

TSX60

Emerging Trends in Executive Compensation and ESG

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Introduction and Agenda



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1. Board Oversight of ESG
2. ESG Trends in Compensation
3. Shareholder Proposals
4. Looking Forward
5. Q&A

Board Oversight of ESG

As flood battles continue in Western Canada, here's a look at what's happened so far

Spring flooding has forced communities in the western provinces of Canada to declare states of emergency and evacuate residents.

Sask. First Nation announces hundreds of unmarked graves found at former residential school site

The Cowessess First Nation says it has discovered hundreds of unmarked graves at the site of the former Marieval Indian Residential School in Saskatchewan.

Is B.C.'s 2021 wildfire season the worst on record?

Between April 1 and Sept. 30, 2021, a total of 1,610 wildfires burned 868,203 hectares in B.C. The total cost of wildfire suppression during...

Racial bias in Canada's health care system makes diagnosing long COVID even more challenging, experts say

Racialized and immigrant communities face barriers to long COVID treatment because of racial bias in the medical system, and advocates worry...



2022 Proxy Season Takeaways



Continued momentum of companies incorporating ESG into incentive programs

of TSX60 Companies Incorporating ESG into Incentives

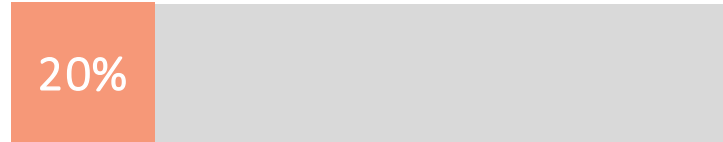
	FY2020		FY2021
STIP	37	→	42
LTIP	9	→	13

+ Additional Metrics

+ Increased Weight

2022 Proxy Season Takeaways

ESG Metric Weighting in STIP



+28%



+26%





+20%



+10%

ESG Metric Weighting in PSUs

Company	Weight	Type of Metric
BARRICK	35%	Environmental <i>Incidents, Emissions, Biodiversity</i>
	20%	Environmental <i>Net Zero, Sustainable Financing</i>
	20%	Social <i>Customer, Employee, DE&I</i>
FORTIS INC.	10%	Environmental <i>Emissions</i>
Teck	20%	Environmental & Social <i>Emissions, Biodiversity, DE&I</i>

2022 Proxy Season Takeaways

Companies that added the following metric for the first time in FY2021



Environment +13

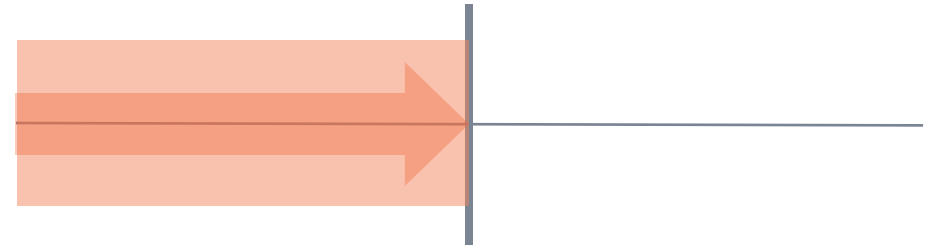


Diversity +11

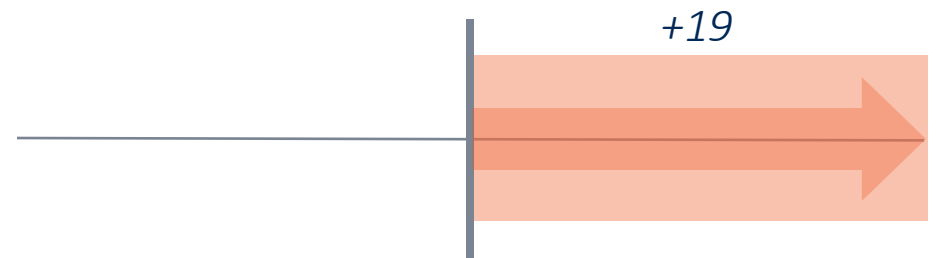


Community +6

“Lagging” Metrics



“Leading” Metrics



Proxy Season Takeaways: US

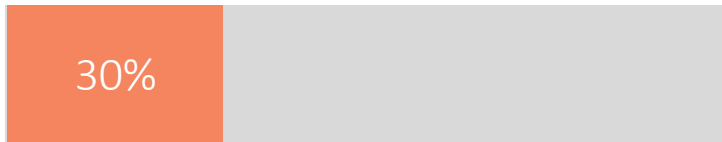
- ~70% of S&P 500 Companies use ESG metrics in incentive compensation design (up from closer to 57% in 2021)
- Human capital management metrics are common, with diversity & inclusion metrics being the most prevalent in 46% of companies, an uptick from 28% last year
- Uptick in environmental metrics, carbon footprint metrics increased to 16% from 5% last year

Prevalence of ESG Metrics within the S&P500



Case Studies: STIP

Bucket



- Reducing GHG Emission
- Diversity and Inclusion
- Safety and Operational Reliability

Discrete Metric



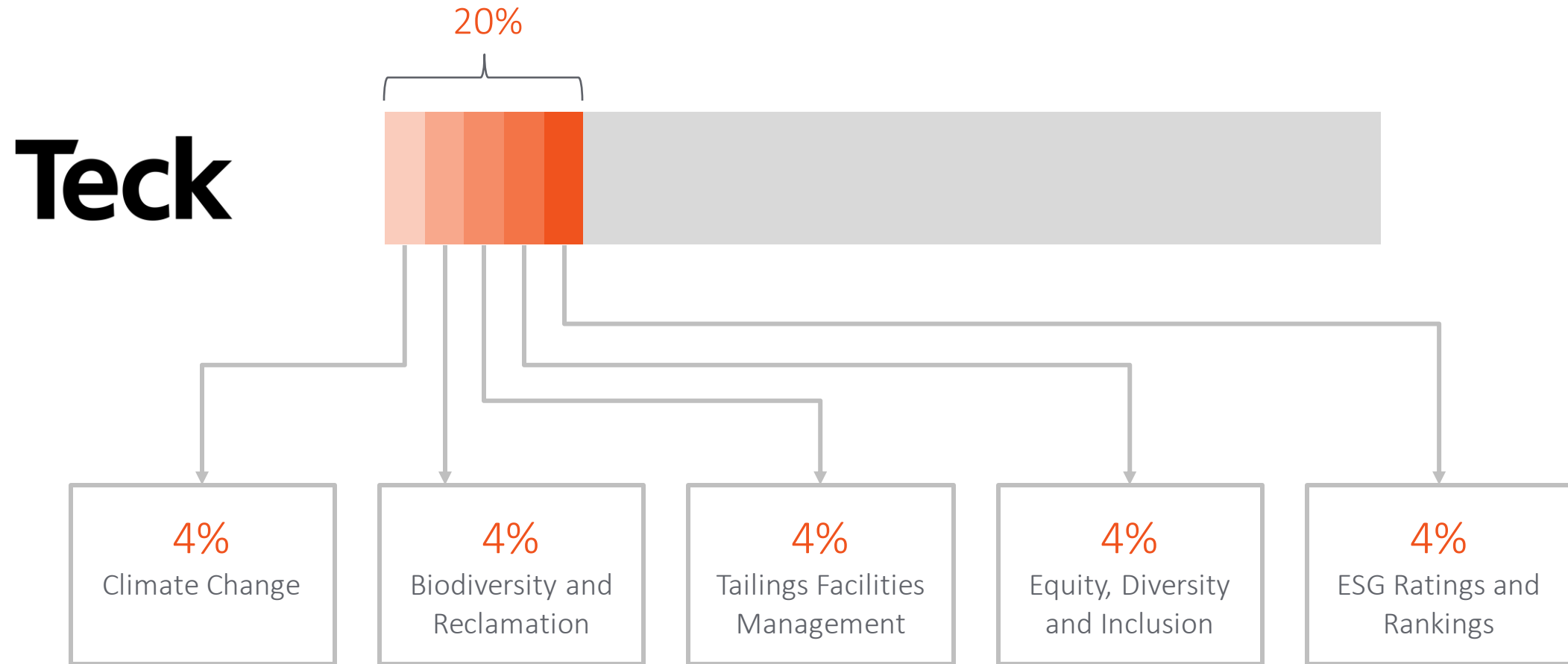
- Employee (6.67%)
- Customer (6.67%)
- Fuel (6.67%)
- Safety (10%)

Modifier



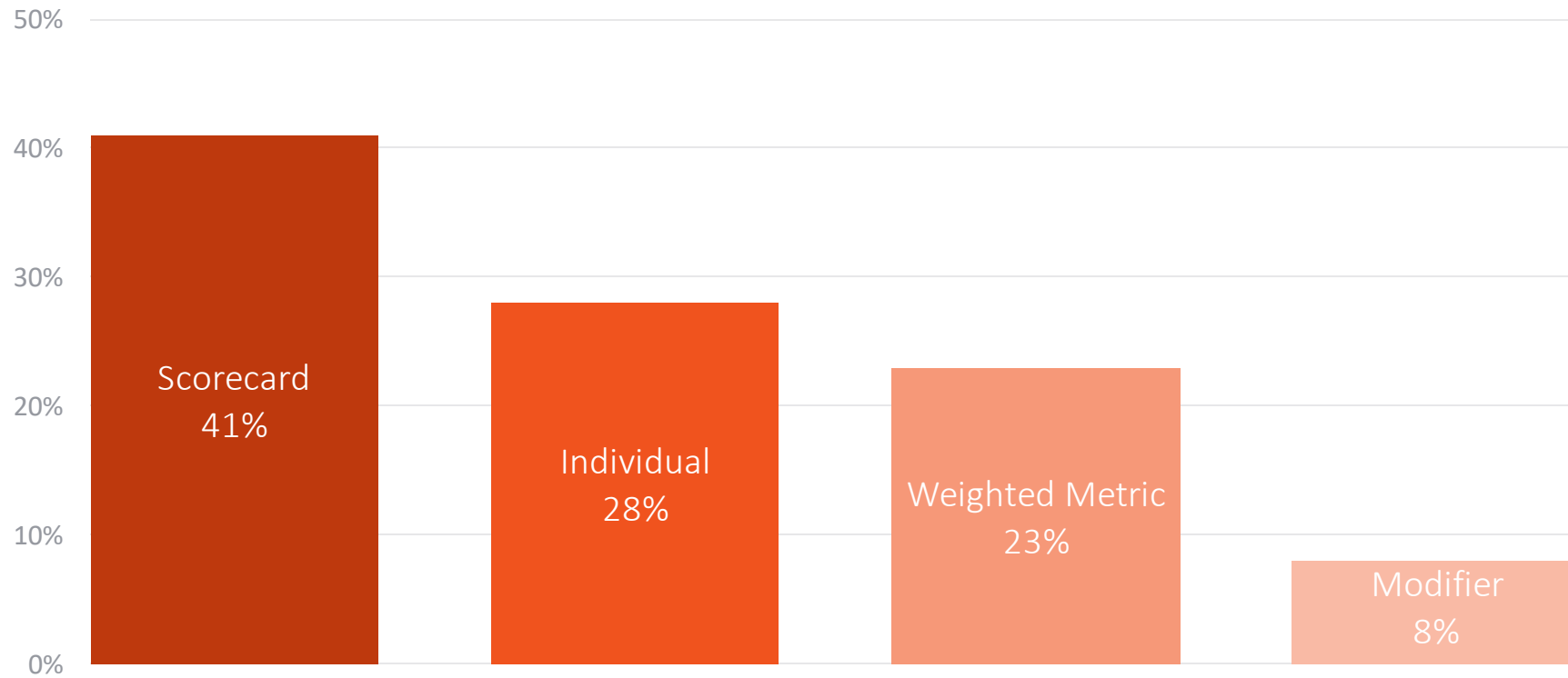
- Employee Engagement
- Strong Culture Index Score
- Increasing Diversity in Succession Plans

Case Study: PSUs



Case Studies: US

Metric Prevalence by Company (S&P 500)
of companies that use ESG metrics (n = 326)



Case Studies: US

Scorecard

VISA



- ESG
- Talent and Employee Well-Being
- Technology
- Cybersecurity
- Risk

Weighted Metric

verizon^v

10%





- Diverse Supplier Spend
- Workforce Diversity
- Carbon Intensity Reduction

Modifier



- Carbon neutrality
- Financial Inclusion
- Gender median pay gap

Shareholder Perspectives

	% Support	Topic
	63%	Social: Identify and address racial disparities in the workplace
	37%	Environmental: Require suppliers to preserve biodiversity
	29%	Environmental: Zero plastic waste action plan



BlackRock

Shareholder Perspectives: US

Shareholders

Vanguard



BlackRock

80

Social Proposals

26%

Median Support

Proxy Advisors

ISS



25

Environmental Proposals

25%

Median Support

Regulators



Looking Forward



Structure & Consistency



Refining Measurement Approaches



Increased Weighting



Scrutiny of Targets



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