

**BOARD ENGAGEMENT  
PROGRAM:**  
**Annual Report on 2024  
Engagement Season**

JANUARY 2025

# ANNUAL REPORT ON 2024 ENGAGEMENT SEASON

JANUARY 2025

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## CHIEF EXECUTIVE OFFICER'S NOTE

CCGG's engagement program focusses on the board's role in overseeing material corporate governance and sustainability matters on behalf of shareholders. We approach individual engagements from this perspective. By focusing on engaging with independent board members we seek to communicate and amplify to directors the importance institutional investors place on the adoption of good governance practices as well as on disclosure that is clear and decision-useful.

Our engagement approach directly supports our Member organizations in the discharge of their stewardship responsibilities. In addition to collaboration with other institutional investors, good investor stewardship also requires engaging with companies at the appropriate level given the issue to be discussed. Board engagements are the appropriate forum to discuss a company's governance practices, including shareholder rights, board composition, executive compensation, and board oversight of corporate strategy & material business risks.

Thank you for your interest in CCGG's engagement program.

Sincerely,

Catherine McCall  
Chief Executive Officer

## REPORT INTRODUCTION FROM THE DIRECTOR OF BOARD ENGAGEMENT

Since 2009, CCGG has engaged directly with the boards of public companies in Canada on behalf of its institutional investor Members. Over the years, CCGG has established and maintained direct dialogue with the boards of the vast majority of companies included in the S&P/TSX Composite Index, emphasising the governance and disclosure expectations and priorities of investors.

It is my pleasure to present to you our annual report on CCGG's board engagement program. This document is broken down into three sections that collectively address: (I) the objectives of our engagement program, (II) topics discussed and recommendations made during our recently concluded 2024 engagement season, and (III) our assessment of the ongoing impact of CCGG's engagement program.

### Focus of engagement dialogue

Fundamental governance considerations, such as board composition and succession, board governance policies, scope and substance of board risk and strategy oversight, and related disclosure have always been an important part of CCGG's engagement discussions. In 2024, we continued the focus on the structural elements of executive compensation programs, including performance measures driving compensation outcomes. Executive share ownership and share ownership requirements were also an important focus.

Since issuing the E&S Guidebook in 2018, CCGG has continued to integrate and expand discussions on the material environmental and social ("sustainability") risks facing companies and how the board is providing effective oversight in these areas. In 2024, climate-related transition risks were an ongoing focus area for us. We continue to encourage companies we meet with to provide investors sufficient disclosure to assess: (I) the company's exposure to climate-related transition risks, and (II) where relevant, a company's strategy to address transition risks. You can learn more about the range of topics discussed during our 2024 engagement season by reviewing pages 8 to 10 of this report.

### Impact

CCGG's engagement and ongoing dialogue with public boards includes recommendations for improvements in policy, practice, and corporate disclosure. Beginning in 2018, CCGG established a process for assessing, on an annual basis, the extent to which boards have adopted the recommendations provided. The process involves reviewing the company's subsequent disclosures (primarily, the Management Information Circular) for any changes in the recommended areas. This review is done on a "lagged" basis (i.e., 18 to 24 months following the meeting), in order to allow boards time to consider and potentially implement changes. I am pleased to advise that our annual assessments have typically shown that approximately 75% of the boards we engage with end up adopting at least one of CCGG's suggested changes to their policies, practices, or disclosure within two years of meeting with CCGG.

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CCGG's most recent impact assessment indicated that approximately 60% of the boards with whom CCGG engaged in 2022 made at least one material positive change to their policies, practices, or disclosure by 2024. It is noteworthy that, we observed significant improvements in sustainability disclosure, with almost 80% of the companies engaged with on this issue in 2022 either: (I) issuing an inaugural sustainability report aligned with investor recommended reporting frameworks or standards (TCFD and/or SASB), or (II) significantly improving their disclosure to better align with one or more investor recommended reporting frameworks or standards by 2024. Please refer to page 13 for additional details on the historical impact of CCGG's engagement program.

Thank you for your interest in CCGG's engagement program. I invite any questions or feedback you may have on this report. You are welcome to contact me or any member of my team.

Sincerely,

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## PURPOSE, OBJECTIVES AND PROCESS

CCGG's Members are Canadian institutional investors who collectively manage approximately \$5.5 trillion in assets on behalf of pension funds, mutual fund unit holders and other institutional and individual investors.

Each year, CCGG meets with the boards of approximately 30 of Canada's leading public companies. The discussion is focused on governance matters that are of primary importance to investors. Our board engagement meetings provide a private forum for dialogue and exchange of views between independent directors and institutional investors on publicly available information. The meetings also provide an efficient means for boards to communicate with many of the company's largest shareholders. These meetings have proven to be mutually beneficial and provide corporate directors an opportunity to communicate their views on important governance matters to current and prospective investors.

CCGG considers various factors in identifying candidates for engagement, including:

- The company's prior meeting history with CCGG,
- CCGG Member common share ownership in the company,
- The company's market capitalization, and
- Input provided by the CCGG Board of Directors and Member organizations.

Prior to each engagement meeting, CCGG staff complete a comprehensive review of the engagement candidate's public filings, including the latest proxy circular and other relevant documents such as annual information forms and sustainability reports, and any other recent developments at the company. In advance of each meeting CCGG attendees prepare a list of potential topics to raise with the company. Discussion topics are unique to each company's situation and usually serve one or more of the following objectives:

- Gather information and perspectives from board members which, in turn, provide CCGG Members with a better understanding of a company's governance practices and informs their voting or investment decisions;
- Encourage boards to alter their governance practices to better align with shareholder expectations;
- Encourage boards to enhance disclosure in one or more key areas; and/or
- Provide an informed perspective on governance best practice and investor topics of interest.

While topics are tailored to each company, the agenda of our meetings is limited to matters that are within a board's purview, such as:

- Executive compensation,
- Board composition, skills, and succession planning,
- Talent management and succession planning,
- Board oversight of business strategy or material business risks, and
- Director-shareholder engagement.

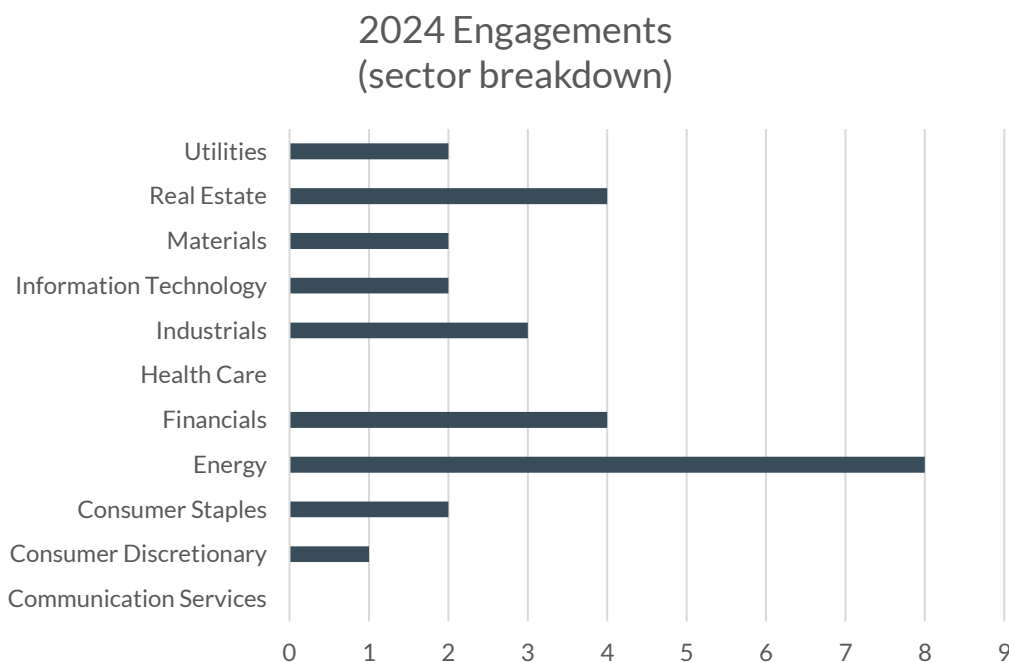
Following each engagement meeting, CCGG staff prepare a written summary of the meeting for our Members. Meeting summaries are provided to the company's board for internal use and are shared exclusively with CCGG's Members on a confidential basis. In all cases, the company's board has an opportunity to comment on a draft summary for accuracy before it is made available to CCGG Members.

## 2024 ENGAGEMENTS

In 2024, CCGG completed 28 meetings with the boards of 28 different TSX-listed issuers. Out of these 28 meetings, 3 represented CCGG's first meeting with the company's board.

### Sector and market capitalization breakdown

The 28 TSX-listed issuers we engaged with in 2024 represented nine of the eleven sectors that make up the TSX Composite Index. The group of 28 had a median market capitalization equal to approximately \$7.5 billion.



## Topics discussed

In 2024, we engaged on 209 topics with the above 28 public companies. These 209 topics may be broadly classified under the following five themes. For a more detailed breakdown please refer to Appendix A.



## Executive compensation

In 2024, discussions on executive compensation represented over 30% of all topics covered at our meetings. The following three topics collectively made up almost 85% of all executive compensation and related topics we covered with the above 28 companies in 2024:

- **Executive share ownership:** Executive officers, particularly the CEO and other members of the C-suite, should hold a meaningful common share interest in the companies they manage. In our view, one of the best ways to reduce governance risk is by aligning the economic interest of managers running a business to that of shareholders. While investors may, at times, disagree on the best performance metrics to include in compensation schemes, the vast majority expect senior officers to build significant common share ownership during their tenure at the company. Where executive officer share ownership was low relative to an officer's total compensation or relative to an officer's tenure at the company, we asked boards to promote share ownership by implementing one or more recommendations set out in CCGG's [position paper](#) on effective management share ownership policies.

- **Compensation structure:** Executive compensation is often granted in the form of long-term, equity-linked or share-based instruments such as stock options, performance share units (PSUs) and restricted share units (RSUs). CCGG Members generally prefer the inclusion of full-value awards such as RSUs and PSUs within compensation structures over stock options. In 2024, in cases where stock options were a major component of compensation and where the company operated in an industry in which share prices are frequently and significantly impacted by factors beyond management's control (e.g., commodity prices), we asked boards to explain their rationale for emphasizing stock options within the compensation structure. We also inquired how boards limit stock option awards (particularly during depressions in commodity or business cycles) to manage shareholder dilution and avoid the risk of unduly excessive compensation being awarded to management teams based on factors beyond their control. To the extent possible, compensation should be structured to reward management skill as opposed to luck.
- **Performance measures used and target-setting:** CCGG does not typically recommend specific performance metrics to be used within a company's compensation structure. We do, however, encourage boards to link compensation outcomes to performance measures that are within management's control or influence, and which incentivize long-term value creation. No compensation metric or measure is perfect; therefore, we expect boards to regularly review the most significant performance measures driving compensation outcomes and consider whether these measures are driving the right behaviours. Where relevant, in 2024, we also discussed with boards their target setting process for key performance metrics driving compensation outcomes.

## Board composition, skills, and succession planning

In 2024, discussions on board composition, skills and succession planning represented almost 25% of all topics covered at our meetings.

- **Director skills and experiences:** One of the key skillsets we look for on a board is industry-specific expertise among independent board members. When a board's collective skillset did not appear to match the needs of the business, we asked boards to discuss how they plan to address this gap over time. Where relevant, we encouraged boards to utilize a more focussed director skills matrix which limits each director to check off his or her top four or five skills or one that differentiates between directors who are subject matter experts in each area versus those who are not.

## Material business risks or corporate strategy

In 2024, approximately 25% of the topics we engaged on dealt with board oversight of material business risks or board oversight of corporate strategy. While we continue to ask boards to discuss their process to oversee the most material risks facing the business or the board's contribution in setting business strategy, in 2024 almost 50% of our discussions on business risks and on corporate strategy dealt with how boards are overseeing climate-related risks and, where relevant, the company's strategy to address these risks.

- **Climate-related risks and strategy:** Prior to each meeting, we assess whether a company is providing sufficient disclosure for investors to: (I) assess a company's exposure to climate-related transition risks,

and (II) where relevant, assess a company's strategy to address transition risks. In 2024, where disclosure was limited and where a company's business was materially exposed to climate-related transition risks, we discussed the company's strategy to mitigate these risks or adapt to a low carbon economy.

## Talent management and succession planning

In 2024, approximately 20% of all topics covered during our engagements related to talent management, succession planning and other related items.

- **Management diversity:** Management diversity was a topic of conversation when we felt senior management teams were not sufficiently diverse and where proxy circulars provided limited information on the company's diversity objectives or the role and involvement of the board in monitoring and encouraging improvements in diversity. Gender diversity has been on our agenda for some time, and in 2024 we continued to put a spotlight on gender diversity within a company's pipeline for key management roles, such as for the CEO position or for heads of key business divisions. While gender diversity within senior management overall continues to improve at most companies we engage with, we believe more work needs to be done to improve gender diversity within key roles.
- **Management succession planning:** When disclosure on the board's oversight of talent development or maintenance of succession plans for key positions within the company was limited, or when we felt a board had not appropriately managed executive succession in the past, we asked boards to discuss their involvement in developing or overseeing the development of succession plans for key roles within the organization. Where warranted, we asked boards to improve proxy circular disclosure on management succession planning going forward.

## Director-shareholder engagement & shareholder feedback

Finally, through our engagement program we continue to encourage boards to directly engage with shareholders on a regular basis. When a significant proportion of shareholders oppose the election of a director or the approval of a management resolution, we inquire whether boards have taken steps to understand and potentially address shareholder concerns.

- **Shareholder meeting format:** Where relevant, we asked companies to transition from a virtual-only format to a meeting format that gives shareholders the option to attend the meeting in person. Our preference for a hybrid meeting – i.e., a meeting that enables both virtual and in-person attendance was communicated to boards of directors where a board had been pursuing a virtual-only meeting of shareholders. Our position on the format of shareholder meetings is available on our [website](#).

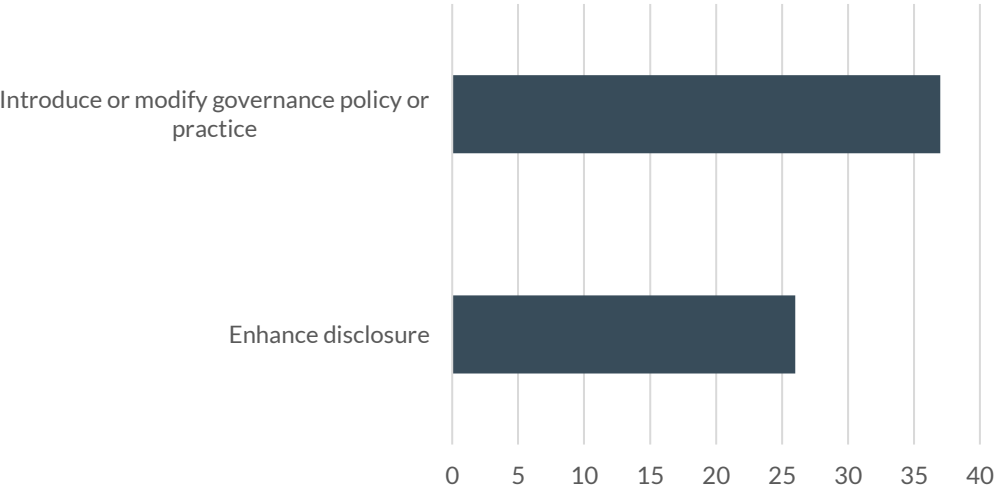
Recommendations

In 2024, we made 63 recommendations to either: (I) introduce or modify a governance policy or practice, or (II) enhance disclosure.

The vast majority (over 70%) of our recommendations to introduce or modify a policy or practice related to the modification of an executive compensation or related policy or practice.

A more detailed breakdown of recommendations made during the 2024 engagement season is provided in Appendix A.

2024 Engagements  
(recommendations)



## 2025 ENGAGEMENT PLAN

In 2025, we will continue to select engagement candidates primarily based on the following criteria:

- The company's prior meeting history with CCGG,
- CCGG Member common share ownership in the company,
- The company's market capitalization, and
- Input provided by the CCGG Board of Directors and Member organizations.

We will also continue to select engagement candidates from the TSX Composite Index and, to the extent possible, will try to include a company from every major sector within the Composite Index. We also anticipate meeting with companies across a range of market capitalizations.

We will continue to tailor our engagement meeting discussions to each company's governance practices and disclosure; however, we anticipate that the following six items will continue to represent a significant part of our meeting agendas:

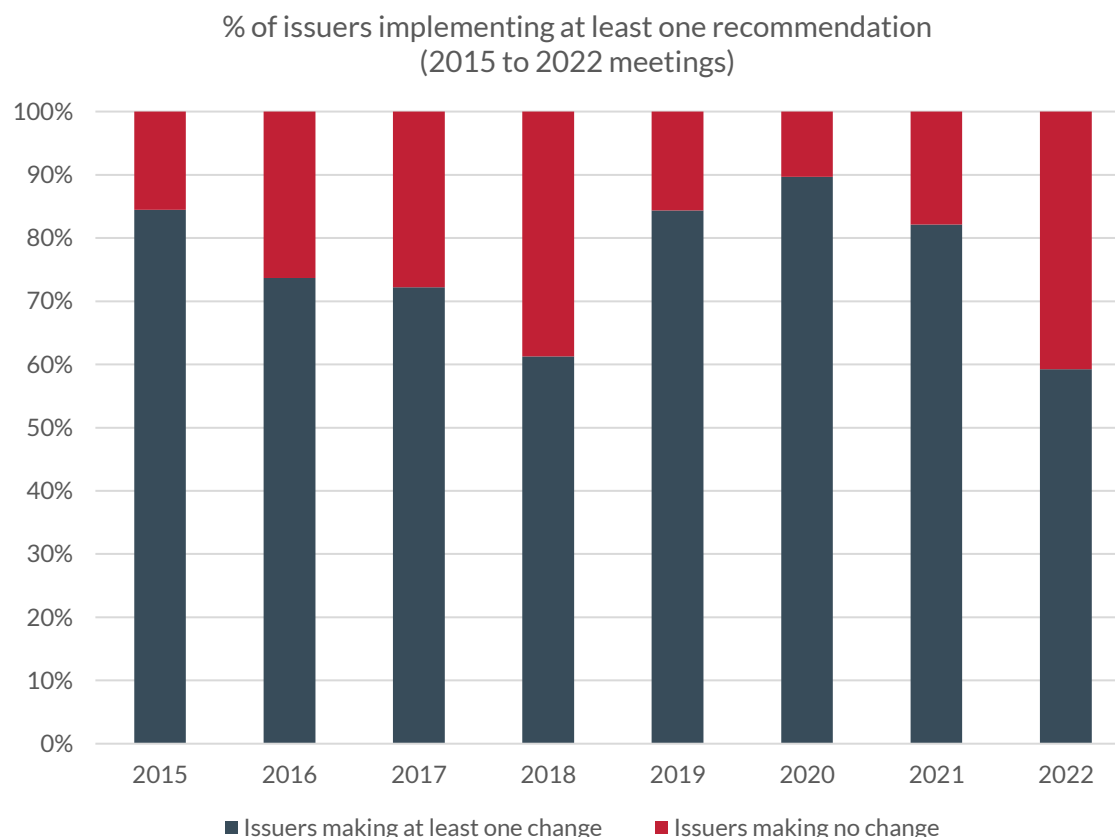
- Executive compensation and management share ownership,
- Board composition, skills, and succession planning,
- Talent management and succession planning,
- Board oversight of material business risks,
- Board oversight of business strategy, and
- Director-shareholder engagement & shareholder feedback.

We also anticipate that, where relevant, environmental issues, including climate-related topics, and social issues, including diversity, employee health & safety, local community relationship management, and cybersecurity, will continue to be a part of our conversations on board & management composition, risk oversight, corporate strategy, and executive compensation. Furthermore, where relevant, we will continue to encourage boards to enhance company disclosure to better align with one or more of SASB's industry-specific recommendations or TCFD recommendations as incorporated into global and domestic sustainability standards (e.g. International Sustainability Standards Boards S1 and S2 and the Canadian Sustainability Standards Board CSDS 1 and 2).

Additionally, we will continue to engage with companies to discuss the importance of providing shareholders an option to attend annual meetings in person.

## ENGAGEMENT OUTCOMES AND RESULTS

Since 2018, CCGG has undertaken an annual internal review of engagement meetings held in prior years to assess the impact CCGG has had on policies, practices, and disclosure of public companies with whom we engage. Our annual assessments have typically shown that approximately 75% of the boards we engage with end up making at least one material positive change to their policies, practices, or disclosure within two years of meeting with CCGG.



### 2024 assessment

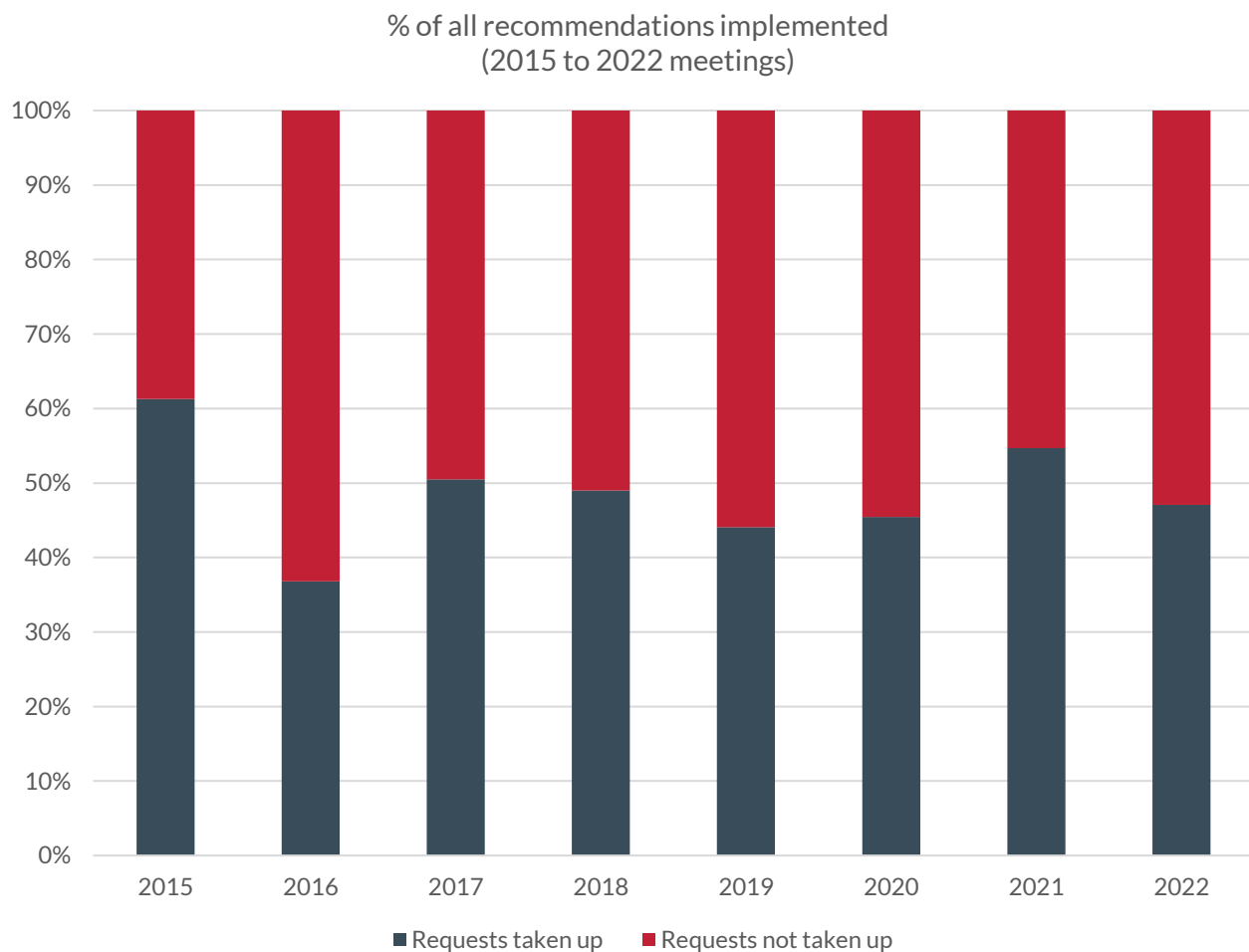
For each individual issuer with whom CCGG had engaged in 2022, the review process consisted of:

1. A review of the post-meeting summary report (available in the [Members' Area](#) of the CCGG website) to identify whether any specific recommendations were made in one of the following areas:
  - **Policy or practice introduction or amendment**, or
  - **Disclosure enhancement**.
2. A review of each issuer's management information circular or other public documents issued in 2024 to determine the extent to which CCGG's recommendations had subsequently been taken up by the issuer approximately two (2) years after the meeting took place.

## 2024 findings

CCGG met with the boards of 30 companies in 2022. Of the 30 companies with whom we engaged, data gathered from 27 meetings<sup>1</sup> was analyzed to assess CCGG's impact on company policies, practices, and disclosure.

We tracked a total of 68 specific recommendations that were communicated to 27 issuer boards. Based on our review of 2024 information circulars, 16 of the 27 issuers (about 60%) had made at least one material positive change to their policies, practices, or disclosure, and 32 out of 68 recommendations to either improve disclosure or to amend a policy or practice were taken up.



<sup>1</sup> One of the three companies that was excluded from our analysis is no longer publicly listed and at two of the three meetings no requests to improve disclosure or modify practice were made.

## APPENDIX A: 2024 ENGAGEMENT TOPICS AND RECOMMENDATIONS

Engagement topics (2024 engagements)	Number of occurrences
<b>Executive compensation &amp; related</b>	<b>64</b>
Executive share ownership	20
Performance measures used in compensation	14
Performance targets and compensation outcomes	13
Executive compensation structure	8
Director compensation	3
Peer group to benchmark pay	2
Say on Pay	2
Anti-hedging policy	1
Severance package	1
<b>Board composition, skills, and succession planning</b>	<b>49</b>
Board succession planning	21
Director skills and experiences	14
Board size and effectiveness	7
Director independence	3
Former CEO's retention on the board	3
Director assessments	1
<b>Business strategy and material business risks</b>	<b>47</b>
Strategy to address climate-related risks	20
Local community-related risks and opportunities	10
Board oversight of a material business risk	9
Board role/involvement in risk oversight	3
Employee health & safety	3
Board oversight of a material strategic issue	1
Oversight of dual class share structure and minority interests	1
<b>Talent management and succession planning</b>	<b>32</b>
Management succession planning	15
Management diversity (gender)	14
Employee retention/turnover	3
<b>Director-shareholder engagement and shareholder feedback</b>	<b>17</b>
Shareholder meeting format	11
Shareholder feedback through proxy voting	5
Say on Pay	1
<b>Grand Total</b>	<b>209</b>

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Recommendations (2024 engagements)	Number of occurrences
<b>Introduce or modify policy or practice</b>	<b>37</b>
Executive share ownership	20
Shareholder meeting format	10
Say on Pay	3
Executive compensation structure	2
Director compensation structure	1
Anti-hedging policy	1
<b>Enhance disclosure</b>	<b>26</b>
Executive share ownership	5
Compensation metrics, targets and results	5
Director skills and experiences	4
Risk oversight	3
Gender diversity (management)	2
Former CEO's retention on the board	1
Director assessments	1
Shareholder feedback and follow up	1
Classify guaranteed portion of PSUs as RSUs	1
TCFD or SASB aligned reporting	1
Use of non-GAAP measures in compensation	1
Anti-hedging policy	1
<b>Grand Total</b>	<b>63</b>