

United Church of Canada Treasury  
**Q2 2018**

April 1st - June 30th

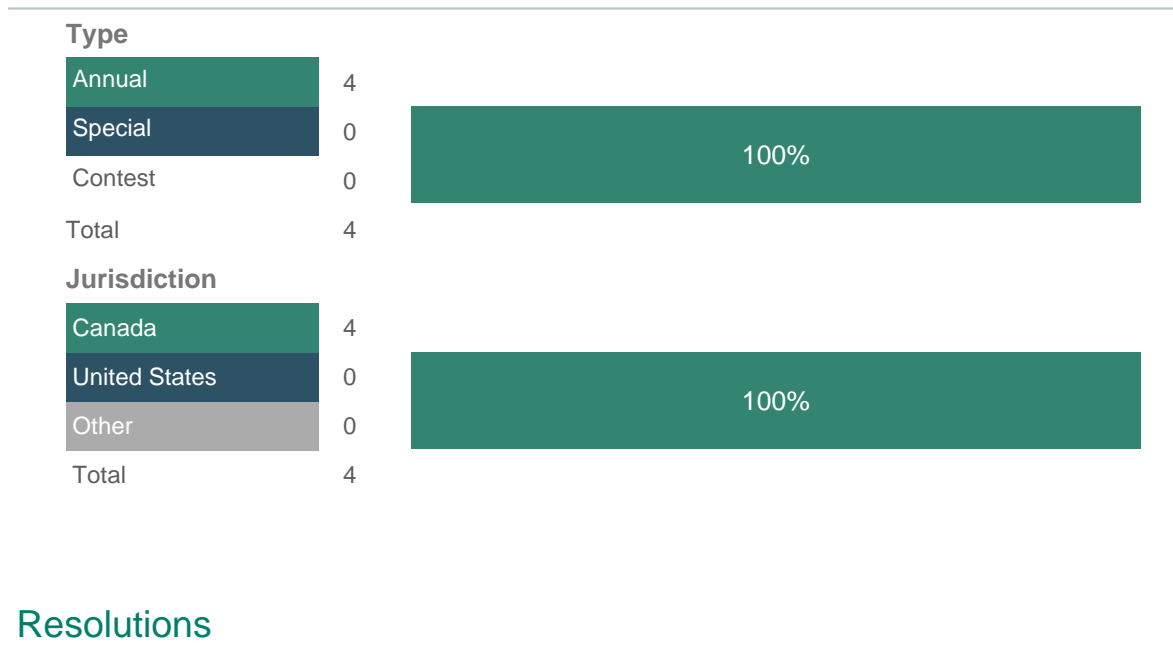
**Proxy Voting Report**

Responsible investment for a sustainable economy



## Proxy Voting Highlights Q2 2018

### Meetings



### Resolutions

	Votes consistent with Management Recommended Votes	No. Votes
All Proposals	80%	56
Management Proposals	83%	54
Director Elections	89%	46
Say-On-Pay		4
Say-On-Pay Frequency		0
Compensation Plan		0
Auditor Ratification	100%	3
Shareholder Proposals		2
Environment & Climate		0
Social		1
Governance		1

## **Gender diversity on boards - Still not good enough: *SHARE* votes against nominating committees who fail to make progress on diversity**

In 2015, the Ontario Securities Commission, or OSC, implemented a "comply or explain" rule that companies listed on the Toronto Stock Exchange would have to either disclose information related to gender diversity, including the number of women on their boards and their policy on diversity, or explain why they were not doing so. The OSC's first-year review of the new rule found that 50% of boards still had no women, and only 14% had a written diversity policy. Howard Wetston, then chair of the OSC, chided Canadian companies, saying that overall their compliance with the new rule was "simply not good enough".<sup>[1]</sup>

In October 2017, the Canadian Securities Administrators reported that women held just 14% of director positions at companies listed on the TSX, an increase of only 3% from 2014. Others report even worse results. The Canadian Board Diversity Council reported that women occupy 22.6% of the board seats of companies on the Financial Post 500, an increase of 1% over the previous year. The law firm Osler reported that 26% of the companies in the TSX60 had women directors in 2017, an increase of 1.4% from 2016.

When voting proxy ballots, *SHARE* votes against the nominating committees of boards with no female directors and no diversity policy. We voted against directors at 21 companies for this reason during this quarter, including the Boston Pizza Royalties Income Fund, Secure Energy Services, Cielo SA in Brazil, and New Look Vision Group.

Constellation Software is another company that has no women on its board or in its executive ranks. The Fonds de solidarité FTQ filed a proposal with the company, asking it to adopt a formal policy on board diversity and plans for increasing the number of women on its board and in its upper management. The proposal won the support of 49.16% of Constellation's shareholders at the company's annual meeting on 26 April. Following the vote, the company asked *SHARE* for examples of board diversity policies and best practices. This is an encouraging sign that the company may develop its first diversity policy.

Last month, *SHARE* organized a group of Canada's largest pension funds and asset managers to meet with the Chair and staff of the OSC to discuss the next steps for the Commission's Women on Boards initiative, as well as other issues. *SHARE* suggested some next steps for gender diversity in its submission to the OSC, following the commission's request for input on its Statement of Priorities for 2018-19.<sup>[2]</sup> On 5 July, the OSC announced that disclosure of gender diversity at board and senior management level will be one of its priorities for the coming year.

In the meantime, the federal government has stepped in. Bill C-25, which passed and received Royal Assent on 1 May, tosses out the "comply or explain" rule in favour of requiring companies to disclose the numbers of female and visible minority directors on their boards and in senior management. The requirement will be part of new amendments to the Canada Business Corporations Act. Details about the information companies will have to disclose will not be known until the regulations for the act are drafted. However, proposed regulations include requiring companies to disclose the numbers of Indigenous people and people with disabilities, as well as women and visible minorities on corporate boards and in executive positions.

Gender diversity can make a real difference on issues that matter to investors. Studies have consistently shown that companies with women on their boards and in executive positions tend to have more effective corporate governance and better long-term outcomes than companies without women on their boards or in the C-suite. Gender diversity in corporations also promotes greater fairness and equality in society as a whole, which ultimately benefits everyone.

[1] <https://www.theglobeandmail.com/report-on-business/industry-news/the-law-page/osc-blasts-firms-for-lack-of-action-on-gender-diversity-rules/article24902736/>

[2] *SHARE*'s submission to the OSC can be found on the OSC website here: [http://www.osc.gov.on.ca/en/com\\_20180523\\_11-780\\_share.pdf](http://www.osc.gov.on.ca/en/com_20180523_11-780_share.pdf)

# BANK OF MONTREAL Canada

Ticker Symbol **BMO** ISIN **CA0636711016**  
 Meeting Date **05-Apr-2018** Meeting Type **ANNUAL**

Custodian	Account No.	Ballot Shares	Unavailable Shares	Vote Date	Vote Confirmed
	<b>07-3700/2.1</b>	<b>5125</b>	0	13-Mar-2018	Yes

Item	Proposal	Proposed By	Vote	For/Against Management
1.1	DIRECTOR: JANICE M. BABIAK	Management	For	For
1.2	DIRECTOR: SOPHIE BROCHU	Management	For	For
1.3	DIRECTOR: GEORGE A. COPE	Management	Withheld	Against
	<b>Comments:</b> Mr. Cope is the CEO of Bell Canada, and sits on the compensation committee. Directors who are chief executives themselves may have conflicts of interest in setting the pay of other executives, and thus are not suitable to be members of compensation committees.			
1.4	DIRECTOR: CHRISTINE A. EDWARDS	Management	For	For
1.5	DIRECTOR: MARTIN S. EICHENBAUM	Management	For	For
1.6	DIRECTOR: RONALD H. FARMER	Management	Withheld	Against
	<b>Comments:</b> Mr. Farmer is an executive officer of Mosaic Capital Partners, and sits on the compensation committee. Directors who are chief executives themselves may have conflicts of interest in setting the pay of other executives, and thus are not suitable to be members of compensation committees.			
1.7	DIRECTOR: DAVID HARQUAIL	Management	For	For
1.8	DIRECTOR: LINDA HUBER	Management	For	For
1.9	DIRECTOR: ERIC R. LA FLÈCHE	Management	For	For
1.10	DIRECTOR: LORRAINE MITCHELMORE	Management	For	For
1.11	DIRECTOR: PHILIP S. ORSINO	Management	For	For
1.12	DIRECTOR: J. ROBERT S. PRICHARD	Management	For	For
1.13	DIRECTOR: DARRYL WHITE	Management	For	For
1.14	DIRECTOR: DON M. WILSON III	Management	For	For
2	APPOINTMENT OF SHAREHOLDERS' AUDITORS	Management	For	For
3	ADVISORY VOTE ON THE BANK'S APPROACH TO EXECUTIVE COMPENSATION	Management	Against	Against

**Comments:** The compensation plan would be supportable, except that the bank uses total shareholder return (TSR) and earnings per share (EPS) as measures of executive performance for their incentive bonuses. Both measures are readily increased by repurchasing shares, and the bank repurchased at least CA\$100 million of its own shares last year. This means the executives' bonuses may have been based on inflated performance numbers, which is not good for the bank or its investors in the long term.

# NATIONAL BANK OF CANADA Canada

Ticker Symbol **NTIOF** ISIN **CA6330671034**  
 Meeting Date **20-Apr-2018** Meeting Type **ANNUAL**

Custodian	Account No.	Ballot Shares	Unavailable Shares	Vote Date	Vote Confirmed
	<b>07-3700/2.1</b>	<b>8650</b>	0	27-Mar-2018	Yes

Proposal		Proposed By	Vote	For/Against Management
1.1	DIRECTOR: RAYMOND BACHAND		Management For	For
1.2	DIRECTOR: MARYSE BERTRAND		Management For	For
1.3	DIRECTOR: PIERRE BLOUIN		Management For	For
1.4	DIRECTOR: PIERRE BOIVIN		Management Withheld	Against
<b>Comments:</b> Mr. Boivin is an executive officer of Claridge Inc, and sits on the compensation committee. Directors who are chief executives themselves may have conflicts of interest in setting the pay of other executives, and thus are not suitable to be members of compensation committees				
1.5	DIRECTOR: GILLIAN H. DENHAM		Management For	For
1.6	DIRECTOR: RICHARD FORTIN		Management For	For
1.7	DIRECTOR: JEAN HOUDE		Management For	For
1.8	DIRECTOR: KAREN KINSLEY		Management For	For
1.9	DIRECTOR: REBECCA MCKILLICAN		Management Withheld	Against
<b>Comments:</b> Ms. McKillican is the CEO of Well.ca, and sits on the compensation committee. Directors who are chief executives themselves may have conflicts of interest in setting the pay of other executives, and thus are not suitable to be members of compensation committees.				
1.10	DIRECTOR: ROBERT PARÉ		Management For	For
1.11	DIRECTOR: LINO A. SAPUTO, JR.		Management For	For
1.12	DIRECTOR: ANDRÉE SAVOIE		Management For	For
1.13	DIRECTOR: PIERRE THABET		Management For	For
1.14	DIRECTOR: LOUIS VACHON		Management For	For
2	ADVISORY RESOLUTION TO ACCEPT THE APPROACH TAKEN BY THE BANK'S BOARD OF DIRECTORS WITH RESPECT TO EXECUTIVE COMPENSATION		Management Against	Against
<b>Comments:</b> The bank has made significant improvements in its executive pay practices. Unfortunately, it still relies too much on per-share measures of performance for the executives' incentive bonuses. These measures are easy to increase by repurchasing shares, which the bank has done regularly. As a result, the executives may be getting bonuses based on inflated results that don't reflect real improvements in the bank's performance.				
3	APPOINTMENT OF DELOITTE LLP AS INDEPENDENT AUDITOR		Management For	For

## QUEBECOR INC. [Canada](#)

Ticker Symbol	<b>QBCRF</b>	ISIN	<b>CA7481932084</b>
Meeting Date	<b>08-May-2018</b>	Meeting Type	<b>ANNUAL</b>

Custodian	Account No.	Ballot Shares	Unavailable Shares	Vote Date	Vote Confirmed
	<b>07-3700/2.1</b>	<b>999</b>	0	26-Jun-2018	Yes

Item	Proposal	Proposed By	Vote	For/Against Management
1.1	DIRECTOR: Chantal Bélanger		Management For	For
1.2	DIRECTOR: Christian Dubé		Management For	For
1.3	DIRECTOR: Andrea C. Martin		Management For	For
2	Re-appoint Ernst & Young LLP as external auditor.		Management For	For
3	Adoption of a non-binding advisory resolution on the Corporation's approach to executive compensation.		Management Against	Against

**Comments:** Quebecor has improved its executive compensation since 2017. The amounts executives were paid are much more reasonable. However, the company's disclosure is not adequate. It does not tell shareholders what proportion of the executives' incentive pay comes from the medium-term bonus, which is based on performance, and the long-term bonus, which is not. This is an important difference, and the proportions should be included in the compensation report.

4 Shareholder Proposal on the insatisfaction with Class B directors. Shareholder For Against

**Comments:** This proposal points out that the "withhold" votes for the 3 Class B shareholders were unusually high in 2017, between 9% and 23%. Although this is not a majority of Class B shareholders, votes in this percentage against a management position will often trigger engagement from responsive boards. Many boards in this position want to know what led shareholders to be dissatisfied. Quebecor would do well to talk to its Class B shareholders about their reasons for voting against the Class B directors, and to address those reasons if possible.

## THE BANK OF NOVA SCOTIA Canada

Ticker Symbol **BNS** ISIN **CA0641491075**  
 Meeting Date **10-Apr-2018** Meeting Type **ANNUAL**

Custodian	Account No.	Ballot Shares	Unavailable Shares	Vote Date	Vote Confirmed
	<b>07-3700/2.1</b>	<b>9576</b>	0	14-Mar-2018	Yes

Item	Proposal	Proposed By	Vote	For/Against Management
1.1	DIRECTOR: Nora A. Aufreiter	Management	For	For
1.2	DIRECTOR: Guillermo E. Babatz	Management	For	For
1.3	DIRECTOR: Scott B. Bonham	Management	For	For
1.4	DIRECTOR: Charles H. Dallara	Management	For	For
1.5	DIRECTOR: Tiff Macklem	Management	For	For
1.6	DIRECTOR: Thomas C. O'Neill	Management	For	For
1.7	DIRECTOR: Eduardo Pacheco	Management	For	For
1.8	DIRECTOR: Michael D. Penner	Management	For	For
1.9	DIRECTOR: Brian J. Porter	Management	For	For
1.10	DIRECTOR: Una M. Power	Management	For	For
1.11	DIRECTOR: Aaron W. Regent	Management	Withheld	Against
	<b>Comments:</b> Mr. Regent who serves as the chair of the compensation committee, is the CEO of Niobec Inc. Directors who are chief executives themselves may have conflicts of interest in setting the pay of other chief executives, and thus are not suitable to be members of compensation committees.			
1.12	DIRECTOR: Indira V. Samarasekera	Management	For	For
1.13	DIRECTOR: Susan L. Segal	Management	For	For
1.14	DIRECTOR: Barbara S. Thomas	Management	For	For
1.15	DIRECTOR: L. Scott Thomson	Management	For	For
2	Appointment of KPMG LLP as auditors.	Management	For	For
3	Advisory vote on non-binding resolution on executive compensation approach.	Management	Against	Against
	<b>Comments:</b> A significant part of the executives' long-term incentives (representing over 40% of their equity-based pay and over 20% of total compensation) is made up of performance shares with total shareholder return (TSR) as the primary performance basis. Financial performance measured on a per share basis (such as TSR) can artificially be improved through stock repurchases, giving executives unearned compensation. For the past three years the bank repurchased shares worth \$2.04 billion.			
4	Shareholder Proposal 1 - Revision to Human Rights Policies.	Shareholder	For	Against

**Comments:** This proposal requests that the bank adopt a policy that will more robustly address environmental and human rights issues in its financing business. While the bank has initiated a number of measures to support its public commitment to human rights and the environment, these fall far short of fully addressing cases of environmental and human rights abuse in businesses it currently is involved in.

The Shareholder Association for Research and Education (SHARE) is a non-profit organization based in Vancouver, British Columbia. Since its creation in 2000, SHARE has provided leadership, expertise and advocacy in the area of responsible investment and active share ownership. SHARE assists institutional investors in implementing responsible investment strategies through our Active Ownership Services, including:

- Pension Investment & Governance Education
- Proxy Voting & Advisory Services
- Shareholder Engagement
- Responsible Investment Advisory Services