



SAY ON PAY VOTING UPDATE

May 2023

The following memorandum summarizes say on pay voting results in Canada (among the TSX Composite companies) and the U.S. (among the S&P 500 companies) based on results released by mid-May 2023.

CANADA RESULTS

At this point in the AGM cycle, 125 Canadian companies have reported their say on pay results for 2023 (~60% of those that had a say on pay vote last year). We are seeing very similar overall results this year as summarized in Table 1.

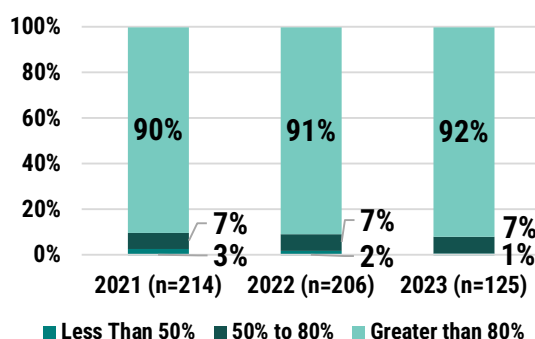
Table 1 – Canada say on pay results

	2021 (n=214)	2022 (n=206)	2023 (n=125)
Average	91.47	91.24	91.82
50th percentile	95.30	94.68	95.20

As illustrated in Chart 1, the distribution of say on pay results are generally consistent on a year-over-year basis with 92% of companies receiving over 80% support, 7% receiving 50% to 80% support and 1% receiving less than 50% support (or two companies).

Both ISS and Glass Lewis expect companies to respond to say on pay votes with less than 80% support. This response usually includes some level of shareholder engagement and appropriate changes (such as incentive plan design changes, disclosure improvements, etc.), where warranted.

Chart 1 – Distribution of Canada say on pay results



Of the 125 reporting companies, close to 90% of companies reported results that changed less than 10 percentage points on a year-over-year basis. Table 2 summarizes the companies with the biggest year-over-year increases and decreases in their voting levels. We note that most of the companies that experienced a significant year-over-year decrease received support from ISS (“FOR” Say on Pay vote recommendation). So far, only five companies received an “AGAINST” vote recommendation from ISS this year.

Table 2 – Biggest year-over-year changes in say on pay voting results

	Company	2022	2023	YOY Change	2022 TSR
YOY Increases	Enghouse Systems Limited	36	74	38	-24%
	Methanex Corporation	68	91	23	-3%
	SmartCentres Real Estate Investment Trust	70	92	22	-11%
	Chartwell Retirement Residences	72	88	16	-24%
	Wajax Corporation	74	88	14	-15%
	Minto Apartment Real Estate Investment Trust	86	99	13	-34%
YOY Decreases (or 2023 failures)	New Gold Inc.	98	68	-30	-34%
	Aimia Inc.	68	41	-27	-25%
	Cascades Inc.	96	70	-25	-36%
	First Capital Real Estate Investment Trust	87	67	-20	-8%
	Precision Drilling Corporation	88	68	-19	132%
	Magna International Inc.	93	77	-16	-29%
	Agnico Eagle Mines Ltd.	24	25	1	1%



US RESULTS

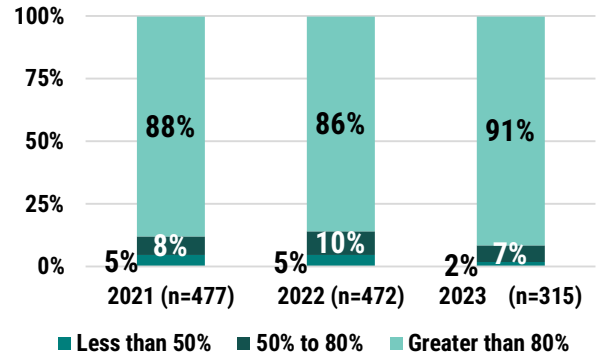
In the US, among the 315 S&P 500 companies that reported as of the middle of May 2023, the average level of support has increased from 87% to 90% (refer to Table 1).

Table 1 – US say on pay results

	2021 (n=477)	2022 (n=472)	2023 (n=315)
Average	87.75	86.88	89.71
50th percentile	92.26	92.14	92.46

The percentage of companies receiving greater than 80% support increased to 91% from 86% in 2022. The percentage of companies receiving less than 50% support has dropped to 2% from 5% in 2022 (as summarized in Chart 2).

Chart 2 – Distribution of US say on pay results



KEY INSIGHTS

- For the majority of companies and for the majority of time, the say on pay vote results demonstrate general support from shareholders on the effectiveness of executive compensation programs
- However, companies can experience a sudden withdrawal of support in any year making it hard to be complacent. Key reasons for lower support include:
 - Special one-time compensation awards provided to support a transaction or transformation
 - Underperformance resulting in a pay-for-performance disconnect as assessed by the proxy advisors and/or, increasingly, activist shareholders
 - Differences in program design relative to standard market practices that might not be fully explained
- We advocate for balance against what the proxy advisors and “common market practice” are suggesting to ensure alignment with both your business and talent strategies. This means that companies need to stay on top of the effectiveness of their programs, which includes:
 - Continually monitoring the relationship between realized pay and actual absolute/relative performance,
 - Adjusting programs as needed to align with your strategy and what is in the best interests of the company, and
 - Ensuring that key messages are clearly articulated to shareholders, through regular disclosure and supplemental disclosure or individual meetings as needed

ABOUT US

Southlea Group (www.southlea.com) is a national independent compensation advisory firm that provides global perspectives as a GECON Group company (www.gecon.com) working with over 150 compensation professionals in 15 countries. We are headquartered in Toronto, with clients across Canada, representing all industries and organization structures. Our team of advisors is multi-disciplined with diverse backgrounds and experiences. We are proud to be a certified Women’s Business Enterprise by WBE Canada and to be Rainbow Registered as an LGBT+ friendly organization.

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