Voting for Value

Twenty Canadian Proxy votes that mattered in 2015

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Voting for Value: Twenty Canadian Proxy votes that mattered in 2015

The Shareholder Association for Research and Education (SHARE) coordinates and implements responsible investment practices on behalf of institutional investors. Since its creation in 2000, SHARE has carried out this mandate by providing responsible investment services, including proxy voting and engagement services, as well as education, policy advocacy, and practical research on emerging responsible investment issues.

The Columbia Institute fosters individual and organizational leadership for inclusive, sustainable communities. This work is rooted in our belief that communities who value social justice, the environment, and their local economy are healthier, happier places to live. We build capacity through responsible investment, governance training and key public policy research.

Created in 1983, the Fonds de solidarité FTQ is a development capital fund that calls upon the solidarity and savings of Quebecers to help fulfill its mission to contribute to Québec's economic growth by creating and protecting jobs through investments in small and medium-sized businesses in all spheres of activity. The Fonds also seeks to encourage Quebecers to save for retirement and to offer its over half a million shareholders-savers a reasonable return over and above the outstanding tax benefits they receive by purchasing Fonds shares.

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> Plan administrators should not ignore the value of voting rights acquired through plan investments....Failure to describe in the investment policy how these rights will be used leaves plan administrators open to charges of either negligence or arbitrary action, possibly in violation of the standard of care requirement."
>
> Ontario Office of the Superintendent of Financial Institutions, 2000

INTRODUCTION

Although 2015 may not have been the year that shareholders roared, it was a year in which they were more willing to raise their voices. With the 2016 proxy voting season about to start, this report looks back at twenty bellwether Canadian proxy votes last year at seventeen companies in the S&P/TSX Composite Index.

Anyone who owns common voting shares has the right to vote at a company's meetings of shareholders. By exercising their voting rights, shareholders communicate with boards and management about matters that affect shareholder value and the company's future.

Each of these votes was selected because it raises an important environmental, social or governance issue and because the case for opposing corporate management --- voting either in favour of shareholder proposals or against/withholding on management proposals --- was strong. Vote recommendations are based on SHARE's Model Proxy Voting Guidelines.

Highlights of this year's Key Vote list include:

- Opposition to election of directors because of lack of independence or diversity, poor attendance or conflicts of interest;
- Quebecor Board of Directors' refusal to accept the resignation of A. Michel Lavigne after 71.5% of Class B shareholders withheld their votes for him;
- Three high-profile failed advisory votes on executive compensation (Barrick Gold, CIBC, Yamana Gold);
- Significant support for an independent human rights assessment at two Canadian fertilizer producers;
- A controversial "exclusive forum" proposal at Yamana Gold that narrowly passed in the face of opposition from 48% of shareholders; and
- Growing pressure from minority shareholders for a Say on Pay vote at controlled companies.

The key vote list provides a useful tool to help fund trustees and administrators review their voting record from 2015 and prepare for the 2016 voting season. For more information on proxy voting and for SHARE's Model Proxy Voting Guidelines visit: www.share.ca/services/proxy-voting.

This report is a project of the Fonds de solidarité FTQ, the Columbia Institute and the Shareholder Association for Research and Education (SHARE).

2015 KEY PROXY VOTE CHECKLIST

The following table lists the twenty 2015 key votes by the date of the vote, first for shareholder proposals and then for management proposals. In-depth descriptions of each issue and vote are included in the section beginning on page 4. The final results of the vote plus SHARE's vote recommendations are included in the columns on the right.

					SHARE's recommendation	
Company	**Meeting Date**	**Issue**	**Voting Item**	**Result**	**For**	**Withhold/ Against**
Shareholder Proposals						
CGI Group	January 28, 2015	Say on Pay: Advisory shareholder vote on compensation	Give shareholders an advisory vote on executive compensation	14% For (25.6% non-controlling)	✓	
Agrium	May 6, 2015	Human rights	Independent human rights assessment of supply chain in the Western Sahara.	12% For	✓	
Quebecor	May 7, 2015	Say on Pay: advisory shareholder vote on compensation	Give shareholders an advisory vote on executive compensation	14% For (49.4% non-controlling)	✓	
Potash Corporation of Saskatchewan	May 12, 2015	Human rights	Independent human rights assessment of supply chain in the Western Sahara.	7% For	✓	
Management Proposals						
CIBC	April 23, 2015	Executive compensation: excessive pay	Advisory resolution on executive compensation	57% Against		✓
Barrick Gold	April 28, 2015	Executive compensation: excessive pay	Advisory resolution on executive compensation	73.4% Against		✓

(table continued)

Company	Meeting Date	Issue	Voting Item	Result	SHARE's recommendation For	SHARE's recommendation Withhold/ Against
Management Proposals (continued)						
Barrick Gold Corporation	April 28, 2015	Director election: independent board committees	Elect G. Cisneros to board	25% Withheld		✓
Canfor Corporation	April 29, 2015	Director election: board diversity	Elect Peter J.G. Bentley as a director	27.5% Withheld		✓
Yamana Gold	April 29, 2015	Exclusive forum for litigation	Forum selection provision (Item 3.2)	48% Against		✓
Yamana Gold	April 29, 2015	Executive compensation: excessive pay	Advisory resolution on executive compensation	63% Against		✓
Quebecor Inc.	May 7, 2015	Director election: majority vote	Elect A. Michel Lavigne as a Class B director	71.5 Withheld		✓
Baytex Energy Corporation	May 12, 2015	Director election: independent board committees	Elect John A. Brussa as a director	30% Withheld		✓
Mitel Networks Corporation	May 14, 2015	Director election: meeting attendance	Elect Andrew J. Kowal as a director	32.5% Withheld		✓
Bonterra Energy Corporation	May 20, 2015	Director election: Board diversity	Elect Randy M. Jarrock as a director	31.5% Withheld		✓
Labrador Iron Ore Royalty Corporation	May 28, 2015	Merger or acquisition without shareholder approval	Approve amendment to articles	27% Against		✓
Great Canadian Gaming Corporation	June 6, 2015	Executive compensation: change of control	Approve and authorize for grant all currently available and unallocated options issuable under the company's 2007 share option plan	40% Against		✓
Hudson's Bay Company	June 9, 2015	Director election: independent board chair	Elect Richard Baker as a director	24.5% Withheld		✓

2015 KEY VOTES IN DEPTH

SHAREHOLDER PROPOSALS

> Human Rights

Agrium Inc.

Meeting date	May 6, 2015
Voting item	Shareholder proposal to conduct an independent human rights assessment of supply chain in the Western Sahara.
Vote result	12% For

Potash Corporation of Saskatchewan

Meeting date	May 12, 2015
Voting item	Shareholder proposal to conduct an independent human rights assessment of supply chain in the Western Sahara
Vote result	7% For

Conducting business in countries with weak human rights records can present companies with operational challenges, damage reputations and lead to lawsuits, boycotts or divestment campaigns. The UN Human Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises have set out a framework for companies to respect human rights. Adhering to these guidelines and principles helps companies fulfill their responsibility to respect human rights in all of their business relationships. Adequate due diligence is an important part of adhering to international standards and principles.

Western Sahara is a UN-designated non-self-governing territory predominantly occupied by Morocco. A UN-supervised truce exists between Morocco and the Polisario Front but negotiations for a referendum on self-determination have broken down. Human rights violations have been reported in the area and a significant part of the territory's original population lives in refugee camps in neighbouring Algeria. Engaging in business relationships in Western Sahara calls for enhanced due diligence.

Agrium Inc. and Potash Corporation of Saskatchewan both source phosphate rock from the Western Sahara. These shareholder proposals asked the companies to conduct a transparent, independent human rights assessment for sourcing material from Western Sahara. Such an assessment would help shareholders understand how the companies are avoiding or mitigating risks and fulfilling the corporate responsibility to respect human rights.

> Say on Pay: Advisory shareholder vote on compensation

CGI Group Inc.

Meeting date	January 28, 2015
Voting item	Shareholder proposal no. 1: Adopt an annual advisory vote on executive compensation
Vote result	14% For (25.6% of non-controlling shareholders)

Quebecor Inc.

Meeting date	May 7, 2015
Voting item	Shareholder's proposal on the advisory vote on executive compensation
Vote result	14% For (49.4% of non-controlling shareholders)

Voluntary Say on Pay votes have been instituted at more than 150 publicly listed Canadian companies. These shareholder proposals asked CGI Group Inc. and Quebecor Inc., two controlled companies, to adopt such an annual, non-binding Say on Pay vote on executive compensation. An advisory vote allows shareholders to express their views on executive compensation, while still recognizing the board's responsibility to set executive pay.

Shareholders have started requesting Say on Pay votes at companies that are controlled by a major shareholder through majority share ownership or through the use of a class of shares with multiple votes. In this case, both companies are controlled through shares that give multiple votes per share to the founders.

At CGI, 14% of votes were cast for the proposal, with support from more than a quarter of those holding single vote shares (25.6%). At Quebecor, 14% of votes were also cast for the proposal, but almost half (49.4%) supported the shareholder proposal.

MANAGEMENT PROPOSALS

> Auditor independence: excessive non-audit fees

Restaurant Brands International Inc.

Meeting date	June 17, 2015
Voting item	Appoint KPMG LLP as auditors
Vote result	10% Withhold (17% of non-controlling shareholders

Canadian Energy Services & Technology Corporation

Meeting date	June 18, 2015
Voting item	Appoint Deloitte LLP as the auditors of the corporation
Vote result	Numeric results were not disclosed

The auditor's role is vital to shareholders. Annual financial statements are the primary independently-verified information about the company performance and financial condition shareholder receive. This information must be reliable and investors' confidence in the auditor's review uncompromised.

Although securities regulations permit companies to hire their auditors to provide other services, doing so potentially compromises their independence. Auditors should neither provide services for management of a corporation nor hold contracts to perform services other than the annual audit. When such non-audit fees are too high, a vote to withhold is appropriate.

More than one-third of the fees Restaurant Brands and Canadian Energy Services paid to their auditors last year were for non-audit work such as tax, consulting and other services, calling into question their ability to act independently in the interests of shareholders.

> Director election: board diversity

Canfor Corporation

Meeting date	April 29, 2015
Voting item	Elect Peter J.G. Bentley as a director
Vote result	27.5% Withhold

Bonterra Energy Corporation

Meeting date	May 20, 2015
Voting item	Elect Randy M. Jarrock as a director
Vote result	31.5% Withhold

To foster long-term success, boards should recruit directors with diverse backgrounds. A diverse board of directors can challenge assumptions and bring a range of perspectives to address strategic challenges. Many studies of corporate performance have found that companies with diverse boards of directors and senior executives do a better job of creating long-term value than companies without this diversity. In 2014, most reporting jurisdictions in Canada passed regulations requiring issuers to disclose their policies on board renewal and gender diversity.

The boards of Canfor Corporation and Bonterra Energy have no women directors, and neither company disclosed its policies on board diversity. Messrs. Bentley and Jarrock are on the nominating committees of their respective companies. In addition, Mr. Bentley and Mr. Jarrock are non-independent directors. All members of a board's nominating committee should be independent. SHARE voted "withhold" for these directors for these reasons.

> Director election: independent board chair

Hudson's Bay Company

Meeting date	June 9, 2015
Voting item	Elect Richard Baker as a director
Vote result	24.5% Withheld

The chair of the board of directors must be an independent director in order to guide the board in its responsibility for overseeing management's performance. This is a basic tenet of good corporate governance. No one can fulfill the responsibilities of chair and those of an executive position without potential conflicts of interest.

Mr. Baker is the executive chair of the Hudson's Bay Company. As an executive of the company, he is not independent and thus should not serve as the board's chair.

> Director election: independent board committees

Barrick Gold Corporation

Meeting date	April 28, 2015
Voting item	Elect G. Cisneros as a director
Vote result	25% Withheld

All boards of directors should have audit, compensation, and nominating committees made up entirely of independent directors. These committees are essential in overseeing a company. They are also in the best position to prevent corporate malfeasance and protect the value of the company.

Mr. Cisneros receives a substantial fee for serving on Barrick's international advisory board. In 2014, this amounted to $800,000 in deferred shares. Compensation at this level creates an employer-like relationship with the company that makes him a non-independent director. However, he serves on the compensation and nominating committees, which should be made up entirely of independent directors.

> Director election: independent boards

Baytex Energy Corporation

Meeting date	May 12, 2015
Voting item	Elect John A. Brussa as a director
Vote result	30% Withheld

The board of directors is responsible for overseeing management's performance in a way that ensures the long-term, sustainable growth of the company. Boards of directors must as a whole be independent of the company's management. Directors are not in a good position to hold management accountable if they have a relationship to the company other than as shareholders and directors. Two-thirds of the directors on a board should be independent. At Baytex, only four of the eight directors on the board are independent.

Mr. Brussa is not an independent director because he is a partner with a law firm that does legal work for Baytex. He also serves on the nominating committee, which, as noted above, should be made up of independent directors. A substantial percentage of Baytex's shareholders withheld their votes for Mr. Brussa in 2013 (31%) and 2014 (26%).

> Director election: majority vote

Quebecor Inc.

Meeting date	May 7, 2015
Voting item	Elect A. Michel Lavigne as a Class B director
Vote result	71.5% Withhold (Class B shares)

As of July 1, 2014, the Toronto Stock Exchange requires all directors of listed companies to be elected by a majority of the votes cast. Majority election of directors allows shareholders to elect directors, rather than simply confirming the board's choices. Under the new rules, directors failing to receive a majority must resign. However, Boards of Directors are not required by the TSX policy to accept the resignation.

Quebecor Class A shareholders (ten votes per share) elect six directors and Class B shareholders (one vote per share) elect two directors. In 2014, before the new TSX policy, 62% of Class B shareholders withheld their votes for Mr. Lavigne. However, he remained on the board, notwithstanding the views of the majority of Class B shareholders.

At the 2015 annual meeting, with the new TSX rule in place, 71.5% of Class B shareholders withheld their votes from Mr. Lavigne. In response, Mr. Lavigne resigned but the Quebecor board rejected the resignation and Mr. Lavigne remains on Quebecor's board.

> Director election: meeting attendance

Mitel Networks Corporation

Meeting date	May 14, 2015
Voting item	Elect Andrew J. Kowal as a director
Vote result	32.5% Withheld

Attendance at board meetings is not the sole determinant of a director's performance, but poor attendance makes fulfilling director responsibilities difficult. Since boards customarily schedule their meetings and committee meetings well in advance, directors should be prepared to attend all board meetings. Mr. Kowal attended only 50% of Mitel's board and committee meetings in the year before that company's annual meeting. No explanation was provided in the proxy materials.

> Executive compensation: change in control

Great Canadian Gaming Corporation

Meeting date	June 16, 2015
Voting item	Approve and authorize for grant all currently available and unallocated options issuable under the company's 2007 share option plan.
Vote result	40% Against

Compensation plans often include provisions allowing share-based grants to vest immediately if ownership or control of the company changes. The best plans have a "double trigger" for vesting. They require that a change of control occurs and that the executive loses his or her job as a result. "Single-trigger plans," on the other hand, require only a change of control for share-based awards to vest.

Companies may also set a low threshold for "change of control", providing benefits when less than a majority of the stock changes hands. Compensation tied to change-in-control provisions should require control of at least 50% of the company's shares to change.

Great Canadian Gaming Corporation's stock option allowed all of its executives' stock options to vest fully if as little as 20% of its stock changes hands, regardless of whether the executives keep their jobs.

> Executive compensation: excessive pay

Canadian Imperial Bank of Commerce

Meeting date	April 23, 2015
Voting item	Advisory vote on non-binding resolution on executive compensation
Vote result	57% Against

Barrick Gold Corporation

Meeting date	April 28, 2015
Voting item	Advisory resolution on executive compensation
Vote result	73.4% Against

> Executive compensation: excessive pay (cont'd)

Yamana Gold Inc.

Meeting date	April 29, 2015
Voting item	Accept the approach to executive compensation (advisory vote)
Vote result	63% Against

Executives' incentive compensation should be tied to firm performance. In the cases of CIBC, Barrick Gold, and Yamana Gold, compensation was widely considered excessive relative to a companies' recent performance and all three votes were lost decisively by management.

CIBC's retiring chief executive officer and chief operating officer were paid substantial sums in 2014 when they moved their retirement dates forward by 17 months and 12 months respectively. As result, the CEO received $16.7 million and the COO received $8.5 million, including performance bonuses for the period after they left the bank's employ.

Barrick had a net loss of almost $3 billion in 2014, but still paid its executives substantial salaries and bonuses. The executive chair alone received $12.9 million in compensation.

In the past, Yamana Gold's long-term executive bonuses were not performance-based. Instead they consisted of share-based awards that vest over time, making them rewards for staying at the company, rather than for their performance. The absence of performance requirements can be seen in the amounts the company paid executive officers compared to the company's financial performance. In 2014, Yamana's top five executives received US$12 million while the company had a net loss of US$1.4 billion. Yamana took a small step forward in 2015 when it added performance requirements to part of the executives' long-term bonus.

> Executive compensation: performance-based pay

Blackberry Ltd

Meeting date	June 23, 2015
Voting item	Approve an amendment to the company's equity incentive plan to increase the number of common shares issuable
Vote result	26% Against

In 2015 Blackberry asked shareholders to approve a share-based incentive plan. However, nothing indicated that bonuses paid under the plan would be performance-based. Blackberry has a history of executive pay not being aligned with the company's performance. For example, in 2014, the CEO's $88 million in compensation made him the highest-paid CEO in Canada, despite Blackberry's losses of almost $6 billion. The executives' compensation in 2015 was less, but they still received substantial bonuses despite a net loss of $300 million. The proposed plan contributes to Blackberry's practice of giving executives' generous bonuses despite the company's poor performance.

> Exclusive forum bylaw amendment

Yamana Gold Inc.

Meeting date	April 29, 2015
Voting item	A forum selection provision requiring certain corporate disputes to be litigated in Ontario
Vote result	48% Against

In 2015, Yamana Gold asked its shareholders to amend its bylaws to limit to Ontario the jurisdiction where shareholders can file lawsuits against the company. Such "exclusive forum" provisions are appearing increasingly at Canadian companies.

Exclusive forum provisions restrict where shareholders can sue a company and, although this may financially benefit companies, such provisions also limit shareholders' rights, depriving investors of the right to choose the court in which to sue a company. The Yamana proposal failed to demonstrate a need for such a restriction.

> Mergers or acquisitions without shareholder approval

Labrador Iron Ore Royalty Corporation

Meeting date	May 28, 2015
Voting item	Approve an amendment to the articles (Proposal #5)
Vote result	27% Against

Altering the relationship between shareholders and the board or making major changes in the structure or control of the corporation should be submitted to the shareholders for a vote. Prior to this vote, the articles of Labrador Iron Ore Royalty Corporation (LIORC) prohibited acquisitions unrelated to its current iron ore business without shareholder approval. The proposed amendment permits acquisitions in other metal or mineral royalty companies without shareholder approval.

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