United Church of Canada Treasury

Q3 2018

July 1st - September 30th

Proxy Voting Report

Responsible investment for a sustainable economy

SHARE
SHAREHOLDER ASSOCIATION for RESEARCH & EDUCATION

Proxy Voting Highlights Q3 2018

Meetings

Type		
Annual	3	100%
Special	0	
Contest	0	
Total	3	

Jurisdiction		
Canada	3	100%
United States	0	
Other	0	
Total	3	

Resolutions

	Votes consistent with Management Recommended Votes	No. Votes
All Proposals	63%	40
Management Proposals	69%	36
Director Elections	69%	32
Say-On-Pay		1
Say-On-Pay Frequency		0
Compensation Plan		0
Auditor Ratification	100%	3
Shareholder Proposals		4
Environment & Climate		0
Social		0
Governance		0

Vertical Pay Ratios in the United States: A Second Look

In our report for the first quarter of this year, we previewed the CEO-to-median worker pay ratios that companies in the US were just beginning to report. After the rush of spring annual shareholders' meetings, SHARE reviewed the pay ratios of 1800 companies in the Russell 3000, and 426 companies in the S&P500. The ratios they reported provide an interesting look into the state of compensation and income inequality in the US.

2018 was the first year in which companies in the United States were required to report the ratio between their CEOs' pay and the median pay of their employees. These "vertical" pay ratios give shareholders important information about how compensation is distributed in the companies in which they invest. As SHARE's *Valuing Decent Work in Your Investments: A Guide for Investors* points out, companies with large gaps between executives' pay and workers' pay tend to have lower profit margins and worse labour productivity compared to their counterparts with more equitable pay structures.[1] Vertical pay ratios also reveal how income may be distributed in the wider economy, which can influence investment returns.

Our analysis of US companies' vertical pay ratios showed that companies with the largest CEO-to-median pay ratios tend to be those with large numbers of part-time employees. For example, the CEO of Weight Watchers, whose workers are mostly part-time, made 5908 times the median employee's compensation. Retailer Abercrombie & Fitch had a CEO-to-median-worker pay ratio of 3431 to 1. McDonalds had a ratio of 3101 to 1. Retail trade companies on the S&P 500 had the largest median vertical pay ratio of any sector, 658-to-1.

Companies with the smallest CEO-to-median pay ratios (20-to-1 or less) not only paid their executives less, but paid their employees more. Their median workers' pay was, on average, about US$100,000. Many of these were lesser-known pharmaceutical, finance and real estate companies.

We also found that, for the companies in the S&P 500, the overall median CEO pay was 157 times that of the median employee. To illustrate, if a company with that ratio paid its median worker $40,000 a year, its CEO would have made $6.28 million. That is more than the median total compensation of the CEOs of Canada's TSX 60 companies for 2017, which was $1.9 million. It is not difficult to imagine that workers at a company with a vertical pay ratio of 157-to-1 would feel undervalued and quite willing to jump to another employer. This may explain why McDonald's and other fast food restaurants have annual employee turnover rates of around 150%.[2]

Companies' CEO-to-worker pay ratios are affected by differences in who they count as their employees. Companies are allowed to exclude contract employees and workers in their supply chains when they calculate their median employee's pay. These temporary, short-term or off-shore workers usually are paid much less than companies' regular employees. Companies' vertical pay ratios might look very different if these workers were included in the median employee compensation calculations.

Canadian companies are not required to report CEO-to-worker pay ratios, and the vast majority do not. However, SHARE has been encouraging the boards of Canadian companies to take the pay of their entire workforce into account when setting executive pay. SHARE's *Valuing Decent Work in Your Investments* points out that companies can report on the gap between executive and worker pay as one way to promote decent work. It also identifies low wages as a source of reputational and political risk for companies, especially in light of growing concern about income inequality.

The effects that large disparities in pay can have on company's performance make vertical pay ratios a valuable indicator for investors. SHARE will continue to monitor vertical pay ratios as part of our work in promoting decent work and responsible executive compensation.

[1] *See*, MSCI, *Income Inequality and the Intracorporate Pay Gap*, April 2016. https://www.msci.com/

www/research-paper/income-inequality-andthe/0337258305; Z. Ton "Why ‘Good Jobs’ Are Good for Retailers", *Harvard Business Review*, Jan-Feb 2012. https://hbr.org/2012/01/why-good-jobs-are-good-for-retailers

[2] Z. Lazzari, "The Turnover Rates in the Fast Food Industry" *AZCentral.com*, 19 May 2018. https://yourbusiness.azcentral.com/turnover-rates-fast-food-industry-25648.html

ALIMENTATION COUCHE-TARD INC. Canada

Ticker Symbol	**ANCUF**	ISIN	**CA01626P4033**
Meeting Date	**20-Sep-2018**	Meeting Type	**ANNUAL**

Custodian	Account No.	Ballot Shares	Unavailable Shares	Vote Date	Vote Confirmed
RBC INVESTOR SERVICES	**000805121**	**10375**	0	28-Aug-2018	Yes

Item	Proposal	Proposed By	Vote	For/Against Management
1	Appoint PricewaterhouseCoopers LLP as auditor until the next annual meeting and authorize the Board of Directors to set their remuneration.	Management	For	For
2.1	DIRECTOR: Alain Bouchard	Management	Withheld	Against
	Comments: Only 6 of this company's 11 directors, or 55%, are independent of management. Two-thirds of the directors must be independent in order to ensure that the board can oversee management without conflicts of interest. For this reason, we have voted against the directors who are not independent. Mr. Bouchard is the executive chair of the board and one of the controlling shareholders.			
2.2	DIRECTOR: Mélanie Kau	Management	For	For
2.3	DIRECTOR: Nathalie Bourque	Management	For	For
2.4	DIRECTOR: Eric Boyko	Management	For	For
2.5	DIRECTOR: Jacques D'Amours	Management	Withheld	Against
	Comments: See the comments for Mr. Bouchard. Mr. D'Amours is also a controlling shareholder.			
2.6	DIRECTOR: Jean Élie	Management	For	For
2.7	DIRECTOR: Richard Fortin	Management	Withheld	Against
	Comments: See the comments for Mr. Bouchard. Mr. Fortin is also a controlling shareholder.			
2.8	DIRECTOR: Brian Hannasch	Management	Withheld	Against
	Comments: See the comments for Mr. Bouchard. Mr. Hannasch is the CEO.			
2.9	DIRECTOR: Monique F. Leroux	Management	For	For
2.10	DIRECTOR: Réal Plourde	Management	Withheld	Against
	Comments: See the comments for Mr. Bouchard. Mr. Plourde is also a controlling shareholder.			
2.11	DIRECTOR: Daniel Rabinowicz	Management	For	For
3	Shareholder proposal No. 1 Adopt a "Say on Pay" advisory vote on executive compensation	Shareholder	For	Against
	Comments: An advisory vote will allow shareholders to express their views of executive compensation, while still recognizing the board's responsibility to set executive pay.			
4	Shareholder proposal No. 2 Separate the disclosure of votes according to share classes	Shareholder	For	Against
	Comments: Reporting the vote results for the 2 classes of shares separately would make it possible for shareholders to know if a proposal is passed or defeated due entirely to the votes of the multiple-voting shares and without the support of the Class B, subordinate-voting shareholders, who are the majority of the shareholders. We believe it is important for shareholders to know if their company is claiming shareholder support for its decisions without the votes of the majority of its shareholders.			
5	Shareholder proposal No. 3 Conduct an accountability exercise on environmental and social issues	Shareholder	For	Against
	Comments: This proposal asks the company to issue a sustainability report using an internationally recognized format, such as the GRI. This is a reasonable request. Corporations have a responsibility to disclose to their shareholders the potential liabilities of their operations, including the risks associated with social and environmental aspects of their operations. Alimentation Couche-Tard currently does this only on a very limited basis.			

OPEN TEXT CORPORATION Canada

Ticker Symbol	**OTEX**	ISIN	**CA6837151068**
Meeting Date	**05-Sep-2018**	Meeting Type	**ANNUAL**

Custodian	Account No.	Ballot Shares	Unavailable Shares	Vote Date	Vote Confirmed
RBC INVESTOR SERVICES	**000805121**	**14600**	0	21-Aug-2018	Yes

Item	Proposal	Proposed By	Vote	For/Against Management
1.1	DIRECTOR: P. Thomas Jenkins	Management	Withheld	Against
	Comments: Mr. Jemkins the chair of the board, is not independent because he is the former president and CEO of the company. The board chair must be an independent director in order to guide the board in its responsibility for overseeing management's performance without conflict of interest.			
1.2	DIRECTOR: Mark J. Barrenechea	Management	For	For
1.3	DIRECTOR: Randy Fowlie	Management	For	For
1.4	DIRECTOR: David Fraser	Management	For	For
1.5	DIRECTOR: Gail E. Hamilton	Management	For	For
1.6	DIRECTOR: Stephen J. Sadler	Management	For	For
1.7	DIRECTOR: Harmit Singh	Management	For	For
1.8	DIRECTOR: Michael Slaunwhite	Management	For	For
1.9	DIRECTOR: Katharine B. Stevenson	Management	Withheld	Against
	Comments: Ms. Stevenson was a senior finance executive of Nortel Networks during the period when that company engaged in systematic accounting fraud. The company went bankrupt and ceased to exist in 2009. Nortel's officers, including Ms. Stevenson failed in their responsibility to safeguard the company and its stakeholders from the fraud. This makes her unsuitable to serve as a member of the board and sit on its audit committee.			
1.10	DIRECTOR: C. Jürgen Tinggren	Management	For	For
1.11	DIRECTOR: Deborah Weinstein	Management	For	For
2	Re-appoint KPMG LLP, Chartered Accountants, as independent auditors for the Company.	Management	For	For
3	The approval of the non-binding Say-on-Pay Resolution, the full text of which is attached as Schedule "A" to the Circular, with or without variation, on the Company's approach to executive compensation, as more particularly described in the Circular.	Management	Against	Against
	Comments: The bulk of the long-term incentive pay (representing close to 45% of total executive compensation) is made up of stock options and restricted share units, which do not have any performance requirements and simply vest over time. Incentives which are not linked to performance reward executives for staying instead of for doing a good job.			

SAPUTO INC. Canada

Ticker Symbol	**SAPIF**	ISIN	**CA8029121057**
Meeting Date	**07-Aug-2018**	Meeting Type	**ANNUAL**

Custodian	Account No.	Ballot Shares	Unavailable Shares	Vote Date	Vote Confirmed
RBC INVESTOR SERVICES	**000805121**	**13100**	0	18-Jul-2018	Yes

Item	Proposal	Proposed By	Vote	For/Against

				Management
1.1	DIRECTOR: Lino A. Saputo, Jr.	Management	Withheld	Against
	Comments: Mr. Saputo is both CEO and chair of the board of Directors. The chair of the board cannot be a member of management and still guide the board in its responsibility for overseeing management's performance without a conflict of interest.			
1.2	DIRECTOR: Louis-Philippe Carrière	Management	For	For
1.3	DIRECTOR: Henry E. Demone	Management	For	For
1.4	DIRECTOR: Anthony M. Fata	Management	Withheld	Against
	Comments: Mr. Fata is an executive officer of Sager Food Products, 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: Annalisa King	Management	For	For
1.6	DIRECTOR: Karen Kinsley	Management	For	For
1.7	DIRECTOR: Tony Meti	Management	For	For
1.8	DIRECTOR: Diane Nyisztor	Management	Withheld	Against
	Comments: Ms. Nyisztor is an executive officer of Cogeco, 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.			
1.9	DIRECTOR: Franziska Ruf	Management	For	For
1.10	DIRECTOR: Annette Verschuren	Management	For	For
2	Appointment of Deloitte LLP as Auditors of the Company for the ensuing year and authorizing the Directors to fix the auditors' remuneration.	Management	For	For
3	Shareholder Proposal: Disclosure on human rights risk assessment.	Shareholder	For	Against
	Comments: This proposal asks Saputo to report on how it assesses its human rights risks in its own operations and in its supply chain. This is a reasonable request. Being associated with abuses of human rights can have disasterous consequences for a company. Saputo relies on its own code of ethics to avoid these risks. But that code is silent on key issues, such as the right to collective bargaining, and prohibitions on forced labour and child labour. The proposed report would give Saputo a chance to consider its exposure to human rights abuses and how it might address them.			

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

Suite 510 - 1155 Robson Street, Vancouver, BC V6E 1B5 Canada T 604 408.2456 F 604 408.2525