CCGG Canadian Coalition for Good Governance

THE VOICE OF THE SHAREHOLDER

2020 BEST PRACTICES

FOR PROXY CIRCULAR DISCLOSURE

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INTRODUCTION

Since 2004, the Canadian Coalition for Good Governance (CCGG) has prepared best practices documents for reporting issuers. These documents, including this "2020 Best Practices for Proxy Circular Disclosure" publication, provide examples of excellent disclosure by Canadian issuers in the area of corporate governance and executive compensation.

Mission of CCGG

The Members of the Canadian Coalition for Good Governance are Canadian institutional investors that together manage approximately $4.5 trillion in assets on behalf of pension fund contributors, mutual fund unit holders and other institutional and individual investors. CCGG promotes good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders and to promote the efficiency and effectiveness of the Canadian capital markets.

A note on terminology

In this document, any use of the term "company" refers broadly to any reporting issuer and likewise any use of the term "share" refers to any form of traded equity.

Why proxy disclosure matters

The proxy circular is the primary means for a board to communicate its corporate governance practices to the company's shareholders. Shareholders expect the circular to articulate, in plain language, the governance practices and activities of the board, the qualifications of directors, and the issuer's executive compensation programs.

How to use this document

We hope that issuers are familiar with and model their policies and behaviours based on the guidelines laid out in CCGG's *Building High Performance Boards*, *Executive Compensation Principles* and other CCGG publications. This document gives life to our principles and provides inspiration for creating and disclosing good corporate governance practices.

Feedback

We value your feedback. Please feel free to send us best practices you have come across or other suggestions for improvement.

You can reach us at cbrownridge@ccgg.ca.

GOVERNANCE GAVEL AWARDS

Established in 2005, CCGG's Governance Gavel Awards recognize excellence in disclosure by issuers through their annual proxy circular. Awards are given for excellence in disclosure of board governance practices and executive compensation practices. CCGG also recognizes issuer disclosure in other categories on an ad hoc basis.

Best Disclosure of Corporate Governance and Executive Compensation Practices

In identifying nominees for a Governance Gavel award, CCGG considers those issuers with whom a board engagement was conducted during CCGG's most recent engagement season. CCGG members also may nominate an issuer for an award.

In determining the winner, CCGG considers the overall quality of proxy circular disclosure and whether there is substantial alignment between an issuer's governance and executive compensation practices and our expectations. Throughout this document, we provide examples of good disclosure of corporate governance and executive compensation practices.

2020 Governance Gavel Award winner:

TransAlta

Plain Language Disclosure

Plain language is a form of communication that allows your intended audience to understand the information you are trying to convey the first time they read or hear it. In order to achieve effective disclosure, CCGG recommends that issuers disclose information in a manner that:

- is easy to find
- is easy to understand
- is accurate and complete
- includes context so that the information has meaning.

Plain language does not mean that issuers should exclude complex information that shareholders require to make informed investment and proxy voting decisions. Rather, plain language means issuers should disclose all the information shareholders need in a manner that is understandable and user-friendly, regardless of its complexity.

RECOMMENDED TOOLS FOR DISCLOSURE

Companies should use plain language in their disclosure documents, but other tools also must be employed to give the document structure, ensure flow, and communicate information meaningfully.

Organize for understanding

Organize the document in a manner that supports an understanding of the information it contains. Issuers should consider whether their disclosure documents are organized in a logical flow so that information continues to build upon itself, if applicable, and does not jump back and forth between different topics.

Use descriptive headings

Descriptive headings and subheadings allow readers to quickly find the information they are seeking and break up the document into more manageable pieces.

Draw attention to key ideas

Some effective disclosures by Canadian issuers provide summary overviews of each major section while others use highlight boxes to draw readers' attention to the main ideas. For example, issuers should consider using a plain language 'letter to shareholders' from the chair of the board near the beginning of the circular summarizing the key ideas that the board wishes to relay to shareholders.

Group related information

Grouping related information helps readers better understand the overall message being conveyed and reduces redundancies in disclosure documents. Whenever possible, the reader should not be made to jump around to different sections to understand a single component of compensation.

Introduce at a high level

For disclosure of executive compensation plans, CCGG encourages boards to include a plain-language introduction to the CD&A section that provides a high-level overview of the board's approach to executive compensation decision-making as well as any recent changes to its compensation program.

Employ visual aids

Use charts, tables, or images to explain complicated or detailed information wherever appropriate. These visual aids can explain information more fully and easily than text alone and their use helps to divide the document into smaller pieces for easier reading.

Avoid industry talk

Avoid jargon that confuses the message. When it is necessary or best to use industry words or technical information, define or explain terms clearly.

INTEGRATION OF E&S FACTORS IN PROXY CIRCULAR DISCLOSURE

In response to the heightened focus by institutional investors on environmental and social (E&S) related oversight and disclosure, CCGG is pleased to note an increasing prominence of such factors throughout key areas of proxy circular disclosure. Along with performance measures and risk considerations, investors are expecting boards to address how E&S factors are impacting other areas such as corporate culture, development of corporate strategy, incentive systems, and director recruitment.

While it is recognised that board practices and disclosure frameworks will continue to evolve, several examples throughout this document provide useful guidance on how companies are working to meet investor expectations.

Examples that effectively integrate E&S considerations into disclosure are denoted by:

For additional guidance, CCGG's 2018 publication *The Directors E&S Guidebook* provides further recommendations for effective board oversight and company disclosure on E&S matters and also attempts to highlight examples which demonstrate the board's approach to important E&S issues.

DISCLOSURE OF GOVERNANCE PRACTICES

Proxy circulars should articulate a company's governance practices clearly. This section provides examples of excellent disclosure in the following areas:

Majority Voting

Industrial Alliance Insurance and Financial Services, 2020 Proxy Circular, page 12

> **Majority Voting**
>
> Our Policy Regarding the Election of Directors provides that a nominee for election as a director for whom the number of votes withheld or abstentions exceeds the number of votes cast in favour will be required to submit his or her resignation to the Board. Within 90 days following the date of the Annual Meeting at which a director does not receive a majority of the votes cast, the Board, excluding the director who tendered his or her resignation, must decide if it will accept or refuse the director's resignation. Barring exceptional circumstances, the Board will accept the resignation. The Corporation must promptly issue a news release announcing the Board's decision. If the Board refuses the resignation, the reasons underlying this decision will be disclosed in the news release. Otherwise, the resignation will take effect upon its acceptance by the Board and the position will be filled in accordance with the Corporation's By-Laws. This policy does not apply to a director who is not recommended by the Board in contested elections.

Discussion

Industrial Alliance discloses a majority voting policy that is similar to the model form which CCGG has espoused since 2006 and that contains the following important elements:

- directors with more votes withheld than in favour must submit resignations promptly,
- the board must accept resignations except in exceptional circumstances, and
- the board must announce its decision to either accept or reject the resignation in a press release within 90 days, including reasons for not accepting the resignation, if applicable.

Celestica Inc., 2020 Proxy Circular, page 7

> **Majority Voting Policy**
>
> The Board has adopted a policy that requires, in an uncontested election of directors, that shareholders be able to vote in favour of, or to withhold from voting, separately for each director nominee. If, with respect to any particular nominee, other than the controlling shareholder or a representative of the controlling shareholder, the number of shares withheld from voting by shareholders other than the controlling shareholder and

its associates exceeds the number of shares that are voted in favour of the nominee, by shareholders other than the controlling shareholder and its associates, then the Board shall determine, and in so doing shall give due weight to the rights of the controlling shareholder, whether to require the nominee to resign from the Board and, if so required, any such nominee shall immediately tender his or her resignation. A director who tenders a resignation pursuant to this policy will not participate in any meeting of the Board at which the resignation is considered. The Board shall determine whether to accept the resignation, which, if accepted, shall be effective immediately upon such acceptance. The Board shall accept such resignation absent exceptional circumstances. Such a determination by the Board shall be made, and promptly announced by press release (a copy of which will be provided to the Toronto Stock Exchange (''TSX'')), within 90 days after the applicable shareholders' meeting. If the Board determines not to accept a resignation, the press release will fully state the reasons for such decision [...]

Discussion

Celestica is a dual class share company. The controlling shareholder, Onex Corporation, holds a voting interest equal to approximately 81%, while its economic interest is approximately 14%. Celestica's majority voting policy is noteworthy, based on the fact that the test for determining whether an individual director has received majority support from shareholders excludes any votes cast by the controlling shareholder. It therefore reflects the views of Celestica's public shareholders only. While CCGG would strongly prefer that a failure of Celestica's Majority Voting test would trigger an automatic requirement for the director to tender his/her resignation (as opposed to leaving it to the discretion of the Board), the policy nonetheless places the onus on the Board of Directors to report back to shareholders on any decision it makes.

Voting Results

Interfor Corporation, 2020 Report of Voting Results

Name of Nominee	For	%	Withheld	%
Ian Fillinger	44,766,708	97.13	1,322,270	2.87
Christopher R. Griffin	46,078,213	99.98	10,765	0.02
Jeane L. Hull	45,998,449	99.80	90,529	0.20
Rhonda D. Hunter	46,077,163	99.97	11,815	0.03
Gordon H. MacDougall	44,591,237	96.75	1,497,741	3.25
J. Eddie McMillan	44,547,854	96.66	1,541,124	3.34
Thomas V. Milroy	45,560,539	98.85	528,439	1.15
Gillian L. Platt	45,948,382	99.69	140,596	0.31
Lawrence Sauder	44,542,540	96.64	1,546,438	3.36
Curtis M. Stevens	46,077,213	99.97	11,765	0.03
Douglas W.G. Whitehead	44,546,188	96.65	1,542,790	3.35

Interfor Corporation, 2020 Proxy Circular, page 11

2019 Annual Meeting Voting Results			
Votes in Favour		Votes Withheld	
52,504,448	99.45%	289,346	0.55%

5. HAVING A "SAY ON PAY"

As part of Interfor's commitment to strong corporate governance practices and our process of Shareholder engagement, the Board has adopted a policy to hold an advisory vote on our approach to executive compensation at every annual general meeting of Shareholders. The purpose of a "Say on Pay" advisory vote is to provide Shareholders with the opportunity to indicate their acceptance of the Board's overall approach to executive compensation at Interfor. At the 2019 and 2018 annual general meetings, Interfor's approach to executive compensation was approved with 97.43% and 95.31%, respectively, of the Shares voted in support of the advisory Say on Pay resolution. [...]

Discussion

While voting results are filed separately from the management information circular, this information is important disclosure for shareholders. Detailed voting results for each individual motion should be disclosed immediately following the shareholder meeting. Interfor disclosed detailed voting results immediately following its 2020 annual meeting of shareholders.

CCGG believes that voting results on key matters should also be set out in the proxy circular. Interfor, for example, includes in its proxy circular a summary of voting results from previous years in two important areas: individual director voting provided under each director's biography and Say on Pay.

Recipe Unlimited Corporation (formerly Cara Operations Limited), 2020 Report of Voting Results

Election of Directors

Each of the nominee directors listed in the Corporation's management proxy circular dated April 3, 2020 was elected as a director. The Corporation received proxies with regard to voting on the eight directors nominated for election, directing as set forth in the table below:

Name of Nominee	Vote For (*Aggregate*)	%	Withhold Vote (*Aggregate*)	%	Vote For (*Subordinate Voting Shares*)	%	Withhold Vote (*Subordinate Voting Shares*)	%
Christy Clark	868,671,954	99.97	253,869	0.03	17,300,564	98.55	253,869	1.45
David Aisenstat	868,013,557	99.90	912,266	0.10	16,642,167	94.80	912,266	5.20
Paul Rivett	868,903,064	100	22,759	0	17,531,674	99.87	22,759	0.13
Stephen K. Gunn	868,903,906	100	21,917	0	17,532,516	99.88	21,917	0.12
Christopher D. Hodgson	863,399,735	99.36	5,526,088	0.64	12,028,345	68.52	5,526,088	31.48
Michael J. Norris	868,904,897	100	20,926	0	17,533,507	99.88	20,926	0.12
John A. Rothschild	863,496,789	99.38	5,429,034	0.62	12,125,399	69.07	5,429,034	30.93
Sean Regan	868,657,091	99.97	268,732	0.03	17,285,701	98.47	268,732	1.53

Cogeco Communications Inc., 2020 Report of Voting Results

For information purposes only, the voting results for the subordinate voting shares only at the Meeting on the same matters were as follows:

1. Election of Directors

Nominee	FOR	% FOR	WITHHELD	% WITHHELD
Colleen Abdoulah	18,861,684	99.35%	122,687	0.65%
Louis Audet	18,033,341	94.99%	951,030	5.01%
James C. Cherry	18,122,559	95.46%	861,812	4.54%
Pippa Dunn	18,874,275	99.42%	110,096	0.58%
Joanne Ferstman	17,268,161	90.96%	1,716,210	9.04%
Lib Gibson	18,854,901	99.32%	129,470	0.68%
Philippe Jetté	18,291,808	96.35%	692,563	3.65%
Bernard Lord	18,972,375	99.94%	11,996	0.06%
David McAusland	17,301,635	91.14%	1,682,736	8.86%
Carole J. Salomon	18,757,567	98.81%	226,804	1.19%

Discussion

When a dual class share company reports the results of director elections, in addition to disclosing the aggregate voting results the company also should disclose the voting results for subordinate voting shares separately. Recipe Unlimited and Cogeco Communications are dual class share companies that disclose voting results not only on an aggregate basis but also for subordinate voting shares.

Director and Board Independence

BCE Inc., 2020 Proxy Circular, page 22 & 29

NAME	STATUS OF DIRECTOR NOMINEES INDEPENDENT	NOT INDEPENDENT	REASON FOR NON-INDEPENDENT STATUS
B.K. Allen	●		
M. Bibic		●	President and CEO
S. Brochu	●		
R.E. Brown	●		
D.F. Denison	●		
R.P. Dexter	●		
I. Greenberg	●		
K. Lee	●		
M.F. Leroux	●		
G.M. Nixon	●		
T.E. Richards	●		
C. Rovinescu	●		
K. Sheriff	●		
R.C. Simmonds	●		
P.R. Weiss	●		

AT EACH MEETING, THE INDEPENDENT DIRECTORS MET WITHOUT MANAGEMENT

In 2019, the Board held six regular meetings and one special meeting. Each session of the independent directors was chaired by the Chair of the Board of directors.

Discussion

BCE uses a table to clearly identify which directors are independent and why certain directors are not classified as independent. More than 2/3 of BCE's board is comprised of independent directors.

To promote independent functioning, CCGG recommends that a portion of each board meeting be held *in-camera* -- a session of independent directors only. BCE meets this expectation as well.

Director Interlocks

Bank of Montreal, 2020 Proxy Circular, page 38

Board Interlocks and Outside Board Memberships

The Governance and Nominating Committee monitors the outside boards on which our directors serve to determine if there are circumstances that would impact a director's ability to exercise independent judgment and to confirm each director has enough time to fulfill his or her commitments to us. An interlock occurs when two or more Board members are also fellow board members of another public company. The Board has adopted a policy that no more than two directors may serve on the same public company board without the prior consent of the Governance and Nominating Committee. In considering whether or not to permit more than two directors to serve on the same board, that committee takes into account all relevant considerations including, in particular, the total number of Board interlocks at that time.

The only Board interlock is between George Cope and Sophie Brochu, who are both directors of CGI Inc. The Board has determined this relationship does not impair the exercise of independent judgment by these Board members.

Discussion

Boards should limit the number of director interlocks. BMO discloses its policy on director interlocks and indicates which of its board members also serve together on the boards of other public companies. BMO also presents the board's opinion on existing interlocks.

Independence of the Board Chair

Emera Incorporated, 2020 Proxy Circular, page 27

Independent Chair

Ms. Sheppard, the Chair of the Board, is an independent Director. The Articles of Association of the Company require that the Chair of the Board and the President and CEO be separate individuals.

Discussion

The position of Board Chair should be separate from the CEO. Additionally, the Chair should be independent of a company's management team. Emera has split the roles of CEO and Board Chair and has appointed an independent Board Chair.

Thomson Reuters, 2020 Proxy Circular, page 33

Lead Independent Director

Vance Opperman is the board's Lead Independent Director. Among other things, responsibilities of our Lead Independent Director include chairing meetings of the independent directors; in consultation with the Chairman, Deputy Chairman and CEO, approving meeting agendas for the board; as requested, advising the CEO on the quality, quantity, appropriateness and timeliness of information sent by management to the board; and being available for consultation with the other independent directors as required.

Discussion

The controlling shareholder of Thomson Reuters owns more than 50% of the common shares. In such cases, it is acceptable for the Chair to be a "related director" as defined in the CCGG publication *Governance Differences of Equity Controlled Corporations* if the board appoints an independent lead director. Thomson Reuters' Chair represents the controlling shareholder and, therefore, is a "related director". However, the company has appointed a Lead Independent Director.

Director Nominee Profiles

TransAlta Corporation, 2020 Proxy Circular, page 25

GEORGIA R. NELSON

Age: 70
Washington, U.S.A.
Director Since: 2014

Independent

Top Four Relevant Competencies:

- Engineering & Technical
- HR / Compensation
- Electric Energy
- Environment / Climate Change

President and Chief Executive Officer of PTI Resources, LLC. At TransAlta, Ms. Nelson is the Chair of the Human Resources Committee of the Board. Ms. Nelson was President and Chief Executive Officer of PTI Resources, LLC, an independent consulting firm, from 2005 to 2019. Ms. Nelson has had a 35-year career in the power generation industry, serving in various senior executive capacities for Edison International and its subsidiaries between 1971 and 2005. She was President of Midwest Generation Edison Mission Energy (EME), an independent power producer, from 1999 to her retirement in 2005 and General Manager of EME Americas, from 2002 to 2005. Ms. Nelson has extensive experience in electric and renewable energy operations, international business negotiations, environmental policy matters and human resources.

Ms. Nelson is currently a director of Cummins Inc., Ball Corporation, and Sims Metal Management Ltd. She was a director of CH2MHILL Corporation, a privately held company, until December 2017. Ms. Nelson is a past director of Nicor, Inc. Ms. Nelson was a member of the Executive Committee of the National Coal Council from 2000 to 2015 and served as Chair from 2006 to 2008. She serves on the advisory committee of the Center for Executive Women at Northwestern University. Ms. Nelson was named to the 2012 National Association of Corporate Directors ("NACO") Directorship 100. She is an NACO Board Fellow. Ms. Nelson holds a Bachelor of Science from Pepperdine University and a Masters of Business Administration from the University of Southern California. Ms. Nelson brings to the Company and the Board specialized knowledge in the energy, independent power and coal and mining industries, as well as human resources management / compensation and engineering and technical expertise. As Chair of the Human Resources Committee of the Board, Ms. Nelson leads the Committee in effective decision-making. Accordingly, the Board recommends that Shareholders vote FOR Ms. Nelson's re-election to the Board.

Board/Committee Membership		Attendance	Attendance Total	Value of Compensation Received in 2019
Board of Directors	Regular	5 of 5	100%	$267,399[11]
	Special[2]	11 of 11		
Human Resources Committee (Chair)		4 of 4		
Governance, Safety and Sustainability Committee		4 of 4		

Securities Held as at December 31 of respective year

Year	Common Shares	Deferred Share Units	Total	Market Value[4]	Share Ownership Requirement[5]
2019	5,000	92,309	97,309	$879,673	
2018	5,000	78,387	83,387	$549,520	Meets
2017	0	61,997	61,997	$469,317	

Other Public Board Directorships and Committee Memberships

Company	Committee
Ball Corporation	Human Resources; Nominating / Corporate Governance
Cummins, Inc.	Audit; Compensation, Governance and Nominating
Sims Metal Management Ltd.	Risk; Remuneration and Audit

Public Board Interlocks

None

Prior Year's Voting Results: Voting Results of 2019 Annual and Special Meeting of Shareholders

Votes For	Percentage	Votes Withheld	Percentage
165,635,298	95.27%	8,222,164	4.73%

Discussion

Director profiles provide shareholders with detailed information about the individuals being nominated to sit on the board. TransAlta's circular not only presents each director's profile but also explains why each director's experiences are relevant to the TransAlta board. The profile also clearly displays other useful information such the director's compensation and share ownership, voting results, attendance, and other public board directorships.

The following example taken from the circular of Martinrea International also provides a good description of how each director's experiences add value to the Martinrea board.

Martinrea International Inc., 2020 Proxy Circular, page 15

Molly Shoichet, 54, resides in Toronto, Ontario. She was elected as a director at the Company's annual general meeting in 2019. Professor Shoichet has been on the faculty at the Department of Chemical Engineering and Applied Chemistry at the University of Toronto since 1995. Dr. Shoichet has published over 675 papers, patents and abstracts and has given over 400 lectures worldwide. She currently leads a laboratory of 25 and has graduated 200 researchers. Her research is focused on drug and cell delivery strategies in the central nervous system (brain, spinal cord, retina) and 3D hydrogel culture systems to model cancer. Dr. Shoichet is currently serving as a director of MaRS, reflecting her passions for technology and innovation. Dr. Shoichet has co-founded three companies relating to her patented research, serving as a director and/or officer, and raising financing for each company. She is currently Director and co-Founder of AmacaThera Inc. She is also actively engaged in translational research, science outreach and community service. She served as Ontario's first Chief Scientist in 2018 where she worked to enhance the culture of science. From 2007 to 2013, she was a member of the Science, Technology and Innovation Council (STIC) which provided strategic advice to the Prime Minister of Canada and the Federal Minister of Industry. From 2009-2015, she served as a director of Ontario Centres of Excellence. From 2006-2008, she was a member of the Ontario Research and Innovation Council (ORIC) which provided strategic advice to the Premier of Ontario and the Ministry of Research and Innovation on the Innovation economy. She has established the Dorothy Shoichet Women Faculty in Excellence Award, University of Toronto. Dr. Shoichet is the recipient of many prestigious distinctions and the only person ever to be inducted into all three of Canada's National Academies of Science, Engineering and Health Sciences. In 2018, Dr. Shoichet was inducted as an Officer of the Order of Canada and in 2011, she was awarded the Order of Ontario. In 2012, she received the Queen Elizabeth II Diamond Jubilee Medal in recognition of her contributions to Canada. In 2014, Dr. Shoichet received the University of Toronto's highest distinction, University Professor, which is held by less than 2% of the faculty. Dr. Shoichet was the L'Oreal-UNESCO For Women in Science Laureate for North America in 2015, elected Foreign Member of the US National Academy of Engineering in 2016, won the Killam Prize in Engineering in 2017, an elected Foreign Fellow of the UK Royal Society in 2019. Dr. Shoichet received her SB from the Massachusetts Institute of Technology (1987) and her PhD from the University of Massachusetts, Amherst in Polymer Science and Engineering (1992).

CGNC's Recommendation of Dr. Shoichet

Dr. Shoichet brings to the Board a deep knowledge of science, technology and innovation, previous board, corporate and public policy experience and an entrepreneurial spirit. She brings a unique perspective to the Board, building on her interdisciplinary research at the intersection of engineering, science and medicine where she is able to bring diverse groups together to solve common problems. Having started three companies and provided strategic advice to federal and provincial governments, Dr. Shoichet understands the importance of good governance. She has been an active, effective and engaged participant in all Board and Committee meetings, and has been busy with the affairs of the Company. **The CGNC believes that Dr. Shoichet is a diligent independent director, as well as a responsible steward of the Company and, accordingly, recommends that shareholders vote FOR Dr. Shoichet's election.**

Board Composition, Skills, Diversity and Succession Planning

TELUS Corporation, 2020 Proxy Circular, pages 45-47

Board succession planning – Size and composition of the Board, nomination of directors and term limits

The Corporate Governance Committee regularly reviews the profile of the Board, including the age and tenure of individual directors, diversity, geography and the representation of various areas of expertise. The objective is to have a sufficient range of skills, expertise and experience to ensure the Board can carry out its responsibilities effectively while facilitating transition following new appointments. The Board also strives to achieve a balance between the need to have a depth of institutional experience and knowledge available from its members and the need for renewal and new perspectives. Succession planning for the Board, in line with these objectives, has been a key focus of the Corporate Governance Committee and the Board in recent years. In 2020, one new Board member, Tom Flynn, is being nominated for election at this meeting. Achieving balance between institutional experience and renewal through effective and smooth succession planning is particularly important in light of the significant and continuing changes that the business of the Company experiences, the average age and tenure of current Board members, and the recent changes in Board membership.

[...]

In conjunction with the Board evaluation and as part of the succession planning process, directors are also canvassed on their intention to retire from the Board in order to identify impending vacancies as far in advance as possible.

[...]

The Board succession planning process also involves maintaining a skills matrix, which helps the Corporate Governance Committee and the Board identify any gaps in the skills and competencies considered most relevant for the Company. Each director is asked to indicate the skills and competencies that each director, including themselves, has demonstrated. The following table lists the top four competencies of our nominees, together with their age range, tenure, official languages spoken and residency.

	Gender	Residence				Years on Board			Age			Language		Top four competencies[1]							
		British Columbia	Alberta	Ontario	Quebec	0 to 5	6 to 10	11+	59 and under	60 to 69	70+	English	French	Senior executive / strategic leadership	Finance and accounting	Executive comp / human resources	Governance	Technology and/or industry knowledge	Retail / customer experience	Risk management	Government / regulatory affairs
Dick Auchinleck	M	x						x		x		x		x		x	x			x	
Ray Chan	M	x					x			x		x		x	x	x				x	
Stockwell Day	M	x					x			x		x	x	x		x				x	x
Lisa de Wilde	F			x		x				x		x	x	x			x	x			x

1 Definition of skills and competencies:

- Senior executive/strategic leadership – Experience as a senior executive of a public company or other major organization; experience driving strategic direction and leading growth
- Finance and accounting – Experience with, or understanding of, financial accounting and reporting, and corporate finance, as well as familiarity with internal financial/accounting controls and IFRS
- Executive compensation/human resources – Experience with, or understanding of, executive compensation, talent management/retention and succession planning
- Governance – Experience with, or understanding of, leading governance/corporate responsibility practices with a public company or other major organization; experience leading a culture of accountability and transparency
- Technology and/or industry knowledge – Knowledge of relevant emerging technologies, including information and telecom technology, and knowledge of telecommunications or content and/or health information industries, including strategic context, market competitors and business issues facing those industries
- Retail/customer experience – Experience with, or understanding of, the mass consumer industry (whether directly or indirectly through retail channels)
- Risk management – Experience with, or understanding of, internal risk controls, risk assessments and reporting
- Government/regulatory affairs – Experience with, or understanding of, government and public policy, federally and/or provincially.

In 2019, given the resignation of Bill MacKinnon, Sabi Marwah and Claude Mongeau from the Board, the Corporate Governance Committee prioritized the recruitment of a candidate with a finance and accounting background. This resulted in the recruitment and nomination of Tom Flynn.

Recruiting new directors

The Corporate Governance Committee maintains an evergreen list of potential candidates, which is based on its prioritized list of skills and attributes, as well as diversity. The directors, the CEO and external professional search organizations regularly identify additional candidates for consideration by the Corporate Governance Committee. Since 2016, the committee has engaged an external recruitment specialist to assist with the recruitment process. When recruiting new directors, the Corporate Governance Committee considers candidates on merit, taking into account the vision and business strategy of the Company; the skills and competencies of the current directors and the existence of any gaps; and the attributes, knowledge and experience new directors should have in order to best advance the Company's business plan and strategies. Consistent with the Board diversity policy, the Corporate Governance Committee also takes into account diversity considerations, such as gender, geography, age and ethnicity, with a view to ensuring that the Board benefits from the broader exchange of perspectives made possible by diversity of thought, background, skills and experience. The committee reviews the list of candidates at each regularly scheduled meeting to identify top candidates and requests that the CEO conduct an initial meeting with such candidates. As the next step, candidates deemed to be most suited for the Board meet with the Chair of the Board, the chair of the Corporate Governance Committee and, if deemed appropriate, other members of the Board and the TELUS executive team.

TransAlta Corporation, 2020 Proxy Circular, pages 51-52

Diversity

At TransAlta, diversity is a principle which is supported both by our Board and senior management. In 2015, the Board adopted a Board and Workplace Diversity Policy which recognizes that a diverse mix of skills, experiences, backgrounds and gender at the Board and senior management levels, as well as within our workforce, enhances our Company's competitive advantages. Our Board and Workforce Diversity Policy is available on our website at www.transalta.com/aboutus/governance/board-and-workforce-diversity, and specifically seeks to advance diversity at the Board and throughout the Company, including as it pertains to women, aboriginal and indigenous peoples, persons with disabilities and visible minorities (being persons, other than aboriginal peoples, who are non-caucasian in race). Our Board remains committed to maintaining and increasing the representation of women on the Board as turnover occurs, taking into account our skills matrix and the skills, background and knowledge desired at that particular time to fulfill the Board's mix of skills and experience.

[...] In 2020, the Company also announced industry leading Board and Company-wide gender targets. On January 16, 2020, the Board approved a target of 50% female membership on the Board by 2030 and achieving gender diversity of at least 40 percent of female employment for all employees by 2030. Although the Company does not have a target specific to executive officers, the workforce target of 40% is expected to continue to result in women being well represented at the executive level. The Board considers these gender targets to demonstrate the Company’s commitment to diversity and inclusiveness and are expected to benefit the Company not only by expanding our pool of qualified employees and senior leaders, but also by incorporating different perspectives and ways of thinking to drive innovation and successfully execute on our strategy.

At the management level, through our development process, TransAlta has committed to providing employees with diverse backgrounds internal opportunities for growth within our operations in order to enhance our pipeline of talent available for succession. As part of the Company's employment practices, we work to ensure gender diversity in our executive succession as well as in candidate slates for all open executive officer positions, which can be evidenced by the recruitment of two accomplished women executives in 2018. To monitor our progress on the advancement of women and to develop a healthy pipeline of female talent, we also:

• ensure that any list of potential Board nominees includes at least 50% women;

• maintain a list exclusively of highly qualified women director nominees;

• identify top talent and implement development plans for high-potential women;

• ensure pay equity between men and women (we have pro-actively adjusted pay throughout the Company to align pay between men and women that perform similar roles on several occasions over the past five years);

• actively seek recruitment of women in key roles within the Company;

• monitor the number of women in senior leadership roles and those in the pipeline as emerging leaders; and

• connect female talent with senior leaders to accelerate the development and advancement of high-potential women.

As well, female advancement in the Company and the potential for subconscious bias is a topic specifically addressed by the HRC.

As at December 31, 2019, women accounted for approximately 20% of the entire workforce, which is broken down into greater detail below:

	Male	Female	Total	Total % within Stratum		Total % of all Employees	
				Male	Female	Male	Female
Board of Directors	8	4	12	66.66%	33.33%	0.52%	0.26%
Chief and Executive	4	4	8	50.00%	50.00%	0.26%	0.26%
Senior Vice President	2	0	2	100%	0%	0.13%	0.00%
Managing Directors	15	4	19	78.94%	21.05%	0.97%	0.26%
Managers	67	21	88	76.14%	23.86%	4.33%	1.36%
Supervisors	116	45	161	72.05%	27.95%	7.49%	2.91%
Staff	1,034	231	1,265	81.74%	18.26%	66.75%	14.91%
Total	**1,246**	**309**	**1,555**	-	-	**80.44%**	**19.95%**

Discussion

Boards should have a plan in place for orderly succession of directors and should maintain an evergreen list of potential candidates. Boards should also identify the key skills that are required of directors and use a skills matrix to ensure that these skills are accounted for among current and prospective directors. The skills matrix should be disclosed in the proxy circular and provide a definition of the skills and experiences that are included under each area of competency.

Not only does TELUS meet all the above recommendations, but it also describes what the governance committee's priorities are when looking for new directors based on current board composition and the needs of the company. Most recently, this has been skills and experience related to finance and accounting.

While the quality of individual directors is paramount, CCGG expects boards to be diverse. Pursuant to TransAlta's board diversity policy, the Corporate Governance Committee must set measurable objectives for achieving diversity and recommend them to the Board for adoption on an annual basis. TransAlta has also reinforced its commitment to achieving diversity objectives by advancing initiatives aimed to support and maintain a pipeline of diverse candidates. TransAlta also demonstrates its commitment to diversity throughout the organization by showing transparency around diversity metrics and collecting data to support decision-making.

In some cases, issuers have limited each director's skill set, as identified in their director skills matrices, to a director's top 3 or 4 skills and competencies. In other cases, in their skills matrices, issuers have differentiated between directors who are experts and those with general or limited experience in each area. In addition to the example of TELUS cited above, the following excerpt taken from the director skills matrix of Enerflex Ltd. demonstrates this best practice. Both TELUS and Enerflex also provide a definition as to the type of experience that is included under each area of competency.

Notably, Enerflex's skills matrix also tracks skills and experiences related to health, safety, and environmental expertise. The practice of monitoring director skills related to E&S matters demonstrates that a company is actively addressing material E&S considerations by recruiting directors with the relevant knowledge to provide guidance in these areas.

Enerflex Ltd., 2020 Proxy Circular, page 22

Director Skills and Experiences	Boswell	Cormier Jackson	Dunn	Marshall	Reinhart	Rossiter	Savidant	Villegas	Weill	Wesley
Board and Governance Experience										
Board Experience – prior or current experience as a board member of a major organization (public or private), other than Enerflex.	●	●	●	●	●	○	●	🔴	🔴	
Governance Expertise – corporate governance knowledge, including governance committee experience or functional responsibility for corporate governance in a major organization.	●	●	●	●	●	○	●	○	●	●
Risk Oversight – experience identifying and evaluating risks and ensuring that management has implemented the appropriate systems to manage risk.	●	●	●	●	●	🔴	○	●	●	●
Managing/Leading Growth										
Executive Leadership – experience leading an organization, or a major functional area or business segment of an organization.	●	●	●	●	●	●	●	●	●	●
Strategic Development – executive or management experience developing, evaluating, and implementing a strategic plan.	●	●	●	●	●	●	●	●	●	●
Business Development – executive or management experience relating to business development, mergers and acquisitions, opportunity generation, and value creation.	●	●	●	●	●	●	🔴	●	●	●
Senior Level Management Experience	CEO	SVP	CEO	CEO	CEO	CEO	CEO	COO	CEO	CFO
Industry Experience										
Oil and Gas – leadership experience in an oilfield service or oil and gas company with related industry domain knowledge.	●	●	●	○	●	●	●	🔴	●	●
Manufacturing – knowledge of manufacturing or a technical expertise regarding natural gas compression, processing, and associated oilfield equipment.	🔴	🔴	●	○	○	●	○	●	○	
Financial Expertise										
Accounting – executive responsibility for financial accounting and reporting, with knowledge of internal financial controls.	●	●	🔴	○	●	🔴	🔴	🔴	🔴	●
Corporate Finance – executive experience in corporate finance with knowledge of debt and equity markets.	●	🔴	🔴	🔴	●	○	🔴	🔴	○	●
Business Expertise										
Operational Expertise – executive or management experience relating to the operation of an oilfield service company or oil and gas assets and related infrastructure.	●	🔴	●	●	●	●	●	●	●	○
Project Management – experience managing and executing large scale projects, including resources, risks, project status, and quality assurance.	●	●	●	●	●	●	○	●	●	🔴
Geographic Expertise – executive or management experience in an organization with international operations.	●	○	●	🔴	●	●	○	●	●	●
HSE Expertise – experience managing workplace health, safety, environment, and social responsibility matters.	●	●	●	●	🔴	●	🔴	●	●	🔴
HR and Compensation Expertise – experience managing or overseeing compensation programs, succession planning, and talent management.	●	●	●	●	🔴	●	●	●	🔴	●
IT Expertise – experience leading information technology or executive responsibility for the IT role.	🔴	●	●	○	●	🔴	○	🔴	●	●

● Advanced degree of experience or expertise in specific area
🔴 General experience or expertise in specified area
○ Limited experience or expertise in specific area
No experience or expertise in specific area

Director Continuing Education

Keyera Corporation, 2020 Proxy Circular, pages 34-35

Continuing Education

Directors receive various presentations throughout the year to enhance their understanding of key aspects of our business, as well as developments and trends affecting our industry. In 2019, presentations were provided by management and external speakers at regular meetings and the Board's annual strategy session. These presentations included various topics pertaining to the capital markets, ESG, market fundamentals, marketing, cyber security, corporate governance, risk management and regulatory developments. Directors participated in field tours of our facilities and attended our company-wide annual Safety Symposium. Directors are encouraged to participate in relevant courses and seminars through a paid subscription to the Institute of Corporate Directors, as well as reimbursement for relevant courses, certifications and conferences. Relevant corporate governance materials are also available through our online director portal.

Description	Attendance
Director and officer liability and associated insurance	Compensation and Governance Committee
Emerging trends, best practices and regulatory developments in respect of corporate governance and disclosure matters	Board of Directors Compensation and Governance Committee
Executive compensation design and practices	Compensation and Governance Committee
Canadian and U.S. natural gas, crude oil and natural gas liquids fundamentals, markets and trends	Board of Directors
Attendance at annual Safety Symposium	Health, Safety and Environment Committee
Analysis of financial risks and associated risk management strategies	Audit Committee
Analysis of operational risks and associated risk mitigation strategies	Health, Safety and Environment Committee
Analysis of compensation and governance risks and associated risk mitigation strategies	Compensation and Governance Committee
Recent developments in accounting standards and implications for Keyera	Audit Committee
Site tours of Keyera's Edmonton Terminal and Alberta EnviroFuels facilities	Health, Safety and Environment Committee
Capital markets overview and financing strategies	Board of Directors Audit Committee
Developments in pipeline integrity regulation and practice	Health, Safety and Environment Committee
Asset Integrity legislative and regulatory developments	Health, Safety and Environment Committee
Cyber security risk and risk mitigation strategies	Audit Committee
Climate change and emissions regulatory update and implications for Keyera (including scenario risk analysis)	Health, Safety and Environment Committee Board of Directors
Corporate social responsibility reporting, including shareholder expectations and shareholder engagement	Health, Safety and Environment Committee Board of Directors
Review of socio-political trends	Board of Directors

Methanex Corporation, 2020 Proxy Circular, pages 20-21

Orientation and Continuing Education

The Board recognizes the importance of ongoing education for directors. The Company's Corporate Governance Principles state that directors are encouraged to attend seminars, conferences and other continuing education programs to help ensure that they stay current on relevant issues such as corporate governance, financial and accounting practices and corporate ethics. The Company and all of our directors are members of the Institute of Corporate Directors ("ICD") and the Company pays the cost of this membership. A number of our directors have attended courses and programs offered by ICD. The Company also encourages directors to attend other appropriate continuing education programs and the Company contributes to the cost of attending such programs. […]

The Board and its Committees received a number of presentations in 2019 focused on deepening the Board's knowledge of the business, the industry and the key risks and opportunities facing the Company. Presentation topics included a gas update on Trinidad, a review of the Company's cyber security readiness, a review of methanol supply, demand and price outlook and impact of MTO demand, and an overview of the Company's strategic workforce plan. In 2019, all directors attended all internal Board education sessions.

In addition, Board meetings are periodically held at a location where the Company has methanol production operations or significant commercial activities. In November 2019, the Board visited the Company's methanol facilities in Damietta, Egypt and attended meetings in Cairo, Egypt where our business office is located. This site visit gave our directors an opportunity to receive various presentations focused on these facilities. The visit also gave our directors an extended opportunity to interact with employees, business associates, government officials and community members as well as tour the methanol production facilities and learn about the local culture.

Discussion

Directors should participate in continuing education programs and events in order to update their skills and knowledge of the company, its business and key executives, and to address ongoing and emerging issues in the functional areas of the board. Issuers should encourage their directors to also attend external educational programs and events.

The Keyera Corporation and Methanex Corporation director continuing education programs offer support for internal and external education programming to expand the board's knowledge of company operations and ongoing and emerging issues relevant to the board. Notably, Keyera's educational content includes a number of topics that relate to environmental and social factors, such as climate change and safety.

Methanex's board meetings are periodically held at a location where the company has methanol production operations or significant commercial activities. This practice provides board members with an opportunity to visit and learn more about the company's key operations and engage with local stakeholders to enhance their understanding of the company. Keyera site visits similarly ensure that directors are up to date on company operations and able make decisions with the necessary context and background knowledge.

Director Compensation and Share Ownership

Director compensation should not include retirement benefits, change of control or severance provisions, health care coverage, charitable donations, vehicles, club memberships, pensions, or other such perquisites.

Director compensation plans can facilitate the achievement of minimum director shareholding requirements and encourage directors to continue to invest in the company beyond the minimum share ownership level. In instances where there is an equity-based component of compensation, the amount should not be determined based on corporate performance, as that may compromise the objectivity of directors as stewards of the company on behalf of shareholders. The equity-based component of director compensation should consist of full value awards such as common shares or deferred share units (DSUs) rather than stock options.

ARC Resources Ltd., 2020 Proxy Circular, pages 24-26

Director Compensation Philosophy and Objectives

[...] ARC's Director compensation program consists of both a cash and an equity-based component paid in the form of Deferred Share Units (DSUs). The maximum cash component received is 40 per cent of total compensation, with the remaining compensation received in the form of DSUs. A Director may elect to receive 100 per cent of his or her compensation in the form of DSUs. DSUs vest immediately upon grant but cannot be redeemed until the holder ceases to be a Director which reinforces long-term thinking, reduces unnecessary risk taking and aligns with the interests of our shareholders.

Total Director Compensation

The following table presents the total compensation paid to each non-management Director during 2019.

Director (1)	Board Chair or Member Retainer	Committee Chair Retainer	Total Cash Retainer Fees Earned	Share-Based Awards (DSUs) (2)	Other Compensation	Total Compensation	Portion Taken as Cash	Portion Taken as DSUs
Harold Kvisle	$166,000	$ —	$166,000	$ 249,022	$ —	$ 415,022	$ —	$ 415,022
Farhad Ahrabi (3)	$ 13,152	$ —	$ 13,152	$ 19,732	$ —	$ 32,884	$ —	$ 32,884
David Collyer	$ 88,000	$ 6,000	$ 94,000	$ 141,000	$ —	$ 235,000	$ 93,985	$ 141,015

Share Ownership Requirements

All Directors must own Common Shares or share equivalents equal to three times their annual cash retainer. Directors have five years from appointment to attain these holdings. As at December 31, 2019, and as outlined below, all non-Management Directors meet or exceed the minimum share ownership requirement other than Mr. Ahrabi, who has until 2024 to meet the requirement. Management Directors are subject to separate share ownership requirements which are outlined in the Compensation Discussion and Analysis section of this information circular.

Director	Year Ended December 31	Common Shares	DSUs (1)	Total Common Shares and Share Equivalents	Total Market Value of Common Shares and Share Equivalents (2)	Value at Risk as Multiple of Cash Retainer Fees Earned (3)	Meets Minimum Share Ownership Guidelines
Harold Kvisle	2019	150,000	198,928	348,928	$2,854,231	17	Yes
	2018	150,000	130,620	280,620	$2,273,022	13	Yes
Farhad Ahrabi (4)	2019	—	4,085	4,085	$ 33,415	0	No
	2018	—	—	—	—	—	—
David Collyer	2019	10,000	42,306	52,306	$ 427,863	4	Yes
	2018	10,000	21,080	31,080	$ 251,748	2	No

Discussion

ARC requires each non-management director to own at least three times their annual cash retainer within five years of appointment to the board.

Of note, even after directors have met the share ownership requirement, 60% of total director compensation is awarded in the form of DSUs. Some ARC board members, including the board chair, despite having met their share ownership requirement, chose to receive 100% of their 2019 compensation in the form of DSUs. This practice not only demonstrates the chair's commitment to the company's future but also sets an expectation of members of senior management to build an equity interest in the company beyond the minimum requirements.

As CCGG recommends, stock options are not part of ARC's director compensation mix.

Board, Committee and Director Assessments

Emera Inc., 2020 Proxy Circular, pages 30-32

Assessment Process

Each year, the NCGC, in consultation with the Board Chair, and with the intention of continuously improving, determines the process by which assessments of the Board, Directors, Committees and individual Committee members will be conducted. The process has included the use of questionnaires and one-on-one interviews with each Director by the Board Chair. A written report from the Board Chair on the assessment is provided to the NCGC and the Board of Directors. The Board considers the report, its findings and a set of priority actions for the year at a Directors-only session. Progress is monitored throughout the year with oversight on that process by the NCGC.

2019 Board Director/Board Chair Performance Assessment

The Chair of the Board interviewed each non-executive Director as part of the 2019 Board and Director Performance Assessment. A series of questions was sent to each Director for advance consideration. The questions pertained to several themes, including:

- Emera's strategy and business;
- Organizational structure and capacity;
- Board and Committee effectiveness;
- Corporate governance;
- Board composition and succession;
- An assessment of their own performance as Directors;
- An assessment of their peer Directors on the Board; and
- The CEO's 2019 evaluation, and the 2020 goals and objectives of the CEO.

The assessment of the Chair of the Board was conducted in a meeting of all Directors that excluded the Board Chair and the President and CEO, and was led by the Chair of the NCGC. Directors were given an opportunity to provide their assessment of the Chair of the Board in a one-on-one format with the Chair of the NCGC in advance of the meeting.

2019 Assessment Findings and Action Plans to Address Findings

The principal areas of focus which emerged from the 2019 Board and Director Performance Assessment included: strategy and business; organizational structure and capacity; and Board and Committee effectiveness. [...]

(c) **Board and Committee Effectiveness:** Board members are committed to strong governance. The work of the Health, Safety and Environment Committee will concentrate on internal structure and leadership at the holding company and subsidiary levels and will continue to advance the Company's health, safety and environmental standards, governance and performance across the organization. The Nominating and Corporate Governance Committee will continue to support the Board's objective of strong governance, with particular focus in the areas of shareholder engagement, subsidiary governance, Board recruitment, and the Board and Director performance assessment process.

Discussion

Instead of just providing boilerplate language on the company's director assessment process, Emera's circular provides readers with details on the practical impact of robust assessments that were conducted in previous years. Emera provides commentary on the major themes that emerge during the assessment, as well as the actions that are taken to address its findings. This reiterates that Emera is committed to using the assessment process as a tool for continuous improvement throughout the organization.

Certain issuers use a third party to facilitate board assessments. Bank of Montreal's circular demonstrates this approach.

Bank of Montreal, 2020 Proxy Circular, page 44

Assessment of the Board, Committees, Directors, and Chairs

Each director annually completes an anonymous Board self-assessment survey, the results of which are compiled confidentially by an outside consultant and has an annual one-on-one interview with the Chair. The interview typically covers the operation of the Board, the adequacy of information provided to directors, Board structure, agenda planning for Board meetings, and strategic direction and process. [...]

The annual survey also includes a peer evaluation process for feedback on the effectiveness of individual directors. Every director assesses the contribution of each of their peers relative to the performance standards for the director position description. The results are also compiled confidentially by an outside consultant. The Chairman receives the results of each director's peer assessment and meets with each director to discuss them. [...]

Executive Succession and Management Diversity

Intact Financial Corporation, 2020 Proxy Circular, pages 80-81

Succession Planning

[...] The HRC Committee advises Management in relation to its succession planning including the appointment, development and monitoring of Senior Executives.

To limit the chances that the Company's operations suffer from a talent gap, succession planning is reviewed at least annually and implemented continuously to facilitate talent renewal and smooth leadership transitions. Furthermore, the Company aims to leverage succession planning as a tool to make progress on the diversity of the management team, including with respect to gender and ethnicity diversity. Each year, the Chief Human Resources Officer reviews succession plans and prepares a succession plan report covering a number of critical positions, including Senior Executives and the CEO. For each critical position, a pool of "Ready Now", "Ready in 1-3 Years", "Ready in 3-5 Years" and "Emergency Replacement" candidates is identified. Where a talent gap or risk is observed, a development plan is established to identify and develop potential successors. Individualized development plans may include lateral movements to diversify exposure, leadership training, mentoring and other special programs.

The annual succession plan report is presented to the HRC Committee for review, analysis, discussion and reporting to the Board of Directors. Committee members and directors actively participate in ongoing discussions with Management relating to succession planning year-round. The members of the HRC Committee and the entire Board of Directors ensure they are exposed to, have direct interactions with, and get to know, the candidates identified in the succession plans and can appreciate their skills and expertise first hand, including through presentations by such individuals at regular meetings, through presentations made at annual training sessions and by meeting and discussing with candidates at social events. The members of the HRC Committee firmly believe that they, and the Board of Directors in its entirety, have a comprehensive and deep knowledge of succession planning and identified successors within the organization.

Nutrien Ltd., 2020 Proxy Circular, pages 22-23

Commitment to Diversity

We believe the most effective way to realize our goal of increasing the representation of members of diverse groups at the senior leadership and executive levels is to continue to grow the pipeline and create a diverse and inclusive culture.

[...] Nutrien promotes a diverse and inclusive environment within the organization on many fronts. We provide training throughout the organization to leaders and employees on important topics pertaining to diversity such as unconscious bias, and, in 2019, conducted focus groups and diverse employee interviews to gain an understanding of diversity and inclusion in our business culture using the Global Diversity Inclusion Benchmark model as a base. Some other highlights of our diversity and inclusion programs and initiatives include:

• Establishing inclusion as one of the four engagement principles upon which Nutrien's global culture is based. Employee and leader actions consistent with inclusion are evaluated as part of the Nutrien performance management system and link directly to both merit and incentive pay for in-scope employees.

• Continuing to enhance our recruitment and succession planning processes on diverse employees, including women, individuals with a military background and Aboriginal peoples with a tailored approach and content to attract and meet the needs of these individual groups.

• Continuing to expand employee resource/affinity groups within Nutrien arriving at five separate employee resource groups with a total of 16 chapters of employees across North America providing support and community to Women in Nutrien, Women in Non-Traditional Environments and Roles, LGBTQ employees (PRIDE@Nutrien), military employees (Military Strong) and the Young Professionals Network. Additionally, establishing an Inclusion Council with over 45 representatives across North America helping to share and implement best practices in diversity and inclusion.

• Expanding Nutrien's maternity/parental leave policy covering 15,000 employees in North America to better support working mothers and new parents at Nutrien beyond levels of legal compliance.

• Continuing Aboriginal internships and providing over $100,000 in scholarships for Aboriginal people in STEM (science, technology, engineering and math) post-secondary programs.

• Establishing and introducing quarterly diversity scorecard reviews with the Executive Leadership Team outlining the progress of each executive officer's contribution to Nutrien's gender goals as well as outlining where opportunities exist to place diverse talent.

Through these mechanisms in our workforce, we currently concentrate our corporate efforts and resources on increasing representation of women, the military and Aboriginal peoples in Canada, with a future match-to-market goal for representation of visible minorities and persons with disabilities in our employee population. Women are traditionally underrepresented in the agricultural industry. We continue to strive towards increasing female representation at senior levels of Nutrien. We started tracking the number and percentage of women in senior leadership in 2018 when we were formed as well as the number of women in vice president roles. Women in leadership is defined as women in the organization at the Director level and above – all levels above Senior Manager up to and including Chief Executive Officer. We plan to increase the representation of women in senior leadership (including at the vice president level) to 20 percent or more by 2022 and to have 30 percent women in vice president roles alone by the end of 2020. At the end of 2019, we had 15 percent women in senior leadership roles (including vice presidents) and 25 percent female vice presidents globally.

Aboriginal people also represent an important component of our future Canadian workforce, and we track the number of self-identified Aboriginal applicants' interviewed and hired versus non-Aboriginal candidates. This information informs our hiring practices and where we make community investment in training and education to build capacity. [...]

Discussion

An engaged board is aware of and monitors succession planning efforts (including a plan in the event of an emergency) for all critical roles within the organization. Intact Financial's disclosure clearly notes that the board, and the human resources committee, ensure that a succession plan is in place for the CEO and that the plan addresses an emergency replacement scenario. Also, worth commending is the fact that Intact Financial aims to leverage succession planning as a tool to make progress on the diversity of its management team, including with respect to gender and ethnicity.

Similarly, Nutrien Ltd. has several initiatives and programs in place that demonstrate their commitment to diversity throughout the organization and support the development and inclusion of diverse employees.

Strategic Planning Oversight

Circulars should explain the role of a company's board in strategy development and oversight.

Emera Incorporated, 2020 Proxy Circular, page 30

Strategic Planning

Oversight and guidance on the Company's strategy is one of the primary roles of the Board. Management, led by the President and CEO, collaborates with the Board of Directors each year to develop, review and update the Company's strategic plan. The strategic plan determines the annual and longer-term objectives for the Company.

In 2019, the Board dedicated a portion of each scheduled meeting to receiving an update on the Company's strategy. A significant component of every regularly scheduled Board meeting is dedicated to the discussion of strategic matters. Directors use such Board meeting time to evaluate progress made in executing the Company's strategy, including reviewing near and longer-term risks and opportunities relevant to its corporate strategy.

A full-day Board off-site meeting was held in July 2019 to deal with the Company's strategy. This off-site meeting: (i) analyzed long-term trends in the Company's industry; (ii) reviewed the Company's approach to technology and digitalization; (iii) examined the regulatory environment in the Company's markets; (iv) considered the Company's investment opportunities and challenges based on the most likely future in the Company's industry; and (v) examined opportunities for growth, growth priorities, the role of mergers and acquisitions, and the Company's regulated/unregulated mix.

With respect to current strategic priorities, the Company remains focused on: (i) investing in cleaner, affordable, reliable energy, delivered safely; (ii) regulated electricity and gas assets; (iii) North American markets with opportunities for growth; and (iv) financial targets, including dividend growth, rate base growth, disciplined capital allocation and achieving its target capital structure, which supports the Company's investment grade credit ratings.

Magna International Inc., 2020 Proxy Circular, page 69

Strategic Planning

The Board oversees the development and implementation of the company's long-term strategy, as well as its near-term (typically three-year) business plan. In fulfilling this responsibility, the Board meets with Executive Management and Operating Group Management in two or more dedicated sessions each year, during which the Board:

- assesses strategic priorities in light of automotive industry trends and developments;
- engages with and provides advice and guidance to, Executive Management on the company's approach to product portfolio, key customers, geographic footprint, core and emerging technologies, R&D priorities, acquisitions/divestitures, talent management and other areas of strategy;
- considers consolidated and Operating Group three-year business plans, together with sensitivity analyses of the consolidated business plan;
- evaluates short-, medium- and long-term risks that could erode the value of the company's businesses and business units, together with Management actions to mitigate such risks;
- engages in scenario planning to model the impact of events such as potential economic downturns;
- provides input on capital allocation priorities, as well as capital structure, and approves a capital expenditure budget for the year;
- approves a three-year consolidated business plan and updated strategic plan; and
- jointly identifies with Executive Management action plans to address at subsequent Board meetings any open questions/issues arising from the business planning/strategy session.

The company's strategy is discussed in the company's Annual Information Form/Annual Report on Form 40-F filed concurrently with this Circular.

Discussion

Unlike many Canadian issuers that provide boilerplate commentary, Emera provides details of the board's contribution and involvement in the strategic planning process. As this is a fundamental area of board responsibility, issuers should provide practical details on the board's approach to strategic planning, as well as on the strategic priorities that emerge throughout this process given the context of the organization. Similarly, Magna International provides specific details regarding the key areas of consideration during the strategic planning process. The circular provides insight into the methods utilized by the board to ensure that the areas of strategy are being adequately assessed over various timeframes and scenarios.

Also, worth noting is that Emera's circular describes how the company's strategic priorities address potential environmental risks and opportunities.

Risk Management Oversight

Boards should disclose the processes used that enable them to identify and monitor risk management efforts.

Bank of Nova Scotia, 2020 Proxy Circular, page 34

Risk Oversight

Our risk management framework sets the foundation for managing our principal risks and embedding a strong risk culture across the enterprise. The board approves our overall risk strategy, including our risk appetite framework, which sets out limits and the appropriate balance of risk and reward. It approves significant financial and non-financial risk frameworks and policies that manage risk bank-wide. Each quarter, the board reviews an in-depth enterprise risk management report to monitor and maintain a robust view of our risks across defined and emerging risks. A list of risks faced by the bank and detailed information on matters including our risk management framework, risk culture and risk appetite are provided in our 2019 MD&A.

We diversify risk across business lines, geographies, products and industries. Risk is managed through three levels of accountability:

- business lines and internal controls
- global risk management and other control functions
- internal audit (for independent monitoring and oversight)

Areas of focus for 2019 included:

- Analytics and data
- Capital and expense management
- Chairman succession
- Culture and conduct risk
- Cyber-security and technology risk
- Environmental risk including climate change
- Geo-political issues
- Integration risk – operational and reputational
- Risk culture
- Strategic repositioning and de-risking the bank

Each board committee has a focus on how we identify and manage our principal business risks:

Board Committees' Oversight of Risk

Audit and conduct review committee

- provides oversight on the effectiveness of the bank's system of internal controls
- oversees the integrity of the bank's consolidated financial statements and quarterly results
- oversees our climate-change related disclosure as part of our financial reporting
- responsible for conduct review, conduct risk and setting our ethical standards
- oversees the external auditor's qualifications, independence and performance, and the finance, compliance and audit functions

Human resources committee

- in conjunction with the risk committee, satisfies itself that adequate procedures are in place to identify, assess and manage the risks associated with the bank's human resources including material compensation programs (including conduct risk) and that such procedures are consistent with the bank's risk management programs
- oversees leadership, succession planning and total rewards
- supported by the management compensation review committee, which reviews the compensation of employees that have a material impact on risk

Corporate governance committee

- acts in an advisory capacity to the board to enhance the bank's corporate governance through a continuing assessment of the bank's approach to corporate governance and makes policy recommendations
- responsible for the board succession plan and the bank's approach to shareholder engagement
- reviews the bank's environmental and social strategy and reporting

Risk committee

- identifies and monitors key financial and non-financial risks
- reviews and approves the bank's key risk management policies, frameworks and limits, and the bank's risk exposure, satisfying itself that management is operating within the bank's enterprise risk appetite framework
- oversees the risk management and anti-money laundering/anti-terrorist finance functions

AltaGas Ltd., 2020 Proxy Circular, page 33

Risk Management

Effectively identifying and evaluating risks, both internal and external to our organization, and their potential impact to our business and our stakeholders, and developing processes and practices to mitigate such risks, is a central area of focus at AltaGas. AltaGas' governance framework is designed to effectively manage this process across the enterprise.

With a large portion of AltaGas' business being comprised of regulated utilities, and given the regulated nature of the utility industry, the governance policies and compliance reporting of AltaGas' operating utility subsidiaries are subject to significant regulatory scrutiny within each of their respective jurisdictions.

Ultimately, the Board is responsible for enterprise risk oversight and ensures appropriate systems are in place. All levels of the organization are engaged with the Enterprise Risk Management ("ERM") program which serves as the primary vehicle for aggregated risk management. As part of the ERM, leaders across the enterprise and within each business segment work together to identify the material risks and develop appropriate mitigation strategies. These risks are validated and ranked by senior leadership and reviewed with the Board and its committees. AltaGas' key risks are identified in its Annual Information Form, which can be found on its website at www.altagas.ca.

Each of AltaGas' committees oversee material risks within their functional areas and report to the Board on these matters.

Committee	Risk Oversight Responsibility	Specific Risk Oversight
Audit	✓ ERM, risk identification and mitigation ✓ Cybersecurity risk ✓ Financial reporting risk ✓ Pension and benefit risk to funding levels ✓ Insurance programs	- ERM processes, including risk ranking and mitigation strategies - Financial risk exposures, including commodity risk and credit risk of counterparties - Material litigation, claims and contingencies - Related party transactions - Cyber risk and data security - Financial reporting, including internal controls and disclosure controls over financial reporting
EHS	✓ Environment, health and safety related risk and compliance ✓ Infrastructure integrity risk ✓ Critical incident response plans ✓ Emergency preparedness ✓ Climate change risk	- Compliance with regulatory requirements - Safety performance monitoring - Improvement plans including training initiatives - Environmental spills, releases and emissions monitoring - Environment, health and safety audits
Governance	✓ Corporate governance ✓ Director independence ✓ Board succession planning ✓ COBE compliance ✓ Stakeholder relations ✓ Corporate social responsibility and sustainability ✓ Community investment	- Compliance with corporate governance practices and legal and regulatory requirements - Director compensation and equity ownership requirements for directors - Indemnification practices and D&O insurance - Annual review and approval of COBE and key policies - Review annual COBE certification process - Oversee stakeholder relations, including shareholder engagement and engagement with Indigenous peoples
HRC	✓ Compensation risk ✓ Management succession planning ✓ Human Resources/ talent development ✓ Unions and labour relations ✓ Pension and benefit plan design	- Compensation philosophy and practices - Succession planning for officers - CEO and executive compensation, including compensation mix - Equity ownership requirements for officers - Employee engagement and training initiatives

Loblaw Companies Limited, 2020 Proxy Circular, pages 22-23

RISK AND COMPLIANCE COMMITTEE REPORT TO SHAREHOLDERS

[...]

Enterprise Risk Management

The Risk and Compliance Committee is responsible for overseeing the design and structure of the Corporation's ERM program and for monitoring and assessing its effectiveness. The Risk and Compliance Committee also oversees certain risks delegated to it by the Board and is responsible for satisfying itself that management has taken appropriate actions to ensure the effective management of such risks.

At Risk and Compliance Committee meetings, the Risk and Compliance Committee received reports from management on various key risks facing the Corporation and how they were being mitigated. Management provides quarterly reports to the Risk and Compliance Committee on the status of certain key risks, anticipated impacts in future quarters, and significant changes in key risk indicators.

The Risk and Compliance Committee also reviews management's oversight of risks relating to information technology affecting the Corporation and the Corporation's information technology systems. The Risk and Compliance Committee receives regular reports from management with respect to the Corporation's systems, policies, controls and procedures that management has implemented to identify, manage and mitigate risks related to information technology and the Corporation's information technology systems, including cyber-security.

Food Safety

The Risk and Compliance Committee receives periodic reports from management and reviews the actions taken by management to ensure that the Corporation's food safety programs address safe manufacturing, handling and preparation standards, that suppliers of food products adhere to high safety standards and that best practices are in place for storage, handling, distribution and packaging of food products, along with necessary control systems to monitor compliance with such policies.

[...]

Environmental, Occupational Health and Safety Matters

The Risk and Compliance Committee also receives periodic reports from management on environmental and occupational health and safety matters.

[...]

Loblaw Companies Limited, 2020 Proxy Circular, page 31

Enterprise Risk Management

The Board has oversight responsibility for ERM activities associated with the Corporation's businesses. In order to identify and address any material risks, the Board undertakes an annual assessment of the Corporation's ERM structure. The annual ERM assessment is carried out through interviews, surveys, and facilitated workshops between management and the Board. Risks are identified and then assessed and evaluated based on the Corporation's vulnerability to the risk and the potential impact that the underlying risks would have on the Corporation's ability to execute its strategies and achieve its objectives. To assist with the ERM process, the Corporation has adopted a risk appetite statement that takes into consideration important aspects of the Corporation's businesses, values and brands. The risk appetite framework articulates key aspects of the Corporation's business, values and brands and provides directional guidance on risk taking. The types of risks the Corporation is exposed to include: strategic; financial; operational; cyber-security; regulatory; human capital; and reputational risks. Management provides periodic updates to the applicable committees of the Board on the status of the key risks including any anticipated near and longer term impacts and significant changes in key risk indicators. In addition, long-term (three to five year) risk levels are assessed to assist in risk mitigation planning activities. Accountability for oversight of each risk is allocated by the Board either to the full Board or to committees of the Board.

Discussion

Unlike boilerplate commentary provided by many Canadian issuers in this area, Bank of Nova Scotia, AltaGas, and Loblaw all describe the board's role in overseeing risk.

Of note, these issuers provide a brief overview of the key risks facing their business or the risks that are closely monitored by the board. In the case of the Bank of Nova Scotia and AltaGas, circular disclosure also provides clear details on how certain risks are delegated to the various board committees to ensure that such risks are being adequately covered and monitored. Notably, all three circulars describe efforts to integrate environmental and social matters within the company's risk management framework and the board's risk oversight responsibilities. They also describe in detail the specific processes by which the board ensures that important risks are being adequately and systematically assessed, monitored, and mitigated.

Shareholder Engagement

There is a growing emphasis by institutional shareholders on shareholder engagement. CCGG recognizes that while boards may be able to meet with their largest institutional shareholders and groups like CCGG, in-person meetings are not a practical forum for boards to engage with all shareholders.

Cenovus Energy Inc., 2020 Proxy Circular, page 19

Our Commitment to Shareholder Engagement

Our Board Shareholder Communication & Engagement Policy (the "Engagement Policy") is designed to further the Board's commitment to facilitate communication and engagement with our shareholders. The Engagement Policy describes the Board's approach to shareholder engagement and provides information on how interested shareholders can contact our Board.

Cenovus understands and values the importance of meaningful engagement with shareholders. Transparency and informed dialogue with our shareholders assists our Board in leading the Corporation. Since 2017 our Board has actively engaged with shareholders to ensure further alignment of interests and goals.

In December 2019, Mr. Daniel, as Board Chair, Mr. Leer, as NCG Committee Chair, and Ms. Zygocki, as HRC Committee Chair, engaged in conference calls with five of the Corporation's largest shareholders, collectively representing nearly 20 percent of Cenovus's outstanding Common Shares. Shareholders provided valuable feedback on a variety of topics including Cenovus's performance, business environment, strategy, executive compensation, board renewal and governance practices.

Below are highlights of our communications and external engagement activities.

Shareholder Engagement Policy	Cenovus has adopted the Engagement Policy to reinforce our commitment to meaningful communication and engagement with our shareholders. The policy is available on our website at cenovus.com.
Conference Calls with Investment Community	Management engaged in quarterly conference calls and webcasts with the investment community to review financial and operating results. Webcasts and presentations are available at cenovus.com.
Investor Day	Cenovus holds an investor day periodically to provide an update on the Corporation's strategy, outlook and operations. Cenovus most recently held an Investor Day on October 2, 2019 in Toronto. Webcasts of these events are also made available at cenovus.com.
Management Shareholder/Investor Engagement Program	Management held numerous meetings and conference calls with shareholders and investors over the course of the year.
Director-Shareholder Engagement Meetings	In December 2019, members of our Board engaged with five of our largest shareholders representing nearly 20 percent of Cenovus's Common Shares.

Capital Power Corporation, 2020 Proxy Circular, page 29

Shareholder Engagement

Maintaining a dialogue with shareholders is important, especially on topics like governance and compensation practices.

Shareholders can attend the annual meeting and pose questions to management. They can also learn more about Capital Power through the following:

- webcasts of our quarterly earnings conference calls with research analysts
- webcasts of our annual investor day for analysts and institutional investors with presentations by our executives
- executive presentations at institutional and industry conferences
- investor road shows in Canada and the United States throughout the year

We also receive feedback through:

- analyst and institutional shareholder participation in perception studies that are administered by a third party
- our advisory vote on our approach to executive compensation
- a dedicated address for email inquiries and a toll-free investor phone line
- a confidential ethics hotline and website for shareholders and the public to report a concern

In addition, the Board has adopted a shareholder engagement policy (engagement policy). The engagement policy prescribes governance topics for discussion between the Board and shareholders, information sought by the Board from the shareholder for the purpose of arranging a meeting, guidelines regarding meeting attendance, and a means for shareholders to contact the Board to request a meeting. The engagement policy also provides information for shareholders about contacting management.

In September 2019, Donald Lowry, our chair, and Jill Gardiner, the chair of the CGC&N Committee and Katharine Stevenson, the chair of the Audit Committee, met with a number of Capital Power's largest institutional shareholders to hear their feedback regarding our governance, ESG, and compensation practices. The intent is to continue to regularly meet with shareholders going forward.

Shareholders who are interested in directly engaging with the board regarding those topics specified in the engagement policy are encouraged to review the engagement policy, which can be found on our website (www.capitalpower.com), and to contact the board at:

Board Office Capital Power Corporation 1200, 10423 – 101 Street NW Edmonton, AB T5H 0E9 Email: board@capitalpower.com

Discussion

Cenovus Energy Inc. and Capital Power Corporation are good examples showing a board's effort to reach out to and offer to engage with the company's shareholders. Both issuers provide details on the various methods and mechanisms that are used to foster direct and meaningful contact with shareholders.

Chair's Letter to Shareholders

Through a letter to shareholders, board chairs can communicate key corporate governance related activities to their shareholders.

Seven Generations Energy, 2020 Proxy Circular

Dear fellow shareholders

On behalf of the board of directors of Seven Generations, we are pleased to invite you to our annual meeting of shareholders on Tuesday, May 5, 2020 […]

2019 in review

The company's strategy for 2019 was to sustain its level of production, continue to improve capital and operating efficiencies, drive free cash flow and return capital to shareholders. In 2019, we delivered what we promised. Even though our capital investments of $1.2 billion were 30% lower than the prior year, we averaged production of 203,000 boe per day, consistent with our guidance of 200,000 to 205,000 boe per day, generating funds flow of nearly $1.4 billion and free cash flow of $158 million. We also maintained a strong balance sheet, with available funding of $1.4 billion and a trailing 12-month ratio of net debt to adjusted EBITDA of 1.4:1 as at December 31, 2019. Free cash flow was returned to shareholders through our normal course issuer bid (NCIB) program. Under the initial NCIB program that was put in place, the company repurchased and cancelled 30.4 million shares between November 5, 2018 and November 4, 2019, representing approximately 8% of the outstanding shares (as at October 30, 2018). The NCIB program was renewed in November 2019 to authorize the company to repurchase up to an additional 23.8 million shares between November 11, 2019 and November 10, 2020. In 2019, the company repurchased and cancelled a total of 22.1 million shares under the NCIB program and since the inception of these programs, the company has retired 8.8% of its outstanding shares. In 2019, we drilled 78 wells and made investments in a number of ongoing infrastructure developments including the expansion of our Kakwa River Project gathering network to enable broader Nest 3 development and further enhancement of our water handling and disposal capabilities. Operating costs were $4.79 per boe, well below our revised mid-year target of $5.00 to $5.25 per boe and 13% lower than 2018.

Continued resilience

Canada's energy sector continued to face headwinds in 2019. While no Canadian producer has been immune to these external challenges, Seven Generations has continued to demonstrate its resilience. We capture condensate prices in Alberta that generally trade at a premium relative to Canadian oil prices and we have diverse price exposure to a variety of natural gas markets in Alberta, Central Canada and throughout the continental United States.

Board succession and governance

Leontine Atkins and Susan Jones are standing for election for the first time at the meeting and Dale Hohm will not be standing for re-election this year. We are grateful to Mr. Hohm for his distinguished service during his six years as a director and as Chair of the Audit and Finance Committee. His business acumen and insightful governance stewardship has led the corporation to a position of financial strength and resilience and we greatly appreciate all that he has contributed.

The board and management are committed to good governance and stakeholder service to expand the benefits that Seven Generations can contribute to society. In 2019, 7G became a member of the Canadian chapter of the 30% Club, signaling our commitment to gender-balanced leadership. With the addition of Ms. Jones, we are pleased to announce that 30% of the director nominees at this year's meeting are women.

Demonstrating sustainability leadership

At 7G, we are focused on sustainability to meet the needs of our stakeholders, both in the near-term and over the longer-term. Our work in this area will be detailed in our 2020 sustainability report, Generations 2020, which will be published in March of 2020 and can be accessed at www.7genergy.com/responsibility/sustainability.

A few examples of recent initiatives and recognition in the area of sustainability are provided below:

• For the 2019 reporting year, 7G received a score of A- from CDP Worldwide (formerly, the Carbon Disclosure Project) in connection with its participation in the CDP's Climate Change Questionnaire, a score that is higher than the oil and natural gas sector average of C, and places 7G as the only Canadian energy company to receive a score that is within CDP's leadership grouping.

• On November 11, 2019, 7G received certification as a responsible producer under the EO100™ Standard for Responsible Energy Development.

• On January 27, 2020, 7G was included on the Jantzi Social Index – an index consisting of 50 Canadian companies that pass a set of broadly based environmental, social and governance (ESG) screening criteria.

• On February 10, 2020, 7G, Énergir s.e.c. (Énergir), Equitable Origin and the Pembina Institute announced a responsible natural gas supply agreement governed under the EO100™ framework between 7G and Énergir, the first of its kind globally.

[...]

Air Canada, 2020 Proxy Circular

Dear Shareholders,

You are cordially invited to attend our annual meeting of shareholders of Air Canada. It will be held on Thursday, June 25, 2020 at 10:30 a.m. (Eastern time).

[...]

At the meeting, we will present management's report for 2019 and discuss our corporate priorities for 2020. These are unprecedented tumultuous times for our industry given the early and abrupt 2020 onset of the global COVID-19 pandemic and resultant cessation of virtually all commercial aviation activity globally.

We recognize the impact that these unprecedented times have had on our customers, employees, shareholders, communities, and suppliers, among others. Throughout our history, we have always endeavored to serve our stakeholders, in good, and in more challenging times. Now is no different. As a global citizen, we are committed to doing our part to help the world recover from this global crisis. Our actions during this pandemic reflect the strength of our culture and our deeply embedded core values.

Although too early to predict the pandemic's full impact upon the airline industry, it has already severely damaged the industry and many other businesses of the broader economy. Air Canada though is better prepared to withstand this crisis than most carriers in the world given that we started 2020 with a strong liquidity position of $7.4 billion which, however, declined about $900 million in the first quarter of 2020 given COVID-19. In addition, we have a sizeable pool of assets, including aircraft, that can be used as collateral to allow us to raise additional liquidity. Furthermore, during our ten-year transformation, we have become a much more efficient and entrepreneurial company led by a very experienced senior management team and that agility was on full display as we quickly moved with the onset of the pandemic to reduce our costs, including schedule and workplace reductions, and a $1.05 billion cost reduction and capital reduction and deferment program. All of these and other measures will position Air Canada relatively well for the inevitable recovery of the industry.

As mentioned, prior to the COVID-19 outbreak, Air Canada and many major carriers around the world were already grappling with the tremendous challenge presented by the grounding of the Boeing 737 MAX aircraft, which resulted in the loss to Air Canada of approximately 25 per cent of our narrow-body fleet for most of 2019. Nonetheless, we still reported strong financial results, with records for key metrics such as revenue, liquidity and passengers carried, testifying to our resilience and strength. Passenger revenues grew $1.071 billion to $17.232 billion. We also completed a two-year, $250 million Cost Transformation Program.

While we are living in a new era with the impact of COVID-19, we do need to celebrate the successes of 2019. Air Canada's overall risk profile was further lowered in 2019, including through the diversification of our network, lower financial leverage and a strong pension plan surplus, all of which were acknowledged by rating agency upgrades. During 2019, we also completed several critical initiatives. The most important was Air Canada's purchase of Aimia Canada and its Aeroplan program, one of Canada's most

> popular loyalty programs. The other initiatives included the conclusion of an amended and extended capacity purchase agreement with Jazz and the implementation of a new Passenger Service System to replace our 25-year-old, legacy reservation system, with this work substantially completed in the first quarter of 2020.
>
> We also made significant progress in the ongoing evolution of both our customer service and corporate culture, which were recognized by numerous industry awards in 2019. This included being named Best Airline in North America by Skytrax for the third consecutive year and the 2019 Airline of The Year by Global Traveler. We remain the only Four-Star international network carrier in North America as rated by Skytrax. These and other honours, such as Mediacorp Canada's Top 100 Employers (for the seventh consecutive year) and One of Canada's Best Diversity Employers and One of the 50 Most Engaged Workplaces in North America by Achievers (fourth consecutive year for both of these awards) are the result of our focus on employee engagement, improving the customer experience and fostering a positive corporate culture.
>
> Finally, while 2020 promises to be one of the most challenging years in our history, these achievements position us well to manage through this unprecedented public health crisis and ultimately emerge a stronger company. [...]

Discussion

Both Seven Generations Energy and Air Canada do an excellent job of using a letter from the board chair to summarize key ideas that the board wishes to relay to shareholders.

As an operator in an industry which has experienced substantial adverse effects from the unprecedented circumstances brought on by the COVID-19 pandemic, Air Canada used its letter to communicate how the company has coped with such disruptions and adapted to this new environment.

Notably, the letter from Seven Generations indicates a commitment to managing and reporting on important environmental and social issues. In particular, the letter from Seven Generations refers shareholders to the company's annual sustainability report and highlights a number of other sustainability-related initiatives and achievements from the preceding year.

Ongoing Relevance of a Dual Class Share Structure

On an ongoing basis, the board of a Dual Class Share (DCS) company should consider the reasons why a DCS structure was established and whether those reasons remain valid and should explain to shareholders annually in the DCS company's proxy circular the reasons why the continued existence of the DCS structure is appropriate. Teck Resources provides such disclosure in its proxy circular:

Teck Resources Limited, 2020 Proxy Circular, pages 33-34

Dual-Class Share Structure – Governance Considerations

[…] Teck's dual class share structure has been in place since a 1969 corporate reorganization in which all outstanding shares of Teck Corporation (as it then was) were converted into Class A common shares to facilitate the consolidation of a group of related operating and exploration companies. Since 1969, Teck has issued Class B subordinate voting shares to enable Teck to grow by acquisition and new mine development.

[…] The Governance Committee believes that the major longstanding holders of Class A common shares are committed long-term investors, many with a deep knowledge of Teck's business and its industry. The Board considers that this longer-term perspective has permitted Teck to make decisions which have helped grow shareholder value significantly over the last few decades and will continue to benefit all shareholders. The Board rejects the proposition that dual class share structures are inherently unfair or improper. In many forms of business organizations, certain investors and stakeholders have few or no voting rights. Purchasers of preferred shares, limited partnership units and many forms of debt instruments often hold voting rights more restrictive than those attached to Teck's Class B subordinate voting shares. It is widely accepted that appropriate governance practices can ensure that the interests of all these security holders are considered and respected, and the Board believes that the same is true in the case of a dual-class structure.

While in the vast majority of matters that come before the Board, the interests of the Class A and Class B shareholders are entirely aligned, the Committee and the Board recognize that to fulfill Teck's commitment to good governance, a dual-class share structure requires vigilance and robust governance practices. The dual-class share structure does create a disparity between voting interests and equity interests and this could create some potential for conflicts of interest, as it would in any public company where there is an identifiable shareholder or group of shareholders holding majority voting control, whether under a dual-class share structure or a single voting class structure.

Accordingly, the Board and the Governance Committee closely scrutinize any situation in which the interests of Class A shareholders and Class B shareholders could diverge.

[…] Teck's dual class share structure has been key in facilitating its growth into a major diversified Canadian mining company. Ultimately, any decision about the appropriateness of the structure is a question for all shareholders, as any change in voting rights would require the approval of the affected class or classes of shareholders, voting separately. So long as the Corporation has more than one class of voting shares, the Committee and the Board will diligently apply appropriate measures to ensure governance that respects the interests of all shareholders.

Additional disclosure relating to dual class share company IPOs

CCGG's board of directors and a majority of CCGG's members also expect the board of a DCS company which undertakes an initial public offering in Canada after September 2013 (i.e. the date CCGG's DCS policy was published) and which does not comply with any or all of CCGG's DCS principles to explain to shareholders annually in the DCS company's proxy circular (or if the DCS company does not issue a proxy circular because the public owns non-voting common shares, then in another public document which is filed with the securities regulatory authorities) the reasons why it is not appropriate for such principles to apply to the DCS company.

DISCLOSURE OF EXECUTIVE COMPENSATION

Compensation is one of the most powerful tools that boards have at their disposal for shaping the behaviour of company management.

Disclosure of a company's compensation plan should describe clearly how it is linked to the company's strategy, objectives and risk management. Compensation disclosure also should communicate the role of the board in designing executive compensation including the key factors considered by the board. This section provides examples of excellent disclosure of the following practices:

Executive Compensation and Corporate Strategy

CCGG expects issuers to explain the link between corporate strategy and executive compensation.

ARC Resources Ltd., 2020 Proxy Circular, pages 35-37

2019 Performance Assessment

achievement of the metrics on the performance scorecard is one of the key measurements of the Company's success. The performance scorecard was developed by Management and approved by the Board, on recommendation by the HRC Committee for 2019. The performance metrics are based on the Company's priorities, and the established "perform" targets are drawn from the performance deliverables of the business plan.

Below are the specific details of the 2019 corporate performance scorecard that provides an overview of the assessment of the key performance areas, the performance targets and subsequent results and details on the specific accomplishments for the year.

Financial Sustainability and Return on Investment

The HRC Committee, with input from all Board members, assessed the area of financial sustainability and return on investment as an outperform overall rating. Management engaged in strategic capital allocation decisions to protect the balance sheet while delivering financial performance and paying a meaningful dividend to our shareholders.

Performance Metrics	Details of Key Accomplishments
Net Debt/Funds from Operations (FFO) (1) - <=1.5	• Top quartile levels of Net Debt/ FFO and under threshold at 1.3x. • Reduction of planned capital expenditures to $700 million from $775 to protect the balance sheet. The decision was made while considering both the expected profitability of future development projects and the potential impact on capital investment and profitability of future years. Actual capital investment was $692 million.
Dividends Paid – $212.4 million ($0.60 per share)	• Performed to expected levels with $212.4 million or $0.60 per share paid. Dividends as a per cent of FFO was 30 per cent. • Understanding of commodity environment and effective management of corporate decline rate and capital efficiencies to support a reliable and meaningful dividend payment.
Return on Average Capital Employed (ROACE) (2) – 3-year Average – 7.5%	• Strong performance with a 3-year trailing average ROACE of 6.9 per cent. • Continually assessed actual results and future planned capital expenditures considering the impact to ARC's three-year ROACE and to ensure a profitable return on investment.

High-Quality Assets and Operational Excellence

The HRC Committee, with input from all Board members, assessed the area of high-quality assets and operational excellence as an outperform – outstanding overall rating. Management achieved outstanding performance in both safety and ESG performance while managing costs with reduced operating expenses and deliberate management of capital expenditures. Management introduced several innovative solutions using technology. Achievement of production metrics were at outperform levels.

Performance Metrics	Details of Key Accomplishments
Safety: Total Recordable Incident Frequency (TRIF) employees/ contractors – 0.5/0.6	• Active safety management programs and continued focus on safety culture. • Top decile TRIF results against world-class targets. • Approaching six years (2,083 days) without an Employee Lost-Time Incident (LTI). Four contractor LTIs in 2019.
Leadership in ESG – Qualitative	• 17 per cent reduction in GHG emissions intensity, on track to achieve 25 per cent emission reduction goal by 2020. • Strategic electrification of Sunrise and Parkland facilities that allows for significant reductions of approximately 90 per cent in GHG emissions at both facilities. • Invested $55 million in water storage infrastructure that will reduce 700,000 m³ of water required.
Production – 139,126 boe per day	• Grew production by 6,500 boe per day or five per cent relative to 2018. • Strong performance to achieve production guidance despite several unplanned issues, such as third-party pipeline apportionment, third-party takeaway delays and downtime, extreme cold weather and power outages. • Record Q4 production at 147,650 boe per day.
Operating Costs – $5.35 boe per day	• Deliberate fourth quarter transition to low-cost Montney. Year-over-year reduction of approximately 15 per cent. • Record low operating expenses of $4.97 per boe with disciplined focus and improvement on costs through workovers, maintenance, electricity and other field expenses.
Capital Expenditures – $692MM	• Strong performance with capital execution on time, under budget with an excellent safety record. • Advanced key projects: Dawson Phase I and II upgrades, Ante Creek facility expansion, significant progress on Dawson Phase IV facility and advanced Phase I at Attachie. • Drilled 87 wells, completed 83 and brought 72 new wells on stream. • Top decile drilling and completions performance versus Montney peers.
Technology/ Innovation – Qualitative	• Advanced technology through all areas of the business and formally reported to the Board on a quarterly basis.

[...] The Board determined that significant progress was made during the year to advance ARC's long-term business strategy through efficient execution of the business plan. Overall, the Management team demonstrated astute business judgement in a challenging business environment and outperformed in all areas of the performance scorecard. Based on a holistic assessment of the Company's performance and achievement of the targets, the Board assigned an overall outperform score of 1.6 for the 2019 performance scorecard.

Discussion

ARC Resources' circular notes that to determine the value of executive compensation, the board assesses the company's performance relative to its long-term priorities. The circular provides a comprehensive overview of performance accomplishments and the corresponding quantitative metrics which are used to measure progress on these objectives. Notably, these objectives include goals related to safety and the environment, among other things. Therefore, executive compensation outcomes are linked not only to the company's financial performance but also to operating the company's assets in a safe and responsible manner.

Individual performance of executive officers is also a factor in compensation decision making.

Of note is the fact that approximately 72% of the CEO's total compensation and 64% of NEO total compensation is deferred and is tied to shareholder returns over a period of 3 to 10 years following grant date.

Executive Compensation and Risk Management

A company should disclose details of its executive compensation structure and comment on its effectiveness when viewed through a risk oversight lens. The disclosure should explain how the company's policies and practices discourage risk-taking beyond the company's acceptable risk appetite.

TransAlta Corporation, 2020 Proxy Circular, pages 95-96

COMPENSATION GOVERNANCE

The Board believes that our executive compensation program does not raise TransAlta's risk profile based on an annual risk review conducted by the HRC. We are committed to good compensation governance which promotes the long-term interests of Shareholders. The Board has delegated governance of the Company's human resource policies and practices to the HRC.

Compensation Governance & Risk Management

The following table highlights our governance and risk management best practices:

What we do	Risk Mitigation	Pay for Performance	Effective Oversight	Shareholder Alignment	Attract & Retain
Maintain a pay-for-performance philosophy in which the majority of executive compensation is "at risk" and based on performance against pre-defined metrics that reflect our strategic priorities		✓		✓	✓
Incorporate risk management principles into all decision-making processes and ensure our compensation programs do not encourage inappropriate or excessive risk-taking	✓		✓	✓	
Expenditure authority limits are established for different levels in the organization and any expenditures, new investment programs or projects to be undertaken must be reviewed by a four-member investment committee	✓		✓		
Clawback policy – allows the Board to recoup all variable compensation awarded to an Executive if: • the payment was based on achieving certain financial results that were subsequently the subject of a restatement of TransAlta's financial statements filed with securities regulatory authorities; • the Executive engaged in gross negligence, intentional misconduct or fraud that caused, or partly caused, the need for a restatement; and • the incentive compensation would have been lower had the financial results been properly reported.	✓			✓	✓
Anti-hedging policy – prohibits Executives and Directors from speculative trading in our shares. Insiders are prohibited from: • directly or indirectly short selling securities of TransAlta or any of its affiliates where they do not own the underlying security; • directly or indirectly selling a call or buying a put on our securities or any securities of our affiliates; and • purchasing financial instruments or engaging in a monetization transaction or other hedging procedure designed to reduce or offset a decrease in the market value of TransAlta securities held by an insider, either directly or indirectly.	✓			✓	✓
Maintain a Human Resources Committee of independent directors that have the necessary skills, knowledge and experience to carry out its responsibilities effectively	✓		✓		✓
Require the Human Resources Committee to retain an independent advisor	✓		✓		✓
Performance factors and payouts under the AIC plan and PSU plan are capped at 200% to avoid excessive risk-taking	✓	✓	✓		
Allow Executives to convert a portion of their annual bonus to deferred share units	✓	✓		✓	
Annually review our executive compensation program to ensure continued regulatory compliance and alignment with Shareholder interests and sound risk management and governance principles	✓		✓		
Targets for the annual and long-term incentive awards are set annually within our risk profile and provides sufficient incentive for our Executives to achieve the corporate objectives	✓	✓		✓	
PSU awards have overlapping performance periods		✓		✓	
Benchmark executive compensation and our incentive plans against peer companies similar to TransAlta			✓	✓	✓
We have codes of conduct for our employees, officers and directors to ensure we protect TransAlta's assets and act ethically and responsibly in everything we do	✓		✓	✓	✓
Our insider trading policy and reporting guidelines restrict insiders and others who have a special relationship with TransAlta from trading our securities on material undisclosed information or during blackout periods. Insiders must pre-clear transactions before carrying out a trade in our securities	✓		✓	✓	

What we don't do	Risk Mitigation	Pay for Performanc	Effective Oversight	Shareholder Alignment	Attract & Retain
No payouts of incentive awards when performance is below threshold		✓	✓	✓	
No guaranteed increases in compensation in executive employment agreements	✓	✓		✓	
No re-pricing, backdating or exchanges of stock options or other long-term incentive awards	✓		✓	✓	
No gross-up of executive compensation, including perquisites or incentive awards, to account for withholding of taxes	✓				
No counting of PSUs or unvested or unexercised stock options toward share ownership requirements	✓			✓	
No single-trigger change of control provisions in employment agreements	✓		✓	✓	
No hedging of TransAlta securities	✓		✓	✓	
No granting of loans to directors or Executives	✓		✓	✓	
No granting of stock options to independent directors	✓		✓	✓	

Discussion

TransAlta's proxy circular clearly identifies how the company's compensation policies and practices are specifically designed to discourage excessive risk-taking among executives. Their compensation structure includes a number of distinct mechanisms which are used to mitigate risk-inducing behaviour.

Toronto-Dominion Bank, 2020 Proxy Circular, page 35

Stock Options

[...] Stock options cliff vest at the end of four years and expire 10 years from the date of grant.

ARC Resources Ltd., 2020 Proxy Circular, page 34

Long-Term Restricted Share Awards

[...] LTRS awards include a grant of Common Shares, issued from treasury to executives, thereby providing participants with actual equity ownership and promoting further alignment with shareholder interests. Common Shares are issued under the plan at a price equal to the weighted average trading price of ARC's Common Shares for the five trading days ending immediately prior to the grant date. Shares issued under the plan have a 10-year term with one-third vesting on each of the eighth, ninth and tenth anniversaries of the date of grant. This extended vesting period is substantially longer than typical practices in the energy sector and is designed to encourage our executives to think and act with a clear focus on the long-term.

Discussion

To the extent that issuers use options and/or other share-based incentives that vest based on time only, CCGG encourages issuers to consider long term vesting restrictions.

Stock options often start vesting one year following the date of grant and fully vest after three years. TD Bank, however, grants stock options that cliff vest after four years, which is a long-term vesting restriction.

Restricted shares or restricted stock units also often start vesting one year after award date and fully vest after three years. ARC Resources, however, grants restricted shares that start vesting after eight years, which also is a long-term vesting restriction.

Pembina Pipeline Corporation, 2020 Proxy Circular, page 51

Clawback policy

We recognize the importance of clawback provisions in promoting ethical conduct and strong compensation governance practices and introduced a clawback policy in 2015. The policy applies to the CEO and all senior vice presidents and requires repayment of:

• any incentive or equity-based compensation awarded based on incorrect data where we are required to restate our financial statements because of material non-compliance with any financial reporting requirements under any applicable securities laws; and

• incentive or equity-based compensation if the board finds a senior officer has committed fraud, a breach of fiduciary duty or willful or reckless misconduct.

The board can, at its sole discretion, use reasonable efforts to recover compensation paid or granted to the officer, including cancelling unvested awards and recovering profits realized from trading Pembina securities.

Air Canada, 2020 Proxy Circular, page 62

CLAWBACK POLICY

In 2011, the Board of Directors approved the adoption of a clawback policy concerning awards under Air Canada's annual and long-term incentive plans, which was amended on May 4, 2020. Under this policy, which applies to all executives, the Board may, to the full extent permitted by applicable laws and to the extent it determines that it is in the best interests of Air Canada to do so, require reimbursement of all or a portion of annual or long-term incentive compensation received by an executive. The Board may seek reimbursement of full or partial compensation from an executive or former executive for situations involving:

• Serious misconduct including non-compliance with laws and regulations, accounting fraud or failure to follow internal policies and procedures; or

• A material error or misstatement of financial results and the executive or former executive engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement, and the amount of the bonus or incentive compensation that would have been awarded to or the profit realized by the executive

> or former executive had the financial results been properly reported would have been lower than the amount actually awarded or received.

Discussion

Several issuers manage compensation risk through clawback policies, but these policies are often triggered only if there is a financial restatement and an executive is found at fault. CCGG has urged companies to adopt broader clawback policies as exemplified by the clawback policies of Pembina Pipeline and Air Canada set out above.

Performance Share Units

In the interest of improving the alignment between pay and performance, many public company boards across all industry sectors in Canada have introduced Performance Share Unit (PSU) plans into their executive compensation programs. In some cases, PSU plans are being used in place of stock option plans which have not achieved the originally intended outcome of linking pay with performance. CCGG is supportive of improving this link and believes that an appropriately structured PSU plan may be helpful in that regard. True performance- vesting, in CCGG's view, should contemplate the possibility of a zero-vesting outcome that is not dependent upon a board exercising discretion. Awards that partially vest based on time alone and for which a zero-vesting outcome is possible only if a board exercises discretion should not be classified as PSUs.

Canadian National Railway Company, 2020 Proxy Circular, pages 46-47

> **Performance Share Units: 2019 Award**
>
> [...] PSUs vest after three years [...] and the payout can range from 0% to 200%. At the end of the performance cycle, the number of PSUs will be adjusted based on the achievement of the performance conditions detailed below. PSUs will be settled in CN common shares purchased on the open market. PSUs awarded in 2019 are subject to the following two performance measures:
>
> **1. PSUs – ROIC**
>
> Seventy percent (70%) of the PSU award value is subject to the achievement of a target related to the Company's average three-year ROIC over the plan period and the payment will be conditional upon meeting a minimum average closing share price during the last three months of 2021. The ROIC for each of the applicable plan years is generally calculated as net income before interest expense, divided by the total of the Company's average net indebtedness and the average shareholders' equity, and may, in certain

instances, be adjusted for certain items as determined by the Committee. ROIC measures the Company's efficiency in the use of its capital funds and is viewed as a key measure of long-term value generation to its shareholders. […]

ROIC PSUs granted in 2018 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the table below:

	OBJECTIVE	PERFORMANCE VESTING FACTOR (1)
PERFORMANCE OBJECTIVE: Average ROIC for the three-year period ending on December 31, 2021	Below 13.5%	0%
	13.5%	50%
	14.5%	100%
	16.0%	125%
	16.5%	150%
	17.0% and above	200%
PAYOUT CONDITION: Minimum average closing share price for the last three months of 2021	C$104.19 on the TSX or U.S.$77.08 on the NYSE	

(1) Interpolation applies between objectives.

2. Relative TSR PSUs

Thirty percent (30%) of the PSU award value is subject to CN's Relative TSR measured against two equally weighted comparator groups: i) selected Class I Railroads, and ii) S&P/TSX 60 companies. Relative TSR performance measures CN's share price appreciation, inclusive of dividends, over the three-year plan period against the companies within each comparator group.

Relative TSR PSUs awarded in 2019 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the table below:

TSR relative to S&P/TSX 60

CNR	PAYOUT (1)
75th Percentile and above	200%
50th Percentile	100%
25th Percentile	50%
Less than the 25th Percentile	0%

(1) Interpolation between points.

TSR relative to Selected Class I railways

CNR	PAYOUT
1st	200%
2nd	150%
3rd	100%
4th	50%
5th	0%

Discussion

CN Rail's PSU plan is noteworthy because:

1. It provides full disclosure of goals set under the PSU plan and describes why return on invested capital (ROIC) is emphasized: it measures the company's efficiency in the use of its capital funds and is viewed as a key measure of long-term value generation.

2. There is a possibility that, following an assessment of the company's future 3-year performance, no PSUs vest. Therefore, CN Rail's PSUs are truly at-risk.

3. ROIC and TSR (total shareholder return) are assessed against a single three-year goal as opposed to three one-year goals. CCGG encourages boards to evaluate key performance measures over multi-year periods in order to focus and incent management on long-term value creation.

4. PSUs are settled in common shares (purchased on the open market) instead of cash, thereby encouraging executive officers to build share ownership.

Use of non-GAAP measures in Executive Compensation

CCGG has observed that many issuers use adjusted financial performance measures to make executive compensation decisions, and in an attempt to quantify the extent to which these measures are being used by boards, CCGG undertook a study in early 2019 of the compensation structures of a representative group of 100 public companies listed on the S&P/TSX Composite Index. Please refer to the position paper, which includes recommendations for improved disclosure on the use of these measures by public company boards.

TC Energy (formerly TransCanada Corporation), 2020 Proxy Circular, pages 94-95

CORPORATE PERFORMANCE

The following summarizes our 2019 corporate performance against annual objectives.

You can find definitions of these terms and more information about our financial and business performance in our 2019 Management's discussion and analysis (MD&A) on our website (www.transcanada.com) and on SEDAR (www.sedar.com).

The Board approved a Corporate factor of 1.3, which is above target level performance. The Corporate factor used in determining the 2019 annual incentive awards for all non-union employees.

	2019 target	2019 result	Rating (0-2.0)	Weighting	Factor	Highlights
1. Safety and asset integrity	Various targets	Partially met	0.9	20%	0.2	Safety and asset integrity remains our highest priority. We realized very strong results against some targets but experienced challenges in others.
2. Financial Earnings per share	$4.05	$4.31	1.7	20%	0.3	Record comparable EPS of $4.14 increased by 7 per cent over 2018. Consistent with the approach in 2018, comparable EPS was adjusted for impact of U.S. tax reform for compensation purposes (see Notes below).
3. Optimize existing assets	$100 million of incremental annual long-term value	Exceeded	1.5	20%	0.3	We secured new contracts on Marketlink and various U.S. Gas pipelines. We renegotiated a number of existing agreements and completed a number of low cost projects that generated a high return.
4. Project execution	Cost and schedule targets	Partially met	0.7	20%	0.1	Approximately $8.7 billion of assets were successfully placed in service. Most of our projects were delivered on-time and on-budget, but delays and cost overruns were experienced on others.
5. Grow asset base	New projects and asset sales targets	Exceeded	1.5	20%	0.3	We secured approximately $3.2 billion of new, commercially-backed energy infrastructure projects, including further expansions to the NGTL System and additional U.S. Natural Gas Pipeline projects. We also completed a number of asset sales in 2019, realizing approximately $3.4 billion of proceeds that will support the funding of our $30 billion portfolio of secured projects and strengthen our balance sheet.
Overall Corporate factor				**100%**	**1.3***	

*Includes rounding

Notes

- The *Financial* objective will score a maximum of 1.0 if the ratio of dividends per share/comparable funds generated from operations per share is greater than 50 per cent. The ratio for 2019 was 39 per cent.
- The committee evaluated all non-comparable adjustments to 2019 EPS and concluded that they are non-recurring items or unrealized gains/losses and it is therefore appropriate to exclude them in evaluating performance against the scorecard target. The committee also considered the negative impact of U.S. tax reform in its deliberations on the Financial objective. This is consistent with 2018 when the impact was positive and EPS used to evaluate performance was reduced accordingly.
- ***Earnings per share*** for compensation purposes was $4.31, calculated as follows:

Net income per common share	$4.28
Loss on sale of assets	0.19
Tax-related adjustments	(0.24)
U.S. Northeast power marketing contracts	0.01
Risk management activities	(0.10)
Comparable earnings per share	4.14
Impact of U.S. tax reform	0.17
Earnings per share for compensation purposes	$4.31

- We calculate both ***Net income per common share*** and ***Comparable earnings per share*** based on the weighted average number of our shares outstanding ($929 million in 2019).
- ***Comparable earnings per share*** and ***Comparable funds generated from operations per share*** are non-GAAP measures and do not have any standardized meaning as prescribed by U.S. GAAP (see ***Schedule B*** for more information).

TC Energy (formerly TransCanada Corporation), 2020 Proxy Circular, page 120

Comparable Measures

We calculate comparable measures by adjusting certain GAAP and non-GAAP measures for specific items we believe are significant but not reflective of our underlying operations in the period. Except as otherwise described herein, these comparable measures are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable.

Our decision not to adjust for a specific item is subjective and made after careful consideration. Specific items may include:

- gains or losses on sales of assets or assets held for sale
- income tax refunds and adjustments to enacted tax rates
- certain fair value adjustments relating to risk management activities
- legal, contractual and bankruptcy settlements
- impairment of goodwill, investments and other assets
- acquisition and integration costs
- restructuring costs

We exclude the unrealized gains and losses from changes in the fair value of derivatives used to reduce our exposure to certain financial and commodity price risks. These derivatives generally provide effective economic hedges, but do not meet the criteria for hedge accounting. As a result, the changes in fair value are recorded in net income. As these amounts do not accurately reflect the gains and losses that will be realized at settlement, we do not consider them reflective of our underlying operations.

[...]

Comparable earnings and comparable earnings per share

Comparable earnings represent earnings or losses attributable to common shareholders on a consolidated basis adjusted for specific items.

Discussion

As illustrated above, the TC Energy circular meets several of CCGG's recommended best practices for disclosure as outlined in our report on the Use of Non-GAAP Measures in Executive Compensation, including the following:

- The circular provides a definition for non-GAAP measures used in the compensation scheme and indicates that these measures are calculated in a consistent manner from period to period;
- The circular briefly notes adjustments (specific items) that may be made to GAAP measures, and clarifies that such items are still subject to scrutiny and may *not* be adjusted for on a subjective basis if they are viewed as reflective of underlying operations in the corresponding period;
- It acknowledges that the Human Resources Committee evaluated all adjustments made to the GAAP measure (EPS) in order to arrive at the non-GAAP measure (comparable EPS) that is used to determine cash bonus; and
- It includes a reconciliation of comparable EPS, a non-GAAP measure, to the most equivalent GAAP measure.

The following example from TELUS Corporation highlights additional information that should also be disclosed when adjusted financial metrics are incorporated into compensation.

TELUS Corporation, 2020 Proxy Circular, page 91

2019 corporate performance metrics and results

[...] Footnote (2): Adjusted EBITDA is a non-GAAP measure and does not have a standardized meaning under IFRS-IASB. We have issued guidance on and report EBITDA because it is a key metric used to evaluate performance at a consolidated level and the contribution of our two segments. Adjusted EBITDA excludes items of an unusual nature that do not reflect our ongoing operations. For definition and explanation, see Section 11.1 Non-GAAP and other financial measures in Management's discussion and analysis in the TELUS 2019 annual report. For the purposes of the corporate scorecard payout, Adjusted EBITDA is also normalized by excluding real estate gains and various other non-controllable items.

Footnote (3): For the purposes of the scorecard payout, Adjusted EBITDA was normalized to remove the impact of certain one-time factors. As a result, Adjusted EBITDA was adjusted from $5,693 million to $5,718 million.

[...] TELUS has had a practice in place since 2009 whereby the chairs of the Audit Committee and Compensation Committee review the results on the corporate scorecard in advance of their respective quarterly meetings and facilitate a line-by-line reconciliation of the corporate scorecard metrics and results with the quarterly financial results. Any proposed adjustments to the corporate scorecard results for payout purposes are subject to this review. In approving the adjustments to the corporate scorecard results, the Compensation Committee followed an approach that reflected a reasonable assessment of the performance for 2019 and was balanced and fair to the employees, as the corporate scorecard results drive the annual performance bonus of all employees participating in the program.

Discussion

Proxy circular disclosure should contain an overview of the board's role in scrutinizing non-GAAP performance measures and any proposed adjustments. Such a discussion should also include an explanation of the parameters that are used by the board to determine the appropriateness of individual adjustments, as well as the rationale for any material adjustments made in the previous year. If necessary, companies should describe any involvement of independent third parties in the review process as well. An independent third-party consultant may be helpful for companies to ensure year-over-year consistency in the calculation of key metrics, for example.

In addition to acknowledging that the Compensation Committee reviews all proposed adjustments, the TELUS circular provides a brief description of the committee's process to determine which adjustments are appropriate for compensation purposes.

Effectiveness of the Compensation Program over Time

In order to truly understand the effectiveness of an issuer's compensation program, it is useful to know not only the grant date value of compensation awards, which reflects how the board intended to compensate management, but also how effective the compensation program has actually been in aligning management's interests with shareholders.

Capital Power Corporation, 2020 Proxy Circular, page 60

Look back analysis

The table below gives an eight-year compensation look back for Mr. Vaasjo compared to absolute shareholder value. It compares the grant date value of compensation awarded to Mr. Vaasjo for his performance as President & CEO against the actual value he has received from his compensation during his tenure.

On a weighted average basis over the cumulative period of 2012 to 2019, Mr. Vaasjo has realized 59% more than the expected value of the compensation that the committee awarded him (awarded compensation) while the shareholder's investment has increased by 100% demonstrating a positive relationship on behalf of the shareholder.

	Targeted compensation(1)	Awarded compensation(2)	Actual compensation value as of December 31, 2019(3)	Value of $100		
				Period	Mr. Vaasjo(4)	Shareholder(5)
2012	$2,283,750	$2,148,072	$2,512,984	2012JAN01 to 2019DEC31	$117	$224
2013	$2,283,750	$2,511,620	$3,529,923	2013JAN01 to 2019DEC31	$141	$234
2014	$2,589,370	$2,643,606	$3,872,467	2014JAN01 to 2019DEC31	$146	$236
2015	$2,449,511	$2,558,959	$3,482,919	2015JAN01 to 2019DEC31	$136	$184
2016	$2,480,957	$2,654,631	$7,572,929	2016JAN01 to 2019DEC31	$285	$253
2017	$2,521,693	$2,598,416	$4,443,482	2017JAN01 to 2019DEC31	$171	$179
2018	$2,676,254	$3,036,978	$5,294,387	2018JAN01 to 2019DEC31	$174	$159
2019	$2,535,631	$3,040,325	$2,851,021	2019JAN01 to 2019DEC31	$94	$137
				Weighted average(6)	*$159*	*$200*

Notes

(1) Includes salary as noted in Mr. Vaasjo's employment agreement, target short-term incentive award and the expected value of the long-term incentive award as of the date of the grant.
(2) Includes actual salary earned, actual short-term incentive award in respect of performance during the year, and the expected value of the long-term incentive award as of the date of the grant.
(3) Includes actual salary earned, actual short-term incentive award in respect of performance during the year, the value of maturity of share units granted (or current value for units that are outstanding), the value of stock options exercised during the period, and the in-the-money value of stock options that remain outstanding. Share units and options are valued at the closing price of our common shares on the TSX on December 31, 2019 of $34.39 per share.
(4) Represents the actual value to Mr. Vaasjo for each $100 awarded in total direct compensation during the fiscal year indicated.
(5) Represents the cumulative value of a $100 investment in common shares made on the first trading day of the period indicated, including reinvested dividends.
(6) The weighted average for Mr. Vaasjo and the shareholder has been calculated using the "targeted compensation" as the common multiplier.

Overall, the pay for performance analyses above demonstrate that Capital Power has provided compensation to Mr. Vaasjo over his tenure that is aligned with absolute and relative company performance and the shareholder experience.

Discussion

Capital Power Corporation discloses both the target value of the CEO's compensation and the actual value of the CEO's compensation using yearend stock prices in their circular. The table provides a sufficient period of time over which compensation can be assessed and also compares the value of the CEO's compensation to the value of a $100 investment in Capital Power Corporation common shares.

Management Biographies

In order to judge the appropriateness of an executive's compensation plan, it is essential to understand the roles and responsibilities of the executive.

TC Energy (formerly TransCanada Corporation), 2020 Proxy Circular, page 99

Russell Girling
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mr. Girling is responsible for our overall leadership and vision in developing with our Board our strategic direction, values and business plans. This includes overall responsibility for operating and growing our business while managing risk to create long-term sustainable value for our shareholders.

2019 key results

- Generated record financial results
- Total annual shareholder return of 37.5%
- Advanced $30 billion secured capital program and progressed over $20 billion of projects under development
- Delivered financial plan that continues to support 8-10 per cent dividend growth through 2021
- Advanced succession planning and high performance culture

- Mr. Girling's short-term incentive award was based 100 per cent on corporate performance.
- The short-term incentive award for 2019 performance was based on Mr. Girling's target of 135 per cent of base salary.
- Mr. Girling's 2019 short-term and long-term incentive awards as a percentage of 2019 base salary were 175 per cent and 606 per cent, respectively.

Compensation (as at December 31)	2019	2018	2017
Fixed			
Base salary	$1,420,008	$1,375,008	$1,300,008
Variable			
Short-term incentive	2,492,114	2,406,264	1,872,012
Long-term incentive			
ESUs	5,160,000	3,800,000	3,150,000
Stock options	3,440,000	3,800,000	3,150,000
Total direct compensation	**$12,512,122**	**$11,381,272**	**$9,472,020**
Change from last year	**10%**	**20%**	—

Share ownership

Minimum level of ownership	Minimum value	Ownership under the guidelines: TC Energy shares	Ownership under the guidelines: Total ownership as a multiple of base salary
5x	$7,100,040	$22,086,669	15.6x

Short-term incentive is attributed to the noted financial year, and is paid by March 15 of the following year.

Share ownership is based on the 20-day volume-weighted average closing price on the TSX of $68.58 for TC Energy shares at December 31, 2019.

Discussion

TC Energy explains each NEO's role and responsibilities and provides shareholders with a brief overview of each NEO's direct compensation and ownership of TC Energy common shares.

Executive Share Ownership Requirements

Companies should consider adopting share ownership requirements for their NEOs to enhance alignment of interests with the company's shareholders. Additionally, disclosure should answer the following questions:

- What are the minimum share ownership requirements that each NEO must meet?
- Are NEOs required to maintain minimum share ownership levels for any period of time after leaving the company?
- What are each NEO's current shareholdings relative to the required holdings level?
- Beyond direct shareholdings, do vested or unvested equity-linked forms of compensation (for example, in-the-money option grants, unvested RSU or PSU grants, etc.) count towards an NEO's minimum ownership requirements?

TELUS Corporation, 2020 Proxy Circular, pages 97-98

Share ownership requirement

Our executive share ownership requirement has been in place for over a decade, further demonstrating our compensation philosophy to align the interests of our executives with those of our Shareholders. Our executives must beneficially own, either directly or indirectly, a certain number of Shares based on targets varying by position. This is a more stringent requirement than prevalent market practice since TELUS does not include options, EPSUs or RSUs when determining if the target has been met. In our view, an executive purchasing Shares with his or her own funds more clearly demonstrates his or her commitment to the Company and its future success.

	Share (excluding options, EPSUs and RSUs) ownership guidelines
CEO	7x annual base salary
ELT	3x annual base salary

An executive must meet the requirement within five years of hire or promotion. We also require an executive who has not met the share ownership requirement to take 50 per cent of net equity awards (after taxes) in shares for any equity vesting unless that executive is pursuing other means of meeting the share ownership requirement. The executive must also hold such shares until the requirement is met.

Furthermore, upon retirement, an executive must continue to hold a number of shares equal to the share ownership requirement for one year following retirement. [...]

Executive shareholdings and total equity summary

The following table lists the number and value of shares and total equity (shares, EPSUs and RSUs) held by each NEO as at December 31, 2019. It also shows total shareholdings as a multiple of the individual's annual base salary at year-end relative to the share ownership guidelines described previously.

Name	Total shares[1]	Value of shares[2]	Total EPSUs/ RSUs[1]	Value of EPSUs/ RSUs[2]	Total equity (shares/ EPSUs/ RSUs)[1]	Value of total equity[2]	Base salary	Value of total equity as a multiple of base salary	Value of shareholdings[3] as a multiple of base salary
Darren Entwistle	187,843	$9,444,746	402,866	$20,256,103	590,709	$29,700,849	$1,375,000	21.6	6.9
Doug French	34,226	$1,720,883	102,636	$5,160,538	136,862	$6,881,421	$625,000	11.0	2.8[4]
Eros Spadotto	75,020	$3,772,006	100,932	$5,074,861	175,952	$8,846,867	$625,000	14.2	6.0
Tony Geheran	70,911	$3,565,405	93,443	$4,698,314	164,354	$8,263,719	$575,000	14.4	6.2
François Gratton	43,159	$2,170,035	84,999	$4,273,750	128,158	$6,443,784	$575,000	11.2	3.8
Josh Blair	195,134	$9,811,338	106,582	$5,358,943	301,716	$15,170,281	$650,000	23.3	15.1

1 Excludes any shares that were acquired by an executive in 2020 in payment of EPSUs that vested in 2019.
2 On December 31, 2019, the closing share price on the TSX was $50.28.
3 Excludes RSUs and EPSUs, per TELUS' stringent requirements.
4 Doug has until February 2022 to meet his share ownership target of three times annual base salary.

Discussion

TELUS does not include any form of share-based compensation awards (e.g. options, RSUs or PSUs) when determining whether an executive has met his/her shareholding requirements. CCGG agrees with TELUS' position that executives purchasing common shares with their own funds more clearly demonstrate a commitment to the company and its future success. TELUS *requires* all executives (not just the CEO) to continue to meet their respective ownership requirements for at least one year following retirement.

In some cases, issuers have included vested and unvested share-based awards in calculating executive share ownership. Awards such as certain Deferred Share Units and certain Restricted Share Units, that have vested but have not yet paid out, and on which income taxes have been deferred till the awards are settled, may be included in an officer's share ownership if they are adjusted for any income taxes that are owed on settlement. Awards that have not yet vested should not count towards an officer's share ownership.

We ask issuers to differentiate between an officer's common share ownership and any share-based awards included in the computation of share ownership. Because TD Bank (see example below) discloses common shares held by each NEO separately from the NEO's share-based awards, investors can see that the CEO meets his share ownership requirements by virtue of the common shares he holds.

Toronto-Dominion Bank, 2020 Proxy Circular, page 41

Share ownership

Mr. Masrani exceeds his share ownership requirement of $14,500,000.

Share Ownership — Mr. Masrani exceeds his share ownership requirement of $14,500,000.

	Actual Share Ownership at December 31, 2019				Multiple of Base Salary	
		Share Units				
Required Multiple	Directly Held ($)	Vested ($)(6)	Subject to Vesting ($)	Total Ownership ($)	Directly Held & Vested Compensation	Total Ownership
10	44,969,913	20,862,666	17,084,534	82,917,113	45.40	57.18

(6) The value of Mr. Masrani's vested share units includes a combination of DSUs and VSUs. The value of VSUs included is $8,086,839.

Termination and Change of Control Benefits

In seeking to understand the employment arrangements between an issuer and its NEOs, CCGG looks for compensation disclosure to answer the following questions:

- Does the company have employment agreements with its NEOs? What are the material terms of the agreements?
- What payment, if any, is awarded…
  - …if a NEO resigns?
  - …if a NEO is terminated without cause?
  - …if a NEO is terminated without cause after a change of control occurs?
  - …if a change of control occurs but a NEO is not terminated?

- How a change of control is defined and whether vesting provisions upon a change-of-control are based on a "double-trigger"?
- What payments would be made to NEOs under each termination scenario if their employment had been terminated at year-end?

AltaGas Ltd., 2020 Proxy Circular, pages 76-78

Termination and Change of Control Agreements

In any termination event, NEOs are entitled to receive:

• Any unpaid installments of base salary up to and including the date of termination ("Termination Date");

• Vacation pay for accrued but unused vacation to the Termination Date; and

• Any bonus under the STI for the prior year which was earned and not yet paid.

In certain circumstances, including termination without cause or termination following a change of control, NEOs are also entitled to receive an additional cash payment upon the execution of a release in favour of AltaGas. The "Termination Payment" consists of an amount equal to a multiple of: (i) the annual base salary in effect during the last month of employment; plus (ii) the product of (i) multiplied by the annual target bonus percentage; plus (iii) the value of the benefit entitlement for a one-year period.

The definition of change of control ("CoC") in the Executive Agreements and under the LTI Plans is substantially similar and includes (i) a sale or other disposition of all or substantially all of AltaGas' assets, (ii) a consummated arrangement, amalgamation, merger, consolidation, take-over bid, compulsory acquisition or similar transaction if shareholders prior to the transaction no longer hold more than 50% of the voting securities of the surviving or resulting entity or the parent of such entity, or no longer have "control" of AltaGas, or (iii) in case of Mr. Crawford and Mr. Harbilas' agreements, a person or group of persons acting jointly or in concert acquires more than 50% of the voting securities and in the case of Mr. Grant's and Mr. Toone's agreements, a person or group of persons acting jointly or in concert acquires more than 40% of the voting securities and there is a change in more than one half of the Board in the 12 months following the acquisition.

[...] The Executive Agreements provide for a 24-month notice period in the event of a without cause termination which permits continued vesting of the RUs, PUs and Options for such 24-month period. The LTI Plans were amended in 2019 to include double-trigger requirements for vesting on a change of control and, in certain circumstances, an assessment of performance at the date of the change of control.

Please refer to the following table for a description of the payments that may be made in connection with the various termination events and how the outstanding awards under the LTI Plans are treated in such scenarios.

Termination Event	Termination Payment	Phantom Units	Options
Resignation/ Voluntary Termination by NEO	None	RUs and PUs forfeited on Termination Date.	Vested and unexercised Options can be exercised up to earlier of expiry date or 30 days after the Termination Date. Unvested Options terminate immediately.
Retirement	None	RUs and PUs are pro-rated for portion of performance period worked and remain subject to performance measures and vest in accordance with grant date vesting schedule.	Vested and unexercised Options can be exercised up to the earlier of expiry date and 30 days after the Termination Date. Unvested Options terminate immediately.
With Cause Termination by AltaGas	None	RUs and PUs forfeited on Termination Date.	All vested and unvested Options are cancelled on the Termination Date.
Without Cause Termination by AltaGas or Constructive Dismissal	Termination Payment	RUs and PUs that may vest on or before the end of 24-month notice period remain outstanding and continue to vest based on grant date vesting schedule and remain subject to performance measures. RUs and PUs that will not vest during such notice period are cancelled on Termination Date.	Unvested Options continue to vest during 24-month notice period. Unexercised Options expire on earlier of expiry date and 30 days after 24-month notice period.
Change of Control (CoC)	None	If resulting entity remains publicly traded and plan is assumed, RUs and PUs continue to vest based on grant date vesting schedule and remain subject to performance measures. In certain circumstances, the vesting amount may be established at the date of the CoC based on achievement of performance measures to such date (the "CoC Value"), and will be paid out on the original vesting date provided the participant is still employed. See "Schedule B" for details. If plan is not assumed or resulting entity will be a private entity, RUs and PUs vest and the CoC Value is paid out on a CoC. For grants prior to 2019, RUs and PUs automatically vest on a CoC, with a 1.0x multiplier for PUs.	If resulting entity remains publicly traded and plan is assumed, Options continue to vest based on original vesting schedule. If plan not assumed or resulting entity will be a private entity, Options vest and can be exercised to participate in CoC. For Options granted prior to February 2019, the Options fully vest and become exercisable.
CoC and termination within 12 months of CoC	Termination Payment	If terminated within 12 months of a CoC without Cause, the CoC Value becomes payable.	If terminated within 12 months of CoC without cause, all Options vest and can be exercised until earlier of normal expiry date or 30 days from Termination Date.

The following table shows the value payable to each of the NEOs and the value of the LTIs assuming termination as at December 31, 2019 pursuant to the applicable Executive Agreements and LTI Plans. [...]

Name	Triggering Event	Months used to calculate Termination Payment	Value of Termination Payment	Additional SERP Value[2]	Value of LTIs [3]	Total Value
Randall Crawford [7]	Involuntary Termination for any reason other than Cause[1][4]	24	$4,853,350	$2,774,112	$6,728,742	$14,356,204
	Change of Control without Termination[5]	0	$-	$-	$6,045,802	$6,045,802
	Change of Control and Termination[6]	24	$4,853,350	$2,810,937	$9,628,704	$17,292,991

Discussion

AltaGas's circular includes all of the information discussed above.

Retirement Benefits and Perquisites

In reviewing executive perquisites and retirement benefits, CCGG looks for compensation disclosure to answer the following questions:

- Has the company granted a NEO bonus years of pension service beyond those years actually worked? Does the company have a policy on whether it will do so in the future?
- Does the company have caps, either hard-dollar or otherwise, on pension benefits?
- Does the company have any policies governing the use of perquisites for executives, particularly for controversial perquisites such as personal use of corporate aircraft or tax-gross ups?

Vermilion Energy Inc., 2020 Proxy Circular, page 66

Savings Plan

Funds contributed to our Savings Plan are used to acquire Vermilion shares issued from treasury, on the open market or a combination of both at the discretion of the Board. Executives participate in the same plan as employees and are eligible to receive the same contribution level of 1.5 times the executive/employee contribution to a maximum Vermilion contribution of 10.5% of base salary earned. Where the restricted shares are withdrawn, a penalty is applied and the executive/employee loses Vermilion's matching contribution for a period of 12 weeks following the withdrawal. In 2019, a total of 317,844 shares were issued from treasury at prices per share between $18.89 and $35.84.

Benefits and Perquisites

Our Canadian benefit plans provide all employees with extended health and dental coverage, life insurance, employee assistance program and disability insurance. Benefits provided to employees globally may vary depending on the jurisdictions in which the employees are located.

We limit the use of perquisites – special benefits – for our executives as we do not think they should be a significant element of compensation. We do, however, understand that some perquisites are appropriate to keep us competitive. The GHR Committee routinely reviews perquisites to ensure they are appropriate and market competitive. We provide executives with an executive health plan. Costs for NEOs have been included in the Summary Compensation Table on page 85.

Pembina Pipeline Corporation, 2020 Proxy Circular, page 82

Supplementary retirement plan

Employees can also earn supplementary benefits under our supplementary retirement plan. This plan is designed to provide benefits to employees beyond the limitations imposed by the Income Tax Act (Canada). The supplementary plan pays benefits for 120 months.

The total benefit under both the defined benefit and supplementary retirement plans cannot be more than 1.4 percent of the employee's highest three-year average base salary in the final 120 months of employment, multiplied by his or her defined benefit pensionable service. [...]

Annual pension benefits payable

The table below shows the total estimated annual benefits payable to each named executive under the defined benefit and supplementary retirement plans, and the present value of our accrued obligation.

Executive	Years of credited service	Annual benefits payable[2] ($) At year end	Annual benefits payable[2] ($) At age 65	Present value of defined benefit obligation at start of 2019 ($)	Compensatory change[3] ($)	Non-compensatory change[4] ($)	Defined benefit obligation at end of 2019 ($)
Michael Dilger	14.8333	212,281	366,255	3,170,505	374.388	659,670	4,204,563

Discussion

Vermilion clearly discloses in its proxy circular the types and value (in its summary compensation table) of benefits and perquisites offered to executive officers. Of note, Vermilion does not offer its NEOs supplemental retirement benefits; instead NEOs participate under the company's employee share savings plan which promotes share ownership.

Certain issuers such as Pembina Pipeline offer their NEOs retirement plans that supplement those available to other employees. In some instances, supplemental retirement benefits may be difficult to avoid for competitive reasons. We encourage issuers to limit such supplemental benefits, however, and to not grant extra years of service or special benefits such as higher than normal accrual rates under pension plans.

Say on Pay

First Capital Real Estate Investment Trust, 2020 Proxy Circular, pages 21-22

Say-on-Pay Non-Binding Advisory Vote

[...] This non-binding, advisory vote, commonly known as "Say-on-Pay", gives shareholders an opportunity to either endorse or not endorse the Company's approach to its executive compensation programs and policies. [...]

[...] While unitholders will provide their collective advisory vote, the trustees remain fully responsible for their compensation decision and are not relieved of these responsibilities by a positive advisory vote by unitholders.

Approval of the Say-on-Pay Resolution will require an affirmative vote of a majority of the votes cast at the Meeting. As this is an advisory vote, the results will not be binding upon the Board. However, the Board will take the results of the vote into account, as appropriate, when considering future compensation policies, procedures and decisions and in determining whether there is a need to significantly increase their engagement with unitholders of First Capital REIT on compensation and related matters. The REIT will disclose the voting results of the Say-on-Pay Resolution as a part of its report on voting results for the Meeting. In addition, in the event that the Say-on-Pay Resolution does not receive sufficient support of at least 70% of the votes cast, the Board will consult with the unitholders, particularly those who are known to have voted against it, in order to better understand their concerns. The Compensation Committee will review the REIT's approach to compensation in the context of those concerns. Unitholders who have voted against the Say-on-Pay Resolution will be encouraged to contact the Compensation Committee to discuss their specific concerns.

Following the review by the Compensation Committee, the REIT will disclose to its unitholders as soon as is practicable, a summary of the significant comments relating to compensation received from unitholders in the process, a description of the process undertaken and a description of any resulting changes to executive compensation or why no changes will be made. The REIT will endeavor to provide this disclosure within six months of voting on the Say-on-Pay Resolution, and no later than in the management information circular for the next annual meeting of unitholders.

The Board recognizes that Say-on-Pay is an evolving area in Canada and globally and will review this policy annually to ensure that it is effective in achieving its objectives.

Discussion

Offering shareholders a ‘Say on Pay’ vote is a useful tool that is used by boards to assess shareholders’ acceptance of the corporation’s approach to executive compensation. More than 70% of the issuers in the S&P/TSX composite index now offer their shareholders a ‘Say on Pay’ vote.

First Capital REIT offers its shareholders a ‘Say on Pay’ vote and discloses in the circular that, in the event that less than 70% of the votes cast are in support of the advisory resolution, the board will oversee a shareholder consultation process, particularly with those who voted against the resolution, to understand shareholder concerns. Following these consultations, the board will disclose to all shareholders a summary of the feedback received and any action taken.

Compensation Peer Groups

Boards commonly benchmark compensation against peers to ensure the company pays in a manner that is competitive. We caution that the practice of benchmarking against peers should not be overly relied upon at the expense of a robust, independent analysis. Absent extenuating circumstances, the quantum of compensation awarded should be determined within the context of the organization as a whole and should be justified primarily by performance.

When external consultants are retained by the board, the board, as a governance best practice, should ensure that the consultant is independent of management. In any event, while the input received from independent compensation consultants may provide valuable assistance to the board, following a consultant’s recommendation does not reduce a board’s responsibility to ensure that compensation decisions are appropriate.

Boards should disclose answers to the following questions:

- Does the compensation committee make use of an independent compensation consultant?

- If management retains the same compensation consultant as the committee, must the committee first give its approval? If so, what portion of the consultant's total fees was attributable to work done for management?
- To the extent peer group benchmarking is used, does it serve solely to inform the board or does the board target a specific range or percentile level for compensation relative to its chosen peer group?
- What companies comprise the peer benchmarking group and what is the rationale for including the peers that were chosen?

Precision Drilling Corporation, 2020 Proxy Circular, page 65

Independent Advice

In July 2019, the HRCC engaged Meridian, an independent consulting firm, to serve as an external consultant for advice, research and analysis about executive compensation. Meridian provides insights on general compensation issues, competitiveness of pay levels, risks relating to compensation design, insights into market trends, and advice about technical matters. The HRCC takes this information into account but ultimately makes its own recommendations and decisions. [...]

The table below shows the total fees paid to our external consultant in the last two years:

Year Ended as of December 31		2019		2018
Executive compensation-related fees (HRCC)	$	101,457	$	173,784
All other fees (pension and benefits consulting)	$	–	$	–
Total fees	$	101,457	$	173,784

Precision Drilling Corporation, 2020 Proxy Circular, page 66-67

Benchmarking

We benchmark executive compensation with the aim to attract and retain global talent and remain competitive in markets where we operate. The HRCC works with Mercer and our human resources group to review market data and establish a peer group of public companies that we compete with for executive talent. We also look at these companies to assess compensation trends and market practices.

Total compensation for each executive is based on several factors, including individual performance, leadership, global responsibilities, collaboration, experience, education, succession planning considerations, competitive pressures and internal equity.

We set our targets for base salaries at or slightly below the median (50th percentile) of our Compensation Peer Group. Targets for total direct compensation (base salary *plus* short-term and long-term incentives) are set at the median for solid performance, and at the 75th percentile or higher for exceptional corporate and individual performance.

Compensation Peer Group

Our Compensation Peer Group includes similar companies, including contract drilling, well servicing and offshore drilling companies, that have been carefully selected based on their comparability to Precision – comparable business lines and similar in size, complexity, operating regions and style of operation. Our Compensation Peer Group also includes companies from the broader oilfield services sector that we compete with for global talent, market share and customers.

Our growth over the last several years, as well as our future growth plans, are primarily focused in the U.S. and our international regions. In fiscal 2019, 70% of our revenue was from our U.S. and International operations, and 30% was from our operations in Canada. In 2020, the majority of our capital expenditures will be focused on the U.S. and International operations. Due to this shift in focus, we have centralized all of our leadership team in Houston, Texas and compensate them in U.S. dollars. With assistance from Meridian, we review the companies included in our Compensation Peer Group annually and include Canadian and U.S. based companies. Establishing a peer group that consists of a mix of Canadian and U.S. based companies reinforces our strategy of attracting and retaining the best talent in the drilling services market to drive value to shareholders over the long term.

The HRCC works with Meridian on the peer group analysis, examining eight metrics that provide a reasonable assessment of comparability to establish a peer group of companies that is relevant and appropriate:

- revenue
- EBITDA
- assets
- total employees
- market capitalization
- enterprise value
- geographic footprint
- complexity of service offerings.

We use a different peer group to assess our relative TSR performance under our PSU plan. This group consists of companies we compete with for investors (see page 77 for details).

For benchmarking purposes, a review is performed of the proxy materials of peer companies, third party compensation survey data, and other relevant information from other companies in the energy services sector that have revenue of a similar size if compensation data for equivalent executive positions is not publicly available.

The HRCC reviews our Compensation Peer Group every year (more frequently if there are mergers, acquisitions or other industry developments) to ensure the group is appropriate for compensation planning purposes.

2019 Compensation Peer Group

We benchmarked compensation levels for 2019 against the following 15 companies.

- Calfrac Well Services Ltd.
- CES Energy Solutions Corp.
- Diamond Offshore Drilling, Inc.
- Ensign Energy Services, Inc.
- Forum Energy Technologies, Inc.
- Helmerich & Payne, Inc.
- Nabors Industries Ltd.
- Noble Corp.
- Oil States International, Inc.
- Patterson-UTI Energy, Inc.
- RPC, Inc.
- Secure Energy Services, Inc.
- Shawcor Ltd.
- Superior Energy Services, Inc.
- Valaris PLC (formerly Ensco Rowan PLC)

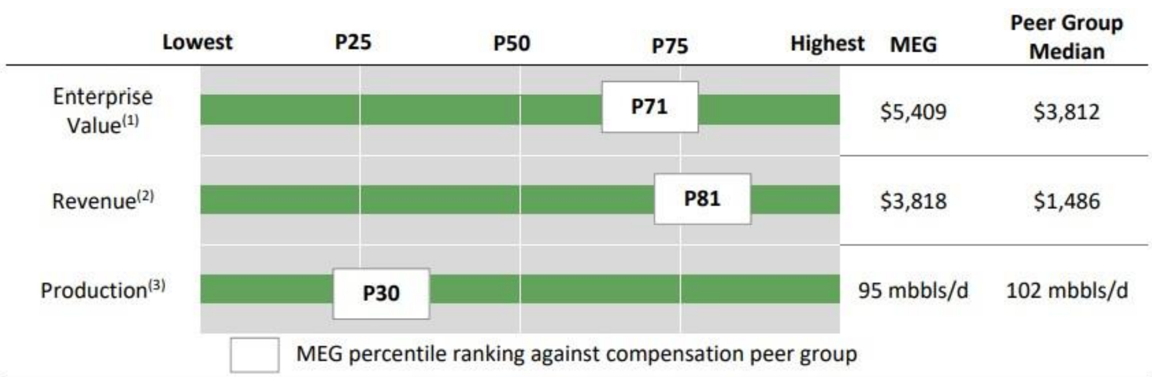
MEG Energy Corp., 2020 Proxy Circular, pages 33-34

Compensation Peer Group

In 2019, the Compensation Committee, in conjunction with the Board, undertook a review of the Compensation Peer Group. Companies are selected for inclusion in the Compensation Peer Group primarily on the basis of who the Corporation competes with for talent, being those companies from which the Corporation hires its executives from as well as those which are most likely to seek out and hire the Corporation's executives. Keeping compensation competitive with these organizations improves the Corporation's ability to attract and retain its executive workforce. The following selection criteria are used by the Board and have proven effective in identifying organizations that the Corporation competes with for executive talent:

Factors Considered	Selection Criteria
1. Competition History	Historical Source of or Destination for Executive Talent
2. Oil versus Gas Weighting	Strong Oil Weighting (with preference given to those with oil sands/in situ operations)
3. Ownership Type	Publicly Traded on the TSX
4. Industry Sector	Upstream Oil & Gas
5. Location of Headquarters/Operations	Alberta/Western Canada
6. Corporate Size Characteristics	Enterprise Value, Revenue and/or Production

[…] The Corporation aims to position itself near the median (P50) of the Compensation Peer Group in terms of corporate size characteristics. The chart below shows the Corporation's positioning on each of enterprise value, revenue, and production:



Notes:

(1) Enterprise Value in $ million as at December 31, 2019.

(2) Trailing 12-month revenue in $ million up to and including Q4 2019.

(3) Average bitumen production up to and including Q4 2019, in thousands of barrels per day ("mbbls/d").

Discussion

Precision Drilling explains its approach to setting executive compensation which, among other things, includes the use of a compensation peer group. The method used to select compensation peers is also explained. Under its Performance Share Unit plan, Precision uses a different peer group to assess the company's relative performance and describes why it does so.

Similarly, MEG Energy gives a clear explanation of the criteria that factor into peer selection. MEG's circular also provides an analysis regarding the company's positioning relative to these peers in terms of enterprise value, revenue, and production.