills including its 2020 update which requires issuers to provide sufficient disclosure to permit a meaningful assessment of board skills.

Board Refreshment

The 2021 policy will flag instances where the average tenure of non-executive directors is 10 years or more and no new independent directors have joined the board in the past five years. While Glass Lewis will not make negative recommendations based solely on board tenure, it will be factored into its assessment and may be a contributing factor in a negative recommendation.

The 2021 update is a shift in Glass Lewis' approach to board refreshment. The prior policy noted that experience was a valuable asset on a board and a lack of refreshment might contribute to insufficient board responsiveness to poor performance only in rare cases.

Environmental and Social Risk Oversight

Beginning in 2021, Glass Lewis will flag boards of S&P/TSX 60 index issuers which do not provide clear disclosure concerning board oversight over environmental and/or social issues. For shareholder meetings held after January 1, 2022, Glass Lewis will generally recommend a

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negative vote against the chair of the governance committee of such issuers.

Glass Lewis' overall policy towards such oversight remains the same as in the previous year. Additionally, for large-cap companies, it may make a negative recommendation against members of the board responsible for oversight of environmental and social risks if they are not appropriately managed or mitigated. Further, in the absence of explicit board oversight, Glass Lewis may also make a negative recommendation against members of the audit committee.

Financial Expertise

Beginning in 2021, Glass Lewis will flag audit committee members of TSX-listed companies for lack of professional experience. The 2021 policy represents a stricter level of scrutiny over audit committee standards but does not move the goalposts on qualifications. While Glass Lewis' previous policy expressed skepticism towards audit committees whose members did not exhibit the aforementioned credentials, it stopped short of requiring that each audit committee have at least one such member.

In Glass Lewis' view, the audit committee should have "at least one member with experience as a certified public accountant, CFO or corporate controller of similar experience, or demonstrably meaningful experience overseeing such functions as senior executive officers". This definition is stricter than the "financial literacy" requirement of the Canadian Securities Administrators and is similar to the "audit committee financial expert" requirement of the U.S. SEC. Glass Lewis will not make a negative recommendation solely for lack of professional experience on the audit committee but will weigh it if there are audit committee performance issues.

Director Attendance/Committee Meeting Disclosures

In its 2020 policy, Glass Lewis announced two changes which take effect in 2021. It will make a negative recommendation against the governance committee chair of TSX-listed companies when the number of audit committee meetings that took place during the most recent year is not disclosed and a negative recommendation against the audit committee chair of such companies if the audit committee did not meet at least four times during the year.

Short-term Incentives

In its prior policy, Glass Lewis required clear justifications to accompany any increase in the potential target and maximum award under a short-term incentive plan. The update expands this requirement to include clear justifications for any decrease in target and maximum performance levels from the previous year.

Additionally, the updated policy includes retroactively pro-rating performance periods as an example of an application of upward discretion for which Glass Lewis expects a robust discussion of its necessity.

Long-term Incentives

Glass Lewis' updated policy includes that a significant portion of long-term incentives should consist of performance-based awards, and those incentive plans which do not may, along with other factors, contribute to a negative recommendation. Additionally, outside of exceptional circumstances, Glass Lewis has a negative view to instances where performance-based awards are significantly rolled back or eliminated from an issuer's long-term incentive plan and this may lead to a recommendation against the proposal.

New Policies Introduced in 2021

The following provisions are new inclusions to Glass Lewis' Canadian Proxy Voting Guidelines:

- *Exclusive Forum Provisions*. Negative recommendation against any amendments to the bylaws or articles seeking to adopt an exclusive forum provision (a limitation on choice of legal venue) unless the company: (i) provides a compelling argument on why the provision would directly benefit shareholders; (ii) provides evidence of abuse of legal process in other, non-favored jurisdictions; (iii) narrowly tailors such provision to the risks involved; and (iv) maintains a strong record of good corporate governance practices.

- *Change of Jurisdiction / Continuance*. Expectation that shareholders be presented with a comparison of substantive changes between the current jurisdiction and that which the company proposes to continue into. Glass Lewis will evaluate each difference individually to decide if the proposed change of continuance is in the best interests of the company and its shareholders.

- *Poor Disclosure Standards*. Negative recommendation against the chair of the governance committee responsible for poor disclosure standards. Glass Lewis will assess whether disclosure standards are poor, unclear, outdated or contradictory and will include an evaluation of the clarity of disclosure of the rate of representation of "Designated Groups" at the board and management-level for companies incorporated under the *Canada Business Corporations Act*.

Clarifying Amendments

- *Independence Classification*. Glass Lewis considers employees of significant shareholders and explicit designees of such shareholders to be affiliated and employees of a company's ongoing major beneficial shareholder or party of interest through a material financial relationship will be considered affiliated for three years after they cease to be employed by such party, so long as the party continues to have a relationship with such company.

- *Advisory Vote on Compensation*. Companies that do not provide shareholders with an advisory vote on executive compensation will have the re-election of compensation committee members closely scrutinized.

- *Option Exchanges and Repricing*. Glass Lewis generally opposes option exchanges and repricing proposals. The amendments emphasize that Glass Lewis may make an exception if such proposals exclude officers and board members from the program and the program is value-neutral or value-creative.

- *Peer Group Methodology*. Glass Lewis confirms that in analyzing pay-for-performance it will use a proprietary peer group which considers both country-based and sector-based peers, along with each company's network of self-disclosed peers. Each component is considered on a weighted basis and is subject to size-based ranking and screening.

II. United States

Generally, the U.S. 2021 voting policy mirrors its Canadian equivalent, with minor variations:

- *Board Gender Diversity*. Beginning with shareholder meetings held after January 1, 2022, the threshold for a negative recommendation for the chair of a nominating committee will increase from at least one female director to at least two female directors. However, the requirement will remain at one female director for boards with six or fewer total members. Glass Lewis acknowledges that individual states have legislated their own board diversity requirements and will make recommendations in accordance with such applicable state laws.

- *Board Refreshment*. Glass Lewis will flag instances, but not automatically provide a negative recommendation where the average tenure of non-executive directors is 10 years or more and no new independent directors have joined the board in the past five years.

- *Environmental and Social Risk Oversight*. Beginning in 2021, Glass Lewis will flag boards of S&P 500 index companies which do not provide clear disclosure concerning board oversight over environmental and/or social issues. For shareholder meetings held after January 1, 2022, Glass Lewis will generally recommend a negative vote against the chair of the governance committee of such companies.

- *Short-term and Long-term Incentives*. Glass Lewis made substantially similar clarifying amendments to its policies on short- and long-term incentives including expectations for clearly disclosed justifications and a requirement of appropriate allocations of performance-based compensation.

New Policies Introduced in 2021

The following provisions are new inclusions to Glass Lewis' U.S. Proxy Voting Guidelines:

- *Disclosure of Director Diversity and Skills*. Glass Lewis will begin to track and use the following factors to help inform its assessment of a company's overall governance: (i) the board's current percentage of racial/ethnic diversity; (ii) whether the board's definition of diversity explicitly includes gender and/or race/ethnicity; (iii) whether the board has adopted a policy requiring women and minorities to be included in the initial pool of candidates when selecting new director nominees; and (iv) board skills disclosure. At this stage, Glass Lewis will not be making voting recommendations solely on the basis of this assessment in 2021 but this may be a factor when additional board-related concerns have been identified.

Clarifying Amendments

- *Board Responsiveness*. Glass Lewis may issue an opinion where management proposed resolutions received over 20% opposition at a prior year meeting.

- *Governance Following an IPO or Spin-Off*. For issuers with post-IPO corporate governance concerns, Glass Lewis will generally target governance committee members but may expand its recommendation to additional nominees in cases where there is no governance committee, or if a portion of such committee members are not standing for election due to a classified board structure. For companies that adopt a multi-class share structure with disproportionate voting rights, or other anti-takeover mechanisms, preceding an IPO, Glass Lewis will also generally recommend voting against all members of the board who served at the time of the IPO if the board: (i) did not also commit to submitting these provisions to a shareholder vote at the company's first shareholder meeting following the IPO; or (ii) did not provide for a reasonable sunset of these provisions (generally three to five years in the case of a classified board or poison pill; or seven years or less in the case of a multi-class share structure). In the case of a multi-class share structure, if these provisions are put to a shareholder vote, Glass Lewis will examine the level of approval or disapproval attributed to unaffiliated shareholders when determining the vote outcome.

- *Excise Tax Gross-Ups and Votes on Golden Parachute Payments*. With respect to the addition of new excise tax gross-ups to specific change-in-control transactions, Glass Lewis may consider expanding a negative recommendation beyond the golden parachute proposal in which the gross-up entitlements first appear to also include a subsequent recommendation against the compensation committee members and the say-on-pay proposals of any involved corporate parties.

- *Option Exchanges and Repricing*. Glass Lewis adopts the same clarifying amendments as the Canadian policy with respect to exceptions based on proposals that exclude officers and board members from the program and programs which are value-neutral or value-creative.

- *Peer Group Methodology*. This amendment is also the same as the Canadian version. In analyzing pay-for-performance, Glass Lewis will use a proprietary peer group which considers both country-based and sector-based peers, along with each company's network of self-disclosed peers. Each component is considered on a weighted basis and is subject to size-based ranking and screening.

- *Virtual-Only Shareholder Meetings*. The temporary exception to the virtual-only shareholder meetings policy expires and the standard policy will be in effect. For companies holding virtual-only shareholder meetings, Glass Lewis will recommend withholding votes from the chair of the governance committee if the company does not provide robust disclosure in the proxy statement addressing the ability of shareholders to participate in the meeting including a shareholder's ability to ask questions at the meeting, procedures, if any, for posting questions received during the meeting and the company's responses to such questions, and logistical details for meeting access and technical support.

III. **Environmental, Social & Governance ("ESG")**

In addition to updates to the Canadian and U.S. Proxy Voting Guidelines, Glass Lewis published its 2021 policy specific to ESG initiatives. The policy was previously published as more broadly referring to shareholder initiatives.

Diversity Reporting

Glass Lewis has updated its policy to provide that it will generally support shareholder proposals requesting that companies provide EEO-1 reporting. The EEO-1 is a U.S. form submitted to the U.S. Equal Employment Opportunity Commission that requires disclosure of employment data categorized by race/ethnicity, gender and job category.

Additionally, instead of incorporating a company's industry or the nature of its operations into the factors considered when evaluating diversity reporting proposals, Glass Lewis will consider instead "whether the requested disclosure would meaningfully benefit shareholders' understanding of the company's diversity considerations".

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Management-Proposed ESG Resolutions

Glass Lewis has codified its approach to management-sponsored proposals that deal with environmental and social issues. It will take a case-by-case approach to these proposals, and will consider a variety of factors, including: (i) the request of the resolution and whether it would materially impact shareholders; (ii) whether there is a competing or corresponding shareholder proposal on the topic; (iii) the company's general responsiveness to shareholders and to emerging environmental and social issues; (iv) whether the proposal is binding or advisory; and (v) management's recommendation on how shareholders should vote on the proposal.

Glass Lewis notes that currently, such proposals are infrequent and have covered many topics.

Climate Change

The updated policy takes a stricter approach to climate change. Specifically, Glass Lewis believes all companies in every industry should address climate change and it will no longer consider the company's industry when reviewing climate reporting resolutions. Glass Lewis will generally recommend in favor of shareholder resolutions requesting that companies provide enhanced disclosure on climate-related issues.

Glass Lewis also codified its approach to proposals on climate-related lobbying and noted that it will generally recommend in favor of proposals to enhance disclosure on climate-related lobbying but against such proposals if they would require the company suspend its memberships in or otherwise limit the company's ability to participate fully in the trade associations of which it is a member.