

TSX60

Trends and Insights from the 2023 Proxy Season: TSX60 Board
Governance & ESG

June 6, 2023

Introduction & Agenda



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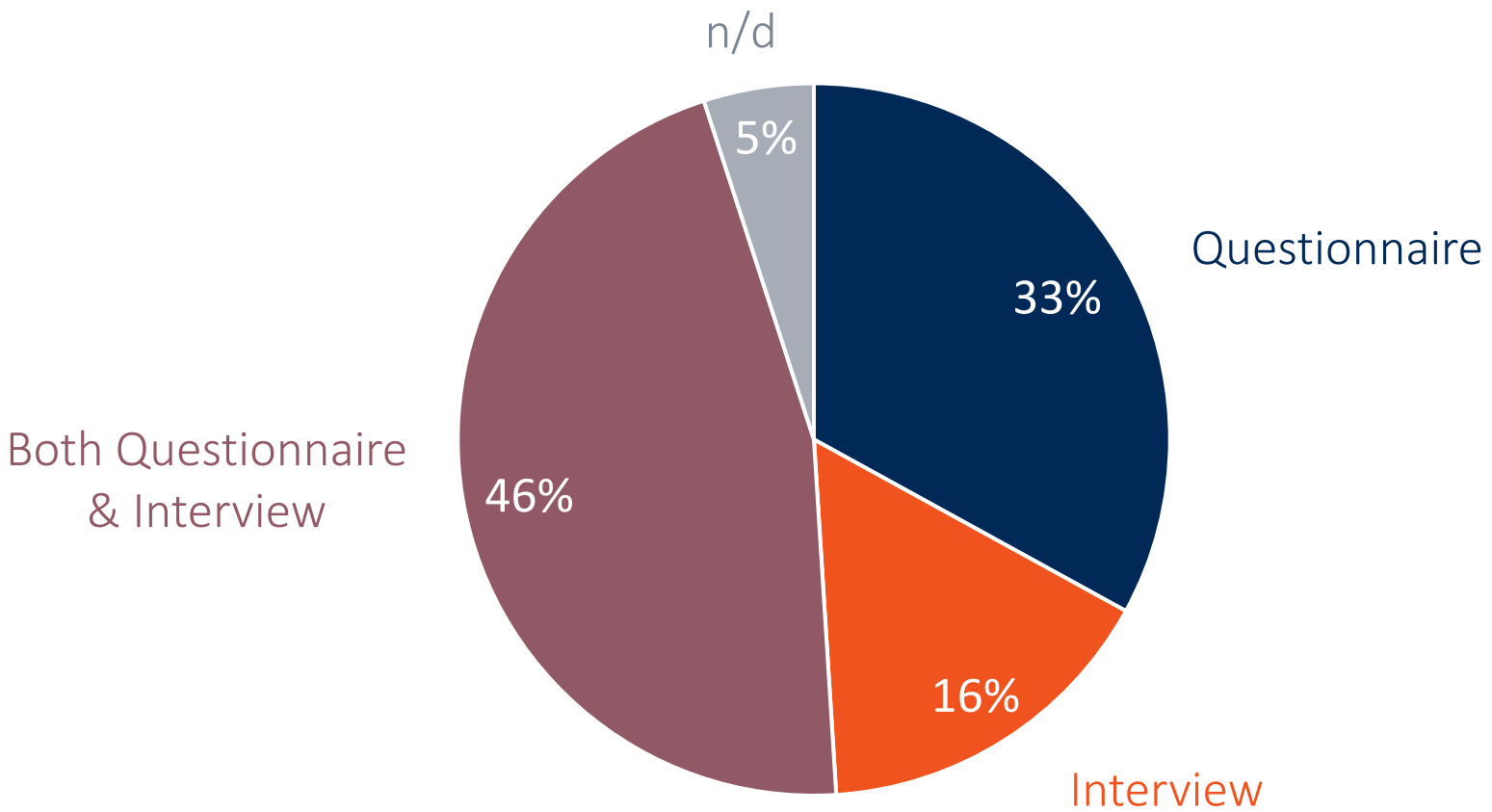
- 1 Board Effectiveness
- 2 Board Diversity
- 3 Drivers of ESG
- 4 Shareholder Proposals
- 5 ESG in Incentive Plans
- 6 Board Governance Insights



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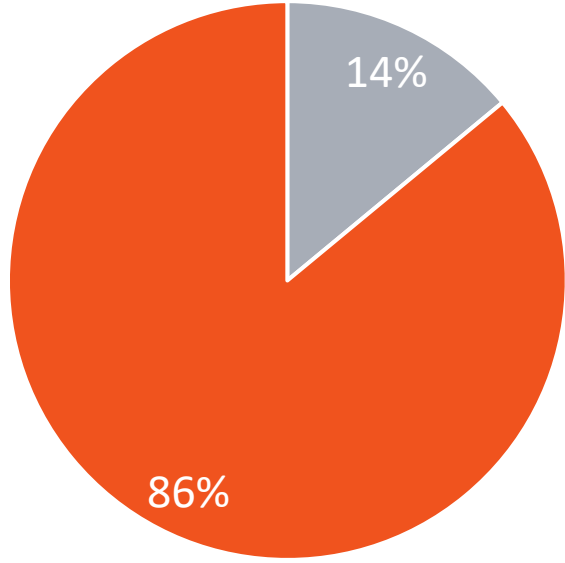
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TSX60 Board Evaluation Tools Used in FY2022



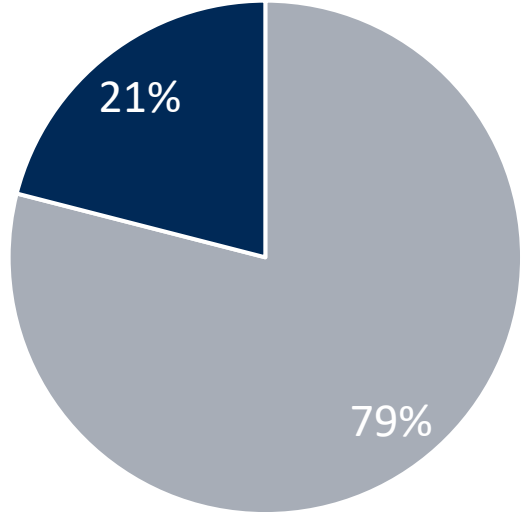
TSX60 Board Diversity Targets

Gender Diversity



- No Policy and/or No Target for Gender Diversity
- Formal Target for Gender Diversity

Visible Minority, BIPOC, Other Designated Group Diversity

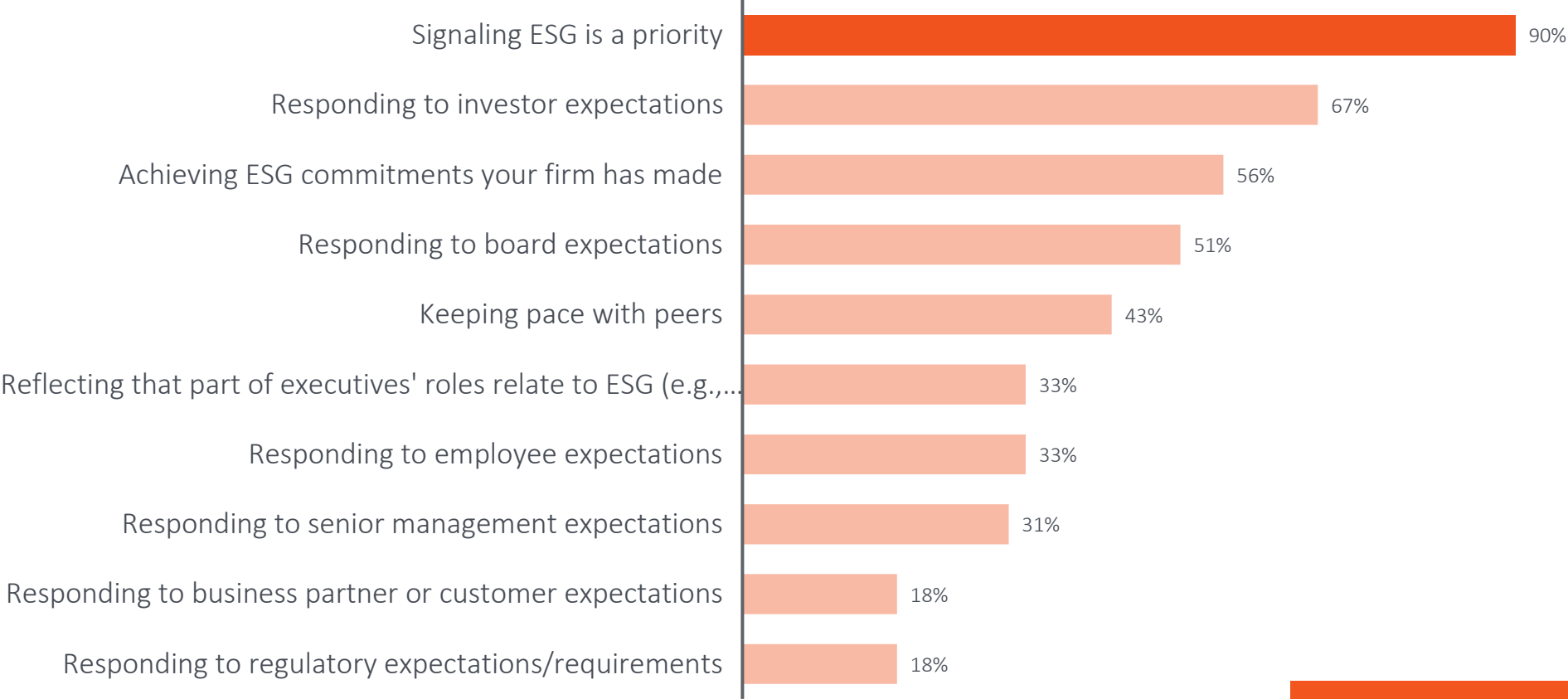


- No Policy and/or No Target for Visible Minority Diversity
- Formal Target for Visible Minorities

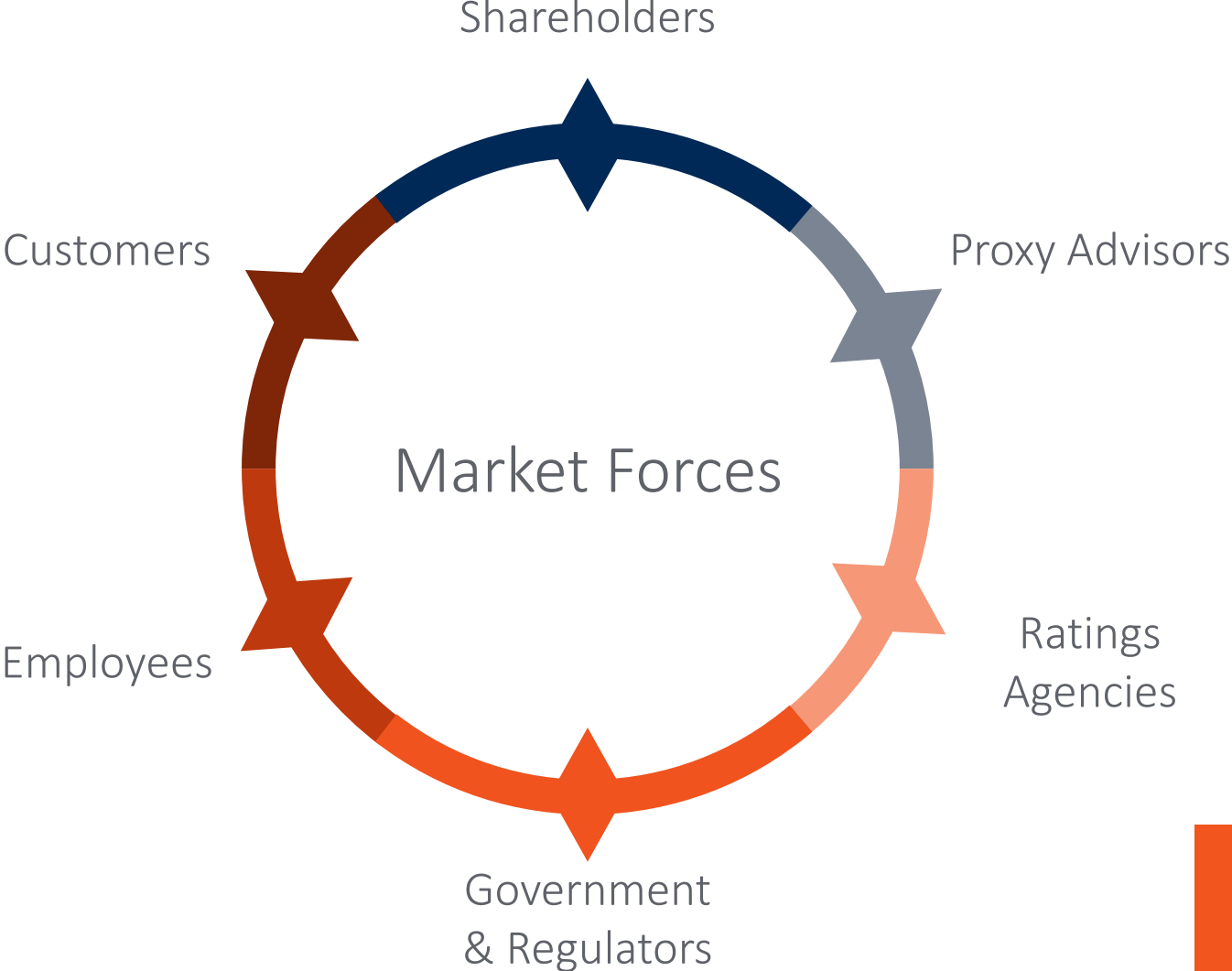


Drivers of ESG Measures in Executive Compensation

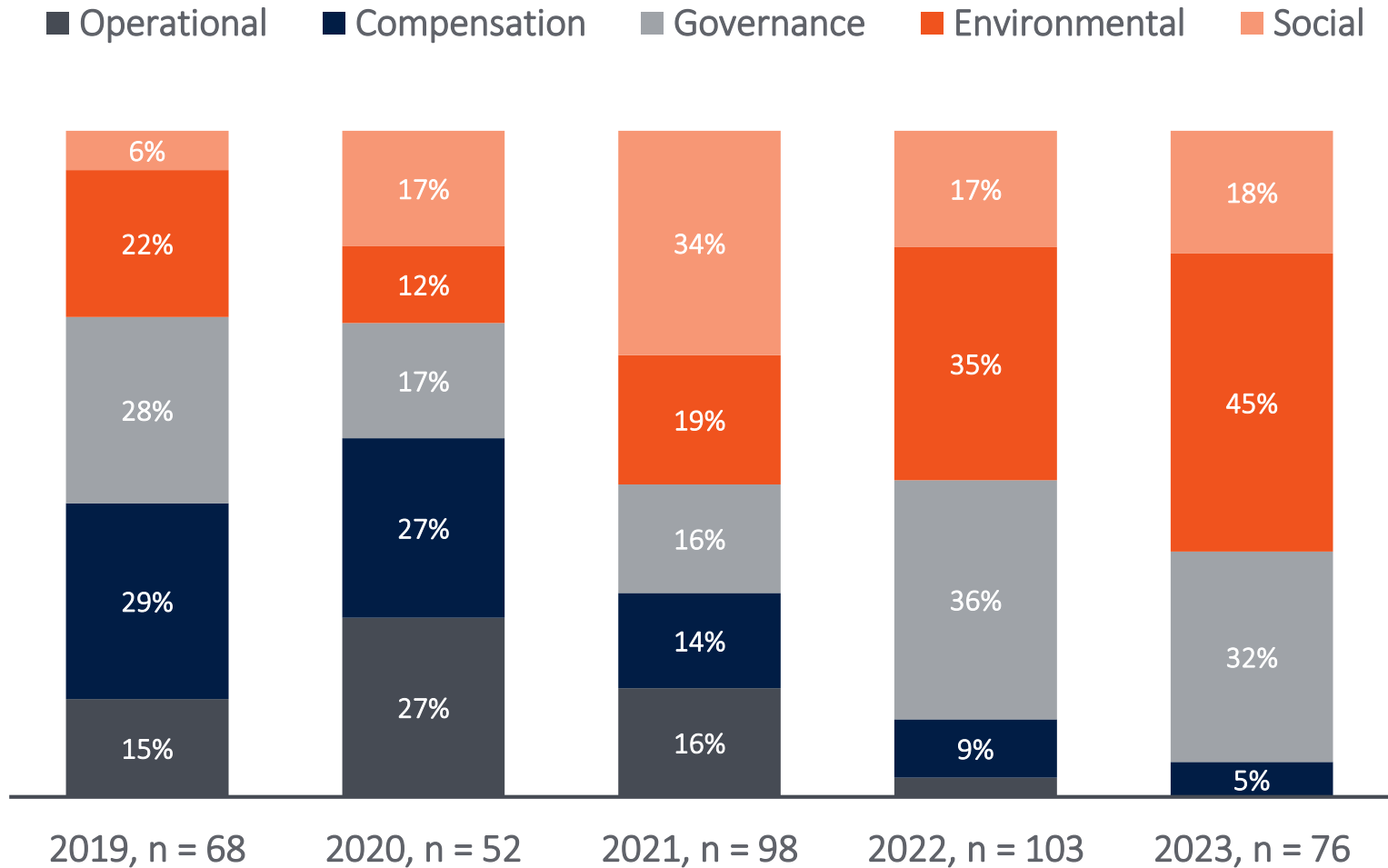
Question: If you have included ESG performance goals in your programs since 2020, or are thinking of doing so, what factors are driving your decision? (Choose all that apply)



Market Forces Driving ESG in Compensation



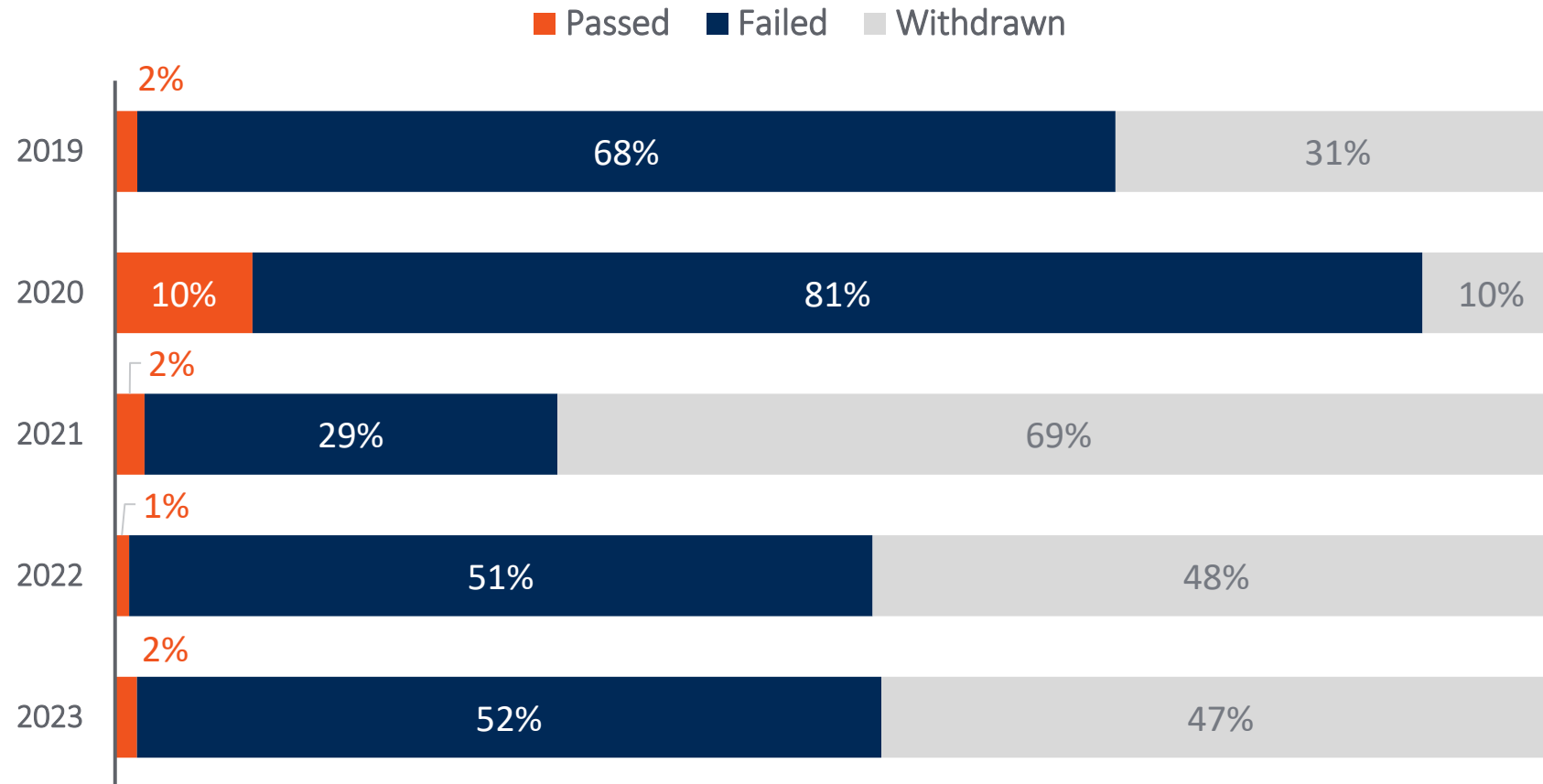
Focus of Canadian Shareholder Proposals



~95% of proposals so far in FY2023 focus on ESG-related topics

Results of Canadian Shareholder Proposals

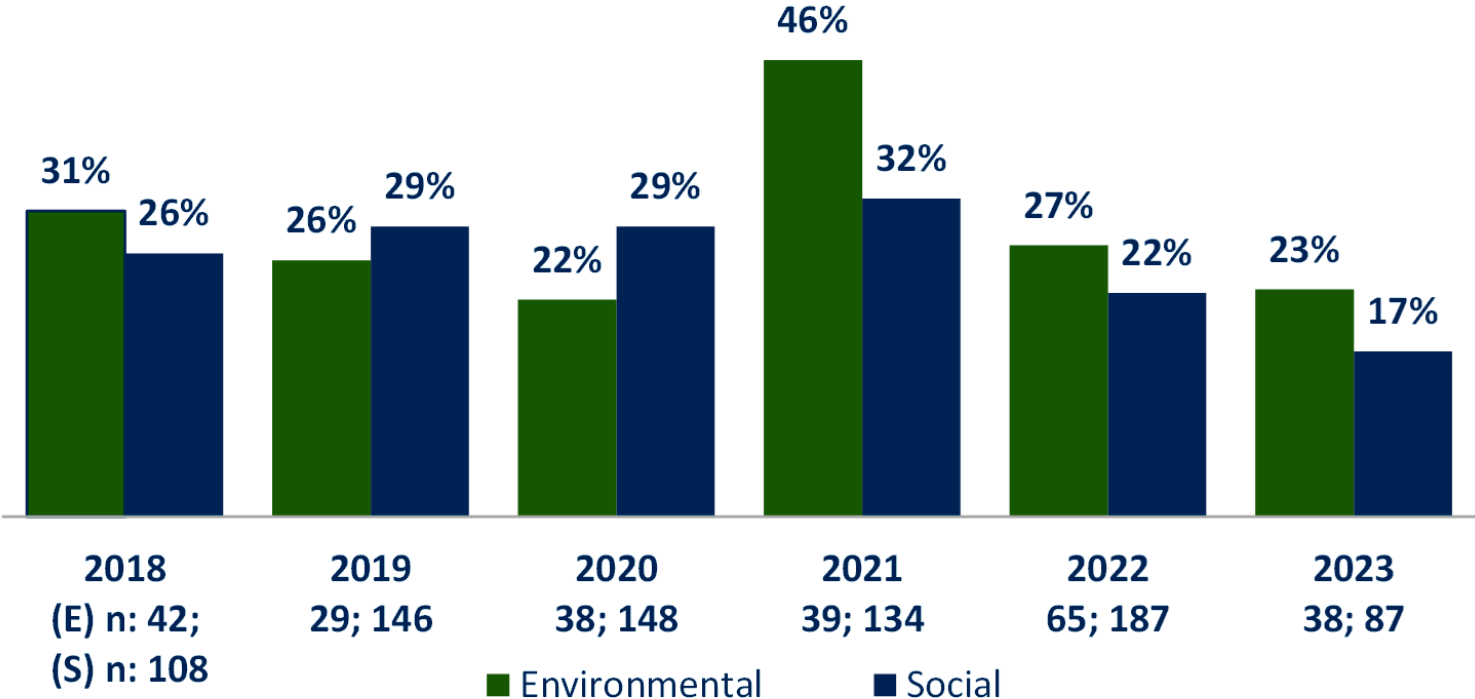
As of May 31, 2023



Results of US Shareholder Proposals

As of May 31, 2023

Environmental & Social Proposal Median Support



2023 Proxy Season Takeaways

Leveling off momentum in the number of companies incorporating ESG into incentive programs

Number of TSX60 Companies Incorporating ESG into Incentives

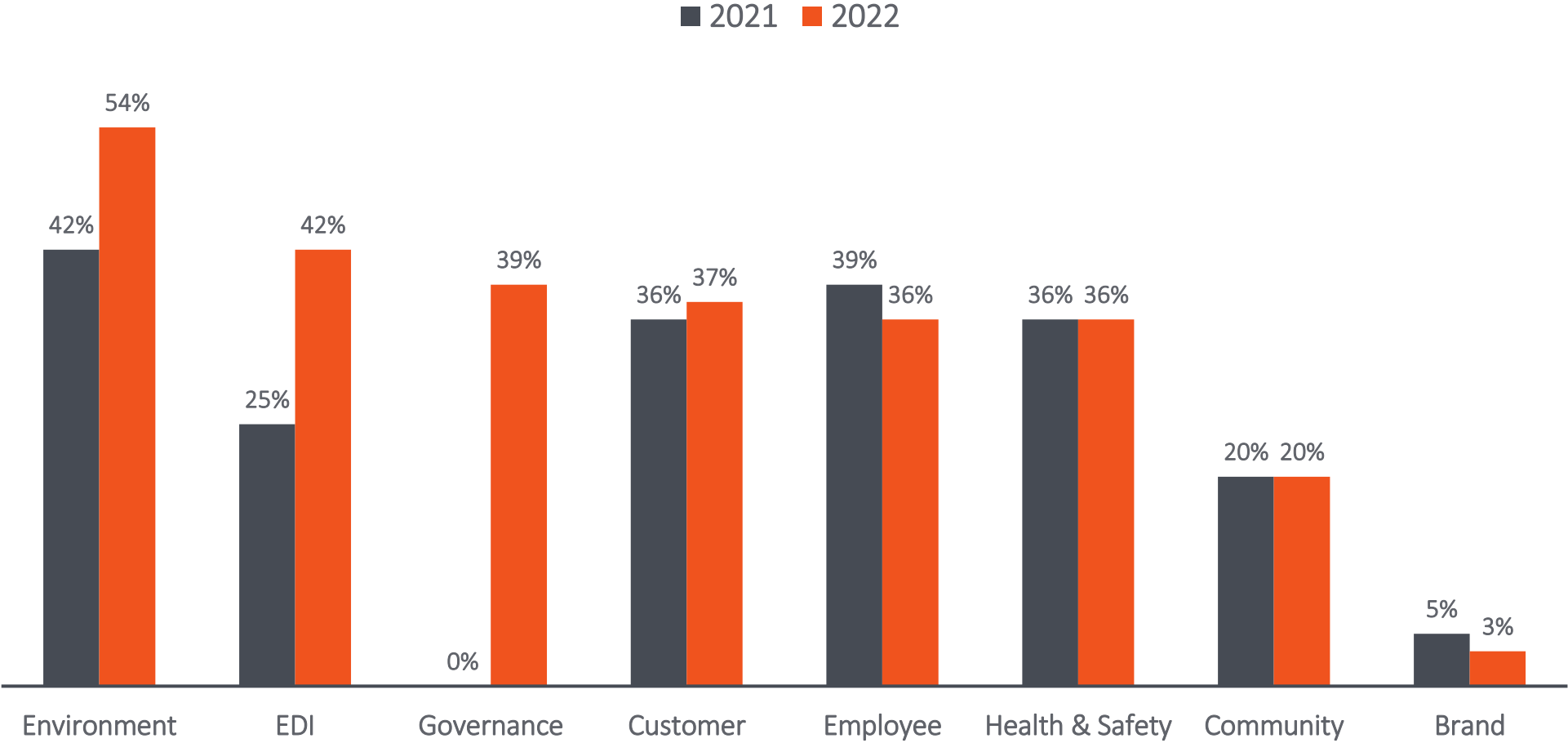
	FY2020		FY2021		FY2022
STIP	37	→	42	→	44
LTIP	9	→	13	→	16

Forms of ESG Metrics in the STIP

Companies are increasingly shifting towards discrete metrics and modifiers

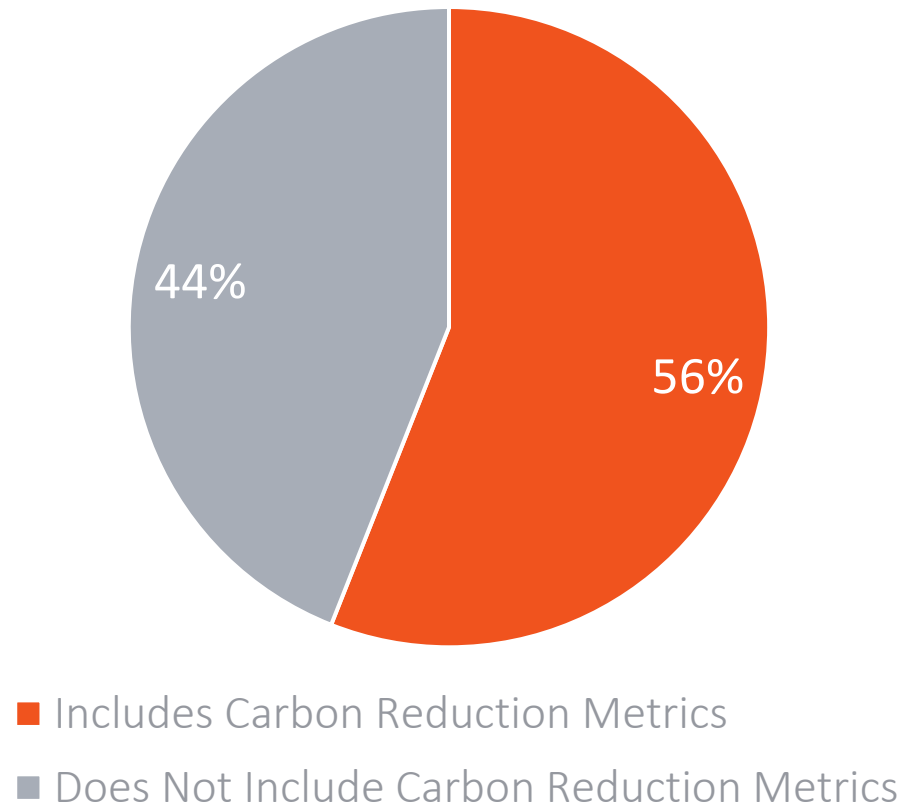
Type of Metric	FY2021		FY2022
Individual	18	→	11
Basket	28	→	28
Discrete	14	→	22
Modifier	4	→	8

ESG Metric Prevalence by Type (STIP)

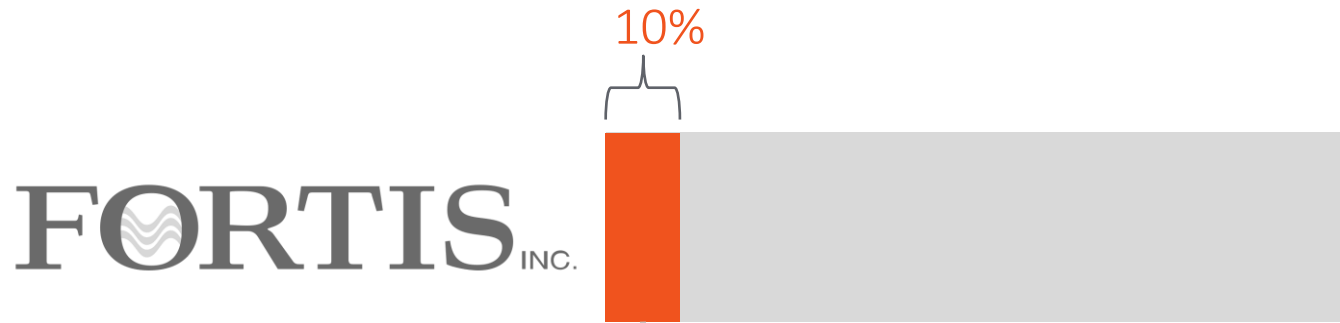


Carbon Reduction Metrics in FY2022

Inclusion of Carbon Reduction Metrics
(of those with ESG metrics)



Case Study: PSUs



Metric: Scope 1 GHG emission reductions
Target: Reduce emissions 75% from 2019 levels by 2035. Measured on a three-year basis
Payout Range:

Threshold Target Maximum

←-----→

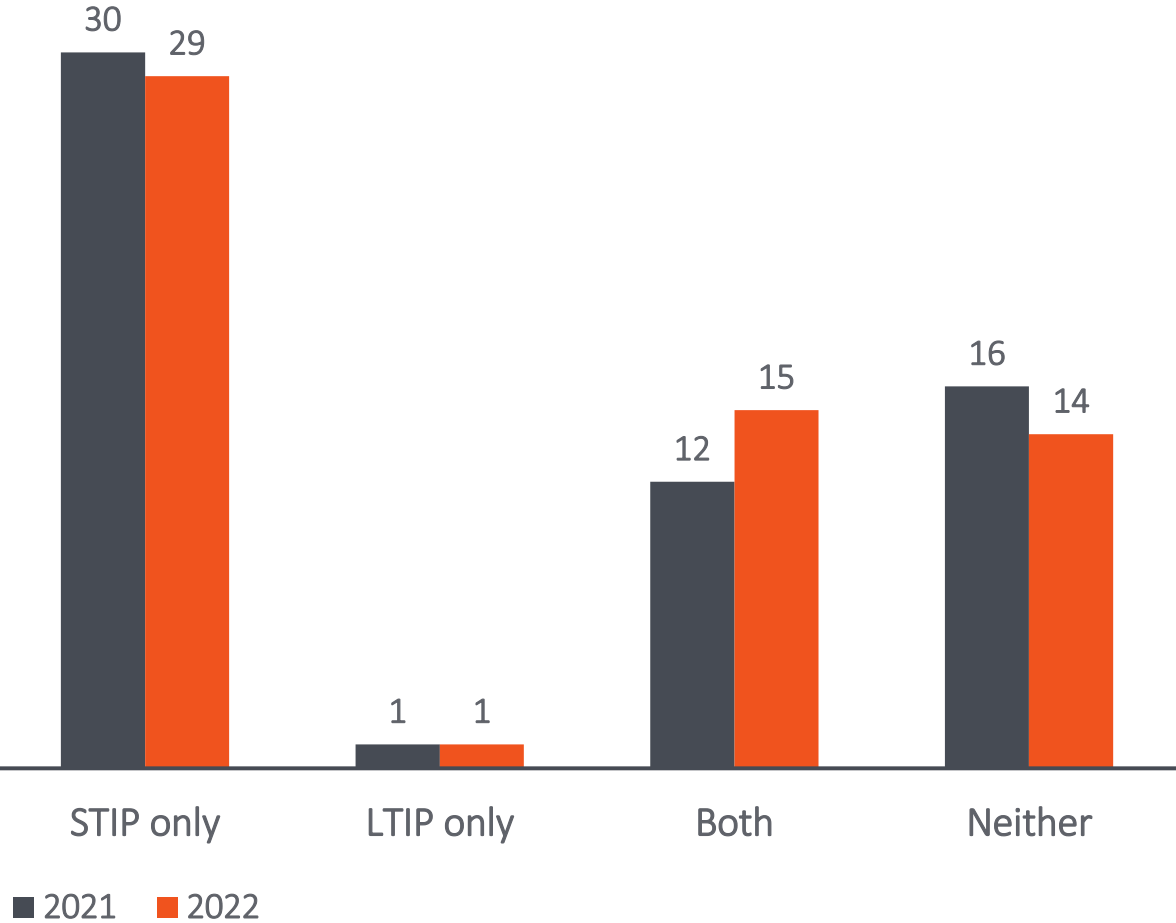
50% 100% 200%






DEI Multiplier *(Implemented in 2023)*

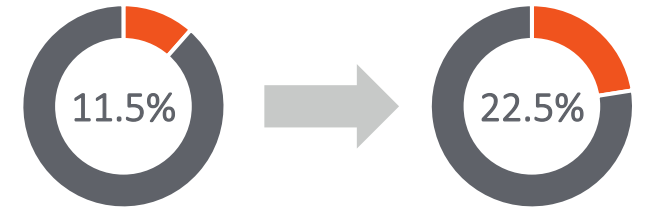
- Adjusts the aggregate score of existing PSUs by +/- 5% based on the achievement of corporate-wide executive representation targets for gender and ethnicity.

ESG Metric Inclusion in LTIP and STIP



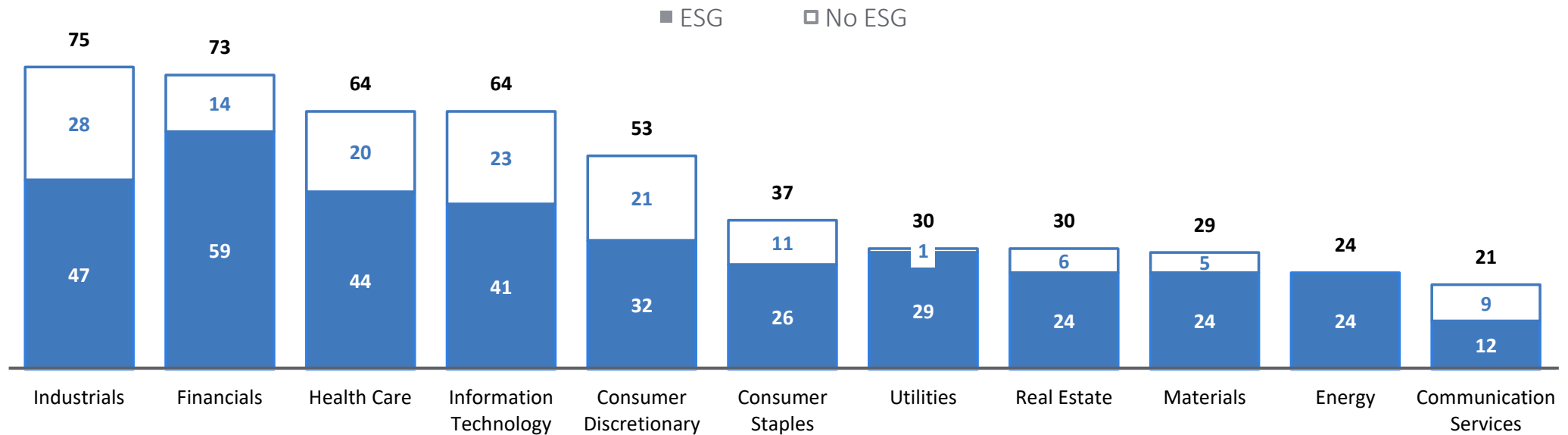
Looking Ahead to 2023

Company	2023 Adjustments
	<ul style="list-style-type: none"> Nearly doubled the weighting of safety performance in the STIP: 11.5% → 22.5% Added a new “serious injury and fatality metric” Continue to include an ESG-only conditioned PSU: climate-PSUs (10% of PSUs, 5% of LTIP). Performance will be measured based on emission reductions in-line with 2030 target
	<ul style="list-style-type: none"> Added a new Sustainability modifier which will adjust the aggregate score of existing PSUs +/-10% based on the achievement of four goals: sustainable investment, gender and under-represented ethnicity representation at executive levels, and GHG emission reductions in operations
	<ul style="list-style-type: none"> Added a 10% weighted GHG metric to PSU performance criteria

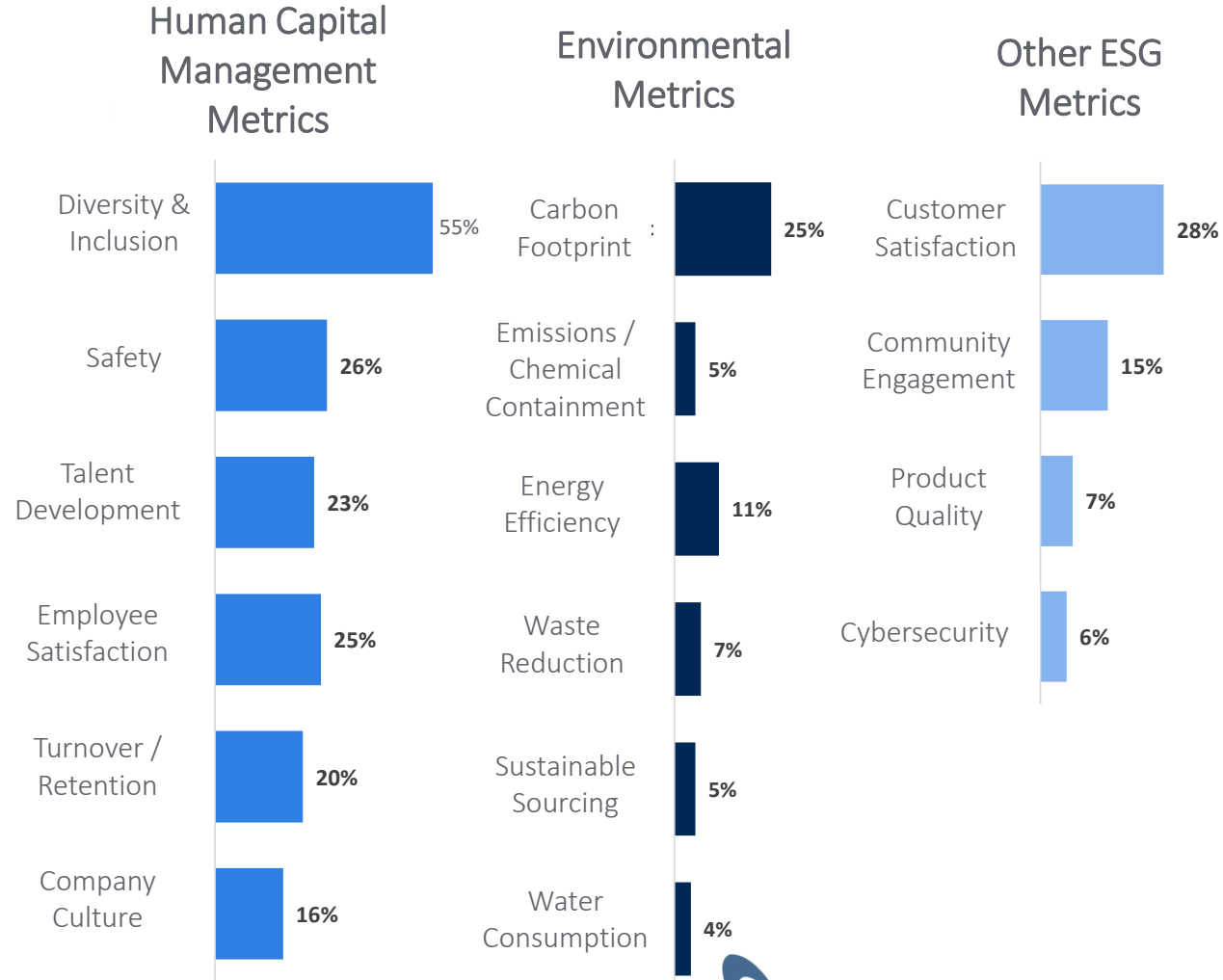


2023 US ESG Trends (S&P 500) – Prevalence

Prevalence of ESG Metrics in Incentive Plans by Industry



2023 US ESG Trends (S&P 500) – Metrics



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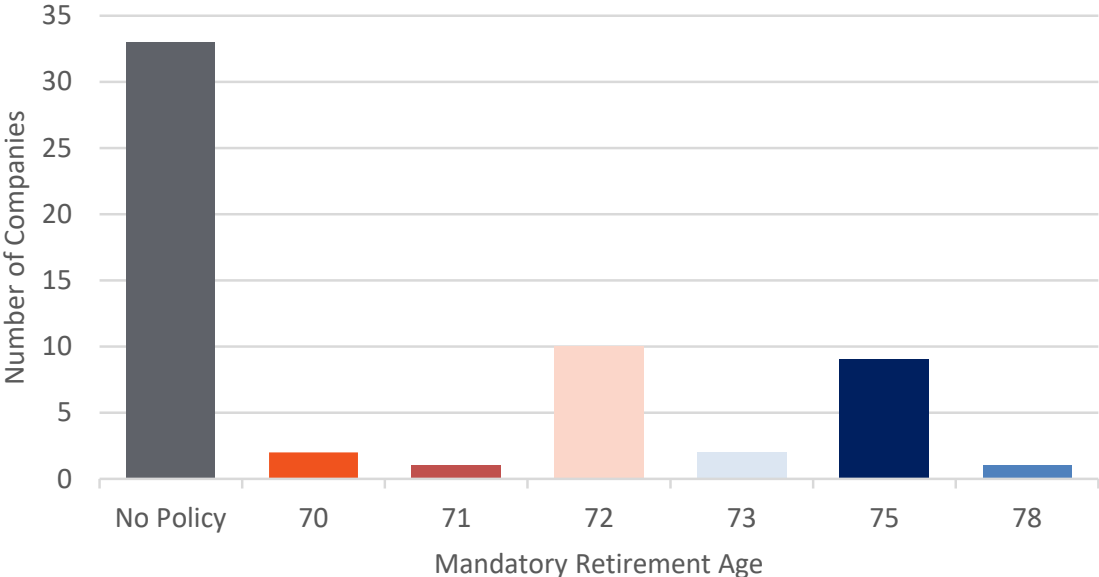
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2023 US ESG Trends (S&P 500) – Structure

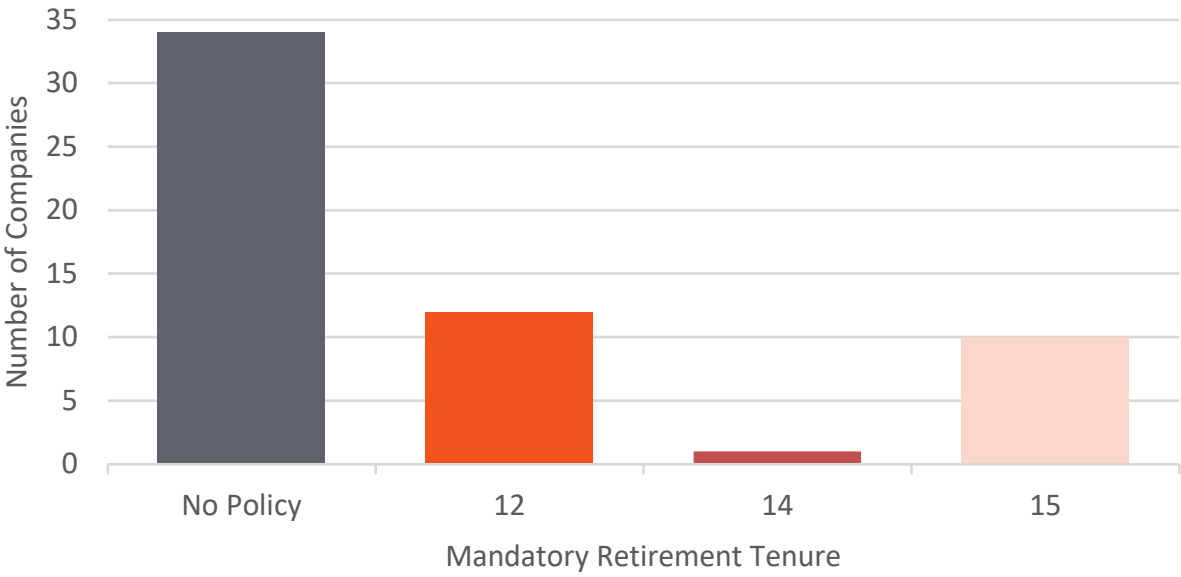
#	ESG METRIC STRUCTURE	(N=362)	
1	Discrete Weighted	25%	ESG is incorporated in incentives through specific metrics, each of which has its own discrete weighting (e.g., 10% of plan based on safety and 5% of plan based on customer satisfaction)
2	Scorecard	40%	ESG metrics are formally included in incentives but are not individually weighted and are generally assessed as part of a broader corporate or individual scorecard of ESG or business priorities (e.g., 30% of the plan tied to strategic initiatives, some of which include ESG)
3	Modifier	14%	ESG metric(s) can adjust the overall plan payout by a specified amount (e.g., +/- 10%)
4	Discretionary	21%	ESG is not fully quantified but rather included as an additional layer of discretionary considerations that may impact final payouts, generally in an individual component (e.g., CHRO implemented a company-wide diversity and inclusion training)

Mandatory Retirement Policies

Prevalence of Mandatory Retirement Age Policy



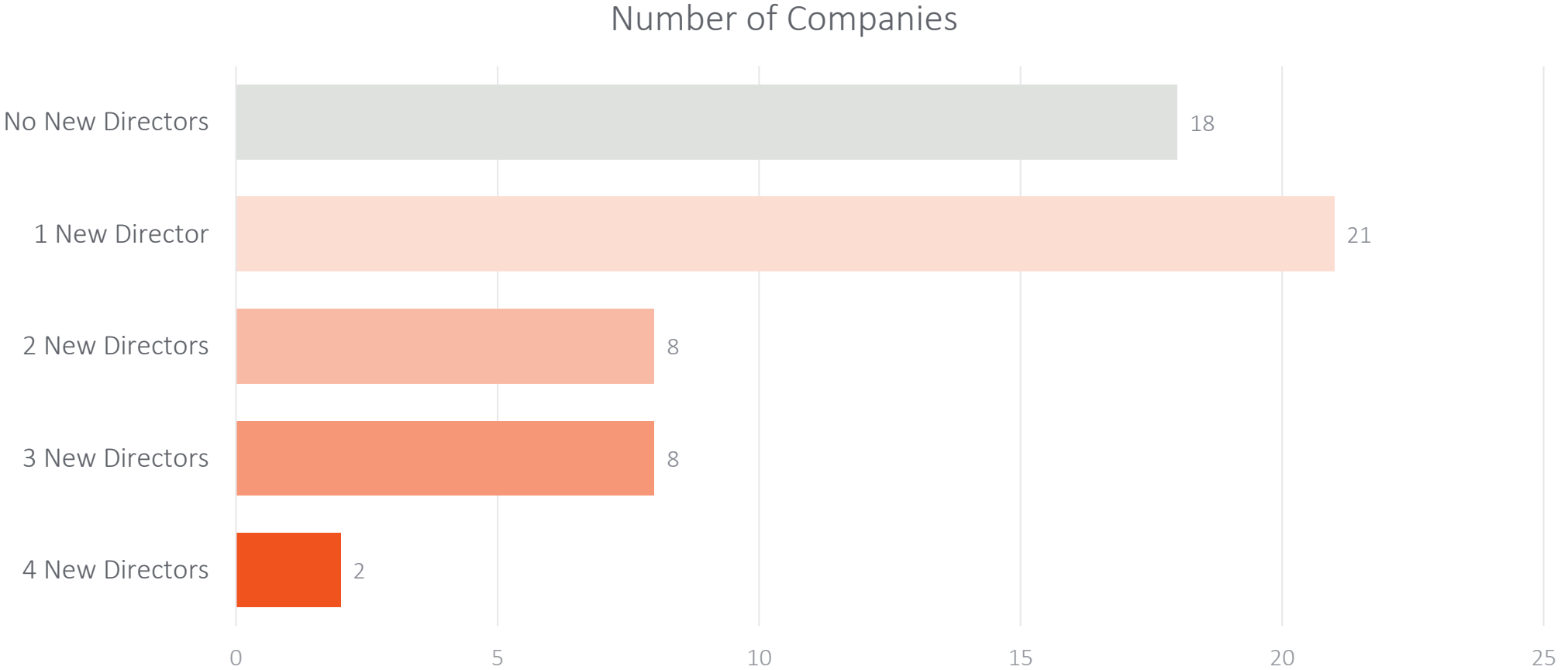
Prevalence of Mandatory Retirement Tenure Policy



Note: TD's policy has a mandatory retirement tenure of 10 or 15 years if recommended by the governance committee. For the purpose of the chart, it has been included in the 15 years bucket.



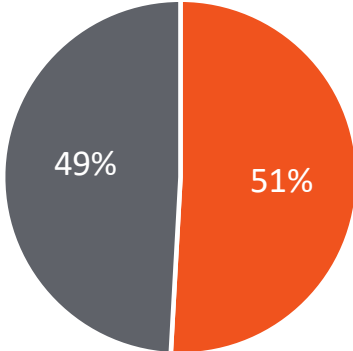
Board Refreshment: Newly Elected Directors in FY2022



**Note: Brookfield Asset Management Ltd. was listed as a new company in the FY22. As a result, the 12 individuals who joined its board during that period are considered newly elected members. For the purpose of analysis they have been excluded.*

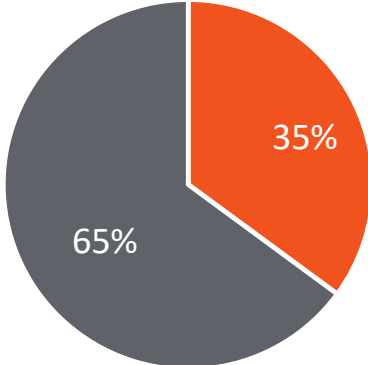
Director Overboarding Policies

Board Policy



- Have Director Overboarding Policy
- Don't Have Director Overboarding Policy

Audit Committee Policy



- Have Audit Overboarding Policy
- Don't Have Audit Overboarding Policy





Q&A

Thank you for joining us today. We are happy to answer any questions that were not addressed during our Q&A session.

Please contact email@hugessen.com or 416.868.1288

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