



**CCGG**

Canadian Coalition  
for Good Governance

THE VOICE OF THE INVESTOR

# 2022 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 “2022 Best Practices for Proxy Circular Disclosure” publication, provide examples of excellent disclosure by Canadian issuers in the area of corporate governance, including as this relates to the oversight of material environmental and social matters, and executive compensation.

### Mission of CCGG

The Members of the Canadian Coalition for Good Governance are Canadian institutional investors that together manage approximately \$6 trillion in assets on behalf of pension fund contributors, mutual fund unit holders and other institutional and individual investors. CCGG promotes good governance practices, including the governance of environmental and social matters, at Canadian public companies, and assists institutional investors in meeting their stewardship responsibilities. CCGG works towards the improvement of the regulatory environment to best align the interests of boards and management with those of their investors, and to increase 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*, *The Directors’ E&S Guidebook*, 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](mailto:cbrownridge@ccgg.ca).

## 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 integration of such factors into 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 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 of topics where issuers have effectively integrated E&S considerations into their 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:

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## Majority Voting

### Boralex Inc., 2022 Proxy Circular, page 15

#### Majority Voting Policy

Shareholders can vote for, or withhold their vote from, each nominee. In an uncontested election, if a nominee standing for election as a director receives a greater number of abstentions than votes in favour of his or her election, he or she will be deemed not to have received the support of shareholders, even if legally elected, and will be required to tender his or her resignation without delay.

The Nominating and Corporate Governance Committee will review the circumstances surrounding the resignation and report to the board. The board will accept the resignation except in exceptional circumstances. The board has 90 days following the meeting to issue a press release announcing its decision or to state the reasons why the resignation has not been accepted. The director who has tendered his or her resignation will not participate in these deliberations.

The board may or may not (until the next annual meeting of shareholders) fill the vacancy on the board resulting from the resignation.

#### Discussion

Boralex 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.

Of note, as of August 31, 2022 companies incorporated under the Canada Business Corporations Act (CBCA) are now subject to a legislated majority voting regime in which shareholders may vote for, against, or withhold their votes for director nominees. Going forward, CCGG expects issuers to update their disclosure on majority voting to be aligned with that prescribed by the CBCA.

## Celestica Inc., 2022 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 82%, while its economic interest is approximately 15%. 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.

### Voting Results

#### Interfor Corporation, 2022 Report of Voting Results

| Name of Nominee        | For        | For %  | Withheld  | Withheld % |
|------------------------|------------|--------|-----------|------------|
| Ian Fillinger          | 41,498,529 | 96.96% | 1,299,999 | 3.04%      |
| Christopher R. Griffin | 42,375,864 | 99.01% | 422,664   | 0.99%      |
| Jeane L. Hull          | 41,879,529 | 97.85% | 918,999   | 2.15%      |
| Rhonda D. Hunter       | 41,372,899 | 96.67% | 1,425,629 | 3.33%      |
| J. Eddie McMillan      | 41,286,387 | 96.47% | 1,512,141 | 3.53%      |
| Thomas V. Milroy       | 42,720,872 | 99.82% | 77,656    | 0.18%      |
| Gillian L. Platt       | 42,723,737 | 99.83% | 74,791    | 0.17%      |
| Lawrence Sauder        | 39,508,925 | 92.31% | 3,289,603 | 7.69%      |
| Curtis M. Stevens      | 42,722,985 | 99.82% | 75,543    | 0.18%      |
| Douglas W.G. Whitehead | 41,437,095 | 96.82% | 1,361,433 | 3.18%      |



## Interfor Corporation, 2022 Proxy Circular, page 17

### 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 2021 and 2020 annual general meetings, Interfor’s approach to executive compensation was approved with 98.84% and 99.84%, 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.

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.

## Cogeco Communications Inc., 2022 Report of Voting Results

| Nominee           | Votes For<br>(Aggregate) | %     | Withhold<br>Vote<br>(Aggregate) | %    | Votes For<br>(Subordinate<br>Voting<br>Shares) | %     | Withhold<br>Vote<br>(Subordinate<br>Voting<br>Shares) | %    |
|-------------------|--------------------------|-------|---------------------------------|------|--|-------|---|------|
| Colleen Abdoulah  | 173,128,416              | 99.98 | 26,257                          | 0.02 | 16,217,416                                     | 99.84 | 26,257  | 0.16 |
| Louis Audet       | 172,782,686              | 99.79 | 371,987                         | 0.21 | 15,871,686                                     | 97.71 | 371,987   | 2.29 |
| Robin Bienenstock | 173,130,262              | 99.99 | 24,411                          | 0.01 | 16,219,262                                     | 99.85 | 24,411  | 0.15 |
| James C. Cherry   | 172,488,245              | 99.62 | 666,428                         | 0.38 | 15,577,245                                     | 95.90 | 666,428   | 4.10 |
| Pippa Dunn        | 173,099,744              | 99.97 | 54,929                          | 0.03 | 16,188,744                                     | 99.66 | 54,929  | 0.34 |
| Joanne Ferstman   | 171,754,850              | 99.19 | 1,399,823                       | 0.81 | 14,843,850                                     | 91.38 | 1,399,823   | 8.62 |

### Discussion

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

## Director and Board Independence

### Stantec Inc., 2022 Proxy Circular, page 22

| <b>Director Independence</b>   |             |                 |   |
|--|-------------|-----------------|---|
| The board has determined that all director nominees, except Mr. Gomes and Mr. Johnston, are independent within the meaning of applicable Canadian securities laws. Mr. Gomes, as past president & CEO of Stantec, and Mr. Johnston, as current president & CEO of Stantec, are not considered independent. |             |                 | <b>At each meeting, independent directors meet without management</b> |
| Director Nominee   | Independent | Non-Independent | Reason for Non-Independence   |
| Douglas Ammerman   | ✓           |                 |   |
| Martin à Porta   | ✓           |                 |   |
| Richard Bradeen  | ✓           |                 |   |
| Shelley Brown  | ✓           |                 |   |
| Patricia Galloway  | ✓           |                 |   |
| Bob Gomes  |             | ✓               | Past President & CEO of the Company                                   |
| Gord Johnston  |             | ✓               | President & CEO of the Company  |
| Don Lowry  | ✓           |                 |   |
| Marie-Lucie Morin  | ✓           |                 |   |

### Discussion

Stantec uses a table to clearly identify which directors are independent and why certain directors are not classified as independent. As well, more than two thirds of the 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. Stantec meets this expectation as well.

## Director Interlocks

### EQB Inc., 2022 Proxy Circular, page 34

#### Board interlocks and service on other boards

The Board has an interlock policy in place which states that no more than two of our Directors should serve on the same company board unless otherwise agreed to by the Board.

The Governance and Nominating Committee reviews external board and committee memberships of all Directors as part of its annual evaluation of director independence. Currently, there is one interlocking board membership among our Directors:

| Company   | Director           | Company board committee of which director nominee is a member, or position held |
|---|--------------------|---|
| Definity Financial Corporation*/<br>Economical Insurance Company of<br>Canada | Rowan Saunders     | President and CEO   |
|   | Michael Stramaglia | Chair, Risk Review Committee<br>Member, Corporate Governance Committee          |

\*denotes public company

The Governance and Nominating Committee has determined that this relationship does not impair the ability of these directors to exercise independent judgment.

CEO directors should serve on no more than two public company boards, including their own, and non-CEO directors should not serve on more than five public company boards. Directors are required to notify the Chair of the Board and the Chair of the Governance and Nominating Committee prior to accepting an invitation to join another board.

### Discussion

Boards should limit the number of director interlocks. EQB discloses its policy on director interlocks and indicates which of its board members also serve together on the boards of other public companies. EQB also presents the board's opinion on existing interlocks and indicates that outside directorships are reviewed regularly.

## Independence of the Board Chair

### Emera Incorporated, 2022 Proxy Circular, page 30

#### 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, 2022 Proxy Circular, page 40

### 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

### CCL Industries Inc., 2022 Proxy Circular, page 9

#### LINDA A. CASH

Independent

|  |  |  |                        |                     |                     |                        |                         |                             |
|--|--|--|------------------------|---------------------|---------------------|------------------------|-------------------------|-----------------------------|
|  <p>Director since:<br/>January 18, 2021<br/>Michigan, U.S.A.<br/>Age: 59</p> | <p><b>Committee Memberships:</b></p> <p>Member of the Audit Committee</p> <p>Chair of the Corporate Social Responsibility Committee</p> <p><b>Primary Competencies:</b></p> <ul style="list-style-type: none"><li>• Global Experience</li><li>• Risk Management</li><li>• Corporate Governance/Public Companies</li><li>• Manufacturing/Operations</li></ul> | <p>Ms. Cash's principal occupation is that of a corporate director. Prior to January of 2021, Ms. Cash was Vice President, Global Quality and New Model Launch of Ford Motor Company, a leading automobile producer. Prior to 2016, Ms. Cash was Vice President, Manufacturing, Europe at Ford Motor Company and served on the boards of Ford Romania and Ford Otosan in Turkey. During her 36-year career at Ford Motor Company, Ms. Cash held roles of increasing responsibility in leadership positions and gained extensive knowledge of global manufacturing engineering and operations leadership within the automotive industry. Ms. Cash also served as Executive Sponsor of the Ford African Ancestry Network and as a member of Ford's Black Lives Matter Taskforce. She also championed the Ford High School Partnership Program and served on the STEAM leadership team. Ms. Cash was recognized as one of the 100 Leading Women in the automotive industry and is passionate about the representation and championing of women and minorities in the industry. In 2020, Ms. Cash was recognized by Ford as an ERG (Employee Resource Group) Executive Champion of the Year. Ms. Cash holds a Bachelor of Science degree in Industrial Engineering from the Georgia Institute of Technology and an MBA from the University of Phoenix. She also currently serves on the Advisory Board of Georgia Institute of Technology. Ms. Cash brings to the Board extensive global expertise in manufacturing and operations, engineering, advocacy for diversity, innovation and sustainability, along with a deep understanding of the global markets in which the Company operates.</p> |                        |                     |                     |                        |                         |                             |
| Attendance   |  |  |                        |                     |                     |                        |                         |                             |
| Meetings of the Board of Directors <sup>(7)</sup>  |  |  |                        |                     |                     | 6/6                    | 100%                    |                             |
| Meetings of the Board Committees <sup>(8)</sup>  |  |  |                        |                     |                     | 9/9                    | 100%                    |                             |
| Securities Held  |  |  |                        |                     |                     |                        |                         |                             |
| As at:   | Class A Shares   | Class B Shares   | Options <sup>(1)</sup> | DSUs <sup>(3)</sup> | Total Shares & DSUs | Value of Shares & DSUs | Equity Ownership Target | Equity Ownership Target Met |
| March 18, 2022   | Nil  | Nil  | Nil                    | 2,351               | 2,351               | \$138,286              | \$538,324               | n/a                         |
| Net Change in Equity Ownership Since March 19, 2021  |  |  |                        |                     |                     |                        |                         |                             |
| Class A Shares   |  |  | Class B Shares         |                     | DSUs                |                        |                         |                             |
| -  |  |  | -                      |                     | Acquired 1,928      |                        |                         |                             |
| Public Board Interlocks  |  |  |                        |                     |                     |                        |                         |                             |
| None   |  |  |                        |                     |                     |                        |                         |                             |
| Prior Year's Voting Results  |  |  |                        |                     |                     |                        |                         |                             |
| Votes For  |  |  | Percentage             |                     | Votes Withheld      |                        | Percentage              |                             |
| 11,216,475   |  |  | 99.998%                |                     | 200                 |                        | 0.002%                  |                             |

## Discussion

Director profiles provide shareholders with detailed information about the individuals being nominated to sit on the board. CCL's circular not only presents each director's profile but also explains why each director's experiences are relevant to the CCL board. The profile also clearly displays other useful information such as the director's 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., 2022 Proxy Circular, page 14



**Molly Shoichet**, 56, resides in Toronto, Ontario. She was elected as a director at the Company's annual general meeting in 2019. Dr. 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 four 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'Oréal-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 won the top prize in science in Canada in 2020 – the NSERC Herzberg gold medal; and one of the top prizes in medicine in 2020 – the Margolese Brain Disorder Prize. 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). Dr. Shoichet is a member of the Compensation Committee.

#### *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 four 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 including as current member of the Compensation Committee. Dr. Shoichet was heavily involved with the oversight of the Company's response to the COVID-19 pandemic and related global semi-conductor ship shortage, to help ensure the Company survived the crisis. **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 re-election.**

## Board Composition, Diversity and Succession Planning



### TELUS Corporation, 2022 Proxy Circular, pages 50-52

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

The Corporate Governance Committee is responsible for Board and committee succession planning and for making annual recommendations to the Board regarding the size and composition of the Board and its committees. It also proposes new nominees for election as directors. When considering the Board's size and composition, the Corporate Governance Committee and the Board have two primary objectives:

- To form an effectively functioning Board that presents a diversity of views and business experience.
- To select a size that is sufficiently small for the Board to operate effectively, but large enough to ensure there is enough capacity to fully meet the demands of the Board and its four committees and to facilitate transition when new members are elected or appointed.

[...] The Corporate Governance Committee regularly reviews the profile of the Board, including the age and tenure of individual directors, and the representation of diversity, geography and 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 the election or appointment of new directors. 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. For the May 6, 2022 annual meeting, one new candidate, Victor Dodig, is being nominated for election to the Board. We believe Victor will strengthen and complement the current skills and capabilities of the Board by bringing expertise in finance and accounting, human resources management and executive compensation, customer experience and senior executive leadership. Achieving balance between institutional experience and renewal through effective 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.

The Board does not have a mandatory age limit, but it does have a term limit policy that requires directors who join the Board after January 1, 2013 to tender their resignation to the Corporate Governance Committee after 15 years of service. The Corporate Governance Committee has the discretion to recommend that the Board extend a

director's term for such period as the Corporate Governance Committee deems appropriate, if it is in the best interests of TELUS to do so. The term limit policy does not replace the rigorous annual performance assessment process that takes place under the leadership of the Corporate Governance Committee (see page 52 for further details). 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 [...]

#### **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. This list must also include a diverse group of candidates, including a representation of balanced gender diversity. The directors, the CEO and senior management, as well as 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 agency to assist with the recruitment process. Search protocols require that the pool of identified candidates meet the approved skills and diversity criteria.

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 multiple aspects of diversity, such as gender, geography, age and visible minority/Indigenous status, 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 evergreen list to identify top candidates and then the Chair of the Corporate Governance Committee conducts 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 CEO and, if appropriate, other members of the Board and the ELT.

#### **Discussion**

Boards should have a plan in place for the orderly succession of directors and should maintain an evergreen list of potential candidates. To facilitate this, boards should 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.



TELUS meets the above recommendations and describes what the governance committee's priorities were when looking for new directors based on the board's current composition and the needs of the company. Most recently, this has been skills and experience related to finance and accounting, human resources management and executive compensation, customer experience and senior executive leadership.

Notably, while TELUS has chosen to implement a 15-year term limit, the circular denotes that term limits do **not** replace the need for a robust annual board and director assessment process. While term limits and mandatory retirement ages can be helpful tools to promote board renewal and facilitate long-term succession planning, a rigorous annual assessment of board and individual director effectiveness should remain the primary mechanisms for boards to evaluate whether individual directors are continuing to add value to the board and whether renewal is necessary to enhance the board's overall performance.



### TransAlta Corporation, 2022 Proxy Circular, pages 54-55

#### Diversity

At TransAlta, diversity is a principle that is supported both by our Board and senior management. In 2015, the Board adopted a Board and Workplace Diversity Policy that 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. In 2020, the Board adopted an Equity, Diversity, and Inclusion Pledge that commits the Company to advance equity, diversity and inclusion in the workplace. By undertaking this pledge, the Company will seek to remove systemic barriers that may prevent diverse employees from thriving, including visible minorities, indigenous people, members of the LGBTQ+ community, persons with disabilities and women.

Our Board and Workforce Diversity Policy, which includes our Equality, Diversity and Inclusion Pledge, is available on our website at [www.transalta.com/about-us/governance/board-and-workforce-diversity](http://www.transalta.com/about-us/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).

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% 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. In 2021, the Company established a Sustainability-Linked Loan that will align the cost of borrowing to TransAlta's gender diversity targets.

[...] 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 proactively adjusted pay throughout the Company to align pay between men and women that perform similar roles on several occasions over the past five years, including during the pandemic in 2020 and 2021);
- 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, 2021, women accounted for approximately 24% of the entire workforce, which is broken down in greater detail in the below table:

|                       | Male       | Female <sup>(1)</sup> | Total        | Total % within Stratum |                       | Total % of all Employees |                       |
|-----------------------|------------|-----------------------|--------------|------------------------|-----------------------|--------------------------|-----------------------|
|                       |            |                       |              | Male                   | Female <sup>(1)</sup> | Male                     | Female <sup>(1)</sup> |
| Board of Directors    | 7          | 5                     | 12           | 58.33%                 | 41.67%                | 0.54%                    | 0.39%                 |
| Chief and Executive   | 5          | 2                     | 7            | 71.43%                 | 28.57%                | 0.39%                    | 0.15%                 |
| Senior Vice President | 1          | 1                     | 2            | 50.00%                 | 50.00%                | 0.08%                    | 0.08%                 |
| Vice Presidents       | 13         | 4                     | 17           | 76.47%                 | 23.53%                | 1.00%                    | 0.31%                 |
| Managers              | 65         | 23                    | 88           | 73.86%                 | 26.14%                | 5.02%                    | 1.78%                 |
| Supervisors           | 106        | 24                    | 130          | 81.54%                 | 18.46%                | 8.19%                    | 1.85%                 |
| Staff                 | 782        | 256                   | 1,038        | 75.34%                 | 24.66%                | 60.43%                   | 19.78%                |
| <b>Total</b>          | <b>979</b> | <b>315</b>            | <b>1,294</b> | <b>—</b>               | <b>—</b>              | <b>75.66%</b>            | <b>24.34%</b>         |

Note:

<sup>(1)</sup> The data in this table does not reflect self-identification, it only identifies male or female. Nevertheless, the Company encourages directors, officers and employees to self-identify their preferred gender identity, including non-binary identities.

## Discussion

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 enhancing 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 at supporting and maintaining a pipeline of diverse candidates that may ultimately advance into increasingly senior roles. TransAlta also demonstrates its commitment to diversity throughout the organization by showing transparency around diversity metrics and collecting data to support decision-making and demonstrate progress against diversity objectives.

## Board Skills Matrix



### TELUS Corporation, 2022 Proxy Circular, pages 50-51

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 self-identified gender, residence, tenure, age, diversity and official languages spoken.

| Gender          | Residence <sup>1</sup> | Years on Board |         |     |              |          | Age |         | Language Diversity |                  |                    |   | Top four competencies <sup>2</sup> |                        |   |                 |                                   |                              |                                 |                          |                       |   |                                 |
|-----------------|------------------------|----------------|---------|-----|--------------|----------|-----|---------|--------------------|------------------|--------------------|---|------------------------------------|------------------------|---|-----------------|-----------------------------------|------------------------------|---------------------------------|--------------------------|-----------------------|---|---------------------------------|
|                 |                        | 0 to 5         | 6 to 10 | 11+ | 59 and under | 60 to 69 | 70+ | English | French             | Visible minority | Indigenous Peoples | Senior executive / strategic leadership | Governance                         | Finance and accounting | Human resources management / executive compensation | Risk management | Industry knowledge and experience | Retail / customer experience | Corporate social responsibility | International experience | Corporate development | Information technology and information management | Government / regulatory affairs |
| Dick Auchinleck | M                      | BC             |         | X   |              |          | X   | X       |                    |                  |                    | X                                       | X                                  |                        |   |                 |                                   |                              |                                 | X                        | X                     |   |                                 |
| Ray Chan        | M                      | BC             | X       |     |              | X        |     | X       |                    | X                |                    | X                                       | X                                  | X                      | X   |                 |                                   |                              |                                 |                          |                       |   |                                 |
| Hazel Claxton   | F                      | ON             | X       |     |              | X        |     | X       |                    | X                |                    | X                                       | X                                  | X                      | X   |                 |                                   |                              |                                 |                          |                       |   |                                 |
| Lisa de Wilde   | F                      | ON             | X       |     |              | X        |     | X       | X                  |                  |                    | X                                       | X                                  |                        |   |                 | X                                 |                              |                                 |                          |                       |   | X                               |

1 BC = British Columbia; SK = Saskatchewan; ON = Ontario; QC = Quebec

2 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
- **Governance** – Experience with, or understanding of, leading governance/corporate social responsibility practices with a public company or other major organization; experience leading a culture of accountability and transparency
- **Finance and accounting** – Experience with, or understanding of, financial accounting and reporting, corporate finance and familiarity with internal financial/accounting controls, and IFRS
- **Human resources management/executive compensation** – Experience with, or understanding of, executive compensation and benefits, talent management/retention, leadership development, diversity and inclusion, and succession planning
- **Risk management** – Experience with, or understanding of, internal risk controls, risk assessments and reporting
- **Industry knowledge and experience** – Experience with, or understanding of, telecommunications, content, health information industries, agriculture industries and/or security industries, including strategic context, market competitors and business issues facing those industries
- **Retail/customer experience** – Experience with, or understanding of, the mass consumer industry, customer experience and insights (whether directly or indirectly through retail channels)
- **Corporate social responsibility** – Experience with, or understanding of, corporate social responsibility initiatives, including environmental, social and governance (ESG), diversity and inclusion, and community affairs as business imperatives
- **International experience** – Experience with, or understanding of, cultivation and sustainability of international business relationships, including oversight of multinational operations
- **Corporate development** – Experience with, or understanding of, corporate development opportunities, including mergers and acquisitions
- **Information technology and information management** – Experience with, or understanding of, relevant current and emerging technologies and related innovation (e.g. artificial intelligence, digital solutions/transformation), including telecom and agriculture technology, technology start-ups, governance of information management (e.g. cybersecurity), local and global regulatory requirements, and the Board's role in overseeing information technology
- **Government/regulatory affairs** – Experience with, or understanding of, provincial, federal and global government and public policy and regulatory environments across geographic footprints.

## Discussion

A board skills matrix denotes the areas of expertise that are prioritized on a company's board. To aid in renewal planning and assessments of board effectiveness, skills matrices also reveal any existing or potential gaps in the collective skillset of directors. In some cases, issuers have limited each director's skill set, as identified in their skills matrices, to a director's top 3 or 4 skills and competencies. In other cases, 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 such that readers may better understand the relevance of each skillset to the particular business.

Notably, both TELUS and Enerflex's skills matrices also track skills and experiences related to E&S matters. E&S-focused capabilities should be captured in the board skills matrix when such matters are material to the corporation's business and pertinent to the board's role in risk management and strategic planning oversight. Furthermore, issuers should clearly define the skills and experience that this type of expertise entails given the unique context and circumstances of their business to ensure that they are recruiting directors with the relevant knowledge to provide guidance in these areas.





### Enerflex Ltd., 2022 Proxy Circular, page 23

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

- 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, 2022 Proxy Circular, page 39

#### Continuing Education

Throughout the year, directors receive presentations and updates to enhance their understanding of key aspects of our business and developments impacting our industry. Outside of regular meetings, directors are encouraged to participate in continuing education through a paid subscription to the Institute of Corporate Directors and are reimbursed for the costs of relevant courses, certifications and conferences. Corporate governance materials are also made available to directors through our online director portal.

In 2021, the board received presentations from management and external experts during regular meetings and at the board's annual strategy session. Some examples of specific presentations to the board in 2021 include:

| Description   | Board or committee                                   |
|---|--|
| COVID-19 Pandemic Planning & Updates                              | Board of Directors & HSE Committee (throughout 2021) |
| ESG: Shareholder Feedback & Capital Markets Considerations *      | Board of Directors                                   |
| 2021 Business Outlook *   | Board of Directors                                   |
| ESG & Sustainable Finance *                                       | Board of Directors                                   |
| Integrated Oil Sands View * (2021 strategy session)               | Board of Directors                                   |
| Diversity Strategy & Gender Pay Equity Update                     | Board of Directors                                   |
| North America Midstream Market Update                             | Board of Directors                                   |
| Enterprise Risk Management Update                                 | Board & Audit Committee                              |
| Investor Relations & Shareholder Sentiment Update (quarterly)     | Board & Audit Committee                              |
| Marketing Risk Management Update (quarterly)                      | Audit Committee                                      |
| Capital Markets & Financing Strategies                            | Audit Committee                                      |
| Cyber Security & Risk Mitigation                                  | Audit Committee                                      |
| Executive Employment Agreement & LTI Considerations               | CGC  |
| Health & Safety Program Update (quarterly)                        | Board & HSE Committee                                |
| ARO & Asset Liability Regulatory Overview & Update                | HSE Committee  |
| Climate Change: Emissions Targets (Modelling & Regulatory Update) | HSE Committee  |
| Facility Reliability Update                                       | HSE Committee  |
| Operational Excellence & Asset Management Update                  | HSE Committee  |
| Integrity Programs Review   | HSE Committee  |
| Land Management & Facility Decommissioning Update                 | HSE Committee  |

\* denotes presentation from external speaker

## CCL Industries Inc., 2022 Proxy Circular, pages 80-81

### Orientation of New Directors and Continuing Education of Directors

[...] The Executive Chairman organizes meetings with the CEO, the Lead Director, and the chairs of the committees of which the new director will be a member, to assist the new director in becoming familiar with the workings, procedures and operating style of the board and its committees and the business, operations and structure of the Company. Meetings and discussions with members of senior management at board meetings and at other occasions provide an opportunity to develop a deeper understanding of the market advantages enjoyed by the Company through its technological capabilities and its international scope in its targeted industry segments, and to anticipate business opportunities that may come to the board for support and approval. Tours of some of the Company's plants may also be organized.

Ongoing director education respecting the Company, its operations, its business environment and its markets, as well as the evolving role of the director in the governance of public companies is addressed chiefly through the following practices: [...]

*Plant Visits* – It is the practice of the Company to conduct its third quarter board and committee meetings at one or more of its manufacturing plants around the world. This allows the directors an opportunity to meet the Company's management in different geographic markets and circumstances, view the differences and similarities in the foreign locations and come to a better understanding of the unique needs and advantages that such facilities experience, and the business opportunities that foreign markets have to offer. The CSR Committee typically makes an annual visit to a manufacturing plant to assess EHS programs, risks and improvements. However, the directors of the Company travel broadly, and they are encouraged to seek out opportunities in their travels to pay individual visits to the Company's plants around the world. In recent years, the board has visited and inspected the Company's facilities on the east and west coast of the United States, United Kingdom, Mexico, Brazil, Germany, Austria, China and Thailand. As a result of the travel restrictions caused by the COVID-19 pandemic, and in consideration of the safety and well-being of its board members and employees, the Company did not conduct any meetings at its manufacturing facilities in 2020 or 2021, but intends to resume plant visits in 2022.

*Management Visits* – In addition to meeting members of senior management at board meetings, directors are encouraged to meet independently, from time to time, with members of management to develop a better understanding of their responsibilities and the Company's operations. [...]

### Discussion

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

The Keyera Corporation and CCL Industries 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 diversity, greenhouse gas emissions, and cybersecurity.

CCL Industries' board meetings are periodically held at the company's global manufacturing locations. This practice provides board members with an opportunity to visit and learn more about the company's key operations, engage with local stakeholders, and enables them to make decisions with the necessary context and background knowledge.

To encourage board members to proactively address any perceived or potential gaps in their knowledge of the corporation's business, board members should also have the opportunity to provide input on educational topics in which they would like to enhance their understanding.

### 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., 2022 Proxy Circular, pages 20-21

##### Director Compensation

[...] ARC's Director compensation program consists of both a cash and an equity-based component paid in the form of 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. This reinforces long-term thinking, reduces unnecessary risk taking and aligns Director compensation with the interests of our shareholders.

[...]

### Total Director Compensation

The following table presents the total compensation paid to each non-management Director during 2021.

| Director <sup>(1)</sup>         | Board Chair or Member Retainer | Committee Chair Retainer | Total Cash Retainer Fees Earned | Share-based Awards (DSUs) <sup>(2)</sup> | Other Compensation | Total Compensation | Portion Taken as Cash | Portion Taken as DSUs |
|---------------------------------|--------------------------------|--------------------------|---------------------------------|--|--------------------|--------------------|-----------------------|-----------------------|
| Harold N. Kvisle                | \$166,000                      | \$ —                     | \$ 166,000                      | \$ 249,020                               | \$ —               | \$ 415,020         | \$ —                  | \$ 415,020            |
| Marty L. Proctor <sup>(3)</sup> | \$ 81,000                      | \$ —                     | \$ 81,000                       | \$ 121,500                               | \$ —               | \$ 202,500         | \$ 80,980             | \$ 121,520            |
| Farhad Ahrabi                   | \$ 88,000                      | \$ 4,500                 | \$ 92,500                       | \$ 138,764                               | \$ —               | \$ 231,264         | \$ —                  | \$ 231,264            |

## ARC Resources Ltd., 2022 Proxy Circular, page 23

### Director Share Ownership

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 of December 31, 2021, and as outlined below, all non-Management Directors meet or exceed the minimum share ownership requirement. Carol T. Banducci has until 2026 to attain the shareholding requirements. Management Directors are subject to separate share ownership requirements which are outlined in the “Compensation Discussion and Analysis” section in this information circular.

| Director         | Year Ended December 31 | Common Shares | DSUs <sup>(1)</sup> | Total Common Shares and Share Equivalents | Total Market Value of Common Shares and Share Equivalents <sup>(2)</sup> | Value At-risk as Multiple of Cash Retainer Fees Earned <sup>(3)</sup> | Meets Minimum Share Ownership Guidelines |
|------------------|------------------------|---------------|---------------------|---|--|---|--|
| Harold N. Kvisle | 2021                   | 170,000       | 346,252             | 516,252                                   | \$5,936,898  | 35  | Yes                                      |
|                  | 2020                   | 150,000       | 295,198             | 445,198                                   | \$2,671,188  | 16  | Yes                                      |
| Marty L. Proctor | 2021                   | 459,947       | 11,058              | 471,005                                   | \$5,416,558  | 50  | Yes                                      |
|                  | 2020                   | —             | —                   | —   | \$ —   | —   | —  |
| Farhad Ahrabi    | 2021                   | —             | 74,915              | 74,915                                    | \$ 861,523   | 9   | Yes                                      |
|                  | 2020                   | —             | 49,985              | 49,985                                    | \$ 299,910   | 3   | Yes                                      |

### Discussion

ARC requires each non-management director to own common shares and/or DSUs equal to 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 continues to be 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 2021 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., 2022 Proxy Circular, pages 38-39

##### Board and Director Performance Assessments

The Board annually assesses its effectiveness to find ways to improve its performance. 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 Board members. The Board considers the report, its findings and a set of priority actions for the year at a Directors-only session, which is attended by the President and CEO for only a portion of the session. Progress is monitored throughout the year with oversight on that process by the NCGC. [...]

##### 2021 Assessment

The Chair of the Board interviewed each non-executive Director as part of the 2021 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;

- Individual Director effectiveness, including the Director's self-assessment of their own performance as a Director and an assessment of their peer Directors on the Board; and
- The CEO's 2021 evaluation, and his 2022 CEO goals and objectives.

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 also 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.

[...]

### 2021 Assessment Findings

The principal themes that emerged from the 2021 Board and Director Performance Assessment related to strategy and business, organizational structure and capacity as well as Board and Committee effectiveness.

The Assessment findings addressed topics that included the Company's strategy, growth, ESG, senior leadership succession, safety and diversity.

All Directors expressed a belief in strong governance and believe the Company properly prioritizes strong governance.

The Assessment found that Directors viewed Emera as having a strong Board with diverse perspectives, with strong support for additional diversity. Directors felt the Board should consider setting an overall higher diversity goal. Directors expressed a consensus that new Director recruiting activity should be conducted in such a way to ensure the right person is selected with relevant skills and experience, such as utility expertise.

### 2022 Objectives

In the course of performing the Board and Director performance assessments, Directors assessed 2020 progress and proposed areas of future focus as it relates to strategy and management performance. These included:

#### Strategy and Business:

- In the context of the Company's strategy of providing customers with reliable, affordable and clean energy, the focus on growth opportunities will include an evaluation of Emera's growth strategy and consideration of additional growth platforms.
- Financial metrics, capital structure and longer-term financial objectives will be examined in the context of evolving economic conditions to ensure Emera's commitment to its shareholders is appropriate.
- With the energy industry in transition, the Company and its Board will focus on material risks and opportunities within its utilities, including organic growth projects.

- The strong support for Emera's climate commitment will continue with overall advancement of Emera's sustainability agenda under the oversight of the newly established Risk and Sustainability Committee. [...]

### Eldorado Gold Corporation, 2022 Proxy Circular, page 44-45

#### Board Evaluation and Assessments of Individual Directors

As part of our Board-evaluation process, the CGNC, which is responsible for the review and recommendation to the Board regarding the appropriate methodology of the assessment, engages a third-party advisor to externally facilitate an independent in-depth evaluation of the Board and its committees. We have engaged Tekara Organizational Effectiveness Inc. to facilitate this process on behalf of the Board, with the goal of enhancing its effectiveness as a Board and with senior management. This enhanced Board-evaluation process follows a three-year cycle as outlined below. In 2019, we completed our first year of the process with an in-depth Board and committee evaluation. In 2020 (Year 2), individual director evaluations were conducted as part of a deeper Board evaluation. In 2021 (Year 3), the Board determined to repeat the Year 1 process of the Board as a whole and each committee evaluation.

[...]

Feedback incorporated over three-year cycle:

- Board working group reviewed and implemented enhancements to the Board processes and communication with senior management.
- Conducted year-round planning for director succession and Board refreshment, including a review and analysis of the skills, attributes and expertise preferred for future Board nominees. This led to the addition of Ms. Mosely in September 2020 and Carissa Browning in 2022.
- Rotated committee Chairs, with Ms. Conway chairing the Compensation Committee, Ms. Mosely chairing the Sustainability Committee, and Ms. Farrow chairing the Technical Committee
- Strengthened Board oversight on:
  - Strategic planning
  - Enterprise Risk Management ("ERM") at the operational and corporate levels
  - Cybersecurity
  - Crisis management

### Discussion

Instead of 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. Eldorado also provides details on the practical outcomes of board assessments and how this feedback has been integrated into the operations of the board.

Certain issuers may also use a third party to facilitate board assessments, as demonstrated by Eldorado.

### Executive Succession and Management Diversity



#### Intact Financial Corporation, 2022 Proxy Circular, page 76

##### Succession Planning

With respect to succession, the Company has a comprehensive succession planning program at various levels within the organization to ensure we are developing talent for future roles and that we are prepared for unplanned departures and retirements. [...]

To play its role, the Board of Directors is supported in this function by the HRC Committee, which makes recommendations on the appointment, assessment, compensation and termination (if applicable) of the CEO and other Senior Executives, sees to the assessment of Senior Executives and presents an annual Senior Executives succession plan. The HRC Committee advises Management in relation to its succession planning, including the appointment, development and monitoring of Senior Executives.

To mitigate the risk 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. 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" and "Ready in 3-5 Years" 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 for Executive Officer positions 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 discussions held with the candidates. 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.

### CAE Inc., 2022 Proxy Circular, page 39

#### Talent Management

In FY2022, investments in digitalizing and improving the experience in the talent and leadership reviews continue to be made along with investment in a new platform to support effective career development. The platform uses artificial intelligence to pull information on the skills the employee is looking to develop to suggest targeting micro-lessons, special assignments (gigs), mentors and more. [...]

The Company continued to develop high potential individuals using systematic psychometric assessment to support their leaders in achieving success. CAE has also introduced universal self-assessment into our leadership development plan in support of its mission and vision as a high technology organization. These actions will support the HRC's oversight of the Company's efforts to ensure the effective development of CAE's future senior leaders so that a sufficient leadership and talent pipeline is in place to meet the Company's growth ambitions.

In FY2022, 1,500 leaders were assessed through a third-party provider that CAE partnered with to identify strengths and development opportunities. Subsequent to the assessment, leaders were provided opportunities to be debriefed on their results and following this, create a development plan in conjunction with their manager.

To support the Company's evolution to be a high-tech company, an exercise was done to identify the top fifty (50) critical roles that will be essential in supporting CAE achieving its growth and strategic objectives. The fifty roles reflected all business units and functions. Incumbents completed a psychometric assessment and were interviewed by representatives from Korn Ferry's leadership development practice. The results supported very specific development programs for those assessed, provided insights and support in regard to the Company's succession planning process and identified key strengths and development opportunities across CAE's leadership that will help facilitate leadership program development moving forward. [...]



### Sun Life Financial Inc., 2022 Proxy Circular, pages 34-37

#### **Diversity, equity and inclusion**

Our commitment to diversity, equity and inclusion is at the centre of our company values and is critical to the board and executive management. Qualified directors and executive leaders who reflect the Clients we serve, our employees around the world, and the communities where we operate bring broader perspectives and experience to deepen our insight, enhance innovation and accelerate growth. We strive to create an inclusive, high-performing culture where all employees, regardless of gender/ gender identity, race, religion, age, country of origin, physical ability, sexual orientation or other diversity attributes, can contribute to their full potential. We stand for equality, social change and justice for all and are committed to creating equal opportunities and fostering inclusion.

[...]

#### **Advancement of women and underrepresented groups in our workplace**

We have an enterprise strategy to strengthen diversity, equity and inclusion. The strategy focuses on a series of actions that review and enhance our talent management practices, enrich our already collaborative and inclusive culture, and ensure our investments and participation in the community support our objectives.

Below is a list of efforts we have made to support our commitment to the advancement of women and underrepresented groups in our workplace.

- Recruitment – we require a diverse slate of candidates (including women) when we select leaders for executive officer and senior leadership positions, both internally and externally. In situations where we are working with external executive search firms, one of the standard terms and conditions in our contracts is the presentation of diverse candidate slates. We also apply a language analysis tool to our recruitment postings, to ensure our language is gender inclusive and an artificial intelligence résumé screening tool to minimize discrimination and bias while recommending top candidates.
- Inclusion Networks – we have numerous internal, voluntary, employee-led inclusion networks which play an important role in fostering and embedding a culture of inclusion within the company, including our Asian American Heritage Association network, our Black Excellence Alliance network, our DiverseABILITY network, our Hispanic Organization for Leaders and Achievers network, our Mosaic network, our Sun Life Pride network, and our networks focused on the advancement of women: Bright Women in North America and InvestHER in our asset management group.
- Mentorship and Development Programs – we have a number of informal and formal mentor and mentee opportunities across our company and have implemented a global



mentorship framework with an inclusion focus to ensure consistency across our businesses. [...]

- **Flexible Work Arrangements** – during another year of uncertainty, our company continued to provide various additional support measures in order to attract and retain diverse talent, including flexible work arrangements, myWellness days to promote the importance of taking time away from work, and continuing to have an increased allotment of personal emergency days to support childcare, eldercare or other responsibilities arising from the COVID-19 pandemic.
- **Monitoring Activities** – we regularly monitor and review the number of women and underrepresented groups in executive and senior leadership positions through our annual talent review and succession planning process (see pages 41 to 42). One of the key metrics we review is the number of women and underrepresented groups in executive and senior leadership roles and in our management pipeline.
- **Compensation Analysis** – at the conclusion of our annual performance management and compensation cycle, we analyze compensation levels across the organization, including the compensation of women holding executive officer and senior leadership positions, to ensure fair and equitable treatment, free from systemic bias. We also ensure to review pay outcomes with a lens for employees that identify as members of underrepresented groups in addition to gender.

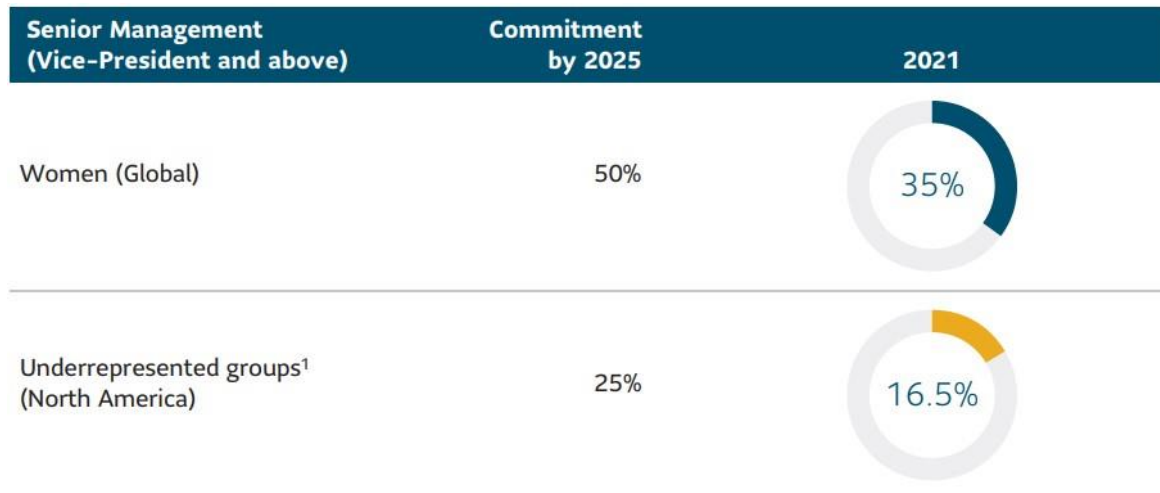
| Gender | Number of Executive Officers | Percentage of Executive Team Members | Number of President & CEO Direct Reports <sup>1</sup> | Percentage of CEO Direct Reports | Number of Senior Executives | Percentage of Senior Executives |
|--------|------------------------------|--------------------------------------|---|----------------------------------|-----------------------------|---------------------------------|
| Men    | 6                            | 55%                                  | 5   | 38%                              | 167                         | 65%                             |
| Women  | 5                            | 45%                                  | 8   | 62%                              | 90                          | 35%                             |
| Total  | 11                           | 100%                                 | 13  | 100%                             | 257                         | 100%                            |

<sup>1</sup> President & CEO Direct Reports includes ten Executive Officers, and three Senior Executives that report directly to the President & CEO.

### Representation commitments for executive officer positions

We have committed to improving the representation of women leaders by setting a goal of 50% women at the Vice-President level and above globally by 2025 and a goal to reach 25% underrepresented groups at the Vice-President level and above in North America by 2025. The following chart shows the percentages of self-identified women and underrepresented groups<sup>1</sup> who are senior management (Vice President and above) of the company as of January 31, 2022.





<sup>1</sup> individuals who self-identify as members of the Black, Indigenous, and/or People of Colour communities

### 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. Succession plans should consider various time horizons and seek to build capacity throughout the organization by providing opportunities for high-potential individuals to develop their skills and leadership capabilities.

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.

Succession planning should also be leveraged as a tool to make progress on a company's diversity objectives and to invoke lasting, meaningful change in terms of representation at all levels of the organization. Sun Life has several initiatives and programs in place that demonstrate its commitment to diversity throughout the organization and support the development and inclusion of diverse employees.

### Strategic Planning Oversight

Circulars should explain the role and contributions of the board in strategy development and oversight.



#### Emera Incorporated, 2022 Proxy Circular, pages 34-35

##### Corporate Strategy

Emera's strategy is focused on the customer-driven trends of decarbonization, decentralization and digitalization facing our industry. Broadly, the Company's strategy continues to focus on safely delivering the cleaner, reliable and affordable energy our

customers count on. Emera continues to drive organic growth through regulated investments in cleaner energy, reliability, infrastructure renewal and system expansion.

Oversight and guidance of the corporate strategy is one of the primary roles of the Board. Led by the President and CEO, the Management team works with the Board to set the strategy agenda for the year. The Board and Management meet regularly to discuss strategy, including annual individual interviews with each Director.

A dedicated and significant component of every scheduled Board meeting includes an update and discussion on strategy and related matters, including trends in the industry, growth initiatives, financial forecast updates and new risks and opportunities. These updates serve to keep the Board aware of changes in the market, industry and within Emera, as well as giving the Board an opportunity to provide insight and direction throughout the year on strategy.

Each year, one Board meeting is wholly dedicated to strategy. In 2021, the Board held a meeting in June which was entirely focused on strategy. A significant portion of the Board meeting in September was also dedicated to strategy. These meetings included the annual strategic update on industry trends including the company's strategic positioning related to the customer-driven trends of decarbonization, decentralization and digitalization, an updated long-term financial forecast, a review and analysis of industry peers, an overview of strategic signposts that management is regularly monitoring in its ongoing assessment and review of strategy, and updates on specific components of strategy.

#### Environmental, Social and Governance ("ESG")

ESG has been core to Emera's strategy and culture for over 15 years. Environmental commitments continue to be key drivers of the Company's growth with its capital plan committing more than \$5.3 billion to cleaner, more reliable energy through 2024. The Company's approach to Social and Governance factors shape Emera's culture and how the Company operates. Over the past two years, Emera has been focused on better articulating its strategy and ESG performance which is grounded in good governance, deep integration across the business and strong data and disclosures. [...]

### Sun Life Financial Inc., 2022 Proxy Circular, page 40

#### Strategic Planning

[...] We typically hold in-depth strategy sessions with the board every year at one of our four pillar locations. To prioritize the health and well-being of our directors, officers and employees and in line with directives and guidance from public health authorities, all of our board meetings in 2021 were held virtually, including our strategic planning meeting with the board. As part of the strategic plans and priorities for each of our four business

groups, the board focused on the key risks facing the business relating to strategic execution (including the prioritization and management of initiatives and people resources), the changing economic and geopolitical environment, the competitive and regulatory environment, maintaining strong financial discipline and a strong capital position, operational resilience (including information security and data management), and stakeholder and regulatory expectations on climate and social actions. The board also reviewed trends emerging in strategic and financial decision making with a focus on the future of work, demographic and geopolitical shifts, climate change management, including our goal to achieve net-zero greenhouse gas emissions by 2050, sustainability and diversity, equity and inclusion, digital, health, sustained demand for alternative asset classes, and strategic partnerships. Consideration was also given to the alignment of the strategic plan projections with our risk appetite and the uncertainty brought on by the continued COVID-19 pandemic. The Executive Team reviewed and discussed the feedback and perspectives provided by the board and the board then approved the updated strategic plan at its meeting in November.

### Discussion

Strategic planning oversight is a fundamental area of board responsibility. In addition to providing insight into the board's processes to oversee the development of corporate strategy, issuers should provide details on the board's involvement and contributions to strategic planning, including any specific trends considered by the board during this process and the strategic priorities that emerge given the context of the organization. Unlike many Canadian issuers that provide boilerplate commentary, Emera and Sun Life provide details on the board's contribution and involvement in the strategic planning process and the key areas of consideration during the most recent strategic planning cycle.

### Risk Management Oversight

Circulars should disclose the risks that are foremost in the mind of the board and the processes used to identify and monitor such risks.



#### Bank of Nova Scotia, 2022 Proxy Circular, pages 43-44

##### 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 2021 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 2021 included:

- Lessons learned from the pandemic
- Non-financial risks, including analytics, model, information technology, cyber-security risk, human capital management risk and ESG risk including climate change
- Data risk management
- Risk culture and conduct risk
- Geo-political issues and social justice
- Provisions for credit losses
- Risk in Pacific Alliance countries
- Third party risk management
- Records retention

### 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 of ESG matters
- responsible for conduct review, risk culture, conduct risk and monitoring our ethical standards
- oversees the external auditor's qualifications, independence and performance, and the finance, compliance and audit functions

#### Human capital and compensation 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 capital 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 in support of the bank's purpose, culture and strategy
- responsible for the board succession plan and the bank's approach to shareholder engagement
- reviews the bank's ESG strategy, priorities 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
- oversees the bank's ESG risks, including climate change risks

## RioCan Real Estate Investment Trust, 2022 Proxy Circular, pages 106-107

### Board Oversight of Risk

Pursuant to the Charter of the Board of Trustees, the Board of Trustees is responsible for identifying the principal risks of the business and ensuring these risks are being appropriately managed. The Board periodically discusses with management the Trust's guidelines and policies with respect to risk assessment, risk management, and major strategic, financial and operational risk exposures, and the steps management has taken to monitor and control any exposure resulting from such risks. [...]

Management presents an assessment of principal risks to the Board on an annual basis. The most recent risk assessment was completed in February 2022. The risks noted below were identified at an inherent level, whereby RioCan's existing risk mitigation tactics including people, processes and technology to prevent the risks from occurring were not initially considered. However, once identified, each of the risks below was assessed at a residual-level considering RioCan's existing mitigation practices established, as at the time of the risk assessment. The results of Management's risk assessment were presented for consideration by the Board.

#### External Risks

- changing face of the Canadian retail environment and the impact of e-commerce;
- significant changes in Federal, Provincial or Municipal real estate regulations;
- prolonged economic downturn and trade uncertainty;
- slowing dispositions and sales of residential units in urban areas;
- interest rate stability; and
- climate change.

#### Strategic Risks

- non-execution of mixed-use intensification strategy of existing assets; and
- ineffective succession planning of senior leadership.

[...]

## Thomson Reuters Corporation, 2022 Proxy Circular, pages 38-39

### Risk Oversight

Our management team is responsible for day-to-day risk identification and risk management. The Board is responsible for confirming that a system is in place to identify

the principal risks facing Thomson Reuters and that appropriate procedures and systems are in place to monitor, mitigate and manage those risks.

The ERM process at our company is intended to:

- identify the most significant operational, strategic, reputational, financial and other risks in each of our business segments as well as for our corporate center, considering both the external environment as well as internal changes related to structure, strategy and processes;
- assess which of these risks individually or together with other identified risks could have a significant impact on Thomson Reuters as an enterprise if they were to materialize; and
- develop and implement action plans for the enterprise risks and reviewing them periodically at a corporate and Board level. [...]

As part of the ERM process, directors are surveyed after the Board's first meeting of the year in January. Directors are asked to consider certain risk factors and definitions of impact and likelihood related to the ERM process, in light of their own knowledge of our company and business experience. Directors then provide input for Thomson Reuters' businesses and functions to consider in assessing enterprise risks for the year. Utilizing this information and an anonymized list of risks and input from the Board survey, the CEO's operating leadership network then reviews and agrees upon the top enterprise risks to present to the Board's Risk Committee for review, input and approval. [...]

| Enterprise Risk                               | Board of Directors | Risk Committee | HR Committee | Audit Committee |
|---|--------------------|----------------|--------------|-----------------|
| Information security                          | ✓                  | ✓              |              |                 |
| Data governance (including privacy)           |                    | ✓              |              |                 |
| Platform and product stability and resiliency |                    | ✓              |              |                 |
| Talent and culture                            | ✓                  |                | ✓            |                 |
| COVID-19 and return to office                 | ✓                  |                | ✓            |                 |
| Change Program                                | ✓                  | ✓              |              |                 |
| Competition, market and technology changes    | ✓                  |                |              |                 |
| Geo-political environment                     | ✓                  |                |              |                 |
| Tax environment                               |                    |                |              | ✓               |

## Discussion

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



Of note, these issuers provide an overview of the key risks currently facing their business and the risks that are being closely monitored by the board. 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. In the case of the Bank of Nova Scotia and Thomson Reuters, circular disclosure also provides clear details on how certain risks are delegated to the various board committees.

Notably, where material, environmental and social risks are being increasingly integrated into corporate risk management frameworks and elevated to the attention of the board.

### Shareholder Engagement

There is a growing emphasis by institutional shareholders on the benefits of board-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.

#### Fortis Inc., 2022 Proxy Circular, page 56

##### Communicating with the board

The board believes in the importance of regular, open and constructive dialogue with shareholders.

We hold an advisory vote on executive compensation (say on pay) every year as a way to engage regularly with shareholders on this important matter.

In accordance with our shareholder engagement policy, representatives of the board hold formal meetings periodically with shareholder representatives. We held our inaugural board-shareholder meeting in 2017 and followed with a second meeting in 2018. The board continues to host board-shareholder meetings every two years.

In 2020 the Chair of the board and chairs of the human resources and governance and sustainability committees met virtually with many of our largest shareholders in Canada and the U.S. for a discussion on a wide range of topics including business strategy, cybersecurity, sustainability and executive compensation. In 2021 the Chair of the board and chairs of the human resources committee and/or governance and sustainability committee had calls with some of our largest shareholders for continued discussion, and also met with the Canadian Coalition for Good Governance to discuss governance, sustainability and risk and strategic oversight.

[...]

## Metro Inc., 2022 Proxy Circular, pages 55-56

### Shareholder engagement

The Board of Directors has adopted a written policy regarding shareholder engagement as it believes that constructive engagement with the Corporation's shareholders is important for good corporate governance and transparency. Under the terms of this policy, the Board welcomes shareholder inquiries and comments relating to the following matters ("Board Matters"):

- Corporate governance practices and disclosure;
- Corporate responsibility and environmental, social and governance matters;
- Board performance;
- Executive performance, compensation and succession planning; and
- Board and Committee composition and succession planning.

[...]

The Board, under the Shareholder Engagement Policy and through the Governance Committee, establishes annually a program to engage directly with key shareholders to discuss Board Matters. This program allows the Chair of the Board and the Chair of the Governance Committee, together with the Chair of any other relevant committee of the Board if necessary, to exchange views regularly with shareholders on relevant governance topics and trends, receive feedback on the performance of the Corporation and the Board with respect to Board Matters and discuss potential areas of improvement, if any. In October and November 2021, the Chair of the Board and the Chair of the Governance Committee met with three (3) significant shareholders of the Corporation, in order to discuss certain governance matters. Various subjects were discussed during these meetings, including board renewal, governance matters, ESG matters, the Rights Plan, diversity, virtual meetings of shareholders and capital allocation.

### Discussion

Fortis and Metro are good examples showing a board's effort to reach out to and offer to engage with the company's shareholders on a periodic basis. Both issuers provide details on the various methods and mechanisms that are used to foster direct and meaningful contact with shareholders and the topics that may be discussed during such communications.



## CGI Inc., 2022 Proxy Circular, page 43

### Shareholder Satisfaction Assessment Program

In fiscal 2019, the Company added a new Shareholder Satisfaction Assessment Program (“SSAP”) questionnaire to its [Shareholder Partnership Management Framework (“SPMF”)] processes. The SSAP questionnaire solicits direct feedback from shareholders on key corporate governance practices, including in respect of executive compensation, and requests shareholder ratings of governance practices on a 10-point scale. With respect to institutional investors, the SSAP is provided directly to the individuals responsible for the investment in the Company and not to proxy departments or external advisors who are less likely to have a complete understanding of the investment in CGI. The SSAP was provided to shareholders and other investors with whom SPMF meetings were held in fiscal 2021. The average SSAP score of the Company in fiscal 2021 was 8.2/10 and few concerns were raised by shareholders or investor with respect to the Company’s corporate governance practices, including its executive compensation practices. The Company is committed to maintaining an open and transparent dialogue with its shareholders and addressing their concerns with respect to executive compensation. The Company believes that the measures in place are more meaningful than a simple binary advisory vote.

### Discussion

In lieu of other engagement forums, CGI Inc. solicits feedback from select shareholders on key corporate governance and executive compensation practices through the use of an annual survey. With respect to compensation, CCGG continues to encourage all issuers (including those with dual class share structures) to adopt an advisory vote on executive compensation as a supplement to additional forms of shareholder engagement (see section entitled [Say on Pay](#)). While narrow in scope, these votes provide enhanced transparency into the collective views of investors with respect to a company’s compensation practices. CCGG commends CGI for establishing a mechanism to solicit a broader range of shareholder feedback, given its particular context as a dual-class share company.

### Chair's Letter to Shareholders

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



#### EQB Inc., 2022 Proxy Circular, pages 1-3

##### **Fellow Shareholders:**

[...]

##### **The value of equity ownership**

Equitable creates meaningful long-term shareholder value. On the basis of 10-year average EPS growth (15.7%), 10-year average ROE (16.6%) and 10-year total shareholder return (540%), Equitable's performance is the highest of all the banks listed on the TSX/Composite Index.

Performance for shareholders in 2021 was also record setting, with net income of \$8.36 per diluted share and ROE of 16.7%, compared to our medium-range target of 15%+. Higher earnings and a healthy Common Equity Tier I ratio of 13.3% supported the Board's decision in February 2022 to increase the quarterly dividend by 51% to \$1.12 annualized. This increase will not alter Equitable's value creation methodology, which is based on disciplined reinvestment of a significant amount of shareholder capital to support growth at or above our target ROEs.

##### **The value of good governance**

Equitable's Board of Directors has built a strong governance framework to create value for all stakeholders, enhance long-term sustainability and reduce business risk. However, governance is not just about frameworks and policies. To drive value for all stakeholders, governance demands the full attention of invested, independent-minded, skilled and experienced Directors, the kind of people who serve Equitable today.

In reviewing the biographies of our Directors starting on page 19, you will see that their expertise is relevant and that they are clearly capable of challenging management in a positive manner. The Director's well-established continuing education program is designed to keep our Board current on changing customer needs, as well as regulatory, economic and marketplace developments that will shape our approach as a larger Bank.

This year, Diane Giard has chosen not to stand for re-election, and we thank Diane for her contributions. Since succession is one of the Board's key responsibilities, we have successfully recruited top-notch Directors as part of our renewal process over the past few years. We are pleased that all other Directors are standing for re-election, giving us appropriate continuity going forward.

### **The value of strategic acquisitions**

The foundation of Equitable's value creation approach is organic growth but when a particularly compelling acquisition opportunity arises, we move. Such was the case in 2019 when we acquired Bennington, which has enjoyed back-to-back years of record success in serving the leasing marketplace since it became part of the Bank. More opportunity followed on February 7, 2022 – the day Equitable announced the accretive acquisition of Concentra Bank. The completion of this fully funded acquisition (expected in the second half of 2022, subject to regulatory approval), will add scale to our existing business lines and complement our value-creation potential. With strong Board and executive sponsorship, we also know the integration will be thoughtful, risk managed and effective.

### **The value of equity, diversity and inclusion**

Today, women form the majority of our Challenger workforce and 50% of employees self-identify as people of colour/racialized persons. Diversity of lived experiences is a key business advantage. However, diversity alone does not guarantee equity and inclusion. All three pillars of EDI are important and Equitable addresses each in a variety of ways including a new program launched in 2021 called JEDI. This is short for Justice, Equity, Diversity and Inclusion and it strengthens our commitment to providing mentorship and leadership-focused education for traditionally underrepresented groups. We showed further resolve by signing the BlackNorth Initiative CEO Pledge.

### **The value of environmental responsibility**

Climate change is a serious threat to society, a risk that must be priced into our activities and a cause that deserves special attention in how we manage the Bank's own (albeit relatively small) environmental footprint. In response, the Bank created its climate strategy and, in 2021, measured its entire Scope 3 GHG emissions' portfolio, including financed emissions; a first for a Schedule I Canadian bank. These are initial steps in our journey, but we are challenging ourselves to do more. In particular, Equitable is committed to carbon neutrality going forward after becoming carbon neutral in Scope 1 and 2 emissions for 2020. In our forthcoming ESG Report, you will note strong progress in the Bank's SustainAlytics Risk Rating and the Global Corporate Sustainability Assessment conducted by S&P. Equitable is rated AA by MSCI ESG. [...]

## **Discussion**

EQB does an excellent job of using a letter from the board chair to summarize key developments, board activities, and governance updates that the board wishes to relay to shareholders. Furthermore, the letter also comments on EQB's approach to select E&S topics, as corporate boards are increasingly expected to be informed and involved on these matters.

## 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, 2022 Proxy Circular, pages 32-34

#### Dual-Class Share Structure – Governance Considerations

The Governance Committee regularly assesses governance principles and developments relating to our dual-class share structure. Such structures came under increased scrutiny in 2021 in light of governance disputes at another large Canadian public company with a dual class share structure. Notwithstanding that controversy, the Board believes that Teck's constating documents, governing statute, and established practices provide reasonable protection against the kind of process concerns that arose in that situation. The Board believes that our governance practices and track record reflect a consistent regard for the interests of all shareholders, notwithstanding the different voting rights inherent in our capital structure.

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 that have helped grow shareholder value significantly over the last few decades and will continue to benefit all shareholders. The Board believes that the dual-class share structure can help create value for all shareholders. In many forms of business organization, 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 Governance Committee and the Board recognize that to fulfill Teck's commitment to good governance, the 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 that could create some potential for conflicts of interest, as could arise 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:

|   |    |
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## Executive Compensation and Corporate Strategy

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



### ARC Resources Ltd., 2022 Proxy Circular, pages 34-36

#### 2021 Performance & Corporate Scorecard Assessment

ARC uses the corporate scorecard to create clarity and focus for the Company to advance ARC's strategy and for facilitating frequent, in-depth conversations amongst the Board, with Management, and employees throughout the year. The corporate scorecard is designed around the four areas of ARC's long-term strategy and the successful achievement of the targets within the corporate scorecard is a key measurement of the Company's success. The corporate scorecard provides the Board with a structured framework to assess performance against defined metrics and targets while also applying necessary judgment to arrive at the final performance assessment.

In the context of the holistic achievements of the Company in 2021, the Board determined that corporate performance was in the range of "outperform" to "outstanding". Following the review of Company's annual accomplishments against the targets, the HRC Committee provided a preliminary assessment and recommendation to the Board that considers each of the strategic areas which are nominally equally weighted and a recommended score for each area which is then aggregated to determine the final performance assessment score. Key achievements are related to the Business Combination, and full integration while managing the impacts of COVID-19 on our operations. In addition, the Company achieved or exceeded all defined performance targets. A 2021 score of 1.8 out of 2.0 was awarded and was approved by the Board.

### High-quality Assets & Operational Excellence

High-quality Assets and Operational Excellence was assessed at an overall rating in the range of "outperform" to "outstanding". Management delivered outstanding performance in safety, production and operating expenses, while effectively managing its low-cost structure and exercising capital discipline. Project execution across ARC's asset base was outstanding and capital expenditures were within the approved range. Management introduced several innovative solutions using technological advancements in its operations.

Category overall score: 1.8 out of 2.0

| Performance Metrics                        | Target      | Result  | Key Performance Highlights  |
|--|-------------|---|---|
| Safety                                     |             |   |   |
| – Total Recordable Injury Frequency        | 0.6         | 0.36  | <ul style="list-style-type: none"> <li>Delivered strong safety performance and exceeded targeted health and safety key performance indicators ("KPIs") for 2021, one of ARC's strongest safety performance years.</li> </ul>  |
| – Lost-time Incident Frequency             | 0.1         | 0.06  |   |
| Production (boe/day) <sup>(1)</sup>        | 294,500     | 302,003                                       | <ul style="list-style-type: none"> <li>Delivered record average annual production of 302,003 boe per day (63 per cent natural gas and 37 per cent crude oil and liquids).</li> </ul>  |
| Operating Expenses (\$/boe) <sup>(1)</sup> | \$4.30      | \$3.86  | <ul style="list-style-type: none"> <li>Reduced operating expense to \$3.86 per boe <sup>(1)</sup> which is the lowest annual per boe operating expense in ARC's 25-year history.</li> </ul>   |
| Capital Execution vs. Budget               | \$1 billion | \$1.062 billion<br>Projects on time/on budget | <ul style="list-style-type: none"> <li>Safely and efficiently executed a \$1.062 billion capital expenditure program, including optimization of well and pad design to achieve business targets. \$50 million was shifted from the 2022 capital budget into 2021.</li> <li>Key capital projects included infrastructure optimization and expansion projects at Sunrise and Parkland, both of which were executed safely, on time, and on budget.</li> <li>Active drilling and completions program with 141 wells drilled, 132 wells completed.</li> <li>Considerable cost-savings opportunities through contract negotiations and design optimization, to reduce costs, improve the efficiency of execution and mitigate inflationary pressures.</li> </ul> |

### High-performance People and Culture

High-performance People and Culture was assessed at an overall rating of "outperform" to "outstanding". The integration of ARC and Seven Generations was completed in an exemplary and timely manner. Enhanced communication efforts to support change management, integration, and cultural alignment were delivered to employees and COVID-19 response continued to be effectively managed in the corporate head office and field locations.

Category overall score: 1.7 out of 2.0

| Performance Metrics                    | Target  | Result                                  | Key Performance Highlights   |
|--|---|---|--|
| ESG Leadership                         | Progress against ESG targets in 2021 ESG report | Outperform                              | <ul style="list-style-type: none"> <li>ARC completed the annual Equitable Origin EO100™ assessment for the Kakwa asset acquired through the Business Combination, maintaining its certification as a responsible energy developer. We are currently in the process of certifying our northeast British Columbia assets.</li> <li>Exceeded 30 per cent female representation target for the executive team.</li> <li>Partnered with Natural Gas Innovation Fund, an equity fund focused on advancing technologies and solutions that enhance the environmental and economic performance of the natural gas sector.</li> </ul> |
| GHG Emissions Intensity <sup>(3)</sup> | 20% reduction by 2025 relative to 2019 baseline | 16% reduction relative to 2019 baseline | <ul style="list-style-type: none"> <li>GHG emissions intensity associated with ARC's legacy assets, reduced 16% against the five-year target which is ahead of plan.</li> </ul>  |

## 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, the corresponding quantitative metrics which are used to measure progress on these objectives, and the targets against which performance is assessed. 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.

## 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, 2022 Proxy Circular, pages 98-99

#### Compensation Governance

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

The annual risk review considers our major risks (equipment/maintenance, capital investments, long-term contracting, market competition and pricing, energy marketing, growth opportunities, construction and regulatory impact), as well as our compensation philosophy, pay mix, incentive plans and performance measures, stock-based compensation and our share ownership requirements. The mix of these items, their overall balance and the caps embedded in our incentive plans are also part of the review.

#### Compensation Governance & Risk Management

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



# 2022 BEST PRACTICES

## FOR PROXY CIRCULAR DISCLOSURE

|  | Risk mitigation | Pay for performance | Effective oversight | Shareholder alignment | Attract & retain |
|--|-----------------|---------------------|---------------------|-----------------------|------------------|
| <b>What we do</b>  |                 |                     |                     |                       |                  |
| Maintain a pay-for-performance philosophy in which most executive compensation is "at-risk" and is 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   | ✓               |                     | ✓                   | ✓                     |                  |
| Establish expenditure authority limits 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 (refer to page 87 for additional details) provides for the reimbursement of variable incentive compensation in cases where an executive has engaged in wrongdoing, irrespective of whether there was a restatement of financial statements   | ✓               |                     | ✓                   | ✓                     | ✓                |
| Anti-hedging policy prohibits executives and Directors from speculative trading in our shares. Insiders are prohibited from: <ul style="list-style-type: none"> <li>directly or indirectly short selling securities of TransAlta or any of its affiliates where they do not own the underlying security;</li> <li>directly or indirectly selling a call or buying a put on our securities or any securities of our affiliates; and</li> <li>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</li> </ul> | ✓               |                     |                     | ✓                     | ✓                |
| Maintain an HRC of independent directors who have the necessary skills, knowledge and experience to carry out their responsibilities effectively   | ✓               |                     | ✓                   |                       | ✓                |
| Require the HRC to retain an independent advisor   | ✓               |                     | ✓                   |                       | ✓                |
| Cap performance factors and payouts under both the AIC Plan and PSUs at 200% to avoid excessive risk-taking  | ✓               | ✓                   | ✓                   |                       |                  |
| Allow executives to convert a portion of their annual bonus to DSUs  | ✓               | ✓                   |                     | ✓                     |                  |
| Annually review our executive compensation program to ensure continued regulatory compliance and alignment with Shareholder interests and sound risk management and governance principles  | ✓               |                     | ✓                   |                       |                  |
| Set annual targets for the annual and long-term incentive awards within our risk profile and provide sufficient incentive for our executives to achieve the corporate objectives   | ✓               | ✓                   |                     | ✓                     |                  |
| Maintain overlapping performance periods for PSU awards  |                 | ✓                   |                     | ✓                     |                  |
| Benchmark executive compensation and our incentive plans against peer companies similar to TransAlta   |                 | ✓                   | ✓                   | ✓                     | ✓                |
| Maintain 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  | ✓               |                     | ✓                   | ✓                     | ✓                |
| Restrict insiders and others who have a special relationship with TransAlta from trading our securities on material undisclosed information or during blackout periods under our insider trading policy and reporting guidelines. Insiders must pre-clear transactions before carrying out a trade in our securities   | ✓               |                     | ✓                   | ✓                     |                  |
| <b>What we don't do</b>  |                 |                     |                     |                       |                  |
| 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.

Several issuers also 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 policy of TransAlta set out above. Anti-hedging policies are another useful tool to manage compensation-related risk.

#### Kinaxis Inc., 2022 Proxy Circular, page 48

##### Managing compensation risk

[...] Stock options vest over four years and awards granted as of June 2017 have a term of five years instead of 10 years.

#### Imperial Oil Limited, 2022 Proxy Circular, page 64

##### Vesting of restricted stock units

The vesting periods, which are typically greater than those in use by other companies, reinforce the company's focus on growing shareholder value over the long term by linking a large percentage of executive compensation and the shareholding net worth of executives to the value of the company's stock. The long vesting periods ensure that a substantial portion of the compensation received by the chairman, president and chief executive officer, as well as other key senior executives, will be received after retirement. The value of this compensation is at risk in the event that their decisions prior to retirement negatively impact share market value after retirement. The objective of these aforementioned vesting periods is to hold senior executives accountable for many years into the future, and even into retirement, for investment and operating decisions made today. This type of compensation design removes employee discretion in the timing of exercising restricted stock units, reinforces retention objectives, and supports alignment with the long-term interests of shareholders.

| Employee group  | Vesting<br>On the anniversary of the date of grant |
|---|--|
| For the chairman, president and chief executive officer | 50 percent in 5 years and 50 percent in 10 years   |
| For all other employees                                 | 50 percent in 3 years and 50 percent in 7 years    |

### 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. Kinaxis, however, grants stock options that vest over four years.

Restricted shares or restricted stock units also often start vesting one year after award date and fully vest after three years. Imperial Oil, however, grants restricted shares to the CEO that vest equally on the fifth and tenth anniversaries of grant, which are long-term vesting restrictions.

### 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, 2022 Proxy Circular, page 58-59

##### Performance Share Units: 2021 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 2021 are subject to the following two performance measures:



### 1. ROIC PSUs

Sixty percent (60%) of the PSU award value is subject to the achievement of a target related to the Company's average three-year PSU-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 2023. The PSU-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. PSU-ROIC performance objectives are based on CN's business plan. The 2021 PSU-ROIC objective considers the increased capital investments recently deployed to increase capacity and enable growth, such as track infrastructure expansion and investment in technology to improve safety performance, operational efficiency and customer service. The above, combined with the cumulative impact of prior years earnings and the average investment base, resulted in a reduction of the expected average PSU-ROIC for the three-year period ending on December 31, 2023.

ROIC PSUs granted in 2021 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the table below:

|  | OBJECTIVE                      | PERFORMANCE VESTING FACTOR <sup>(1)</sup> |
|--|--------------------------------|---|
| PERFORMANCE OBJECTIVE:   | 15.6% and above                | 200%                                      |
| Average PSU-ROIC for the three-year period ending on December 31, 2023   | 13.8%                          | 100%                                      |
|  | 12.0%                          | 50%                                       |
|  | Below 12.0%                    | 0   |
| PAYOUT CONDITION:  | C\$140.07 on the TSX           |   |
| Minimum average closing share price <sup>(2)</sup> for the last three months of 2023   | or<br>U.S.\$109.66 on the NYSE |   |
| (1) Interpolation applies between objectives.  |                                |   |
| (2) Minimum share price condition for the 2021 award established as the average closing share price for the 20-day period ending on December 31, 2020. |                                |   |

### 2. Relative TSR PSUs

Forty percent (40%) 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 2021 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the tables below:

| TSR relative to<br>S&P/TSX 60             |                       | TSR relative to<br>Selected Class I railways <sup>(2)</sup> |        |
|---|-----------------------|---|--------|
| CNR                                       | PAYOUT <sup>(1)</sup> | CNR   | PAYOUT |
| 75 <sup>th</sup> Percentile and above     | 200%                  | 1 <sup>st</sup>   | 200%   |
| 50 <sup>th</sup> Percentile               | 100%                  | 2 <sup>nd</sup>   | 150%   |
| 25 <sup>th</sup> Percentile               | 50%                   | 3 <sup>rd</sup>   | 100%   |
| Less than the 25 <sup>th</sup> Percentile | 0%                    | 4 <sup>th</sup>   | 50%    |
|   |                       | 5 <sup>th</sup>   | 0%     |

(1) Interpolation between points.  
 (2) The Class I railways comparator group consists of Union Pacific Corporation, CSX Corporation, Norfolk Southern Corporation and Canadian Pacific Railway Limited.

## 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 non-GAAP financial 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 included in 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 Corporation, 2022 Proxy Circular, page 107

|                                      | 2021 target   | 2021 result   | Rating (0-2.0) | Weighting   | Factor     | Highlights   |
|--------------------------------------|---|---------------|----------------|-------------|------------|--|
| <b>1. Safety and asset integrity</b> | Various targets                                     | Not met       | 0.0            | 20%         | 0.0        | Set at zero to recognize an employee fatality.   |
| <b>2. Financial results</b>          | \$4.11 in Comparable EPS                            | \$4.27        | 1.5            | 20%         | 0.3        | Achieved record financial results.   |
| <b>3. Optimize existing assets</b>   | \$150 million of incremental annual long-term value | Met           | 1.0            | 20%         | 0.2        | Secured new long term contracts in many of our business units and implemented sustainable cost-saving measures.  |
| <b>4. Project execution</b>          | Cost and schedule targets                           | Partially Met | 0.9            | 20%         | 0.2        | Most of the \$2.3 billion of assets placed in service in the year were on-time and on-budget. Some delays were experienced on the Coastal GasLink Pipeline Project and the Tula and Villa de Reyes projects in Mexico. |
| <b>5. Grow asset base</b>            | \$3.5 billion in new projects                       | Exceeded      | 2.0            | 20%         | 0.4        | Commercially secured \$5.3 billion of new energy infrastructure projects including significant modernization and upgrade projects.   |
| <b>Overall corporate factor</b>      |   |               |                | <b>100%</b> | <b>1.1</b> |  |

### Notes

- *Comparable EPS* is calculated by adjusting Net income per share for specific items, such as unrealized gains/losses, which are believed to be significant but not reflective of TC Energy's underlying operations in the period. The committee evaluated all adjustments to 2021 EPS and concluded that it is appropriate to exclude them in evaluating performance against the scorecard target. We calculate *Comparable EPS* based on the weighted average number of our common shares outstanding (973 million in 2021).
- *Comparable EPS* is a non-GAAP measure and does not have any standardized meaning under U.S. GAAP and therefore it may not be comparable to similar measures presented by other entities. The most directly comparable U.S. GAAP measure to *Comparable EPS* is Net income per common share. Refer to the *About this document – Non-GAAP measures* section of the MD&A for more information about the non-GAAP measures we use and a reconciliation to their U.S. GAAP equivalents, which section of the MD&A is incorporated by reference herein. The specific reconciliation for *Comparable earnings per share* can be found on page 22 in our 2021 MD&A.

## TC Energy Corporation, 2022 Proxy Circular, page 135

### 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, adjustments to enacted tax rates and valuation allowances
- 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. We also exclude the unrealized foreign exchange gains and losses on the Loan receivable from affiliate as well as the corresponding proportionate share of Sur de Texas foreign exchange gains and losses, as these amounts do not accurately reflect the gains and losses that will be realized at settlement. These amounts offset within each reporting period, resulting in no impact on net income. [...]

### **Comparable earnings and comparable earnings per share**

Comparable earnings represents earnings or losses attributable to common shareholders on a consolidated basis, adjusted for specific items. Comparable earnings is comprised of segmented earnings, Interest expense, AFUDC, Interest income and other, Income tax expense, Non-controlling interests and Preferred share dividends, adjusted for specific items. See the 2021 Annual report for a reconciliation to net income attributable to common shares and net income per common share.

## 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 provides reference to a reconciliation of comparable EPS to the most equivalent GAAP measure in the MD&A.

The following excerpt from Emera provides an example of additional information that should be disclosed when non-GAAP financial metrics are used to make compensation decisions.

### Emera Incorporated, 2022 Proxy Circular, page 72

#### 2021 Short-term Incentive Results

[...] The compensation cash flow and compensation net income figures that are shown in the Emera corporate scorecard are adjusted for incentive purposes from the Company's reported figures. The Company considers the following general principles when determining whether it should adjust financial results for incentive plan purposes:

- The Company adjusts the reported figures for specific items the Company believes are significant, but not reflective of underlying operations in the period.
- Incentive compensation should be directly linked to the performance of the core business and delivering on the plan of record. Meaningful accounting gains or losses are generally the result of strategically or financially driven transactions in which there has been direct involvement and support of the Board; therefore, the impacts of the transactions should typically be excluded from incentive compensation, except as noted below. The Company does not want its strategically or financially driven decisions to be influenced by compensation impacts.
- The Company should, however, consider including all or some portion of the gain (positive impact) or loss (negative impact) if such gain or loss appropriately reflects the value creation or value destruction and overall performance of management in the decision or execution of the transaction leading to such gain or loss.
- Perfect alignment of performance and compensation can be elusive from year to year. Therefore, the Board reserves the right to adjust incentive payouts in either direction to satisfy itself that there is close alignment between performance and compensation.

The table below shows the reconciliation between the reported and adjusted figures used in the Emera corporate scorecard:



|   |              |
|---|--------------|
| Compensation cash flow reconciliation (in millions \$)                      | 2021         |
| <b>Reported operating cash flow</b>   | <b>1,185</b> |
| Add: Adjustment to translate USD earnings to budgeted foreign exchange rate | 44           |
| Add: Adjustment for extraordinary fuel costs related to Winter Storm Uri    | 124          |
| <b>Compensation cash flow</b>   | <b>1,353</b> |
| Compensation net income reconciliation (in millions \$)                     | 2021         |
| <b>Reported net income attributable to common shareholders</b>              | <b>510</b>   |
| Add: After-tax mark-to-market loss <sup>(1)</sup>                           | 213          |
| Add: Adjustment to translate USD earnings to budgeted foreign exchange rate | 29           |
| <b>Compensation net income</b>  | <b>752</b>   |
| (1) Net of income tax recovery of \$86 million.                             |              |

### 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.

In addition to acknowledging that the board reviews proposed adjustments, the Emera circular provides a description of the principles that are applied by the company to ensure that adjustments made to financial measures for purposes of determining compensation are appropriate.

### 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, 2022 Proxy Circular, page 69

##### Look back analysis

The table below gives a "look back" view of compensation for Mr. Vaasjo since 2014 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 2014 to 2021, Mr. Vaasjo has realized 75% more than the expected value of the compensation that the Committee awarded him (awarded compensation) while the shareholder's investment has increased by 107% demonstrating a positive relationship on behalf of the shareholder.



|                                       | Targeted compensation <sup>(1)</sup> | Awarded compensation <sup>(2)</sup> | Actual compensation value as of December 31, 2021 <sup>(3)</sup> | Value of \$100         |                             |                            |
|---------------------------------------|--------------------------------------|-------------------------------------|--|------------------------|-----------------------------|----------------------------|
|                                       |                                      |                                     |  | Period                 | Brian Vaasjo <sup>(4)</sup> | Shareholder <sup>(5)</sup> |
| 2014                                  | \$2,589,370                          | \$2,643,606                         | \$3,988,377  | 2014JAN01 to 2021DEC31 | \$151                       | \$304                      |
| 2015                                  | \$2,449,511                          | \$2,558,959                         | \$3,664,378  | 2015JAN01 to 2021DEC31 | \$143                       | \$237                      |
| 2016                                  | \$2,480,957                          | \$2,654,631                         | \$8,755,066  | 2016JAN01 to 2021DEC31 | \$330                       | \$326                      |
| 2017                                  | \$2,521,693                          | \$2,598,416                         | \$5,259,498  | 2017JAN01 to 2021DEC31 | \$202                       | \$231                      |
| 2018                                  | \$2,676,254                          | \$3,036,978                         | \$5,959,645  | 2018JAN01 to 2021DEC31 | \$196                       | \$206                      |
| 2019                                  | \$2,692,107                          | \$3,040,325                         | \$4,152,851  | 2019JAN01 to 2021DEC31 | \$137                       | \$177                      |
| 2020                                  | \$3,032,329                          | \$3,339,988                         | \$4,381,411  | 2020JAN01 to 2021DEC31 | \$131                       | \$129                      |
| 2021                                  | \$3,579,719                          | \$3,984,199                         | \$5,623,925  | 2021JAN01 to 2021DEC31 | \$141                       | \$119                      |
| <b>Weighted average<sup>(6)</sup></b> |                                      |                                     |  |                        | <b>\$175</b>                | <b>\$207</b>               |

**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, 2021 of \$ 39.46 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.

## 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?
- Beyond direct common 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?
- What are each NEO's current shareholdings, including the makeup of these holdings between common shares and other forms of equity awards, relative to the required holdings level?

## TELUS Corporation, 2022 Proxy Circular, pages 106-107

### Share ownership requirement

Our executive share ownership requirement has been in effect 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 TELUS shares based on targets that vary by position. This is a more rigorous requirement than typical market practice, as we do not include the value of any outstanding options, EPSUs or RSUs when determining whether the ownership requirement has been achieved. In our view, an executive purchasing shares with their own funds more clearly demonstrates their commitment to TELUS and our future success.

#### Share ownership guidelines (excluding options, EPSUs, and RSUs)

|     |  |
|-----|--|
| CEO | 7x annual base salary, to be attained within five years of hire or promotion |
| ELT | 3x annual base salary, to be attained within five years of hire or promotion |

We require executives who have not met their share ownership requirement to take 50 per cent of net vested equity awards (after taxes) in shares instead of cash, unless that executive is pursuing other means of meeting the requirement.

In addition, an executive must continue to hold a number of shares equal to the 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, but excluding options) held by each NEO ending December 31, 2021. It also summarizes total shareholdings as a multiple of the individual's annualized year-end base salary, relative to share ownership guidelines.

## 2022 BEST PRACTICES FOR PROXY CIRCULAR DISCLOSURE

| Name             | Base salary at year-end (\$) | Total shares | Value of shares <sup>1</sup> (\$) | Value of shareholdings as a multiple of base salary <sup>2</sup> | Total EPSUs/RSUs | Value of EPSUs/RSUs <sup>1</sup> (\$) | Total equity (shares/EPSUs/RSUs) | Value of total equity <sup>1</sup> (\$) | Value of total equity as a multiple of base salary |
|------------------|------------------------------|--------------|-----------------------------------|--|------------------|---------------------------------------|----------------------------------|---|--|
| Darren Entwistle | 1,600,000                    | 392,199      | 11,683,608                        | 7.3  | 873,520          | 26,022,161                            | 1,265,719                        | 37,705,769                              | 23.6   |
| Doug French      | 700,000                      | 101,246      | 3,016,108                         | 4.3  | 225,187          | 6,708,321                             | 326,433                          | 9,724,428                               | 13.9   |
| Tony Geheran     | 700,000                      | 106,626      | 3,176,390                         | 4.5  | 224,881          | 6,699,205                             | 331,507                          | 9,875,595                               | 14.1   |
| Eros Spadotto    | 700,000                      | 166,810      | 4,969,276                         | 7.1  | 175,456          | 5,226,834                             | 342,266                          | 10,196,111                              | 14.6   |
| François Gratton | 700,000                      | 147,392      | 4,390,801                         | 6.3  | 185,828          | 5,535,816                             | 333,220                          | 9,926,617                               | 14.2   |

1 TELUS' TSX closing share price on December 31, 2021 was \$29.79.

2 Excludes EPSUs and RSUs, per TELUS' requirements.

### 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, particularly if they are to be settled in cash as opposed to shares.

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, 2022 Proxy Circular, page 52

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

| Required Multiple | Actual Share Ownership at December 31, 2021 |                            |                         |                      | Multiple of Base Salary             |                 |
|-------------------|---|----------------------------|-------------------------|----------------------|-------------------------------------|-----------------|
|                   | Share Units                                 |                            |                         | Total Ownership (\$) | Directly Held & Vested Compensation | Total Ownership |
|                   | Directly Held (\$)                          | Vested (\$) <sup>(9)</sup> | Subject to Vesting (\$) |                      |                                     |                 |
| 10                | 84,968,037                                  | 30,352,253                 | 21,221,859              | 136,542,149          | 79.53                               | 94.17           |

(9) The value of Mr. Masrani's vested share units includes a combination of DSUs and VSUs. The value of VSUs included is \$11,765,217.

## 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 is a change of control defined and are vesting provisions upon a change of control 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?

### Stantec Inc., 2022 Proxy Circular, pages 65-66

#### Benefits on Termination and Change of Control

The following table summarizes the payments due to each NEO upon termination of employment or upon a change of control followed by a termination of employment without cause or a resignation by the executive for good reason.



# 2022 BEST PRACTICES

## FOR PROXY CIRCULAR DISCLOSURE

| Name  | Resignation   | Termination without Cause   | Change of Control and "Double Trigger" Conditions Fulfilled <sup>(1)</sup>  | Retirement <sup>(2)</sup>  |
|---|---|---|---|--|
| Short-Term Incentive                                  | None  | None other than what may be calculated in the severance payment (described below)   | None other than what may be calculated in the severance payment (described below)   | None   |
| Vested Stock Options                                  | Must be exercised within 90 days of resignation date; options remaining unexercised after that date are cancelled | Must be exercised within 90 days of termination date; options remaining unexercised after that date are cancelled   | Must be exercised within 90 days of termination date; options remaining unexercised after that date are cancelled   | Remain outstanding and exercisable in accordance with the original life of the option  |
| Unvested Stock Options                                | Cancelled   | Cancelled   | All options immediately vest and must be exercised within 90 days of termination date; options remaining unexercised after that date are cancelled  | Remain outstanding and vest in accordance with their original vesting schedule   |
| Restricted Share Units (RSUs)                         | Cancelled   | Cancelled   | All RSUs immediately vest and are paid out within two and one-half (2 ½) months following the termination date  | Remain outstanding and vest in accordance with their original vesting schedule   |
| Performance Share Units (PSUs)                        | Cancelled   | Cancelled   | All PSUs vest based on the actual performance of the Company between the grant date and termination date; paid out within 60 days of termination date   | Remain outstanding, vest and pay out in accordance with the performance objectives actually achieved during the life of the unit on the settlement date originally scheduled |
| Other Benefits, including the Group RRSP and the ESPP | None other than payout of vested benefits   | None other than payout of vested benefits   | None other than payout of vested benefits   | None other than payout of vested benefits  |
| Severance Payment                                     | None  | Unpaid salary earned to the termination date, together with a payment equal to <ul style="list-style-type: none"> <li>• Two times (2x) the annual base salary existing as at the termination date, plus</li> <li>• Two times (2x) the CEO's Historical STI Amount<sup>(3)</sup></li> </ul> in the case of the CEO. For all other NEOs, the payment is <ul style="list-style-type: none"> <li>• One times (1x) the annual base salary existing as at the termination date, plus</li> <li>• One times (1x) the NEO's Historical STI Amount</li> </ul> | Unpaid salary earned to the termination date, together with a payment equal to <ul style="list-style-type: none"> <li>• Two times (2x) the annual base salary existing as at the termination date, plus</li> <li>• Two times (2x) the CEO's Historical STI Amount<sup>(3)</sup></li> </ul> in the case of the CEO. For all other NEOs, the payment is <ul style="list-style-type: none"> <li>• One times (1x) the annual base salary existing as at the termination date, plus</li> <li>• One times (1x) the NEO's Historical STI Amount</li> </ul> | None   |

- (1) The “double trigger” provisions are fulfilled if a change of control occurs and within 12 months following the change of control, (a) the executive’s employment is terminated without cause or (b) the executive terminates his or her employment with good reason. For the purpose of each executive’s employment agreement, a change of control would occur when (a) a person acquires more than 50% of Stantec’s common shares, (b) the nominees of a person holding at least 30% of Stantec’s common shares are elected as directors and comprise a majority of Stantec’s board, or (c) all or substantially all of Stantec’s assets are sold to a third party. For the purpose of each executive’s employment agreement, “good reason” means the executive’s salary, authority, duties, or responsibility is materially diminished or a material change is made to the geographic location where the executive must perform his or her services.
- (2) Retirement means a termination of employment after attaining age 60 with at least 10 years of service with the Company, if mutually agreed by the executive and the Company.
- (3) For the purpose of each executive’s employment agreement, “Historical STI Amount” means the average amount of the last three short-term incentive cash payments paid to the executive. In the case of Ms. Schefer, the “Historical STI Amount” means the greater of: (a) the average amount of the last three short-term incentive cash payments paid to her, and (b) her current STI Target (being 70% of base salary).

### Termination Payment Calculation

The following table presents the incremental payments we would have to make to each NEO if a triggering event— a termination without cause or a change of control payment trigger—occurred on the last business day of Stantec’s most recently completed fiscal year, in this case, 2021:

| Name          | Termination Payout on a Without-Cause Termination (\$) | Termination Payout on a Change in Control (\$) |
|---------------|--|--|
| Gord Johnston | 4,023,032  | 4,023,032                                      |
| Theresa Jang  | 1,066,076  | 1,066,076                                      |
| Stu Lerner    | 832,714  | 832,714  |
| Cath Schefer  | 953,523  | 953,523  |
| Steve Fleck   | 874,642  | 874,642  |

(1) On a termination without cause or a termination following a change of control (assuming double-trigger conditions are satisfied), all unvested long-term incentives (RSUs and PSUs) are forfeited. The amounts in the table above reflect the severance payment required in the event of a termination without cause or change of control with a double-trigger event.

## Discussion

Stantec’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., 2022 Proxy Circular, page 78

### **Savings Plan**

The purpose of the Savings Plan is to encourage ownership in Vermilion. Shares acquired with the employer contribution within the Savings Plan are restricted from sale for a one-year period from the contribution date. We do not have a pension plan for any Canadian-based employees, nor do we offer any deferred benefits.

Eligible employees, including executives, can contribute up to 7% of their base earnings under our Savings Plan through regular payroll deductions. Vermilion matches the employee's contributions at 1.5 times to a maximum of 10.5%. In 2021, a total of 482,129 shares were issued at prices per share between \$6.26 and \$10.96.

### **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 90.

## Pembina Pipeline Corporation, 2022 Proxy Circular, pages 94-95

### **Defined contribution plan**

Employees are not allowed to contribute to the defined contribution plan, and employees choose how they want to invest the money. We contribute to the defined contribution plan for employees not otherwise eligible for the defined benefit plan as follows:

- 5% of the employee's base earnings semi-monthly for employees with less than 40 points; and
- 10% of the employee's base earnings semi-monthly for employees greater than 40 points.

### **Defined benefit plan**

Employees are not allowed to contribute to the defined benefit plan. The basic benefit is 1.4% of the employee's highest three-year average base salary in the final 120 months of employment multiplied by the employee's defined benefit pensionable service. If the employee retires early, the pension benefit is reduced by 0.25% for each month before the employee turns 62.

### Supplementary retirement plan

Eligible 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). [...]

### 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.

|                            | Years of credited service | Annual benefits Payable <sup>3</sup> (\$) |           | Present value of defined benefit obligation as at December 31, 2021 (\$) | Compensatory change <sup>4</sup> (\$) | Non-compensatory change <sup>5</sup> (\$) | Present value of defined benefit obligation as at December 31, 2021 (\$) |
|----------------------------|---------------------------|---|-----------|--|---------------------------------------|---|--|
|                            |                           | At year end                               | At age 65 |  |                                       |   |  |
| Scott Burrows <sup>1</sup> | 7.00000                   | 58,849                                    | 280,636   | 1,036,166  | 271,411                               | 135,529                                   | 1,172,048  |

## 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, 2022 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. [...]

The purpose of the Say-on-Pay Resolution is to provide appropriate trustee accountability to unitholders of First Capital REIT for the Board’s compensation decisions by giving unitholders a formal opportunity to provide their views on the disclosed objectives of the executive compensation plans, and on the plans themselves, for the past, current and future fiscal years. 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 80% 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.

### Discussion

Offering shareholders a ‘Say on Pay’ vote is a meaningful 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 80% 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, 2022 Proxy Circular, page 64

#### Role of the Independent Compensation Consultant

Since 2019, the HRCC has engaged Meridian Compensation Partners (Meridian) as its independent advisor for research and analysis on executive compensation matters for

Precision. 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 HRCC and management regularly assess the independence of the compensation consultant, and in 2021 confirmed that Meridian's work has not raised any conflict of interest.

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

| Year Ended as of December 31                     |    | 2020    | 2021       |
|--|----|---------|------------|
| Executive compensation-related fees (HRCC)       | \$ | 108,026 | \$ 108,769 |
| All other fees (pension and benefits consulting) | \$ | —       | \$ —       |
| Total fees                                       | \$ | 108,026 | \$ 108,769 |

### Precision Drilling Corporation, 2022 Proxy Circular, page 65-66

#### Benchmarking

We benchmark executive compensation with the aim to attract, engage and retain global talent and remain competitive in markets where we operate. The HRCC works with Meridian 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 and total direct compensation at or slightly below the median (50th percentile) of our Compensation Peer Group.

#### Compensation Peer Group

Our Compensation Peer Group, which includes contract drilling, well servicing, and offshore drilling companies, have been carefully selected based on their comparability to Precision – comparable business lines and similarity 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 2021, 55% of our revenue was from our U.S. and International operations, and 45% was from our operations in Canada. In 2022, the majority of our capital expenditures are expected to be focused on U.S. and

International operations. Our leadership team is centralized in Houston, Texas and we compensate them in U.S. dollars. With assistance from Meridian, we review the companies included in our Compensation Peer Group annually and include both 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 relevant information from other companies in the energy services sector that have revenue of a similar size, as well as similar operational makeup, 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.

### 2021 Compensation Peer Group

We benchmarked compensation levels for 2021 against the following 15 companies.

- Calfrac Well Services Ltd.
- CES Energy Solutions Corp.
- Ensign Energy Services, Inc.
- Forum Energy Technologies, Inc.
- Helmerich & Payne, Inc.
- Liberty Oilfield Services, Inc.
- Nabors Industries Ltd.
- NexTier Oilfield Solutions, Inc.
- Oil States International, Inc.
- Patterson-UTI Energy, Inc.
- RPC, Inc.
- Secure Energy Services, Inc.
- Shawcor Ltd.
- TETRA Technologies, Inc.
- Transocean Ltd.



### iA Financial Corporation, 2022 Proxy Circular, page 84

#### Where do we stand in relation to our comparison group?

The graph below shows our rank relative to our comparison group. We compare our total assets, market capitalization and total earnings with those of the comparator group based on the most recent data. The graph below illustrates the relevance of using this group for compensation comparison purposes.



#### 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.

iA Financial provides an analysis regarding the company's positioning relative to peers included in the company's compensation comparison group.