

Meridian Compensation Partners

Client Update

JUNE 2021



Interim Say on Pay Update

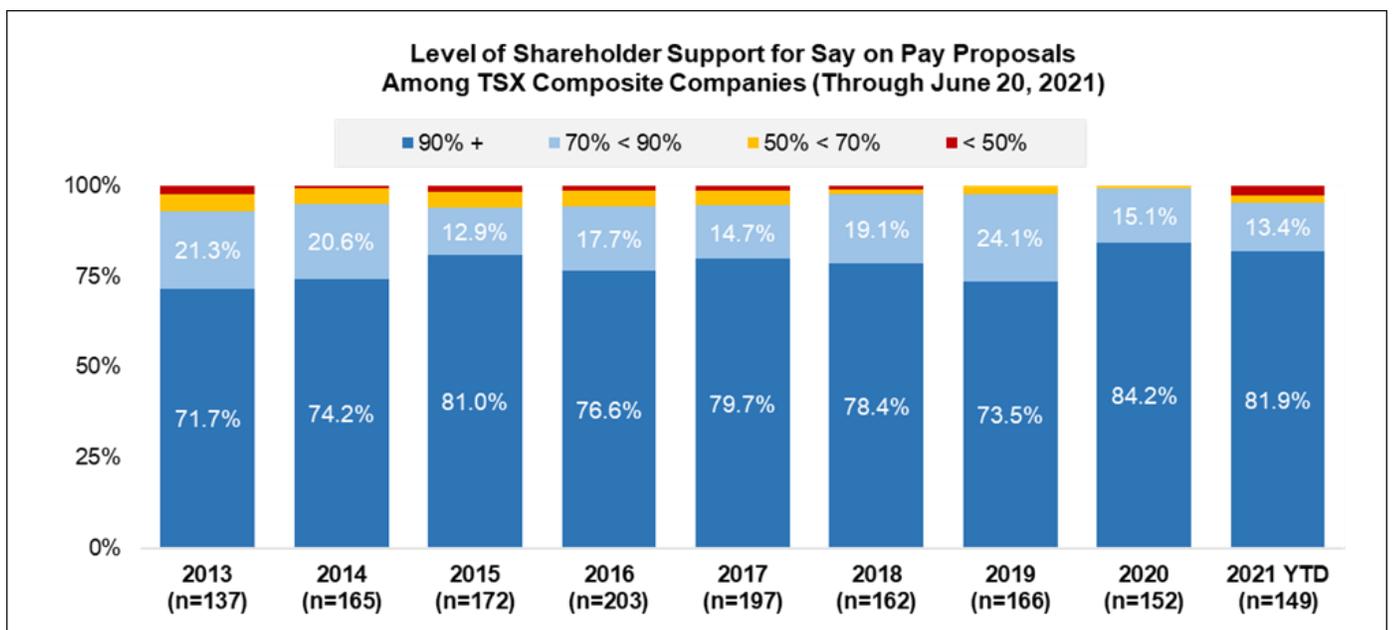
Part way through the 2021 annual meeting cycle, we are seeing some interesting trends related to Say on Pay vote outcomes and proxy advisor recommendations.

Say on Pay Vote Outcomes and ISS Vote Recommendations

We are seeing somewhat lower Say on Pay vote outcomes this year, possibly as a result of actions taken related to COVID-19 impacts on companies.

Based on 149 ballots held among S&P/TSX Composite companies (through June 20)¹:

- ISS has recommended “AGAINST” Say on Pay at 10 companies:
 - Six of these companies either passed Say on Pay or have not yet had their AGM—Bank of Nova Scotia (61%), Teck Resources (80%), Celestica Inc (87%), GFL Environmental (90%), Aurinia Pharmaceuticals (52%), Blackberry (pending)
 - Four of these companies failed Say on Pay—Vermilion Energy (42%), Gildan Activewear (41%), CI Financial (38%) and RioCan REIT (24%). These are the first failures among Composite companies since 2018
- Average level of support among Composite companies is ~92%
- The percentage of companies in the “yellow card” zone (50%-70% of votes in favour) or that failed Say on Pay, is slightly greater than in the past 3 years



¹ Proxy voting statistics are derived from the ISS Corporate Solutions Voting Analytics database.

Common Themes in Say on Pay Failures

The four companies that failed Say on Pay each received a negative Say on Pay vote recommendation from ISS. In addition:

- All four companies had a “pay for performance disconnect” under the ISS quantitative testing and three also made some form of special incentive award to a senior executive
- RioCan and Gildan adjusted short term incentive metrics and/or targets or paid a discretionary bonus
- RioCan and Vermillion had some form of CEO transition with significant severance or other compensation
- RioCan made adjustments to in-flight long term incentives

Common Themes in ISS Recommendations Against Say on Pay

Nine of the ten companies that received an ISS recommendation against Say on Pay companies had a “pay for performance disconnect” under the ISS quantitative testing. The only company that did not have a High concern on the quantitative pay for performance test was GFL Environmental.

Other factors that led to an ISS recommendation against Say on Pay included:

- Lack of performance-based long term incentives
- Inadequate disclosure of annual incentive plan targets
- Targets set lower than prior year’s actual results
- Guaranteed compensation
- CEO compensation increased significantly year over year, despite weak performance
- The company’s peer group was “aspirational”

Interestingly, these factors are ones we commonly see in cases when ISS recommends against Say on Pay—these are not new or COVID-19 based factors. In general, the vote recommendations were not driven by a single “egregious” pay practice; they tended to reflect the combination of a few factors taken together.

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