

ISS Releases its 2023 Canada Voting Policy

On November 30, 2022, ISS released its 2023 Policy Guidelines for Canada. Below is a summary of the voting policy updates and clarifying amendments which will take effect for all meetings held after February 1, 2023. The full text of the 2023 voting policy update can be found here: <https://www.issgovernance.com/file/policy/latest/updates/Americas-Policy-Updates.pdf>

Voting Policy Updates (effective Feb. 1, 2023)

TSX-listed Issuers: Board Gender Diversity

- **For S&P/TSX Composite Index companies**, ISS will recommend that shareholders withhold votes from the nominating committee chair or all members of the nominating committee if the board is not at least 30 percent gender diverse.
- **For TSX companies which are not also S&P/TSX Composite Index constituents**, ISS will recommend that shareholders withhold votes from the nominating committee chair or all members of the nominating committee if there are no women on the board.

ISS also disclosed which factors may mitigate a negative recommendation, such as an IPO or recent graduate to the S&P/TSX Composite Index/TSX (as the case may be), or having a small board (non-composite only).

Notably, it appears that having a written policy and a target for representation will no longer cause ISS to avoid making a negative recommendation should the minimum requirement not be met.

TSX-listed Issuers: Climate Accountability

For companies that are significant greenhouse gas (GHG) emitters through their operations or value chain (specifically, companies on the current Climate Action 100+ Focus Group list), ISS will generally recommend a vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy. ISS will review:

- Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
 - Board governance measures;
 - Corporate strategy;
 - Risk management analyses; and
 - Metrics and targets.
- Appropriate GHG emissions reduction targets which are medium-term GHG reduction targets or Net Zero-by-2050 GHG reduction targets for a company's operations (Scope 1) and electricity use (Scope 2). Targets should cover most of the company's direct emissions.

Venture-listed Issuers: Overboard Directors

ISS has introduced an overboarding voting policy for venture-listed issuers which is aligned with the existing voting policy for TSX-listed issuers. ISS will recommend that shareholders withhold votes from nominees who are:

- Non-CEO directors and serve on more than five public company boards; or
- CEOs of public companies who serve on the boards of more than two public companies besides their own – withhold only at their outside boards.

Just as with the TSX voting policy, there are exemptions for directors who commit to stepping down at upcoming meetings. Similarly, ISS will include the new boards that the director is joining even if the shareholder meeting has not yet taken place.

Voting Policy Updates (effective Feb. 1, 2024)

Racial Diversity

For **S&P/TSX Composite Index companies**, ISS will recommend that shareholders withhold votes from the nominating committee chair or all members of the nominating committee where the board has no apparent racially or ethnically diverse members. An exception will be made if there was racial and/or ethnic diversity on the board at the preceding annual meeting and the board makes a firm public commitment to appoint at least one racial and/or ethnic diverse member at or prior to the next AGM.

ISS' defines "racially or ethnically diverse" as: Aboriginal peoples (persons who are Indigenous, Inuit or Métis) and members of visible minorities (persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour). ISS' definition mirrors the definition from the *Employment Equity Act* (Canada).

Additional Updates

Laurel Hill's 8th Annual Trends in Corporate Governance

Additional updates on governance in the Canadian market can be found in Laurel Hill's 8th annual Trends in Corporate Governance report which can be found [here](#).

About Laurel Hill

Laurel Hill Advisory Group is North America's leading independent, cross-border shareholder communications and advisory firm. We provide industry-leading governance advisory, compensation advisory, strategic advisory, proxy solicitation, information agent, depositary, escrow, and asset recovery services. Our customized solutions, delivered by the industry's most experienced, multidisciplinary, and collaborative team, help our clients develop and maintain market-leading governance, shareholder engagement, and activism preparedness. We are regularly engaged on the most high-profile, complex, and contentious governance, M&A, and activism situations. Our cross-border operations allow us to effectively reach shareholders regardless of their location – Canada, U.S. and globally. **We deliver results.**

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