LAUREL HILL

2023

TRENDS IN

CORPORATE GOVERNANCE

LETTER FROM THE PRESIDENT

Since 2015, Laurel Hill Advisory Group has tapped into our team's industry-leading expertise and observations from our work with some of Canada's leading companies to publish a comprehensive annual report outlining the key trends, risks, and challenges in corporate governance and shareholder activism. We appreciate that our annual report is now sought as a valuable resource for our clients in preparing for the upcoming proxy season and identifying and managing risks throughout the year.

As the complexity and scope of shareholder meetings continue to increase with each passing year, we're gathering ever-greater analysis, insights, and takeaways. As a result, our report continued to expand in volume and reputation as a resource with great depth and value for our clients.

That drove our decision to publish two annual reports this year—the first being the one you're about to read, our *Trends in Corporate Governance Report*. This volume covers non-contested director elections, auditor votes, executive compensation, shareholder proposals, virtual meetings, and ESG developments. The second volume, *Trends in Shareholder Activism Report*, will launch in November. It will deliver the latest information and data on board and transactional activism, unsolicited offers, and short-selling activism. We are confident this format change will ensure each report is a more focused reference tool and will continue to deliver the current and trending information and insights you have come to expect from the Laurel Hill team.

As you read through this 2023 *Trends in Corporate Governance Report,* you will notice the 2023 proxy season is built upon key 2022 developments. Director elections received increased scrutiny, particularly as it relates to gender diversity and executive compensation practices, and there are evolving investor expectations related to other forms of diversity; investors are expressing growing concern with long-tenured auditors; environmental and social considerations continue to dominate the shareholder proposal agenda; and while virtual-only meetings have remained the format of choice for many issuers this year, issuers should be reminded that many institutional investors have concerns with a virtual-only format.

Of course, we would be remiss if we did not mention executive compensation and equity plans. Overall support for Say-on-Pay votes remains relatively unchanged from 2022. These votes continue to be heavily influenced by the two major proxy advisory firms' vote recommendations, and we routinely see negative recommendations catch companies by surprise. As it relates to equity compensation plan votes, these continue to receive intense scrutiny from proxy advisory firms and institutional investors, with negative recommendations increasing across the board.

I am extremely pleased to note that Laurel Hill was Canada's #1 Firm Overall in 2022 based on the number of publicly disclosed mandates. On behalf of the Laurel Hill team, we thank our clients and supporters across corporate Canada for their ongoing support. In an industry built on experience, our collaborative approach and over 250 years of combined experience make certain that our clients are best positioned to generate the results they require. We are committed to continuing to build on this honour and ensuring we make a difference with every mandate awarded to us.

We welcome your feedback and look forward to working with you as you prepare for 2024.

Sincerely,

David Salmon
President
September 2023

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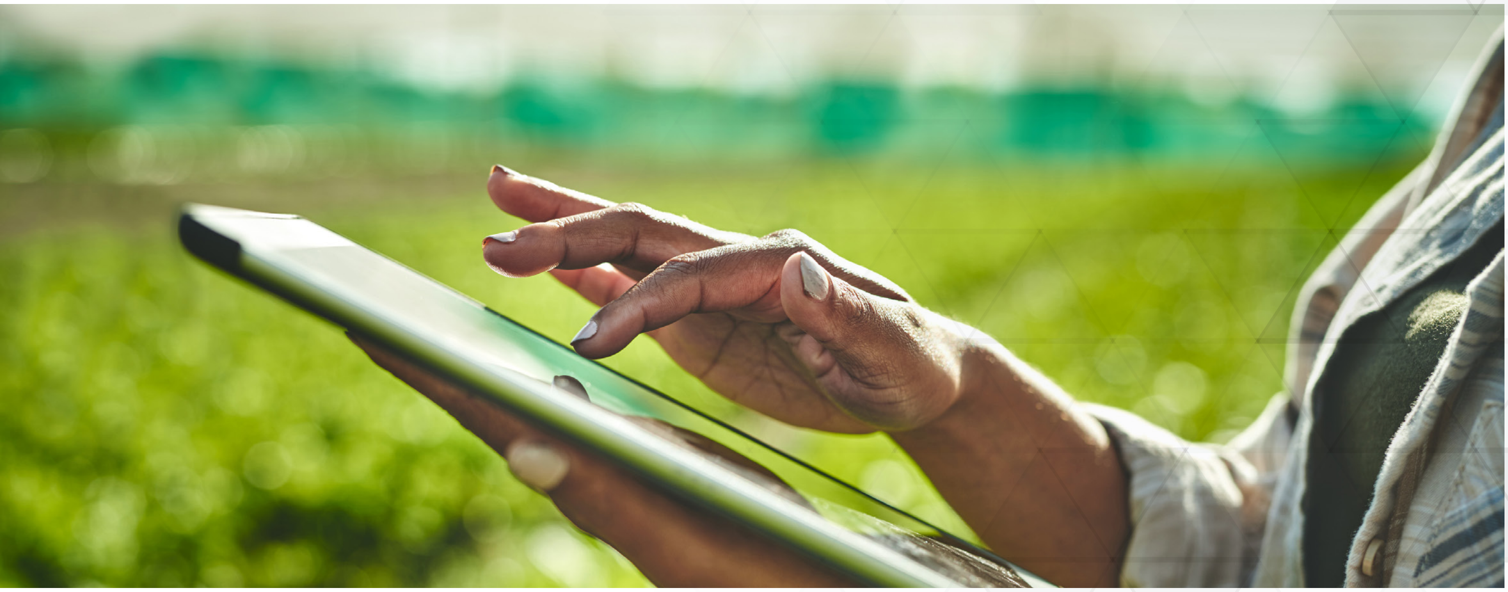
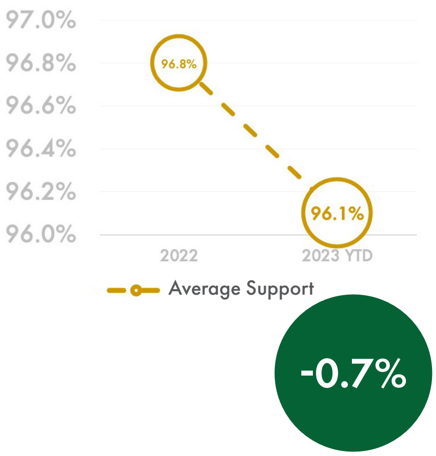
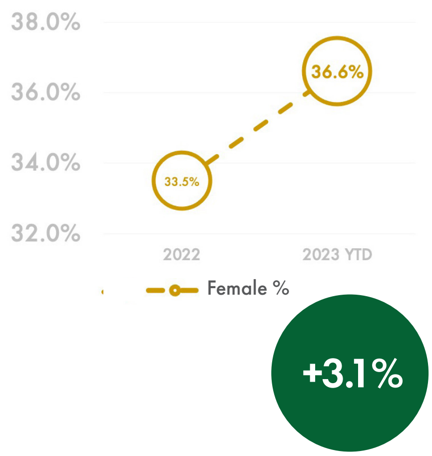


GOVERNANCE TRENDS AT A GLANCE FOR TSX COMPOSITE INDEX COMPANIES

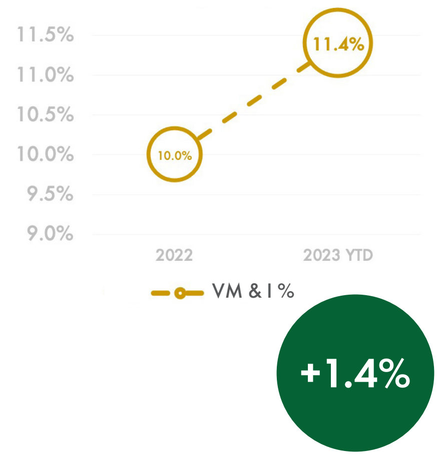
AVERAGE SUPPORT FOR THE ELECTION OF DIRECTORS



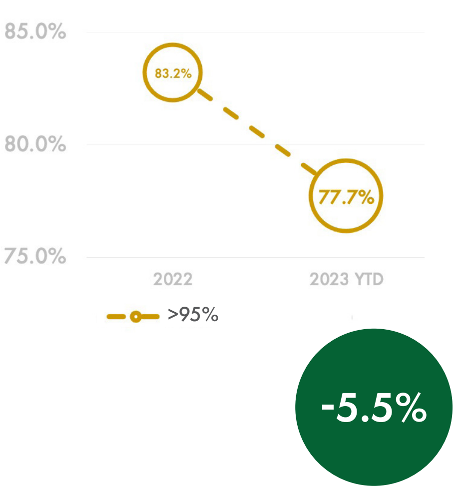
% OF BOARD SEATS HELD BY WOMEN



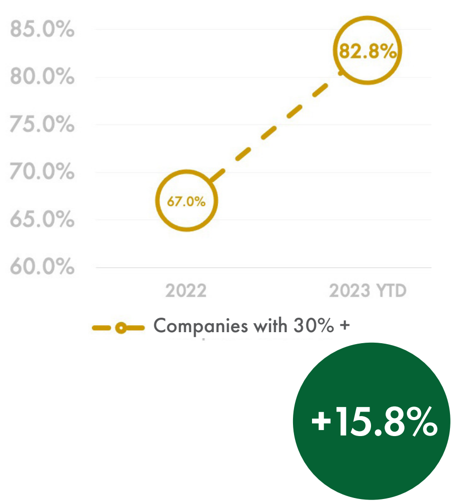
% OF BOARD SEATS HELD BY VISIBLE MINORITIES (VM) AND INDIGENOUS PEOPLE (I)



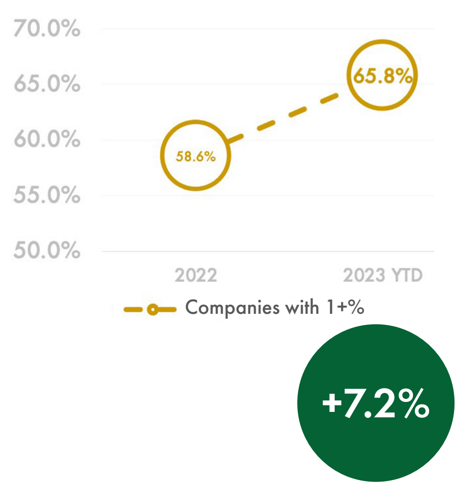
DIRECTORS WITH >95% VOTE SUPPORT



% OF COMPANIES WITH >=30% FEMALE DIRECTORS



COMPANIES WITH AT LEAST ONE VISIBLE MINORITY OR INDIGENOUS DIRECTOR



Source: Public Company Filings

ELECTION OF DIRECTORS FOR TSX COMPOSITE INDEX CONSTITUENTS

WHAT YOU NEED TO KNOW:

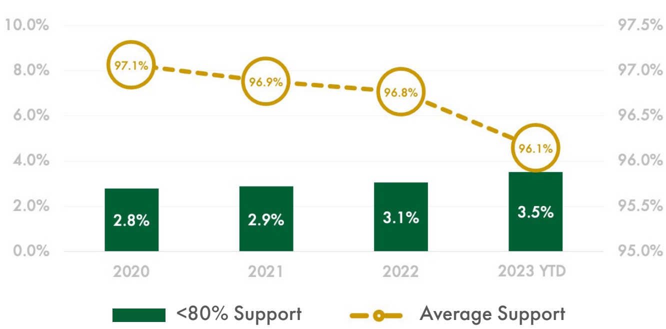
- As proxy advisor and institutional investor custom voting policies have become stricter, vote support for directors has declined year over year.
- A vast majority of TSX Composite Index constituents have at least 30% women on their boards.
- Institutional Shareholder Services ("ISS") is introducing a voting policy based on the representation of visible minorities and Indigenous people on boards in 2024. Based on the 2023 board composition, about one-third of the index would not meet the new standard.

OVERALL VOTE SUPPORT FOR DIRECTORS

The election of directors is typically a routine matter. Historically, nearly all directors at all companies would get unanimous support. However, in the last few years, cracks have started to show in the foundations. Proxy advisory firms, ISS and Glass Lewis, have increased their negative shareholder votes and negative recommendations. Shareholders are increasingly using custom voting policies, which are stricter in certain areas than proxy advisor benchmark policies.

The following shows the general downward trend in overall average support for directors:

AVERAGE SUPPORT OF DIRECTORS



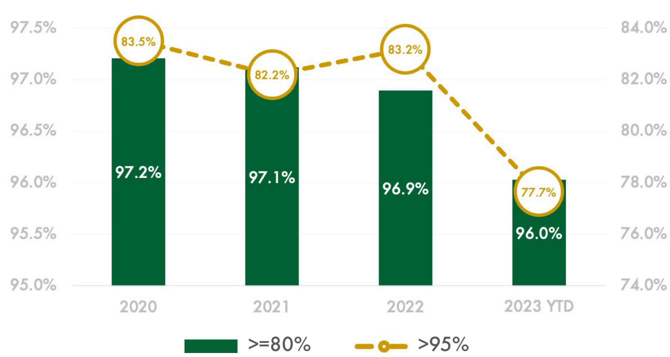
Source: Public Company Filings

THE IMPORTANCE OF >80% SUPPORT AND BOARD RESPONSIVENESS

Directors at TSX-listed companies are duly elected and not subject to majority voting requirements if they receive more than 50% of votes cast. From a securities law or exchange rule perspective, there are no further reporting obligations. However, the proxy advisors' voting policies apply greater scrutiny to directors duly elected with less than 80% of votes cast in favour. The proxy advisors expect that companies provide additional disclosure for each nominated director after receiving less than 80% of votes cast in a previous year. Failing to demonstrate appropriate board responsiveness may garner negative recommendations from the proxy advisors. The number of directors failing to obtain at least 80% support has increased every year since 2020.

Economists often cite interesting things happening at the margins. The directors' election helps to illuminate the secular shift in voting towards lower support. Suppose a line in the sand is drawn at 95% to separate directors with unanimous and near unanimous support from those with less than unanimous support; we see a significant decrease year over year in the number of directors receiving overwhelming support. This sharp decline in unanimous support may be the increased use of custom voting policies by shareholders, which hold directors to stricter standards than the proxy advisor benchmark policies. If a company solely targets the benchmark policy standards, it will likely miss positive votes from a growing proportion of shareholders applying a stricter bright-line test.

DECREASE IN SUPPORT AT THE HIGH END

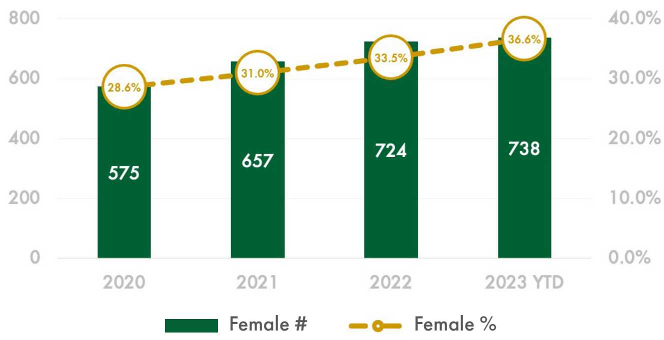


Source: Public Company Filings

REPRESENTATION OF WOMEN ON BOARDS

The representation of women on Composite Index boards has never been higher in Canada than in 2023. The proxy advisors both have a voting policy requiring at least 30% representation of women, and companies have overwhelmingly altered their board composition to meet that standard. Women now hold 36.6% of all board seats, representing over 700 directorships.

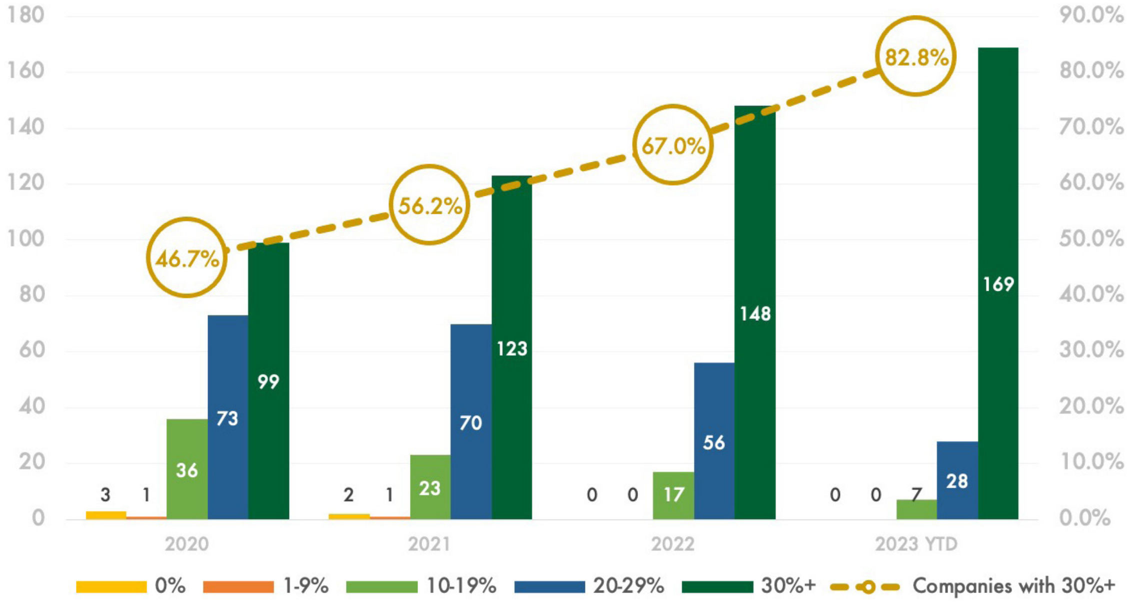
FEMALE DIRECTORSHIPS ON THE TSX COMPOSITE INDEX



Source: Public Company Filings

The histogram distribution of women and composite companies shows that over 82% of companies have at least 30% women on the board. The goals of organizations such as the 30% Club Canada Chapter are close to completing their mandate. Notably, ZERO Composite Index companies had less than 10% women, which shows at least some responsiveness to this matter across the entire index.

REPRESENTATION OF WOMEN BY COMPANY

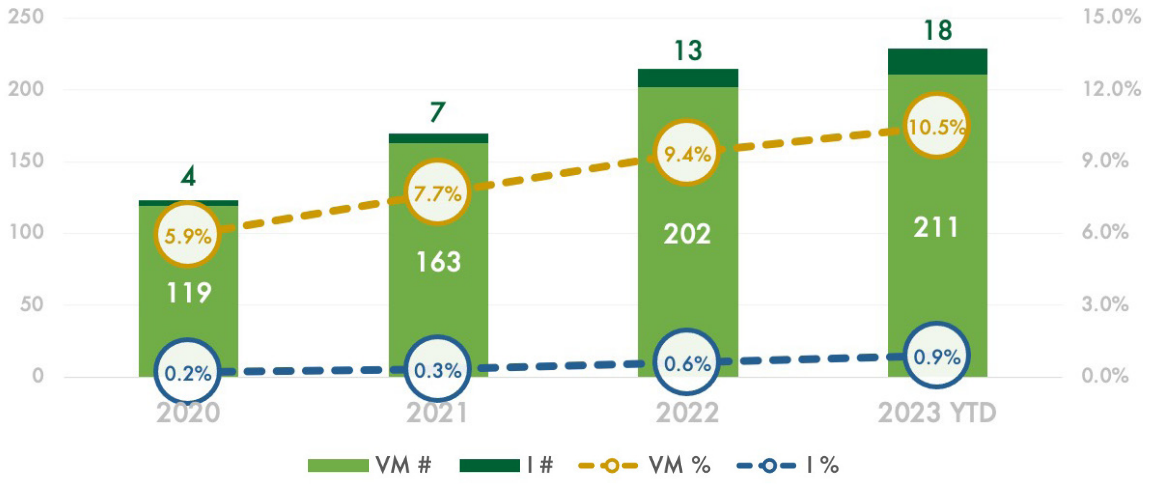


Source: Public Company Filings

REPRESENTATION OF VISIBLE MINORITIES AND INDIGENOUS PEOPLE ON BOARDS

Beginning on February 1, 2024, ISS will recommend that shareholders vote against the nominating committee chair if there isn't at least one visible minority or Indigenous person on the board of TSX Composite Index companies (subject to certain exceptions). Even though this policy has not yet come into effect, the representation of visible minorities and Indigenous people has increased year over year. In 2023, 65.8% of TSX Composite Index companies met ISS' standard of an ethnically diverse board, representing an increase of 7.2% from 58.6% in 2022. Directors considered visible minorities and Indigenous comprise 11.4% of all directors in TSX Composite Index listed companies, compared to 10% in 2022 and 6.1% in 2020.

VISIBLE MINORITIES (VM) AND INDIGENOUS (I) DIRECTORS ON THE TSX COMPOSITE INDEX

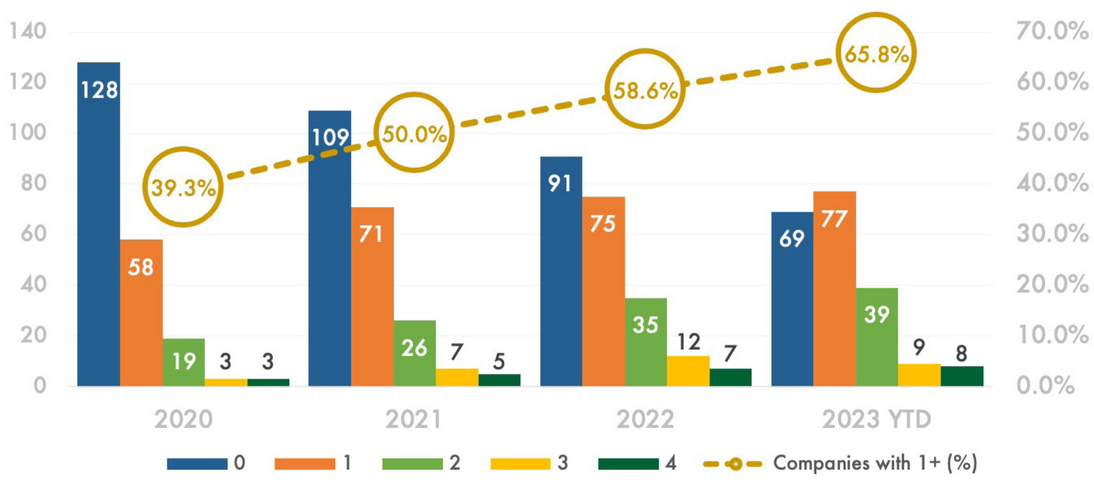


Source: Public Company Filings

On a company-by-company basis, almost two-thirds of the index is already aligned with ISS' upcoming voting policy. The challenge remains for one-third of the index to rise to this new standard or face negative recommendations.

Glass Lewis does not currently have a similar voting policy and has expressed no plans to introduce a voting policy based on race into the Canadian market in the foreseeable future. Ultimately, the driver for this type of voting policy would likely come from a broad expression of interest by Glass Lewis' institutional investor clients.

REPRESENTATION OF VM AND I DIRECTORS BY COMPANY



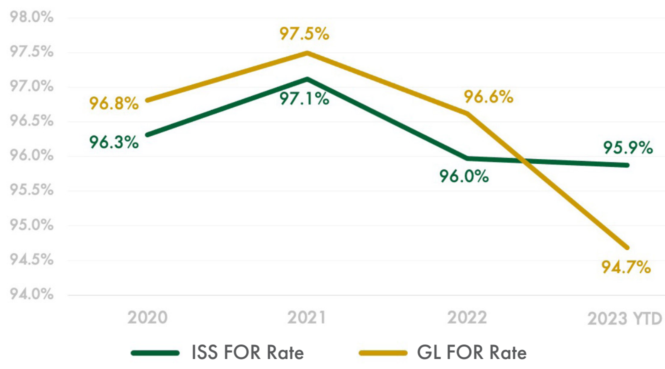
Source: Public Company Filings

ISS AND GLASS LEWIS DIRECTOR RECOMMENDATIONS

Support generally from proxy advisors has declined over the past few years. Some reasons for the increase in negative recommendations may be:

- Executive compensation for members of the compensation committee;
- Increased diversity requirements (30%) for the members of the nominating committee; and
- A multi-year material weakness in internal controls over financial reporting for audit committee members.

ISS AND GLASS LEWIS "FOR" RECOMMENDATIONS



Source: Public Company Filings

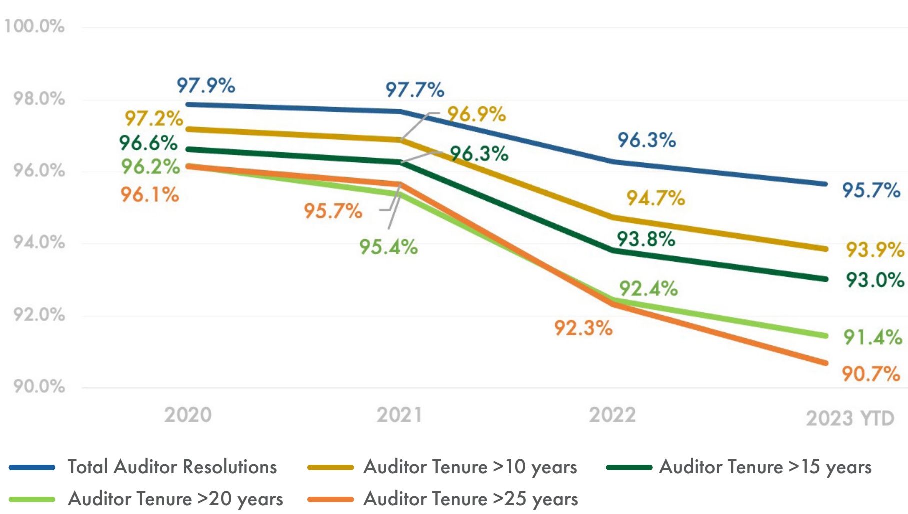
APPOINTMENT OF AUDITORS

The downward trend in vote support for the appointment of auditors resolution was first identified by Laurel Hill as an emerging topic in our 2022 Trends Report. The reason for lower support appears to be the proliferation of custom institutional investor voting policies, which cast negative votes based on long auditor tenure. These policies are stricter than the benchmark policies of the proxy advisors, which do not consider auditor tenure as a matter that warrants negative votes. This trend continued in 2023, with average support levels continuing to decline.

While institutional investors casting negative votes based upon auditor tenure are still only a small fraction of the shareholder base of most issuers, the average support levels for auditor tenures over 10 years have dipped below 95% since 2022. This statistic demonstrates that this trend is advancing rapidly within the Canadian market.

This change in voting sentiments is clearly visible from the next chart, as regardless of auditor tenure length, average support levels for auditor tenure length >10 years were all above 95% in 2020 and 2021. Average support for auditors at TSX Composite Index companies with tenure greater than 10 years was 93.9% in 2023 YTD, and support for auditors with tenure more than 25 years was only 90.7% of votes cast, whereas the average support for all auditor resolutions was 95.7%. The chart also shows that support levels for the appointment of auditor resolutions in general, and regardless of tenure, appear to decrease over time. As noted in the 2022 Laurel Hill Trends Report, this may be partially attributable to the reduced number of broker non-votes.

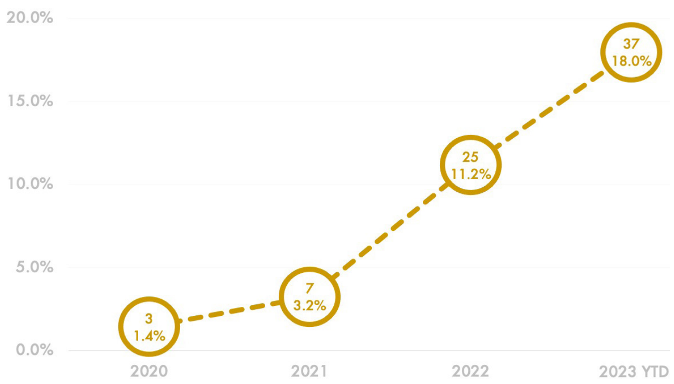
SUPPORT FOR THE APPOINTMENT OF AUDITORS RESOLUTION



Source: ISS Governance Research and Voting

Unsurprisingly, the percentage of TSX Composite Index companies with support levels under 90% has increased substantially. From just 1.4% of the companies receiving less than 90% for the resolution in 2020 and growing to 18.0% in 2023 YTD. This increase further reiterates what is highlighted within the adjacent graph.

RESOLUTIONS WITH <90% SUPPORT



Source: ISS Governance Research and Voting

Most smaller TSX issuers may not be concerned with resolutions that carry with less than unanimous support. However, there appears to be a broad trend of increased disclosure for this resolution amongst Canada's largest companies. Low support levels may cause the company's management to explain to the board and audit committees why support for the auditors continues to wane and whether there is a remedy. Companies may avoid negative votes from institutional investors by including additional disclosure in each year's circular to discuss how the company avoids the deemed lack of independence from a long-tenured auditor.

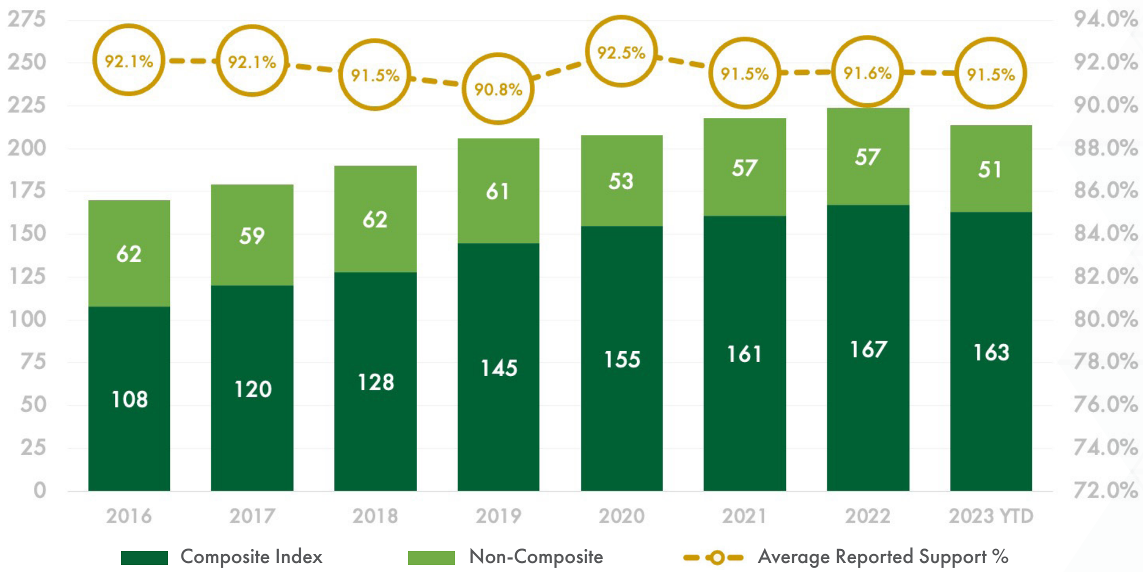
EXECUTIVE COMPENSATION

RELATIVELY UNCHANGED SUPPORT LEVELS FOR SAY-ON-PAY RESOLUTIONS IN 2023

The number of say-on-pay resolutions in 2023 YTD was slightly lower than in 2022. Five more resolutions are expected after September 7, 2023, putting the number of say-on-pay resolutions in Canada at 219, representing a decrease of five resolutions from 224 in 2022. About 75% of TSX Composite Index constituents hold an annual say-on-pay vote. The decrease stems from a lack of new adopters of say-on-pay resolutions and some companies being absorbed in M&A transactions.

Average support so far in 2023 is down marginally over last year. It's at 91.5% compared to 91.6% in 2022. Support was likely lower on average due to more observed negative recommendations by proxy advisors in 2023 compared to the previous year. Scrutiny based on a company's executive compensation practices is expected to continue increasing.

SAY-ON-PAY VOTES IN CANADA



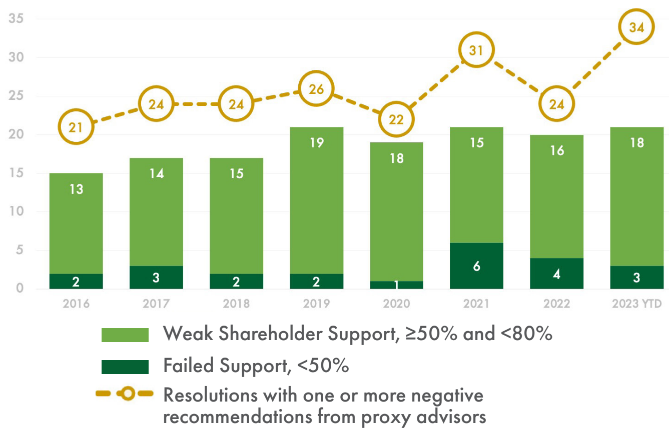
Source: ISS Governance Research and Voting

BOARD RESPONSIVENESS TO LOW SUPPORT FOR SAY-ON-PAY RESOLUTIONS

As discussed in prior years, ISS and Glass Lewis each have a "board responsiveness policy," which indicates that when a company receives less than 80% of votes cast in favour of the say-on-pay resolution, then the company must include additional disclosure in the next year's circular regarding:

- Whether there was any board-shareholder or management-shareholder outreach to determine shareholders' concerns.
- Which executive compensation practices caused shareholders to cast negative votes for the say-on-pay resolution.
- An assessment of the board and compensation committees of these factors.
- Whether any changes were made to address the shareholders' concerns.

So far, in 2023, 21 resolutions received weak or failed support. As shown in the chart below, this is up from 20 resolutions in 2022. Each of the resolutions with low support is expected to have a response in next year's circular to satisfy the proxy advisors as described above. Failure to provide sufficient disclosure on the issues garnering low shareholder support is expected to result in the proxy advisors issuing negative recommendations against members of the compensation committee and the say-on-pay resolution itself.



Sources: ISS Governance Research and Voting, Insightia

To date, three resolutions have failed at the respective meetings with the following levels of support in 2023, down from four failed resolutions in 2022:

Company Name	Meeting Date	ISS Rec	GL Rec	For %
Aimia Inc.	2023-04-18	For	For	40.6
Agnico Eagle Mines Ltd.	2023-04-28	Against	Against	25.2
First Majestic Silver Corp.	2023-05-25	Against	Against	26.2

Sources: SEDAR+, Insightia

REASONS FOR THE FAILED SAY-ON-PAY RESOLUTIONS IN 2023

As seen in previous years, the primary reason cited by the proxy advisors to oppose these resolutions continues to be the poor link between pay and performance. Compared to a peer group of similarly sized companies constructed by the proxy advisors, the subject company appeared to be paying towards the high end of the group, while during the same period, the total share returns of the stock were towards the bottom of the group. Other reasons that shareholders have voted against say-on-pay resolutions in 2022 and 2023 include a lack of performance-based equity, excessive/problematic one-time awards to executives, internal pay disparity (i.e., the CEO being paid much more than the next highest executive), excessive change of control arrangements, disclosure concerns or failure to address concerns from previous years.

RECENT ISS AND GLASS LEWIS NEGATIVE RECOMMENDATION RATES

The following table shows the trend of how often ISS and Glass Lewis each recommend against (AGA) say-on-pay resolutions and how that affects support for the resolution on average.

In 2023 YTD, of the 214 say-on-pay resolutions, the proxy advisors each recommended "for" 180 times, representing about 84.1% of all resolutions. This was a significant drop from 89.3% agreement in "for" recommendations in 2022. Of the remaining 34, which received one or more negative recommendations, ISS and Glass Lewis agreed six times that a negative recommendation was warranted. Notably, two of those resolutions failed at the ballot box. In every instance where ISS recommended that shareholders vote against a say-on-pay resolution, Glass Lewis came to the same conclusion separately. However, there were 28 instances where Glass Lewis took a harsher view than ISS and gave an "against" recommendation where ISS was supportive.

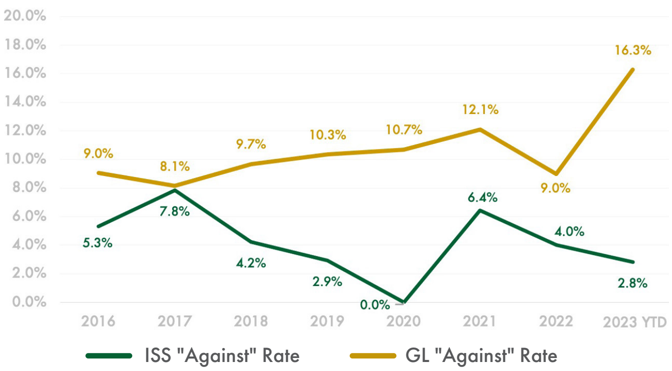
	2016	2017	2018	2019	2020	2021	2022	2023 YTD	2023 Vote Support	# Failed
Both PAs rec. FOR	149	155	166	180	186	187	200	180	94.4%	1
ISS Only AGA	6	10	6	5	0	5	4	0	-	0
GL Only AGA	12	10	16	20	22	17	15	28	80.3%	0
Both PAs rec. AGA	3	4	2	1	0	9	5	6	52.1%	2
TOTAL	**170**	**179**	**190**	**206**	**208**	**218**	**224**	**214**	**91.5%**	**3**

Source: Public Company Filings, ISS Corporate Solutions (aggregate ISS recommendations) and Insightia.com (aggregate Glass Lewis recommendations)

ISS AND GLASS LEWIS "AGAINST" RECOMMENDATION RATES

Continuing the trend from previous years, Glass Lewis recommended that shareholders vote "against" say-on-pay proposals far more frequently than ISS. In fact, Glass Lewis' "against" recommendation rate was at an all-time high recommending against 16.3% of all proposals. In the same year, ISS recommended against only 2.8% of all say-on-pay resolutions, which is consistent with ISS' long-term average "against" recommendation rate of 3.8%.

FREQUENCY OF "AGAINST" RECOMMENDATIONS



Source: Public Company Filings

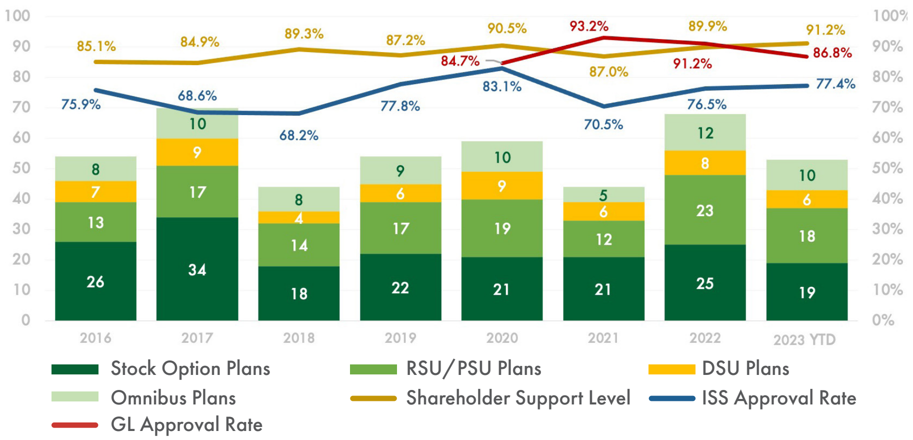
PROXY ADVISOR INFLUENCE ON VOTING RESULTS

Looking at how much negative recommendations from ISS and Glass Lewis affect vote outcomes, ISS is generally more influential among shareholders. For companies that only had a negative recommendation from Glass Lewis, average voter support was 80.3% and, similar to 2022 resolutions where only Glass Lewis recommended against, all of these resolutions carried at their respective meetings. This starkly contrasts the average voter support of 52.1% when ISS issued a negative recommendation, regardless of whether Glass Lewis also agreed. Of the six resolutions ISS recommended against in 2023, two failed at the ballot box, representing one-third of all ISS negative recommendations. ISS continues to have more influence than Glass Lewis in driving negative votes.

EQUITY COMPENSATION PLANS

Equity plans at TSX Composite Index issuers continue to be highly scrutinized by proxy advisors and shareholders alike. The total number of plans proposed this year is relatively equivalent to previous years, and the number of stock option plans up for renewal follows a gradual downward trend. Only 19 stock option plans were up for approval, which is lower than the rolling average of about 23 plans per year. Stock option plans are slowly being eschewed in favour of omnibus plans or full-value award plans such as Restricted Share Units (RSUs) and Performance Share Units (PSUs).

TSX COMPOSITE INDEX EQUITY COMPENSATION PLANS

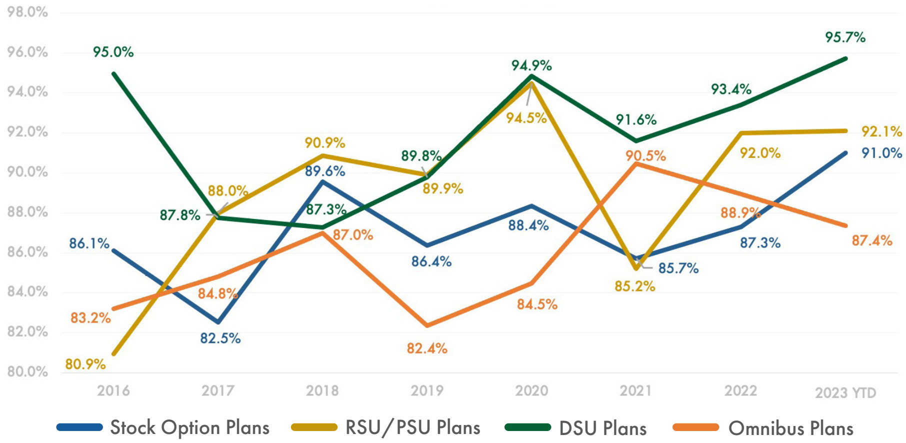


The ISS' equity plan scorecard, introduced in 2016, caused ISS to make more negative recommendations than in previous years, and ISS consistently makes more negative recommendations than Glass Lewis for equity plans. In 2023, ISS only supported about 77% of all equity plans, whereas Glass Lewis supported about 87%.

Source: Public Company Filings, ISS Corporate Solutions (aggregate ISS recommendations) and Insightia.com (aggregate Glass Lewis recommendations)

SHAREHOLDER SUPPORT OF EQUITY PLANS

In terms of shareholder support for each plan type, it seems that Deferred Share Units (DSUs) generally receive the most "for" votes. DSUs stand out from other plans as being the most restrictive in terms of participation and the value that may be granted from the plan. DSU plans often limit participation to non-employee directors and only grant awards in lieu of director fees, generally making DSU plans the least costly plans. The plan type that stands out as having the lowest support among shareholders is the omnibus plan. These plans usually have some fungibility between which types of awards may be granted—whether stock options or their more costly counterparts, full-value awards—and, as such, may represent a higher total cost to shareholders than a stand-alone stock option plan with an accompanying RSU/PSU with a stricter sub-limit. Both ISS and Glass Lewis have various measures of estimated plan costs and report these numbers to shareholders as part of the plan analysis.



It also turns out that omnibus plans generally have the lowest support from proxy advisors, garnering "for" recommendations only about 70% of the time, whereas other plan types are largely supported over 80% of the time.

Source: Public Company Filings

NOTES REGARDING DATA COLLECTION METHODOLOGY

Data for this report was generally collected for the constituents of the TSX Composite Index unless otherwise indicated. The number of companies in the index varies from time to time, but in the last few years falls in the range of 220-240. Many of Canada's largest companies are dual listed in the US and have additional reporting requirements to the SEC and trade on US exchanges such as the NYSE, NASDAQ, and NYSE Amex. Trading OTC in the US does not generally come with additional reporting obligations. About 5% of the companies on the index are US domestic issuers and have increased reporting obligations in the US. These companies are always evaluated under ISS' US voting policy, which has some notable differences from ISS' Canadian benchmark voting policy. Glass Lewis uses a case-by-case approach to determine which policy to use, and about half of the Canadian companies that ISS evaluates under its US policy continue to be assessed under Glass Lewis' Canadian policy.

Because of differences in the voting policy application, issuers evaluated under ISS' US policy are excluded from the data since different governance standards are applied to the voting recommendations. In 2023, the companies excluded from the composite index for the purposes of this study were:

Bausch Health Companies Inc., BlackBerry Limited, Energy Fuels Inc., NovaGold Resources Inc., Primo Water Corp., Restaurant Brands International Inc., SSR Mining Inc., Tilray Brands Inc., and Waste Connections Inc.

SHAREHOLDER PROPOSALS

Environmental and social (E&S) demands continue to dominate Canada's shareholder proposal landscape. This year, E&S proposals accounted for 81.3% of all proposals, down slightly from 84.4% last year. Across all categories, we have, in fact, seen fewer proposals go to a vote at fewer companies this year, from 77 proposals in 2022 to 48 in 2023 (down about 38%) and from 26 companies in 2022 to 19 in 2023 (down about 27%). Despite these lower numbers, there have generally been higher quality, less prescriptive proposals this year. Last year, there was a large cohort of highly prescriptive proposals that received very minimal support, skewing the average support level down from 12.4% in 2021 to 9.3% in 2022. None of those proposals resurfaced in 2023, and this year's proposals have mostly received more substantive levels of support, resulting in an average support rate of 16.4%. That is the highest approval level in our nine-year data range and likely the highest ever. The story this year in shareholder proposals: E&S continues to dominate, quality over quantity, and shareholder support has never been higher.

Prominent proposals receiving some of the strongest levels of minority support, despite management opposition, related to (in descending order of support levels):

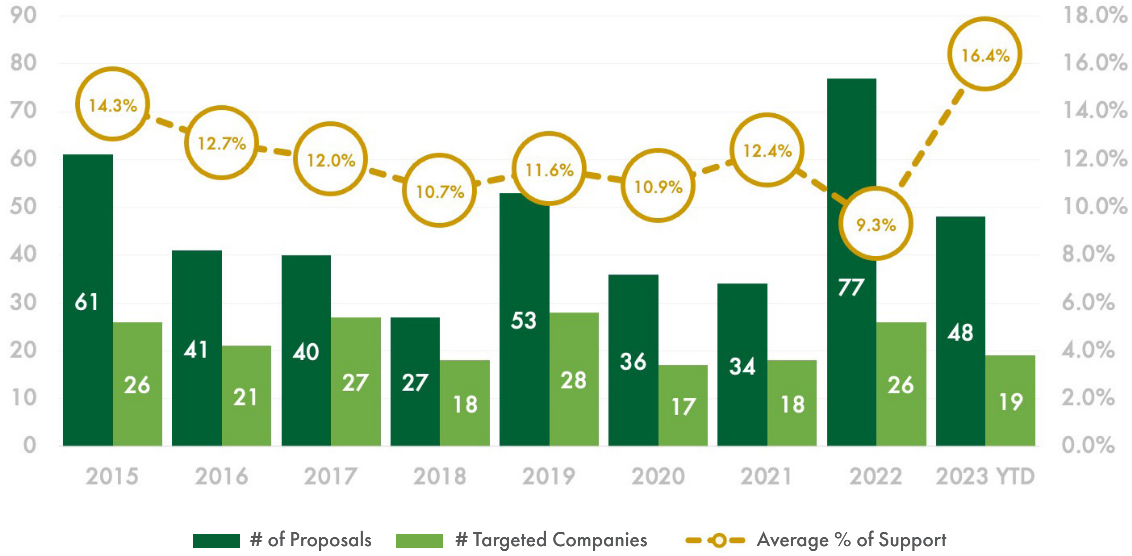
- Third-party racial equity audits
- Tax transparency
- Indigenous peoples' "free, prior, and informed consent"
- Employee and supply chain human rights
- Environmental targets and reporting
- Say-on-climate
- Alignment of lobbying and public policy advocacy with net-zero goals

Only one proposal was supported by management–alignment of lobbying and public policy advocacy with net-zero goals–and it passed with 99.5% support. One type of proposal that received among the lowest levels of support was a first-of-its-kind in Canada, to explicitly state the company's commitment to Canada's oil and gas sector and end or temporarily suspend support for policies like net-zero targets. Historically, the vast majority of proposals opposed by management are also opposed by the major proxy advisory firms, ISS and Glass Lewis. In fact, every proposal opposed by management this year was also opposed by ISS. Glass Lewis, however, was notably more receptive to certain proposals this year, supporting about 15% of proposals, including proposals related to third-party racial equity audits, tax transparency, and environmental targets and reporting.

Shareholder proposals to hold say-on-climate advisory votes went to a vote at seven companies this year, including at the big six banks. While average support of 19.2% appears strong, it is, in fact, down from 22.1% last year. Our review of the Canadian and global experience with say-on-climate over the previous three proxy seasons points to the campaign's declining interest and acceptance. Skepticism continues about the appropriateness and value of say-on-climate, including the potential for unintended consequences. We take a deep dive into say-on-climate in our next section.

TOTAL PROPOSALS, TOTAL TARGET COMPANIES, AND AVERAGE SUPPORT LEVELS

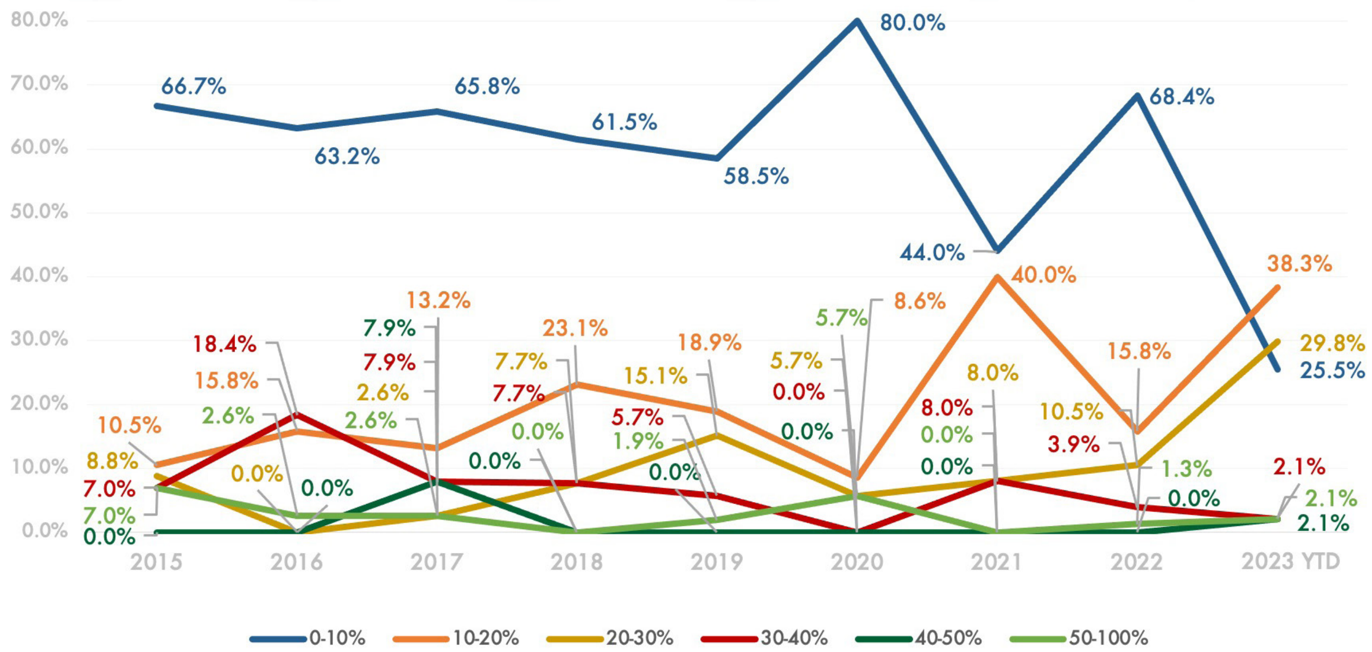
The number of shareholder proposals submitted to a vote at Canadian companies is down year over year, from 77 in 2022 to 48 in 2023. The number of targeted companies is also down, from 26 in 2022 to 19 in 2023. However, the average shareholder support level (excluding proposals supported by management) has increased considerably, from 9.3% in 2022 to 16.4% in 2023. We caution, however, that the 2022 cohort of proposals contained a significant anomaly: 48% of proposals (37 of 77) last year related to three highly prescriptive demands, namely, to adopt French as the official language, to explore the possibility of becoming a benefit company, and to increase employee participation in board decision-making. These proposals received average support of only 2.4%, skewing the average support level down. If we exclude those proposals from the 2022 cohort, the average support rate in 2022 would have been 15.8%. Under this scenario, "real" average support increased more moderately from 15.8% in 2022 to 16.4% in 2023. Additionally, the number of proposals in 2022 would have been only 40, and this year's 48 proposals would, therefore, represent an uptick in the number of proposals year over year. Nevertheless, this year's average support level is the highest we have observed in our nine-year data range, suggesting that proposals are gaining greater traction and support.



Source: Laurel Hill. Compiled from ISS Corporate Solutions data for proposals submitted to a vote at meetings held from January 1 to June 30 each year. Average % support excludes any proposals supported by management.

DISTRIBUTION OF SUPPORT LEVELS

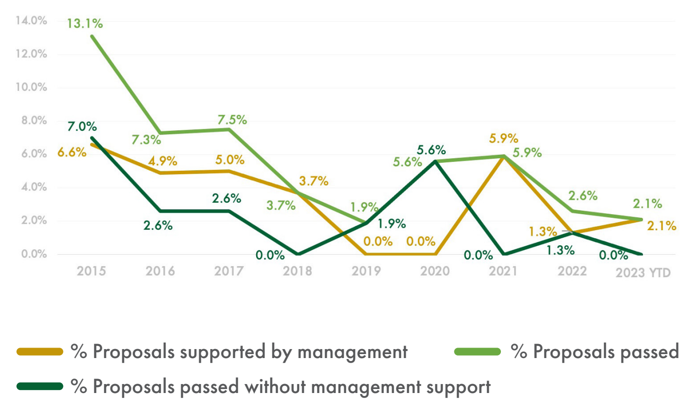
We are seeing the impact of higher quality, less prescriptive proposals this year on support distribution. As detailed in the previous section, 48% of proposals last year related to three demands that received average support of only 2.4%, resulting in support levels in the 0-10% range accounting for 68.4% of all proposals. None of those highly prescriptive proposals resurfaced in 2023, and this year's proposals have generally received more substantive levels of support, resulting in support levels of 10-20% accounting for 38.3% of proposals and support levels of 20-30% accounting for 29.8% of proposals. This year's showing in the 10-20% and 20-30% ranges combined (68.1% of all proposals) is the strongest showing in our nine-year data span.



Source: Laurel Hill. Compiled from ISS Corporate Solutions data for proposals submitted to a vote at meetings held from January 1 to June 30 each year, excluding any proposals supported by management.

MANAGEMENT SUPPORT AND PASS LEVELS

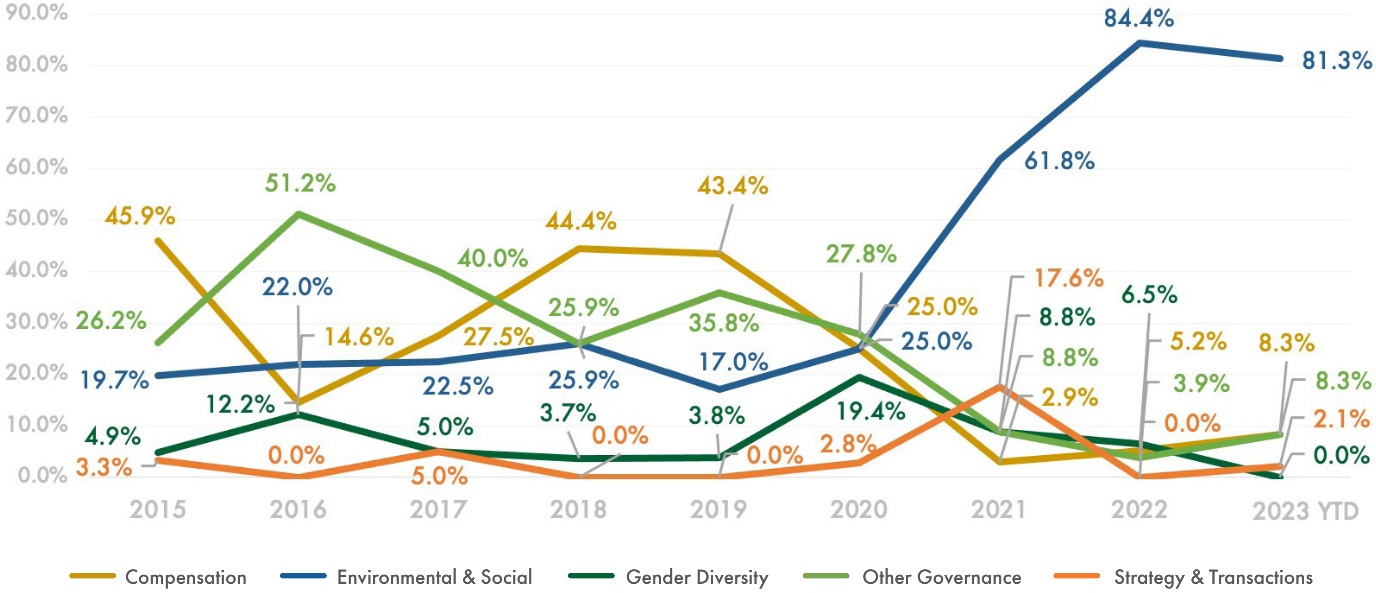
The percentage of proposals supported by management this year was 2.1% (1 of 48), up slightly from 1.3% (1 of 77) in 2022 but below the nine-year average of 3.3%. The percentage of proposals that passed this year was also 2.1% (1 of 48), down from 2.6% (2 of 77) in 2022 and below the nine-year average of 5.5%. The percentage of proposals passed this year without management support was 0% (0 of 47), down from 1.3% (1 of 76) and below the nine-year average of 2.3%. The sole proposal supported by management and passed is detailed further below. The bottom line: With very few exceptions, proposals supported by management always pass, and proposals opposed by management rarely pass.



Source: Laurel Hill. Compiled from ISS Corporate Solutions data for proposals submitted to a vote at meetings held from January 1 to June 30 each year.

DISTRIBUTION OF PROPOSALS BY CATEGORY

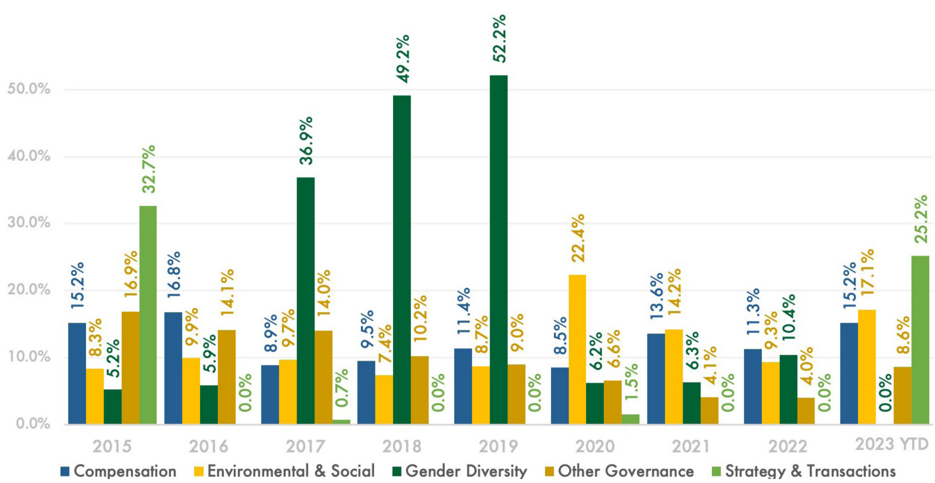
Environmental and social proposals remain firmly dominant in the shareholder proposal landscape, accounting for 61.8%, 84.4% and 81.3% of all proposals in 2021, 2022, and 2023, respectively. Notably, for the first time in our nine-year data range, we did not see any gender diversity proposals go to a vote this year (although one E&S proposal concerned gender diversity in part).



Source: Laurel Hill. Compiled from ISS Corporate Solutions data for proposals submitted to a vote at meetings held from January 1 to June 30 each year, subject to our determination of category.[1]

AVERAGE SUPPORT LEVELS BY CATEGORY

The average support level for environmental and social proposals, the most dominant category in each of the last three years, was 17.1% this year. Average support for E&S proposals has generally trended higher across our nine-year data range. Compensation proposals continue to generate notable average support, 15.2% this year.



Source: Laurel Hill. Compiled from ISS Corporate Solutions data for proposals submitted to a vote at meetings held from January 1 to June 30 each year, subject to our determination of category and excluding any proposals supported by management.

1 For this year's report, we have rolled our previous stand-alone "Cybersecurity" category into our "Other Governance" category. While the oversight and management of cybersecurity risks continues to be a critical area of focus for boards and management teams, there have not been any specific proposals in this area since 2020.

2023 PROPOSAL DETAILS BY CATEGORY

<table>
<tr><th>Category</th><th># Proposals</th><th>Average Support</th><th>General Trend</th></tr>
<tr><td>Environmental & Social</td><td>39</td><td>17.1%</td><td>The number of E&S proposals continues to dominate all other categories of proposals, accounting for 81.3% of all proposals this year, down slightly from 84.4% in 2022.</td></tr>
<tr><td colspan="4">Environmental & Social (3 proposals, average 18.7% support):
• Two proposals to report on whether and how lobbying and public policy advocacy are aligned with the company’s net-zero goals. One of these proposals was supported by management (the only proposal to have been supported by management this year) and passed with 99.5% support, while the other received 18.8%.
• One proposal to report on GHG emissions and gender diversity targets and how they align with the company’s overall ESG strategy (18.6% support).
Environmental (24 proposals, average 15.0% support):
• Nine proposals to set up or strengthen environmental targets or reporting (average 19.2% support).
• Seven proposals to adopt an advisory say-on-climate vote (average 19.2% support). We discuss say-on-climate in greater detail below.
• Three proposals that the company explicitly state its commitment to Canada’s oil and gas sector and end or temporarily suspend support for policies like net-zero targets (average 1.1% support).
• Two proposals that the company, where it acts as lender or advisor on “brown-spinning”[2] transactions, take reasonable steps to have parties to such transactions take steps and make disclosures consistent with TCFD (average 9.0% support).
• One proposal to report on the health impacts on the company’s clients and the potential insurance claims resulting from investments in fossil fuels (13.8% support).
• One proposal to provide disclosure on loans granted in support of the circular economy (10.8% support).
• One proposal to phase out lending and underwriting related to fossil fuels (6.8% support).
Social (12 proposals, 21.5% average support):
• Three proposals related to racial equity assessments, two called for a third-party racial equity audit, and one called on the company to publish a racial equity report. These proposals received an average of 32.1% support.
• Three proposals broadly related to human rights for the employee or supply chain (average 20.4% support).
• Two proposals to disclose the languages in which directors are fluent (as an indicator of diversity and how directors should be representative of the communities in which the company operates). One of the two proposals was withdrawn prior to the meeting; the other received 5.8% support.[3]
• One proposal to issue a tax transparency report related to concerns around tax avoidance and to ensure long-term value creation for the company and the communities where it operates (26.9% support).
• One proposal to reflect that in taking action to mitigate adverse human rights impacts linked to client relationships, the company will inform itself about whether and how clients have operationalized the “free, prior and informed consent” of Indigenous peoples affected by such relationships (26.7% support).
• One proposal to report on how the company assesses and mitigates human rights involved in the financialization of housing (17.0% support).
• One proposal to update the human resources committee mandate to include responsibilities related to employee health and well-being (3.1% support).</td></tr>
<tr><td>Compensation</td><td>4</td><td>15.2%</td><td>The number of compensation proposals continues to trend low, although this year’s four compensation proposals represent a small uptick as a percentage of all proposals compared to 2021 and 2022.</td></tr>
<tr><td colspan="4">• Three proposals to disclose the CEO-to-median-employee compensation ratio (average 12.1% support).
• One proposal disapproving of the company’s approach to executive compensation (24.6% support).</td></tr>
<tr><td>Other Governance</td><td>4</td><td>8.6%</td><td>Proposals in this category have been trending down in recent years but are up moderately as a percentage of all proposals compared to 2022.</td></tr>
<tr><td colspan="4">• One proposal for the board to establish an ethics committee relating to the ethical conduct of the company’s business (24.5% support).
• One proposal for the board to review the mandate of the corporate governance committee to include an ethical component concerning the use of artificial intelligence (5.1% support).
• One proposal to limit the number of public company boards on which directors may serve (4.3% support).
• One proposal to shorten the time frame for directors to acquire the minimum shares required pursuant to the director share ownership plan (0.5% support).</td></tr>
<tr><td>Strategy & Transactions</td><td>1</td><td>25.2%</td><td>In some years, we have seen a small number of proposals related to corporate strategy and transactions. There was one such proposal this year.</td></tr>
<tr><td colspan="4">• One proposal for the company to undertake a strategic review (25.2% support).</td></tr>
<tr><td>Gender Diversity</td><td>0</td><td>N/A</td><td>After many years of attention on gender diversity proposals, including last year’s proposals to report on the representation of women in all levels of management, we did not see any gender diversity proposals go to a vote this year. However, one E&S proposal concerned gender diversity in part, as detailed above).</td></tr>
</table>

Source: Laurel Hill. Compiled from ISS Corporate Solutions data and www.sedar.com filings for proposals submitted to a vote at meetings held from January 1 to June 30, 2023, subject to our determination of category. The average support percentage excludes any proposals supported by management.

[2] For a description of “brown-spinning”: Harvard Law School Forum on Corporate Governance, “Private Companies, Brown-Spinning, and Climate-Related Disclosures in the U.S.” https://corpgov.law.harvard.edu/2022/04/14/private-companies-brown-spinning-and-climate-related-disclosures-in-the-u-s/ "Furthermore, a concerning development regarding private companies’ environmental footprint and performance is the phenomenon of brown-spinning. Here, we refer to the trend whereby public companies divest their carbon-intensive assets by selling them to private players. It is a convenient way for public carbon majors to reduce their emissions and achieve their climate targets as they come under increasing scrutiny from investors, regulators, and the public. Yet, if the divested assets operate in the same way under the ownership of private companies, there will be no overall reduction in the GHG emissions related to these assets.”

[3] This proposal was also submitted at several other companies but withdrawn from a vote where the company agreed to the proposal or where it agreed to provide disclosure of languages on an aggregate basis.

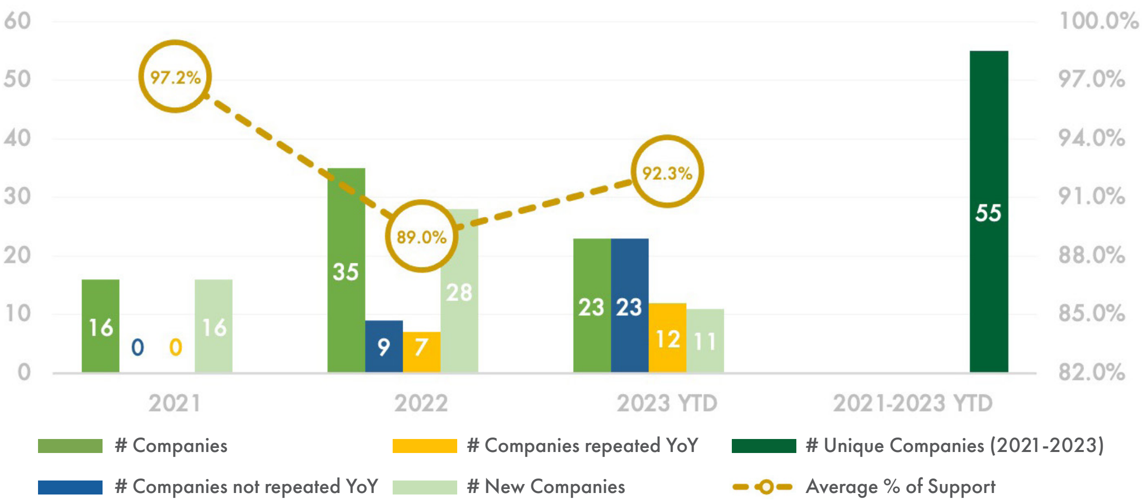
WHAT YOU NEED TO KNOW:

Shareholder proposals are an essential tool to drive awareness and influence corporate behaviour where shareholders seek to effect change. We are seeing increasingly higher levels of support for proposals generally, particularly environmental and social proposals, the most dominant category in recent years. Issuers must take proposals seriously and prepare accordingly to avoid being pressured into action by proposals that, to their surprise, receive strong shareholder support. Every year, a significant number of proposals are "negotiated away" by companies. Since responding to shareholder proposals costs companies time and money, they may be better off agreeing to small concessions to avoid fighting a proposal head on in the proxy circular and the court of public opinion. That said, if a proposal is clearly headed for a vote, management's position and rebuttal should be well considered and take into account the major proxy advisory firm policies and the views and policies of significant institutional shareholders.

SAY-ON-CLIMATE

In our report last year, we reviewed the global 2021 and 2022 say-on-climate data, and we referenced the skepticism on the part of many boards, institutional shareholders, proxy advisory firms, and other market observers, about the appropriateness and value of say-on-climate, including the potential for unintended consequences. We suggested that the campaign may be stalling. Following our analysis of 2023 data and of the overall three-year trend, interest in the campaign may be starting to trail off altogether.

SAY-ON-CLIMATE–GLOBAL MANAGEMENT PROPOSALS

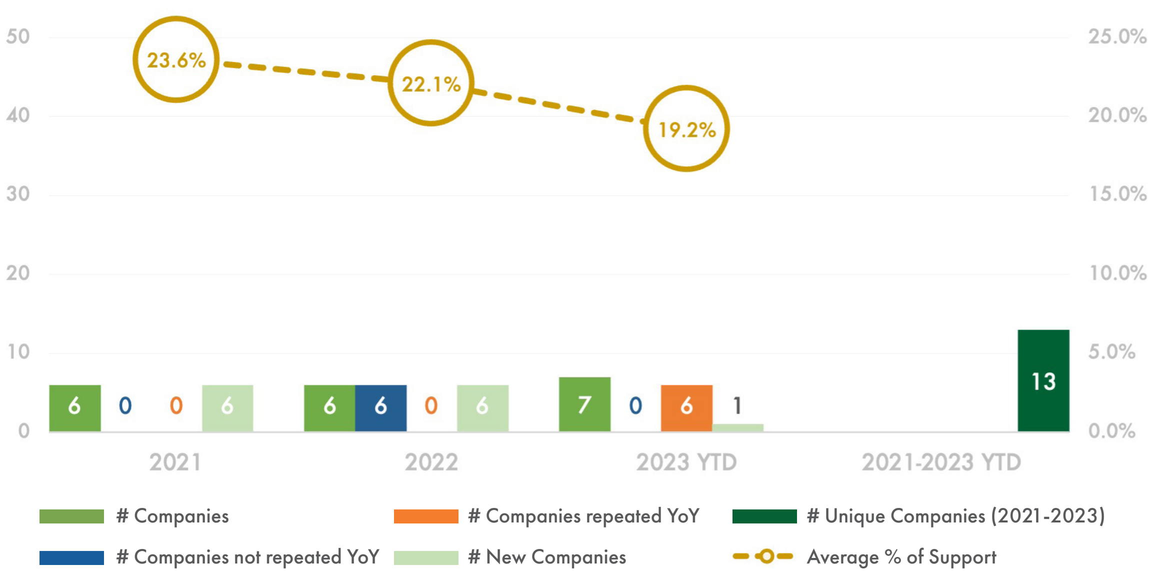


Source: Compiled from ICS Corporate Solutions data for management proposals submitted to a vote (codes M0710 and M0747) at meetings held from January 1 to June 30 each year.

Following an uptick in global management proposals providing an advisory vote on climate transition plans, progress, and disclosure, from 16 in 2021 to 35 in 2022, the number fell to just 23 in 2023. Of 35 management proposals last year, only 12 repeated this year. In 2022, 28 companies held a management vote for the first time, while in 2023, only 11 companies held a management vote for the first time. In Canada, only two companies have submitted a management proposal to a vote, namely Canadian National Railway Company (CN) starting in 2021 and Canadian Pacific Kansas City Limited (formerly Canadian Pacific Railway Limited) (CP) starting in 2022 (following a successful shareholder proposal supported by management in 2021). To date, only 55 unique companies globally have held a management proposal vote.

Global average support for management proposals have fluctuated over the last three years, down from 97.2% in 2021 to 89.0% in 2022 and up to 92.3% in 2023. At CN, shareholders voted 92.1%, 98.5%, and 96.5% in favour in 2021, 2022, and 2023, respectively. At CP, shareholders voted 86.9% and 83.7% in favour in 2022 and 2023, respectively. In both cases, approval levels have trended slightly down from 2022 to 2023. Global average support is up, while in Canada, it is down. Regardless, support for management proposals is sweeping and overwhelmingly positive. The difficulty is, what do these results truly mean? Are boards to understand that shareholders are tremendously satisfied with climate transition plans, progress, and disclosure? Are shareholders, in fact, rubberstamping all but the most egregious of plans, progress, or disclosure? Will the strength of these votes effectively greenwash unambitious plans? Will these votes replace meaningful shareholder engagement? In our report last year, we discussed these and other concerns and the potential unintended consequences.

SAY-ON-CLIMATE–GLOBAL SHAREHOLDER PROPOSALS



Source: Compiled from ICS Corporate Solutions data for shareholder proposals submitted to a vote (code S0748) at meetings held from January 1 to June 30 each year.

In 2021, shareholder proposals to hold an advisory say-on-climate vote went to a vote at six companies (all outside of Canada, except for at CP). Those votes all failed, except for the vote at CP, with average support of 23.6% (excluding the CP vote supported by management). In 2022, surprisingly, the only shareholder proposals globally were at Canada's big six banks. The major proxy advisory firms ISS and Glass Lewis each recommended against the proposals, and they all failed, albeit with relatively strong average support of 22.1%. In 2023, the only shareholder proposals globally were again at Canada's big six banks, plus a leading Canadian insurance company.[4] The major proxy advisory firms ISS and Glass Lewis each recommended against the proposals again, and they all failed. While average support remains relatively strong at 19.2%, it is, in fact, down from last year's average support of 22.1%. At the big six banks, support levels were down year over year at five of the six banks. At the sixth bank, support was up year over year, although that bank had the lowest support of any of the big six last year. To date, there have only been 13 unique companies globally to hold a shareholder proposal vote.

[4] Another bank indicated, in its response to a separate climate-related proposal, that it will in the future implement further means of engaging shareholders on its climate transition plan, such as a non-binding advisory vote.

WHAT YOU NEED TO KNOW:

The three-year trend for both say-on-climate management and shareholder proposals indicates that the campaign may be trailing off. For shareholder proposals specifically, which have disappeared globally all but in Canada, support levels are trending down. In our experience serving many companies in receipt of these proposals, all submitted year after year by a single shareholder proponent, we have not seen any groundswell of shareholder interest or support for the campaign. While we are likely to see shareholder proposals again in 2024, and they will continue to obtain respectable levels of support, there remains considerable skepticism and opposition to the concept from many quarters of the issuer and investment community. In our view, rather than say-on-climate, boards can best serve the long-term interests of shareholders—and of all stakeholders—through robust, year-round, and constructive engagement regarding the approach to this complex and dynamic topic. If shareholders fundamentally disagree with a company's climate strategy, they can and should vote "withhold" or "against" directors or seek to replace them. Targeted shareholder proposals that request specific actions or disclosure can also be an effective approach.

DUAL-CLASS SHARE STRUCTURES

In our report last year, we wrote about the recent scrutiny of dual-class share (DCS) companies in Canada, including from the major proxy advisory firms. In its 2022 policy update, Glass Lewis introduced a policy by which it would recommend against the governance chair if a DCS company does not provide for a reasonable sunset clause. Glass Lewis updated the policy for 2023, stating that it may now direct negative recommendations to a representative of the superior voting class. However, it may, in fact, exempt directors from a negative recommendation based on exemplary governance practices and responsiveness to shareholders.

"During the 2022 proxy season, we began to recommend voting against the chair of the governance committee at companies with a multi-class share structure and unequal voting rights when the company does not provide for a reasonable sunset of the multi-class share structure (generally seven years or less). From 2023, in such cases, we may consider recommending against a representative of the major shareholder instead if we deem it more appropriate to hold them accountable for this issue. We may also consider exempting directors from a negative recommendation on this basis if we see multi-year evidence of recent exemplary governance practices and responsiveness to shareholders at the relevant company."[5]

This year, Teck Resources Limited and Onex Corporation introduced DCS sunset clauses. At Teck, shareholders approved a six-year sunset provision. In its proxy circular, Teck provided several reasons for its recommendation to shareholders to support the proposal, including "Alignment of Voting and Economic Interests," "Enhanced Financing Flexibility, Reduced Cost of Capital and Enhanced Liquidity," "Potential for Increase in Market Valuation," "Index Inclusion Benefits," and "Consistent with Evolving Views of Shareholders and Governance Standards."[6] At Onex, a five-year sunset clause was proposed by Gerald W. Schwartz, the company's founder and CEO and sole shareholder of the multiple voting shares, in connection with a CEO succession plan. Notably, following consultation with shareholders, the sunset clause was reduced to three years and approved by shareholders.

In this context, it was interesting to hear the perspective of Dr. Norman Keevil, one of the principal controlling shareholders of Teck, through his indirect ownership of Class A multiple voting shares, on his effective veto power. As background, in addition to the vote on the DCS sunset clause noted above, Teck was seeking shareholder approval of a proposed split of its steelmaking coal and metals assets into two separate companies. It also received an alternative offer by Glencore plc to acquire the entire company. The company rejected the Glencore offer but ultimately withdrew the split proposal from a vote at the meeting when it became clear the vote would fail. Dr. Keevil, himself opposed to a sale to a foreign buyer, signalled that he would ultimately not go against the overwhelming views of shareholders:

"... Dr. Keevil, 85, made it clear in an interview that the spirit of the A shares is not to satisfy the whims of one man. They are meant, instead, as an extra set of eyes for the board over strategic decisions, and as a mechanism to give it pause before acting." Dr. Keevil, "The A shares are like the governor in an engine. So if the engine starts to move too fast, they can slow things down a little bit, so people can think about it, and act responsibly. But the A shares can't go against what the majority of what the B shares want to do. That just isn't there." And, "If everybody wants to go the other direction, I can't go swimming against the tide."[7]

5 Glass Lewis, "Glass Lewis 2023 Policy Guidelines" (Canada), page 55, https://www.glasslewis.com/wp-content/uploads/2022/11/Canada-Voting-Guidelines-2023-GL.pdf

6 Teck Resources Limited, 2023 Notice of Meeting and Management Proxy Circular, page 126, available at www.sedar.com

7 Globe and Mail, "Controlling Teck shareholder Keevil will not exercise veto power to block sale of Teck Metals to foreign buyer," April 14, 2023, https://www.theglobeandmail.com/business/article-teck-keevil-veto-power/

VIRTUAL MEETINGS

Prior to the pandemic, virtual shareholder meetings were exceptionally rare in Canada. Of course, the pandemic forced the issue, and from 2020 to 2022, issuers had little to no choice but to hold virtual-only meetings. As we entered the 2023 proxy season, when restrictions on in-person gatherings had lifted, issuers could choose to stay the course with a virtual-only meeting, move to a hybrid arrangement, or revert to an in-person-only meeting. Based on our review of the 2023 proxy circulars of TSX Composite Index constituents, a majority of Canada's leading companies stayed the course with virtual-only this year, offering a virtual-only format at 52.5% of companies, a hybrid format at 19.9% of companies, and an in-person-only format at 27.6% of companies. This is not surprising because technology and the issuer and shareholder experience of virtual-only or hybrid meetings continue to improve each year. The competitive landscape for virtual meeting platforms has also intensified, providing more options at lower costs. Virtual meetings allow a greater number of shareholders worldwide to participate, regardless of geographic location, constraints, or circumstances. And virtual-only meetings further simplify logistics and eliminate costly venue, travel and accommodation expenses.

INSTITUTIONAL SHAREHOLDER AND PROXY ADVISOR VIEWS AND EXPECTATIONS

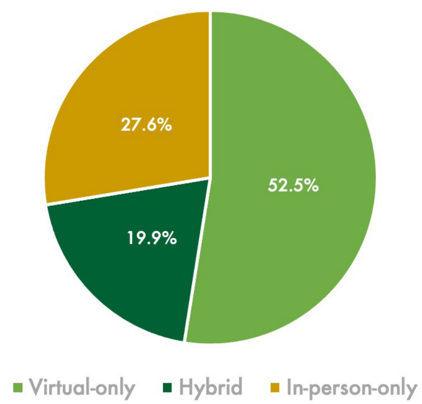
As companies think ahead to their 2024 AGM, they may be buoyed by the strong showing of virtual-only meetings this year and may be intent on the same format, perhaps for a fifth consecutive year. We caution, however, that there remains a healthy contradictory view, particularly among institutional shareholders, that virtual-only meetings should only be held in exceptional circumstances and should not become the norm. The Canadian Coalition for Good Governance, which, according to its website, represents 55 major institutional investors who collectively manage approximately $6 trillion in assets and "is the pre-eminent corporate governance organization in Canada uniquely positioned to effect change as the voice of institutional shareholders that invest in Canadian public equities"[8] had this to say about virtual-only meetings earlier this year:

"While a welcome response to a life-threatening pandemic, virtual-only shareholder meetings are an unsatisfactory substitute for in-person shareholder meetings as they risk undermining the ability of shareholders to hold management and boards to account and threaten existing shareholder rights to be heard.

The traditional in-person corporate AGM... provides an essential opportunity for shareholders to directly interact with the management and board of the corporations whose capital they provide. For most shareholders, the AGM is their only opportunity to meet and communicate directly with the people running the company. The opportunity to freely ask unfiltered questions, hear unmediated responses, react when those responses are unsatisfactory, view the reactions of other shareholders and AGM participants–in other words, truly engage with management and the board–cannot be matched by the digital experience most of us have become familiar with over the past two years through Zoom calls and the like.

So, what's the problem with virtual meetings? Simply, the person that controls the technology controls the experience. There is good evidence from virtual AGMs held during the global lockdown that technology can and will be used to limit shareholder voices: Questions submitted at virtual-only meetings are more likely to be ignored or curated; follow-up questions to inadequate boilerplate responses may not be allowed; shareholders cannot vocally challenge management and the board from the floor because their voices can be muted. Such actions negatively affect transparency and impede the ability of shareholders to hold management and the board to account.

TSX COMPOSITE INDEX – 2023 MEETING FORMAT



Source: Laurel Hill. Compiled from our review of proxy circulars filed between December 1, 2022 and June 30, 2023, on www.sedar.com of constituents of the TSX Composite Index.

[8] Canadian Coalition for Good Governance, "Who we are," https://ccgg.ca/

The fact that most investors rarely go to AGMs in person is immaterial to the importance of their right to do so. Investors only infrequently vote against nominated directors, but their ability to do so is fundamental to our system of corporate governance and the functioning of our capital markets. Both the right to vote for directors and the ability to directly communicate with directors and management at least once a year are crucial for shareholder democracy."[9]

Of the two major proxy advisory firms, ISS and Glass Lewis, only the latter currently has a formal policy regarding virtual meetings. In its 2023 policy document, Glass Lewis speaks to certain investor concerns and details its disclosure expectations for virtual-only meetings, failing which it will generally recommend against the chair of the governance committee (bold added):

"Glass Lewis believes that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation of shareholders who are unable to attend a shareholder meeting in person (i.e., a "hybrid meeting"). However, we also believe that virtual-only meetings have the potential to curb the ability of a company's shareholders to meaningfully communicate with the company's management.

Prominent shareholder rights advocates, including the Council of Institutional Investors, have expressed concerns that such virtual-only meetings do not approximate an in-person experience and may serve to reduce the board's accountability to shareholders. When analyzing the governance profile of companies that choose to hold virtual-only meetings, we look for robust disclosure in a company's proxy statement, which assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

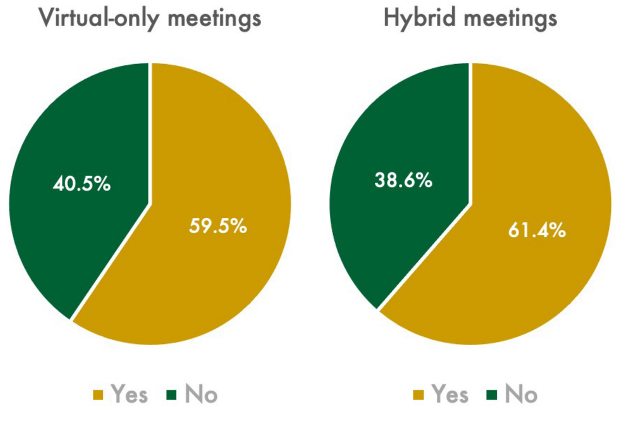
Examples of effective disclosure include: (i) addressing the ability of shareholders to ask questions during the meeting, including time guidelines for shareholder questions, rules around what types of questions are allowed, and rules for how questions and comments will be recognized and disclosed to meeting participants; (ii) procedures, if any, for posting appropriate questions received during the meeting and the company's answers, on the investor page of their website as soon as is practical after the meeting; (iii) addressing technical and logistical issues related to accessing the virtual meeting platform; and (iv) procedures for obtaining technical support to assist in the event of difficulties accessing the virtual meeting.

We will generally recommend voting against the chair of the governance committee where the board is planning to hold a virtual-only shareholder meeting and the company does not provide such disclosure or shareholder protections."[10]

TSX COMPOSITE INDEX–ALIGNMENT WITH GLASS LEWIS DISCLOSURE EXPECTATIONS

Based on our review of the proxy circular disclosure of 116 constituents of the TSX Composite Index that held a virtual-only meeting this year, only 69 of 116 (59.5%) provided disclosure that, in our view, addressed all the Glass Lewis disclosure expectations noted previously (in bold), while 47 of 116 (40.5%) did not fully address these expectations. Anecdotally, we are not aware of any resulting negative recommendations from Glass Lewis with respect to companies holding virtual-only meetings that did not fully address these disclosure expectations. However, companies should not assume that Glass Lewis will not be more aggressive in applying this policy in 2024. While the Glass Lewis disclosure expectations apply solely to virtual-only meetings, we suggest that companies holding hybrid meetings also provide this level of disclosure with respect to the virtual component. Of the 44 constituents of the TSX Composite Index holding a hybrid meeting this year, only 27 of 44 (61.4%) provided disclosure that, in our opinion, addressed the Glass Lewis disclosure expectations, while 17 of 44 (38.6%) did not fully address these expectations.

ALIGNMENT WITH GLASS LEWIS EXPECTATIONS



Source: Laurel Hill. Compiled from our review of proxy circulars filed between December 1, 2022 and June 30, 2023, on www.sedar.com of constituents of the TSX Composite Index that held a virtual-only or a hybrid meeting and their adherence to the Glass Lewis disclosure expectations note above.

9 Globe & Mail, "Say no to virtual-only shareholder meetings – they let companies duck accountability," May 21, 2023, https://www.theglobeandmail.com/business/commentary/article-say-no-to-virtual-only-shareholder-meetings-they-let-companies-duck/

10 Glass Lewis, "Glass Lewis 2023 Policy Guidelines" (Canada), page 52, https://www.glasslewis.com/wp-content/uploads/2022/11/Canada-Voting-Guidelines-2023-GL.pdf

CSA VIEWS AND EXPECTATIONS

In February 2022, the Canadian Securities Administrators released guidance related to its expectations regarding disclosure and shareholder participation at virtual meetings, stating in part:

> *"It is important that reporting issuers provide clear and comprehensive disclosure in management information circulars and associated proxy-related materials concerning the logistics for accessing, participating, and voting at a virtual shareholder meeting. Reporting issuers can do this by providing full explanations of the registration, authentication and voting process for both registered and beneficial shareholders. In order for shareholders to understand how a reporting issuer will facilitate shareholder participation at a virtual meeting, we recommend that reporting issuers provide shareholders with information concerning the procedures for how shareholder questions will be received and addressed and how shareholder participation will otherwise be accommodated and managed at the meeting.*
>
> *We also recommend that reporting issuers provide contact information where shareholders can obtain assistance in the event of difficulties during the registration process or while accessing and attending the meeting.*
>
> *While securities regulators do not oversee the conduct of shareholder meetings, we encourage reporting issuers to provide for a level of shareholder participation at a virtual meeting that is comparable to that which a shareholder could reasonably expect if they were attending an in-person meeting. This would include opportunities to make motions or raise points of order and the ability to raise questions and provide direct feedback to management in any question-and-answer segment of the meeting. Proponents of shareholder proposals accepted to be voted on at the meeting should typically also be given the opportunity to speak to the proposal. We recognize that similar to in-person meetings, reporting issuers and meeting Chairs will necessarily have to apply some level of discretion in fielding questions and managing the meeting. However, we recommend that the practices applied at virtual meetings be transparent and consistent with established practices for in-person meetings to promote meaningful interaction between shareholders and management."*[11]

OTHER CONSIDERATIONS

There are many other views and considerations to examine, including:

- Are retail shareholders a vital constituent? If yes, is it more important to provide an in-person format, where retail has traditionally turned out in person in large numbers? Or is it more appropriate to offer a virtual format in cases where retail is dispersed globally and more likely to participate virtually?
- Do you view the AGM as an opportunity to showcase the company, the board, and management and personally engage with shareholders, clients, employees, and other stakeholders? This has traditionally been associated with an in-person format.
- Do you view the AGM as an opportunity to demonstrate that you are technology-forward? This may be particularly important for companies in sectors such as technology, communications, and financial services. If yes, a virtual option may be necessary.

WHAT YOU NEED TO KNOW:

Undoubtedly, hybrid meetings are generally considered the gold standard format, and even virtual-only meetings will remain fixtures at many shareholder meetings. Yet, for many issuers, in-person-only meetings remain the preferred format. In-person-only could also be supplemented with a simultaneous webcast; while shareholders could not actively participate, shareholders and other stakeholders could still listen in. There really is no one-size-fits-all approach to this important decision. As you prepare for your 2024 AGM, there are a number of key considerations, including i) the relative costs, complexities, and logistics of each option; ii) the views, concerns, and disclosure expectations of your shareholder base (which should be elicited through off-season shareholder engagement); and iii) the importance you place on showcasing the company, the board, and management and on personally engaging with shareholders, clients, employees, and other stakeholders. For those electing virtual-only or hybrid meetings, we recommend proxy circular disclosure aligned with Glass Lewis expectations. As companies set the stage in 2024 for conducting their AGM in this post-pandemic environment, careful thought should be given to all the short-term and long-term costs, benefits, and risks.

[11] Canadian Securities Administrators, "Canadian securities regulators provide updated guidance on virtual shareholder meetings", https://www.securities-administrators.ca/news/canadian-securities-regulators-provide-updated-guidance-on-virtual-shareholder-meetings/

ENVIRONMENTAL, SOCIAL & GOVERNANCE TRENDS (ESG)

THE LANDSCAPE

In today's capital markets, ESG (environmental, social, and governance) continues to be a leading topic among all participants. A few key areas of ESG this past year included greenhouse gas protocol, climate positivity, remote work, and cybersecurity. Throughout this section, we will discuss each of these considerations, additional updates, and areas of interest.

According to a study by Morningstar, new sustainable fund launches have declined globally since 2022. In the first quarter of 2023, Morningstar identified 113 new sustainable funds, less than half of those identified at the peak of sustainable fund launches in the fourth quarter of 2021 (just over 325 funds). This slowdown in ESG fund launches can be attributed to numerous investor criticisms impacting investor trust within the ESG investing space. We touched on a few such criticisms in our 2022 report. Despite the decrease in fund offerings, we expect the amount invested in ESG funds to remain stable over the long term, particularly as additional regulation around ESG investments helps define the industry and provide necessary investor trust and confidence.

According to a recent three-part series published by Gowling WLG titled "ESG: The investor perspective," there are three main constituents within the realm of ESG investing that issuers should keep in mind when contemplating their ESG approach and strategy, specifically:

1. **Individuals** have become more aware of their ability to demand greater influence over the management of their assets. They are more active around the composition of their portfolios and are putting increasing pressure on disclosure and active engagement of ESG practices.
2. **Pension funds and asset managers,** responding to the changing attitudes of their clients and quite possibly related to the initial point, an increased awareness of their responsibilities to society, have exerted an increasing influence on the development of ESG engagement.
3. **Investment managers** wanting to be on the front foot and respond to the needs of their clients, as well as exploiting commercial opportunities, have developed a range of ESG-focused products. Formerly a niche market, ESG funds have grown into a multi-trillion-dollar industry.[12]

It is crucial that companies understand the influence each of these groups has according to their unique shareholder base and, ultimately, where their company sits on critical ESG topics not only for access to capital and investing but also how these investors will impact voting.

REPORTING STANDARD UPDATES

Our 2018 Trends Report outlined a number of industry groups and NGOs working to implement increased rigour in ESG standards and reporting. With the elevated demand for ESG information, we wanted to provide an update on recent developments for three of these well-established groups:

The Task Force on Climate-Related Financial Disclosure (TCFD)

TCFD was formed in late 2015 to develop recommendations for voluntary climate-related financial disclosures to allow climate-related risks to be better assessed, priced, and managed. In their 2022 status report, TCFD suggested to issuers that "companies should start building up their governance and response to climate-related issues proactively, even if progressively, and before it is made mandatory by your government, stock exchange, or regulator."[13]

To the above point, TCFD reported two significant findings this year from their annual survey:

1. Over 70% disclosed climate-related information in financial filings, annual reports, or integrated reports for the fiscal year 2021 compared to 45% for the fiscal year 2017.
2. The number of companies disclosing against the TCFD recommendations for the fiscal year 2021 was nearly five times higher than those disclosing in the fiscal year 2017.[14]

The Global Reporting Initiative (GRI)

In 2022, the GRI celebrated its 25th anniversary year. GRI has launched four generations of its sustainability reporting guidelines, which evolved into the launch of reporting standards in 2016 and revised most recently in 2021. More than 10,000 companies use the GRI standards globally, making them the world's most widely adopted and accepted tool for corporate transparency. GRI standards assist companies with understanding and disclosing their impacts on the economy, environment, and society. GRI standards are broken into a three-series modular system, which can be used together: Universal, Sector, and Topic standards.

[12] Gowling WLG, "ESG: The investor perspective, September 2023, https://gowlingwlg.com/en/insights-resources/reports/2023/building-an-esg-framework-for-sustainable-success/

[13] Financial Stability Board, "Task Force on Climate-Related Financial Disclosure (TCFD)," October 2022, https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf

[14] Financial Stability Board, TCFD, October 2022

The Sustainability Accounting Standards Board (SASB)

As per our 2022 Trends Report, on August 1, 2022, SASB's Value Reporting Foundation consolidated with the International Financial Reporting Standards (IFRS), which established the International Sustainability Standards Board (ISSB). This year, on June 26, 2023, the ISSB issued two inaugural standards for ESG-related disclosure:

1) IFRS S1 – General Requirement for Disclosure of Sustainability-related Financial Information.

2) IFRS S2 – Climate-related Disclosures.

As described by the IFRS, S1 "requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term." Similar for climate-related disclosure, S2 "requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term."[15]

An update from Blake, Cassels & Graydon LLP on June 26, 2023, titled "ISSB Issues Inaugural Standards for ESG-Related Disclosure," summarized, "The ISSB Standards aim to provide a platform to help companies communicate their sustainability efforts 'in a robust, comparable, and verifiable manner' and, as a result, enable stakeholders to gain a comprehensive understanding of how sustainability-related and climate-related factors are integrated into the company's performance."[16]

Which Standards to Use?

With GRI and SASB being two separate globally accepted frameworks, confusion can arise around which standards a company should use. These two frameworks are complementary and mutually supportive and thus can be used in tandem. As mentioned above, GRI standards cover a company's impact on the economy, environment, and society, while SASB is tailored toward financially material sustainability topics. The application for both GRI and SASB has been accelerated by investors' desire for corporate disclosure around both societal and financial impact. To aid companies in integrating both frameworks, in April 2021, GRI and SASB published a guide on reporting titled "A Practical Guide to Sustainability Reporting Using GRI and SASB Standards."[17]

SOCIALLY RESPONSIBLE INVESTING AND THEIR IMPACT ON VOTING

Three primary investing strategies have emerged from the growing demand for the integration of ethical considerations: ESG investing, socially responsible investing (SRI), and impact investing. We touched on the rising prominence of impact investing in our 2021 Trends Report. In this year's report, we will discuss SRI. SRI is an investment approach that considers positive social change by factoring in both financial returns and moral values. What makes the SRI strategy unique is that it positions financial returns as a back-seat consideration to ensure the moral values of the investor are considered and properly assessed.[18]

To begin the discussion of SRI, it first helps to understand the difference between ESG investing and SRI. An article written by S&P Global explains that "ESG investing offers a pragmatic approach to addressing financially material issues through a broader information set. ESG-focused investment products record returns on par with or better than those built purely for risk-weighted performance, a trend that runs counter to the notion that taking ESG into account detracts from performance. Comparatively, SRI allows market participants to conduct positive and negative screens to invest in companies that they believe are engaging in sustainable practices such as environmental stewardship, consumer protection, human rights, and racial and gender diversity. This strategy emphasizes financial returns as a secondary consideration after the investors' moral values. Socially responsible investors actively avoid investing in companies or organizations whose businesses run counter to their nonfinancial values and ethical principles or those they perceive to negatively affect society; including businesses across the alcohol, tobacco, fast food, gambling, weapons, fossil fuel, or defense industries."[19]

In 1998, ISS launched its SRI policy guidelines, a "specialty" proxy voting policy geared toward socially responsible investing. This policy scrutinizes issues surrounding social responsibility more so than their benchmark policy. For example, in Canada, ISS' SRI policy generally recommends withholding against nominating committee members in cases where the board is not comprised of at least 40 percent underrepresented gender identities. ISS' benchmark policy ranges from at least one woman director to at most 30%, depending on the issuer's size (composite index, non-composite TSX, or venture).

15 Deloitte, "ISSB publishes IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information," June 2023, https://www.iasplus.com/en/news/2023/06/ifrs-s1

16 Blake, Cassels & Graydon LLP, "ISSB Issues Inaugural Standards for ESG-Related Disclosure," July 2023, https://www.blakes.com/insights/bulletins/2023/issb-issues-inaugural-standards-for-esg-related-di?utm_source=vuture&utm_medium=email&utm_campaign=0707%20-%20issb%20issues%20inaugural%20standards%20for%20esg-related%20disclosure

17 Nordea, "GRI, SASB, CDP – Making sense of overlapping sustainability and climate disclosures," October 2021, https://www.nordea.com/en/news/gri-sasb-cdp-making-sense-of-overlapping-sustainability-and-climate-disclosures

18 S&P Global, "What is the difference between ESG investing and socially responsible investing?" February 2020, https://www.spglobal.com/en/research-insights/articles/what-is-the-difference-between-esg-investing-and-socially-responsible-investing

19 S&P Global, Difference Between, February 2020

Specific SRI topics, such as climate change, have received so much investor interest that this year, it led to ISS and Glass Lewis implementing guidelines within their benchmark policy regarding climate accountability. For those issuers on the current Climate Action 100+ list, ISS will recommend against certain directors in cases where they believe an issuer is not taking the minimum steps to understand, assess, and mitigate risks to the company and the larger economy related to climate change. While this current policy only impacts significant GHG emitters, we anticipate ISS will expand the scope of this policy to include more issuers over time as investor expectations continue to grow around climate-related disclosure and action. Glass Lewis' new policy states it may recommend voting against board members or relevant meeting resolutions where issuers with increased climate risk exposure have not provided thorough TCFD-aligned climate-related disclosure or have not explicitly and clearly defined board oversight responsibilities for climate-related issues.

To help investors access SRI investments, mutual fund and ETF providers now offer SRI options. However, with all investments, the goal is not to lose money. With the mounting focus on SRI from various market participants, it repeatedly raises the question of diminished returns at the cost of the approach. Based on a meta-analysis study by European Financial Management, which included 153 studies and 1047 observations of SRI performance, it concluded that SRI neither outperforms nor underperforms the respective market benchmarks.[20] While this may seem underwhelming, this finding is remarkably significant since, essentially, SRI investments allow investors to access standard market performance while also investing in companies considered socially responsible constituents. When given the option for investors to invest in socially responsible companies as opposed to companies not meeting these criteria, there is a strong argument that, overwhelmingly, investors will take the socially responsible option, with all other aspects surrounding financial performance being equal.

Companies failing to meet investor expectations for social responsibility may risk receiving adverse votes towards certain directors, committees, or, in extreme cases, the entire board. For example, if a company establishes a new partnership with a distributor known as a heavy environmental polluter, SRI investors may voice their negative views through adverse votes toward the chair of the board and members of the governance committee. Companies need to be aware of how current and potential business decisions may resonate in the minds of SRI investors, as failure to identify and mitigate social responsibility concerns could have a major negative impact on director voting.

ESG-RATING AGENCIES

As interest grew in capital markets surrounding ESG and its investing principles, ESG-rating agencies were established to assist investors in evaluating company-specific performance. As per an article published by Harvard Law, "ESG ratings are intended to provide information to market participants (investors, analysts, and corporate managers) about the relation between corporations and non-investor stakeholders' interests. They do so by sifting masses of data to extract insights into various elements of environmental, social, and governance performance and risk. Investors rely on this information to make investment decisions, while corporations use ratings to gain third-party feedback on the quality of their sustainability initiatives."[21] ESG ratings provide investors and companies with insights into performance areas not captured by traditional financial metrics.

As per an article by *U.S. News*, ESG scoring can be classified into three broad categories depending on the issue being evaluated:

1. **Issue-specific ESG scores.** These are ESG scores measuring the performance of companies and funds based on a single issue. An example is the water risk rating published by Institutional Shareholder Services.
2. **Category-specific ESG scores.** These scores go beyond one factor or issue but stay within one single category: Environmental or social or governance. An example is the Carbon Disclosure Project, which focuses strictly on environmental issues. There is also the rating done by Kinder, Lydenberg and Domini, which strictly focuses on social issues.
3. **General ESG scores.** These are ESG scores that focus on a variety of factors across all three categories. Popular examples are MSCI ESG Ratings and Bloomberg ESG Ratings, among others.[22]

A common ESG investing concern cited by investors is the inconsistency of ratings across ESG indexes and ratings firms. The variation stems from a lack of standardization surrounding score measurements and the procedures used to generate scores from one rating agency to the next. There are dozens of rating agencies that comprise this fragmented market. The major players include MSCI, ISS ESG, Sustainalytics, Refinitiv, and FTSE Russell.

[20] Lars Hornuf, Gül Yüksel, "The performance of socially responsible investments: A meta-analysis," June 17, 2023, https://onlinelibrary.wiley.com/doi/full/10.1111/eufm.12439#pane-pcw-references

[21] Brian Tayan, David Larcker, et al., "ESG Ratings: A compass without direction," August 24, 2022, https://corpgov.law.harvard.edu/2022/08/24/esg-ratings-a-compass-without-direction/

[22] US News, "ESG Investing 101: What is an ESG Score?" May 22, 2023, https://money.usnews.com/investing/news/articles/what-is-an-esg-score

Higher Middle Lower

Company	Bloomberg	S&P	MSCI	Sustainalytics	CDP Climate	ISS	ISS
Ritchie Bros. Auctioneers	28.5	18	AAA	N/A	N/A	4	20.28
FirstService Corp.	13.6	15	A	N/A	0	8	17.45
Toromont Industries	24.0	9	AA	N/A	0	6	27.66
AltaGas	52.9	23	A	N/A	7	5	27.94
BCE	59.7	54	BBB	18.9	7	1	59.50
IGM Financial	53.1	74	BBB	11.7	7	8	49.25

How the ratings work

Bloomberg ESG disclosure
Scores range from 0 (no information provided) to 100 (all possible information provided)

The S&P Global ESG rank
A percentile score with 1 being the worst and 100 being the best

The MSCI ESG rating
The system ranges from best (AAA) to worst (CCC)

Sustainalytics rank
0-10 Negligible; 10-20 Low; 20-30 Medium; 30-40 High; 40+ Severe

CDP Climate score
Scores range from 0 (failure) to 8 (A)

ISS Governance scores
Range from 1 (best) to 10 (worst)

ISS ESG Performance scores
Range from 1 (worst) to 100 (best)

Source: Globe and Mail, "Why the booming business of ESG ratings may be giving investors a false sense of sustainability," April 16, 2022, https://www.theglobeandmail.com/business/article-behind-greenwashing-esg-ratings-sustainable-investing/

The Globe and Mail conducted a review of six public company ratings at different major rating agency firms, and below is what they found:[23]

This research illustrates there is significant inconsistency among rating agencies.

The MIT Sloan School of Management published an article discussing ESG ratings and references three factors driving divergence from one ESG rating to the next:

1. **Scope:** when ratings are based on different attributes.
2. **Measurement:** when agencies measure the same attributes with different raw data.
3. **Weights:** when the different ESG agencies have varying views on the importance of the attributes.[24]

Another area of concern is a potential conflict of interest. Many ESG rating agencies also offer ESG consulting services, which raises speculation in cases where the company is a current client of both services.

With ongoing growth in ESG investing and interest, ESG-rating agencies will likely continue to be an important tool for investors and policymakers regardless of the concerns highlighted above. Hopefully, as the ESG-rating market continues to develop, there will be a push for improved consistency and transparency to enhance comparability and overall investor value surrounding ESG ratings.

SHAREHOLDER ENGAGEMENT

Companies should actively engage with their shareholders to understand what specific areas of ESG are important to them and how they relate to current and potential practices. This will help build a solid foundation for the company's overall ESG strategy in terms of disclosure, structure, and initiatives. Engagement should be ongoing as a shareholder base can change dramatically from year to year. For example, top holders can shift, retail versus institutional composition can change, foreign ownership can increase, ISS and Glass Lewis influence can alter, etc. Engagement allows the company to gather feedback on current practices, and, perhaps more importantly, help identify gaps in current ESG disclosure, structure, and initiatives.

[23] Globe and Mail, "Why the booming business of ESG ratings may be giving investors a false sense of sustainability," April 16, 2022, https://www.theglobeandmail.com/business/article-behind-greenwashing-esg-ratings-sustainable-investing/

[24] MIT Sloan School of Management, "ESG Ratings: Don't throw the baby out with the bath water," February 23, 2023, https://mitsloan.mit.edu/ideas-made-to-matter/esg-ratings-dont-throw-baby-out-bath-water

KEY ESG TRENDS

In last year's Trends Report, we discussed four ESG hot topics: biodiversity, supply chain management, cybersecurity, and board diversity beyond gender. This year, we will examine three new ESG trends and provide an update on cybersecurity.

Greenhouse Gas Protocol

The Greenhouse Gas Protocol has become increasingly important for companies and investors as the focus narrows on greenhouse gas (GHG) emissions. The Greenhouse Gas Protocol was created in 1998 from a need to establish international standards to direct how corporations account for and report GHG emissions. In 2001, the Greenhouse Gas Protocol released the first edition of Corporate Standards. Over time, these standards were updated with supplemental guidance to companies on emissions measurement from electricity and other energy sources, along with accounting for emissions across value chains. The Greenhouse Gas Protocol currently offers a full suite of calculation tools to aid issuers in calculating their GHG emissions and measuring the achievements of climate change mitigation projects. Currently, the Greenhouse Gas Protocol provides the most widely used GHG accounting standards across the globe. According to data from the Carbon Disclosure Project, a not-for-profit charity that collects environmental data on corporations, as of 2016, at least 92% of Fortune 500 issuers directly or indirectly used the Greenhouse Gas Protocol.

Currently, the most widely known measurement system of GHG emissions from the Greenhouse Gas Protocol is its Scope 1, 2, and 3 emissions categories.

Scope	Definition
Scope 1	Direct emissions from business operations.
Scope 2	Power plant emissions from business energy requirements; their purchased electricity, steam, heat, and cooling.
Scope 3	Indirect emissions from upstream (supply chain) and downstream (consumer and waste stream emissions) for products and services.

Below is a table providing definitions for each scope:

The scopes above demonstrate how companies create GHG emissions through direct office and warehouse activity, as well as through the products they produce across their lifespan.

Earlier we touched on the ISSB's two initial standards. IFRS S2 requires companies to provide disclosure surrounding absolute GHG emissions consistent with the measurement provided in the three scopes above from the Greenhouse Gas Protocol. As per a statement from the Greenhouse Gas Protocol on June 26, 2023, *"The ISSB's requirement of scope 3 disclosure in IFRS S2 further illustrates the key role that scope 3 emissions play to measure, plan and track companies progress toward science-based and net-zero targets in line with the global 1.5°C goal." Furthermore, the Director of the Greenhouse Gas Protocol, Pankaj Bhatia, stated, "The ISSB's requirement to disclose scope 3 emissions is a major step forward in measuring and managing emissions from companies' value chain. This is the first time a major global standard-setting institution required reporting of Scope 3 emissions, setting a precedent for other institutions and regulatory programs to follow. Greenhouse Gas Protocol is dedicated to working with ISSB to maintain alignment between our standards and to support successful implementation of IFRS S2. GHG Protocol is currently undertaking updates of the corporate suite of standards, which provides new opportunities to collaborate with ISSB, address stakeholder feedback particularly about the Scope 3 Standard and improve ease of use."*[25]

The Greenhouse Gas Protocol is a vital tool to help issuers assess and disclose their GHG emissions throughout their entire organization. As the Greenhouse Gas Protocol continues to gain momentum through the global push against climate change, investors look for this type of robust disclosure among issuers while evaluating current and potential investments. We recommend issuers assess their current disclosure and initiatives surrounding the Greenhouse Gas Protocol to ensure they address gaps and fulfil the expectations of investors such as not to restrict access to capital.

Climate Positivity

With the heightened focus on tackling climate change, there is a push among investors and financial market participants/regulators for issuers to take steps toward achieving net-zero operations. In addition, another climate trend known as climate positivity is taking net-zero a step further. This is when an organization goes beyond net zero by actively removing existing carbon from the atmosphere. Climate positivity can be achieved in a variety of ways, including investing in additional climate offsets, embracing suppliers and stocking carbon-negative products.[26]

When outlining the climate impact journey for an organization, climate positivity is at the end of the process. Below are three steps outlined by Abatable as the pathway for organizations to achieve climate positivity:[27]

Step	Definition
1. Carbon neutral	Having a balance between emitting carbon and absorbing carbon from the atmosphere in carbon sinks.
2. Net zero	A target of completely negating the amount of greenhouse gases produced by human activity, to be achieved by reducing emissions and implementing methods of absorbing carbon dioxide from the atmosphere.
3. Climate positivity	When an organization goes beyond net zero by actively removing existing carbon from the atmosphere.

[25] Greenhouse Gas Protocol, "STATEMENT: New Standard from the International Sustainability Standards Board (ISSB) Requires Disclosure of Scope 3 Emissions," June 26, 2023, https://ghgprotocol.org/blog/statement-new-standard-international-sustainability-standards-board-issb-requires-disclosure

[26] Abatable, "The Pathway from Carbon Neutral through Net Zero to Climate Positive," March 9, 2022, https://www.abatable.com/blog/pathway-carbon-neutral-net-zero-climate-positive

[27] Abatable, "The Pathway from Carbon Neutral," 2022, https://www.abatable.com/blog/pathway-carbon-neutral-net-zero-climate-positive

Companies should work to assess their current climate impact, keeping in mind the steps that go beyond carbon neutral. It is expected that as the global fight on climate change continues to evolve, investors will demand more from companies and quite possibly use their votes to express their expectations. It is essential that companies stay ahead of the curve and be ready to anticipate investor needs in the foreseeable future.

Remote Work

Once COVID-19 restrictions started to ease, employers had to determine the best return-to-work strategy for their business. In some cases, employers maintained a fully remote work approach with the option for employees to work in the office as they wished. However, the most common approach seems to be a hybrid arrangement where a certain number of days throughout the week/month are mandatory in-office days, while the remainder allows for remote work.

A survey by the Environics Institute from March 2023 of 5904 Canadian adults concluded that 57% of office workers and executives or managers work remotely at least some days.[28] These results demonstrate how remote work still plays a big part in office work arrangements as we move further from the COVID-19 pandemic.

According to a study from AT&T, which surveyed more than 300 C-suite executives and senior managers, employees working completely remotely will decrease from 58% in 2021 to 19% in 2024, while employees working in a hybrid model will increase from 42% in 2021 to 81% in 2024.[29] The sentiment of senior leadership is that the hybrid work model will be embraced as the standard for office workers over time.

The survey also inquired about the challenges senior leadership faces with remote working arrangements.

Below are the top five challenges cited by respondents:

Rank	Top 5 Challenges of Working Remotely (Overall)
#1	Maintaining employee oversight
#2	Losing institutional/tribal knowledge
#3	On-boarding new employees
#4	Lack of a comprehensive strategy
#5	Old technology systems/technology debt

Source: AT&T Business, "Is corporate American ready for The Future of Work?" February 25, 2022, https://www.business.att.com/learn/research-reports/is-corporate-america-ready-for-the-future-of-work.html

Below are five benefits of working remotely as cited by Indeed, an online job website posted in an article about remote work from March 2023:

Rank	5 Benefits of Working Remotely
#1	Better work-life balance
#2	Fewer expenses
#3	Little-to-no commute
#4	Greater inclusivity
#5	Positive environmental impact

Source: Indeed, 9 Benefits of Working Remotely (With Tips for Remote Work), March 10, 2023, https://ca.indeed.com/career-advice/career-development/benefits-of-working-remotely

Clearly, there are numerous benefits and potential concerns surrounding remote work. As mentioned above based on the current trend, a hybrid work format is likely to become the standard approach for office workers as we move further away from the COVID-19 pandemic restrictions. It is important that employers assess where remote work fits within their unique organization regarding productivity, culture, and employee morale as they design a strategy that best suits the needs of the organization and its employees.

[28] Environics Institute, "The shift to working from home will be difficult to reverse," July 23, 2023, https://www.environicsinstitute.org/insights/insight-details/the-shift-to-working-from-home-will-be-difficult-to-reverse

[29] AT&T Business, "Is corporate American ready for The Future of Work?" February 25, 2022, https://www.business.att.com/learn/research-reports/is-corporate-america-ready-for-the-future-of-work.html

Cybersecurity

Cybersecurity continues to be a critical area for companies as they identify potential risks and manage their infrastructure to combat any cybersecurity-related events. In last year's Trends Report, we presented the number of self-report breaches for Alberta and British Columbia in both the private and public sectors, according to a report published by Blake, Cassels & Graydon LLP (Blakes). Below is more recent data based on Blakes' latest edition of their study on Canadian Cybersecurities Trends.[30]

ALBERTA AND BRITISH COLUMBIA SELF-REPORTED BREACHES BY FISCAL YEAR

Fiscal Year	Alberta Self-Reported Breaches (Private and Public Sector—FOIP14 and PIPA)	British Columbia Self-Reported Breaches (Private and Public Sector —FIPPA15 and PIPA)
2015-2016	182	154
2016-2017	212	166
2017-2018	281	186
2018-2019	396	205
2019-2020	406	209
2020-2021	458	238
2021-2022	**406**	**174**

Based on this latest data, self-reported breaches are down year-over-year; however, below is the median ransom paid in instances where a payment was made (in C$).

Source: Blakes, "Canadian Cybersecurity Trends Study," 2023, https://www.blakes.com/pages/cybersecurity-trends-study-2023

So, while the number of self-reported breaches was down from 2022, the ransom cost to businesses increased by 170% in the last two years. These statistics demonstrate how financially costly a breach could be for an organization, without factoring in business disruptions, reputational damage, legal actions, and potential downward pressure on a public issuer's share price.

Establishing the proper defence, infrastructure, and protocol for cybersecurity based on the current state of your organization is critical to identifying and mitigating cybersecurity threats. To help develop a strategy for cyber-preparedness, Blakes has outlined 10 steps to consider:

1. **Identify those responsible for cybersecurity**. Make a list of the individuals or business groups in the organization responsible for information security. They should be well-positioned to escalate issues to the highest levels of the organization if needed.
2. **Know your data.** Turn your mind to the data that your organization collects and retains. Where is this data located? On-premises, in cloud-based storage, inside Canada or abroad?
3. **Implement robust security measures**. These could include antivirus and endpoint detection and response (EDR) tools. Your IT team (whether in-house or an IT services provider) should be familiar with these tools and the alerts they may generate.
4. **Have a plan in case an incident does occur.** A concise and carefully considered cyber incident response plan can be a useful way to establish the first steps when responding to a cybersecurity incident.
5. **Practice your preparation.** A tabletop exercise, which is an organized simulation of a cybersecurity incident, can shed light on your organization's strengths and weaknesses in responding to an incident.
6. **Review your organization's policies.** Ensure your policies relating to data handling and cybersecurity are consistent with evolving legislation and industry standards.
7. **Provide regular cyber awareness training.** Ensure all members of your organization (employees, contractors, volunteers, etc.) are educated on cybersecurity awareness. Keeping cybersecurity risks top of mind helps to promote a culture of vigilance. Consider training tailored to different business groups' specific functions (e.g., board, C-suite).
8. **Find out if you have cybersecurity insurance.** If so, make sure you understand your coverage limit, renewal period and other relevant matters relating to the policy. If not, evaluate whether your organization should obtain a policy.
9. **Know who you're doing business with.** Which suppliers, contractors, vendors or partners do you work most closely with, and what is their cybersecurity posture? Malware can spread from one organization to another, so managing risk throughout your organization's supply chain can go a long way in mitigating cybersecurity risk.

10. Lean on industry experts. Your breach coach can assist in preparing you for an incident and should be your first call if an incident does occur. The breach coach will coordinate and work with other relevant service providers (such as an IT forensic firm) and can direct you towards that expertise as needed.

When it comes to generating a cybersecurity strategy within an organization, effective preparation is of utmost importance.[30]

Cybersecurity Regulatory Update

On September 5, 2023, new cybersecurity legislation came into force in the United States relating to new mandatory cybersecurity disclosure. These new rules apply to most US domestic issuers, along with certain foreign private issuers. These new disclosure policies were prompted by a significant increase in cybersecurity incidents in combination with two concerns: on average, companies underreport these incidents and inconsistency in disclosing a cybersecurity incident. These new SEC rules provide guidelines for issuers to determine when a material cybersecurity breach occurs. An update by Osler, Hoskin & Harcourt LLP on August 21, 2023, titled "SEC's new mandatory cybersecurity disclosure rules and implications for Canadian issuers," asserts, "If the new rules are seen as improving the quality and timeliness of disclosure on cybersecurity matters for U.S. securities law purposes, they will likely influence the approach to making materiality determinations for Canadian securities law purposes."[31] Dual-listed Canadian issuers need to assess whether they fall within the scope of companies required to provide this additional cybersecurity disclosure.

Proxy Advisors and Cybersecurity Update

In last year's Trends Report, we discussed how ISS and Glass Lewis had each recently developed company-specific cybersecurity ratings within their research reports to provide investors and boards with data to help assess, manage, and mitigate cyber risk. Below are updates for each proxy advisor regarding their approach to assessing cybersecurity.

ISS

On July 6, 2023, ISS announced upcoming enhancements to their ESG Cyber Risk Score, which were implemented later that month. ISS modified their scoring for cyber risk to mirror the type of scale used for credit scores (the high end of the scale [850] represents low risk, whereas the low end of the scale [300] represents high risk). This company-specific score is supported by additional information and explanatory tools to assist the reader in analyzing ISS' score for multiple purposes, including investment risk assessment, cyber breach insurance underwriting, third-party risk management, as well as corporate-level self-assessment. As per ISS' announcement, "The ability for this model to differentiate 'goods' from 'bads' by discerning forward-looking risk, is a key differentiator in the market."[32]

GLASS LEWIS

In response to the growing risk of cyber attacks, Glass Lewis introduced a new section to their 2023 proxy voting guidelines titled "Cyber Risk Oversight." This is the first formal cybersecurity voting policy to be adopted by Glass Lewis or ISS to date. Glass Lewis states the following in their 2023 policy guidelines: "We will generally not make voting recommendations on the basis of a company's oversight or disclosure concerning cyber-related issues. However, we will closely evaluate a company's disclosure in this regard in instances where cyber-attacks have caused significant harm to shareholders and may recommend against appropriate directors should we find such disclosure or oversight to be insufficient."[33]

The fact that ISS and Glass Lewis are continuing to develop their data and policies surrounding cybersecurity assessment is a key indicator that this is an area of increasing importance for investors. Companies will need to keep a pulse on their unique cybersecurity infrastructure, risk, and development to help mitigate any future breaches, as well as provide proper defence and protocols to meet investor expectations.

[30] Blakes, "Canadian Cybersecurity Trends Study," 2023, https://www.blakes.com/pages/cybersecurity-trends-study-2023

[31] Andrew MacDougall, Jason Comerford, Osler, "SEC's new mandatory cybersecurity disclosure rules and implications for Canadian issuers," August 21, 2023, https://www.osler.com/en/resources/regulations/2023/sec-s-new-mandatory-cybersecurity-disclosure-rules-and-implications-for-canadian-issuers?utm_source=update&utm_campaign=secs_new_mandatory_cybersecurity_disclosure_rules_and_implications_for_canadian_issuers&utm_medium=email

[32] ISS ESG, press release, "ISS ESG Announces Enhancements to Cyber Risk Score, Incident Type Likelihood Models," July 6, 2023, https://insights.issgovernance.com/posts/iss-esg-announces-enhancements-to-cyber-risk-score-incident-type-likelihood-models/

[33] Glass Lewis, "2023 Policy Guidelines (Canada)," page 7, 2022, https://www.glasslewis.com/wp-content/uploads/2022/11/Canada-Voting-Guidelines-2023-GL.pdf

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TRENDS IN CORPORATE GOVERNANCE

About Laurel Hill

Laurel Hill Advisory Group is Canada's leader in strategic shareholder communications and advisory services. Since our founding in 2008, Laurel Hill has earned a reputation as a trusted advisor. We develop and execute results-oriented strategies to secure the desired investor response. Our expertise is built on strategic shareholder communication, corporate governance, executive compensation, shareholder engagement, and shareholder activism matters. Whether shareholders are voting on routine, special, or contested items or considering an M&A transaction, an unsolicited offer, or a unique capital market offering, we get shareholders to take action. We are committed to a singular vision–providing industry-leading advice, insights, and execution, resulting in a successful outcome.

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