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## Looking Ahead: Shareholder Perspectives for the 2015 Proxy Season

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Reflecting our firm's continued commitment to our shareholder engagement practice, Hugessen reached out to the shareholder community in the fall of 2014 looking to discuss the key areas of focus for the upcoming 2015 proxy season. Hugessen initiated 12 conversations with large Canadian institutional shareholders, including pension funds and asset managers representing total assets under management of \$2 trillion (n=9) and advisors (n=3).

To kick off our conversations, Hugessen provided shareholders with a short list of potential topics that we anticipated could become areas of focus in 2015, or which had been raised by recent client mandates.

Our outline, along with topics raised by shareholders during our calls, formed the basis of our discussions, which we summarize in this note:

- Number one focus for compensation issues is the alignment of pay-for-performance
  - Changes to pay programs that reduce the overall proportion of pay tied to performance are generally always scrutinized
  - The board's rationale is often key to gaining support for these types of decisions
- There is widespread desire to see incentive plans and compensation programs simplified wherever possible
- Shareholders continue to want more transparent disclosure of the board's pay decisions, particularly relating to the selection and evaluation of key performance metrics and the connection of these metrics to the long-term strategy of the company
- General concern with reusing the same performance measures included in short and long-term incentive plans
  - That said, shareholders may not necessarily be opposed to short-term metrics included in a long-term plan when measured over multiple years and/or where plans include other measures in addition to the overlapping metrics
- Shareholders are looking for boards to give at least some consideration to current performance when granting LTIP awards, although overall preference is to have performance-vesting criteria

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- Participants question the need for Co-CEO structures, but are reluctant to oppose them, even in the absence of clearly defined roles and rationale
  - General acknowledgement that aggregate compensation levels deemed to be 'high' may become the impetus for future pushback
- Transparency of the board review process has gained some attention, including the impact of director term/retirement policies in creating a diverse and effective board
  - However, shareholders are reluctant to be overly prescriptive in regard to director term and retirement policies
  - Many shareholders noted that long-tenured directors might be opposed only after other material governance concerns had been flagged

This briefing outlines participants' perspectives on these matters. For further information on the contents of this briefing, or to obtain access to Hugessen's more comprehensive report on the perspectives and priorities among shareholder and their associations and advisors, please contact one of the following professionals:

Toronto:	Michelle Tan	416-868-4421	<a href="mailto:mtan@hugessen.com">mtan@hugessen.com</a>
Calgary:	Erin Poeta	403-441-6294	<a href="mailto:epoeta@hugessen.com">epoeta@hugessen.com</a>

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