2018 Corporate Governance Best Practices Report

In collaboration with:

Contents

Executive summary

This report outlines the prevalent corporate governance policies and practices among organizations in Canada. There were 89 participants for the survey this year, compared to 105 participants in 2017. Subsequently, the composition of company types for the sample population has changed. We have 25% publicly traded companies compared to last year's 27% and 22% not-for-profit companies compared to 27% from last year.

Corporate governance overview

The most significant corporate governance issue continues to be risk management and oversight. Operational, financial and cyber risks are most commonly perceived as the most critical risks by organizations. Strategic planning, risk management and succession planning are ranked as the top three board matters in 2018.

Sustainability governance

44% of the respondents have a fully implemented formal policy in place. 34% of respondents take sustainability into account when determining incentive compensation for members of management, and 40% of respondents look for expertise in sustainability when recruiting for their Board of Directors.

Compensation communication

Approximately 81% of the participants discuss executive compensation in their disclosure material. The compensation disclosure document is most commonly available to the board of directors, executive management team and general public. Most choose to post their executive compensation disclosure documents directly on their company website.

Enterprise risk management oversight and governance

65% of participants in 2018 reported that they have a fully implemented formal risk policy in place. Monitoring risks, reviewing risk assessments and evaluating risk exposures, and risk oversight remain the top three most common risk-related accountabilities, as was the case for the previous two years. The most common barriers to risk oversight were a lack of clarity, definition and agreement about the organization's enterprise risk management philosophy, and a lack of understanding of risks by board members.

Engagement by a governance team

Only 40% of publicly traded respondents schedule a structured meeting or call with shareholders at least once per year. Respondents tend to interact most frequently with customers, regulators, suppliers and the media.

Boardroom diversity

Nearly half of the respondents have fully implemented a formal board diversity policy covering gender, age and ethnicity, with a further 8% in the process of implementing one. A significantly higher rate of policy implementation was observed among publicly traded organizations and crown corporations. 95% of the participating organizations have at least one female director on the board, over half have a member of a visible minority on the board, and approximately one in three have a non-Canadian director. A fully implemented formal board recruitment policy is in place for 64% of participating organizations.

Subsidiary governance

76% of respondents have a separate board of directors for the organization's significant subsidiaries. 64% have directors who serve on the boards of both the parent company and its subsidiaries, indicating an increasing degree of separation for subsidiary boards where they exist. 39% of participants have a written subsidiary governance framework, and 51% of respondents adopt formal board mandates and position descriptions at the subsidiary level.

Effective board and committee operations

Audit, governance and compensation / human resources remain the top three board sub-committees since 2015. 79% of participants evaluated the CEO once every year, and over half have fully implemented a formal CEO succession planning process, including a policy, written objectives and a report. This is a change from 2017, where the percentage was closer to 40%.

Among this year's respondents, there is a significant preference evaluating board performance on an individual basis, as opposed to evaluating the full board all at once. The top three methodologies used by respondents to educate their board directors are in-house education by management, outside education by a third-party director education program and in-house education by a third party. 53% of respondents have had over 75% of their directors attend education programs over the past year.

Introduction

Welcome to the 2018 Corporate Governance Best Practices report, an annual report reflecting the trends of corporate governance in Canada since 2013. This year, Korn Ferry Hay Group, along with the Governance Professionals of Canada (GPC), conducted surveys with corporate secretaries and other governance professionals at 89 organizations across the country. This report highlights the key findings of our research, outlines the views shared by survey respondents and provides greater context on the current corporate governance landscape in Canada.

The Governance Professionals of Canada (GPC)

The GPC is a leading resource for corporate secretaries and corporate governance professionals. It is recognized as being the most important professional organization for good corporate governance in Canada. Aside from striving to enhance the visibility and credibility of the office of the corporate secretary, it also offers a unified voice and proven tools for best practices in corporate governance.

Korn Ferry

Korn Ferry is a global organizational consulting firm, synchronizing strategy and talent to drive superior performance for our clients. With over 7,500 colleagues at more than 100 offices worldwide, we can help you release the power of your collective genius and drive superior performance. Our solutions help businesses and organizations reach and realize the full potential of their talent.

We deliver services in the following areas:

- Organizational Strategy
- Assessment & Succession
- Talent Acquisition
- Leadership Development
- Rewards & Benefits

Our approach

Korn Ferry Hay Group, in partnership with GPC, conducted the 2018 Corporate Governance practices survey (Appendix), which included 89 respondents from organizations of varying sizes, industries and structures. We sought perspectives on the following topics:

1. Corporate Governance Overview
2. Sustainability Governance
3. Compensation Communication.
4. Enterprise Risk Management Oversight and Governance.
5. Engagement by a Governance Team.
6. Boardroom Diversity.
7. Subsidiary Governance.
8. Effective Board and Committee Operations.

The results from these areas have been summarized and presented in this report. Additionally, these results were used during the nomination process for the annual GPC Excellence in Governance Awards. The categories for these awards are similar to those conducted via the online survey described above, and include:

1. Best Practices in Sustainability and Environment, Social and Corporate Governance (ESG).
2. Best Compensation Communication.
3. Best Practices in Enterprise Risk Management.
4. Best Engagement by a Governance Team.
5. Best Practices to Enhance Boardroom Diversity.
6. Best Practices in Subsidiary Governance.
7. Best Approach to Achieving Effective Board and Committee Operations.
8. Best Practices in Strategic Planning, Oversight and Value Creation by the Board.
9. Best Overall Corporate Governance.

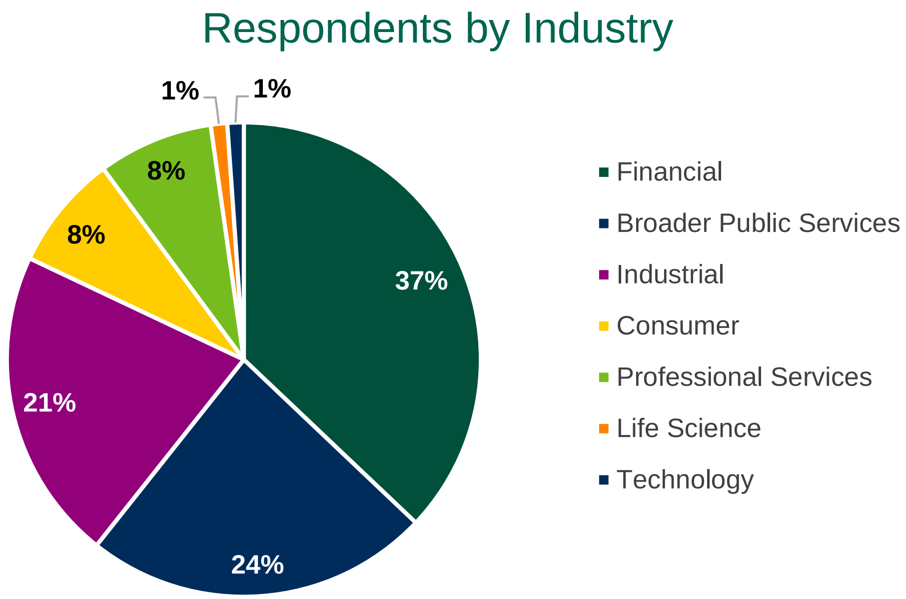
Methodology

Several question formats are used in the survey, including multiple choice and rating options in order of preference. ‘*Not applicable*’ responses were excluded from the analysis.

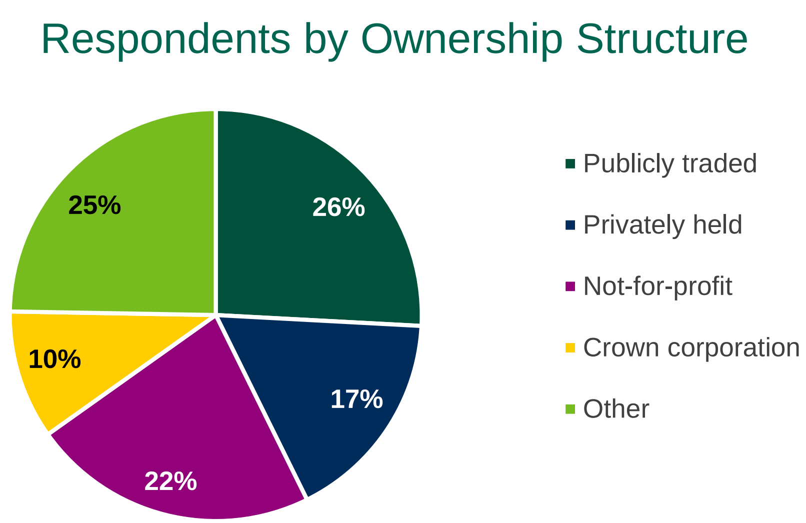
It should be noted that findings illustrate trends for respondents. Additional comments have been provided where differences between data cuts, such as differences in ownership structure, have been identified.

Participant profile

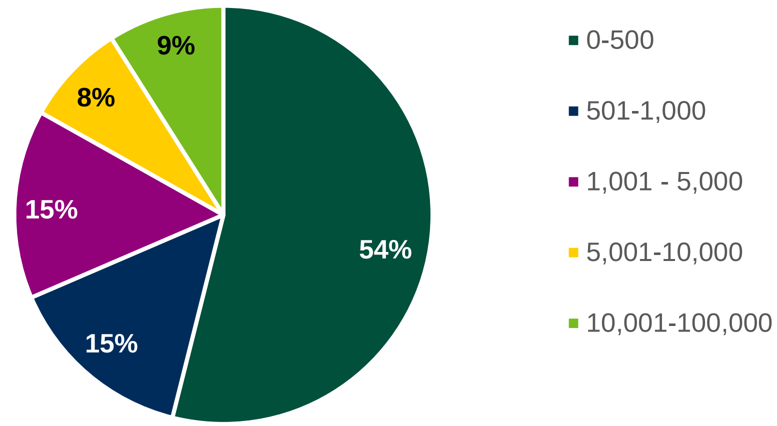
The respondents are grouped into seven industries in total; the industries with the most responses are the financial sector and the broader public services sector ("BPS").



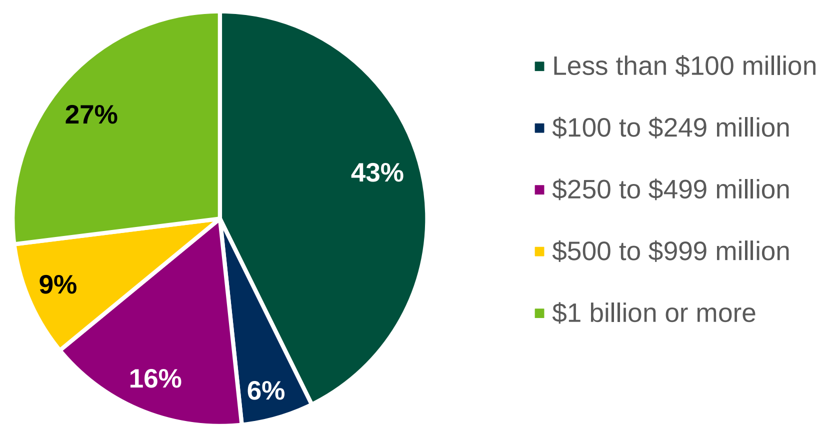
In terms of ownership structure, the highest percentage of respondents are either publicly traded or not-for-profit organizations. One in two respondents have 500 employees or fewer. 70% of the participants either have less than $100M in revenue, or over $1B in revenue.



Respondents by Number of Employees



Respondents by Total Annual Revenue



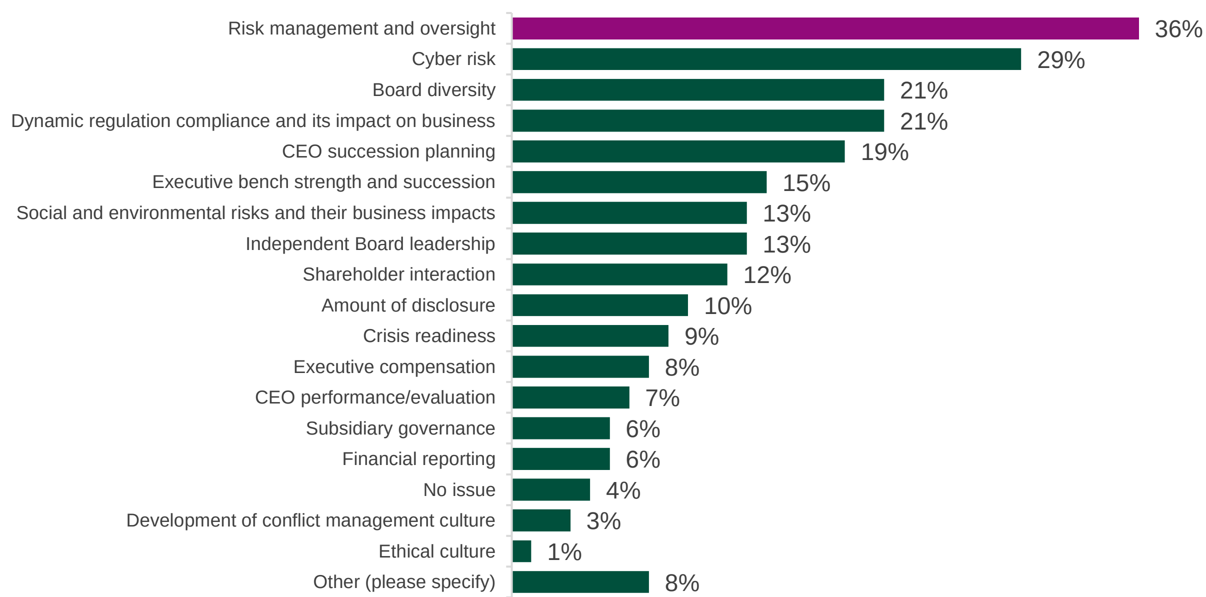
Corporate Governance Overview

This section covers topics including risk management and oversight, corporate governance legislation, formal policies and strategic planning.

Most significant governance issues and risks

The most significant corporate governance issue is risk management and oversight. The figure below indicates other pressing issues such as cyber risk, board diversity, dynamic regulation compliance and its impact on business, CEO succession planning, and executive bench strength.

Most significant corporate governance issues

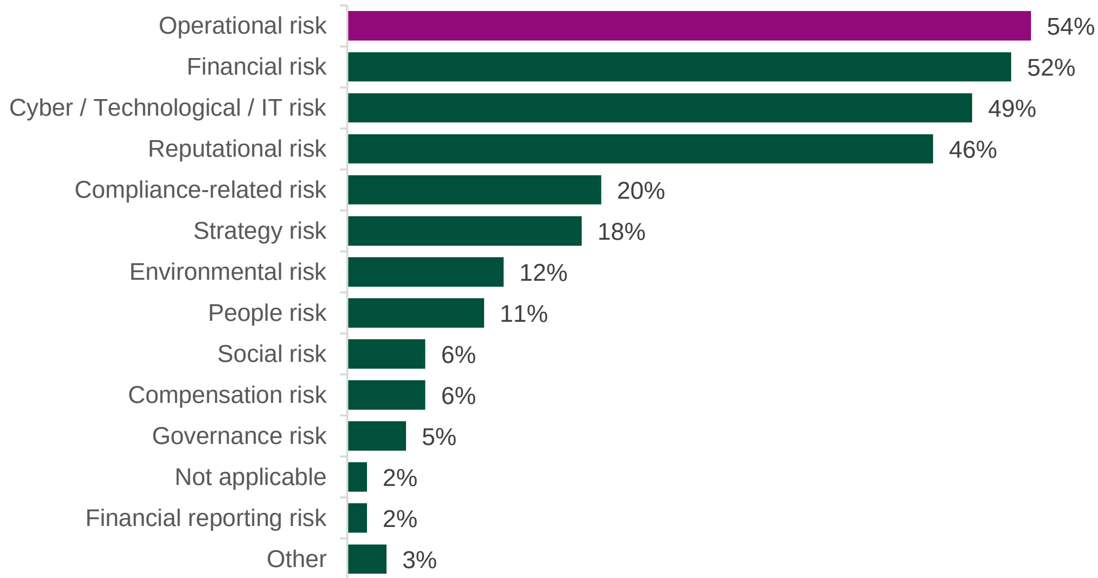


Overall, risk management and oversight and board diversity continue to rank among the top three most significant corporate governance issues as in previous years, but cyber risk has overtaken dynamic regulation compliance and CEO succession planning to become the second most significant issue among boards this year.

Top issues can vary by industry sector and ownership type – this year, risk management and oversight tied with cyber risk as the most common corporate governance issues among financial sector participants, but CEO succession planning was a more pressing concern for BPS participants. Publicly-traded organizations most frequently responded that cyber risk was a top issue, but not-for-profit organizations saw risk management as their most significant issue.

Operational and financial risks are the most common types of risk perceived as the two most critical risks for participating organizations. Governance and financial reporting risks were reported as the least critical risks.

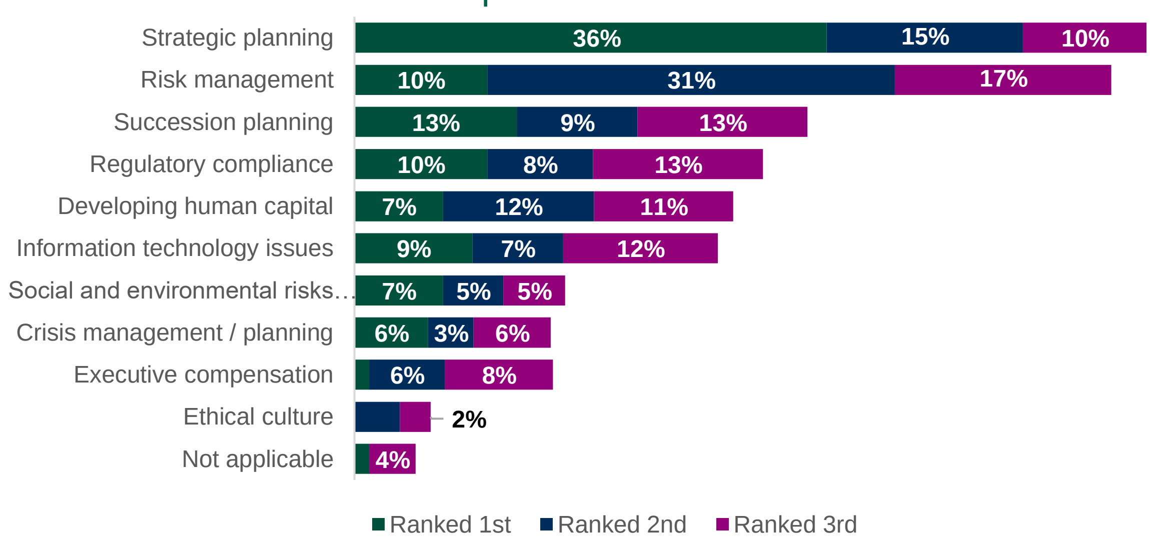
Most critical risks



Top board matters

The top three issues for boards remain the same as last year – strategic planning, risk management and succession planning. The percentage of respondents who ranked strategic planning as the top board issue is 36% for 2018, as opposed to 31% in 2017.

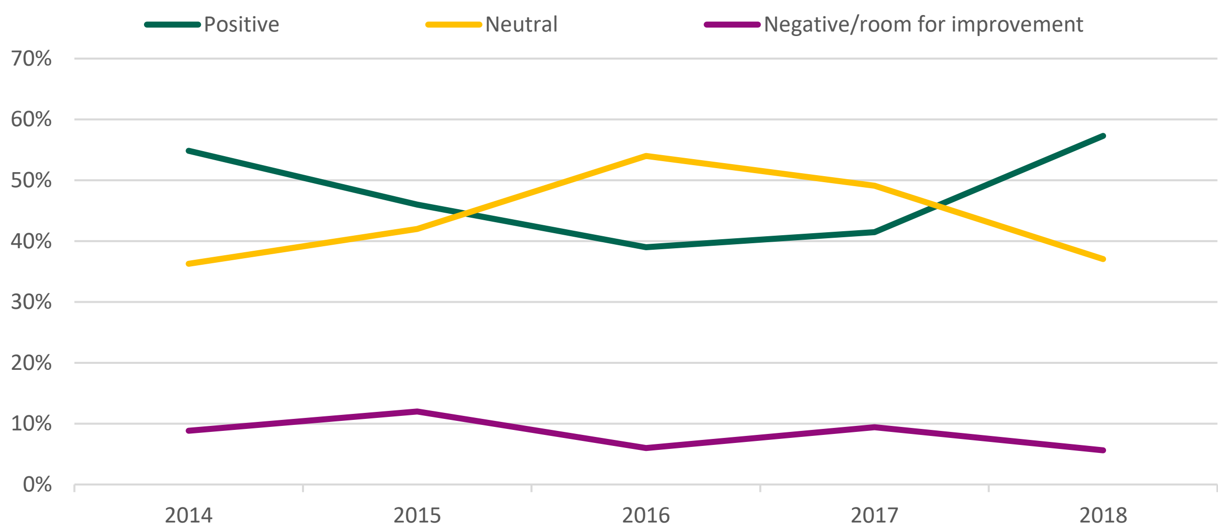
Top 3 Board matters



Corporate governance legislation

57% of responding organizations who perceived that corporate governance legislation had a positive impact on board operations, compared to 42% in 2017.

Impact of corporate governance codes and legislation

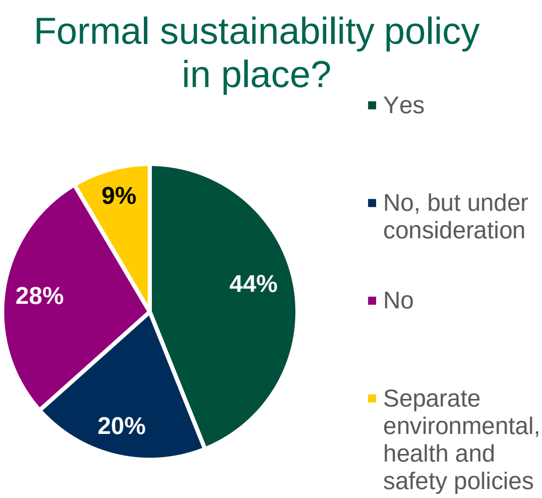


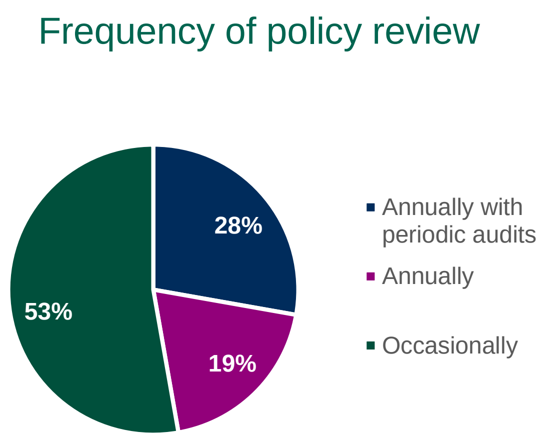
Sustainability governance

This section includes information related to corporate sustainability governance, agreement on social and environmental risk, and sustainability in incentives and recruitment.

Sustainability policy

The majority of the respondents do not currently have a formal sustainability policy in place. 44% of the respondents have a fully implemented formal policy in place. Slightly less than half of the responding organizations with a formal sustainability policy in place review their policy annually.

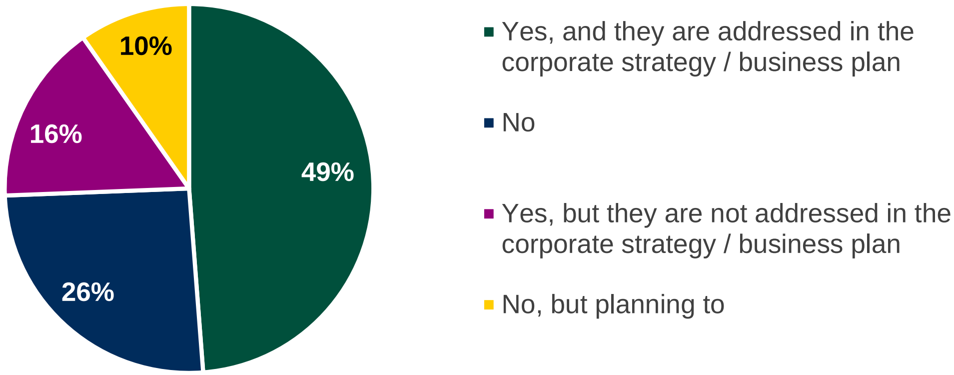




Formal agreement on social and environmental risks

Most respondents have agreed upon the most material social and environmental risks to their organization. Of those responding organizations, 75% have addressed them directly in their corporate strategy or business plan.

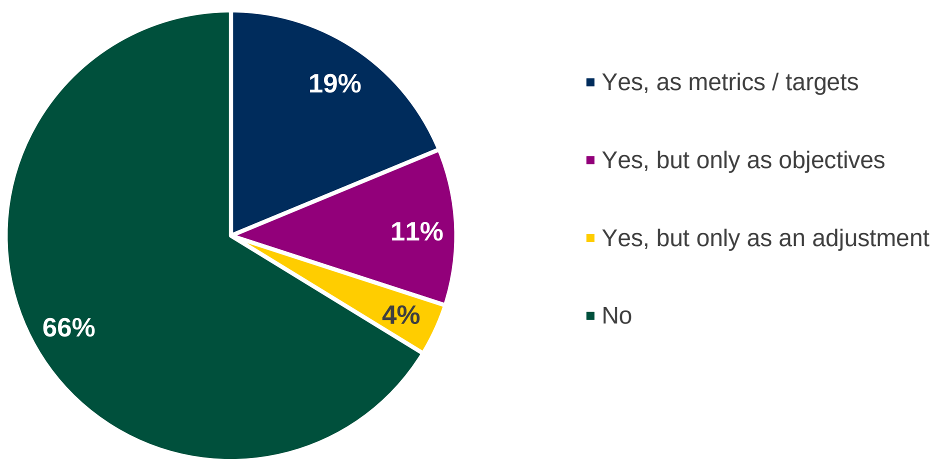
Agreement and disclosure of risks



Sustainability in incentive compensation

34% of respondents take sustainability into account when determining incentive compensation for members of management. For those that do, incorporating sustainability as formal metrics / targets is the most common practice.

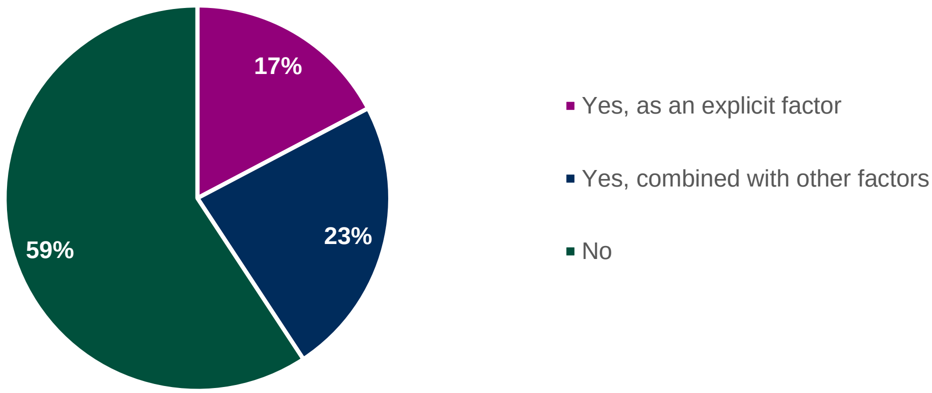
Is sustainability a factor in your management's incentive compensation?



Sustainability in board recruitment

40% of respondents take expertise in sustainability into account when recruiting for their Board of Directors. Among them, 42% list it as an explicit factor in their recruiting process.

Is sustainability expertise a factor in board recruitment?

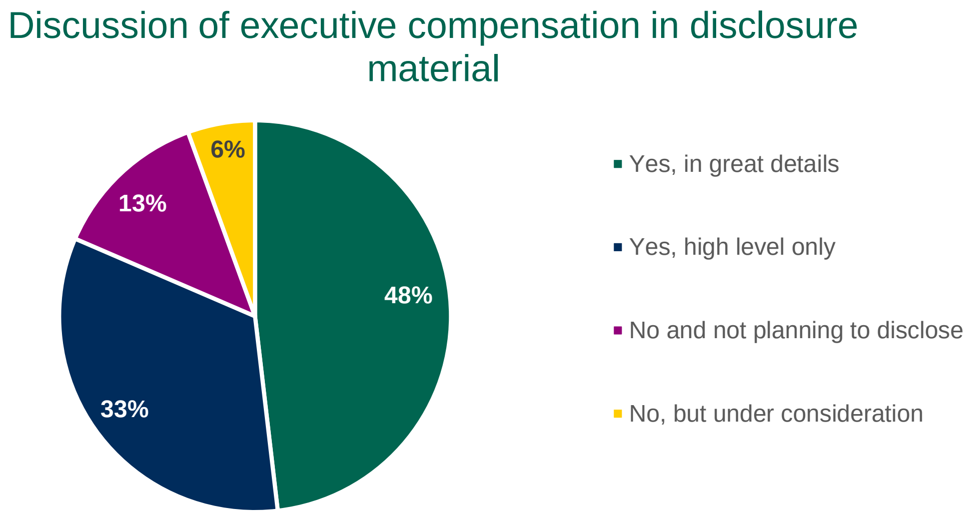


Compensation communication

This section includes information related to executive compensation disclosure, as well as the level of clarity and detail contained in participants' executive compensation disclosure documents.

Executive compensation disclosure

Approximately 81% of the participants discuss executive compensation in their disclosure material in some form. The majority of the participants discuss executive compensation in great detail.



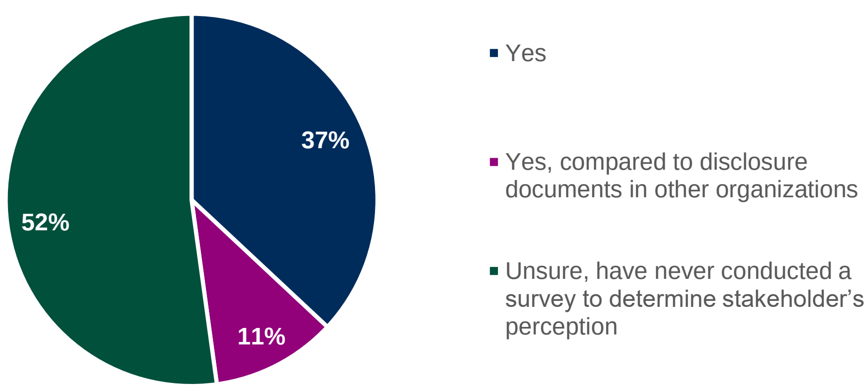
The chart below shows that the top 3 stakeholder groups that have access to the participants' published executive compensation disclosure documents are the board of directors, the general public, and the executive management team. Most choose to post their executive compensation disclosure documents directly on their company website.

Who has access to your executive compensation disclosure document?

Clarity

Over one third of participants reported that their stakeholders perceived their executive compensation disclosure document clear and concise. However, similar to last year, the majority of the participants reported that they have never conducted a survey to determine their stakeholder's perception of their disclosure document in terms of clarity and conciseness of the language.

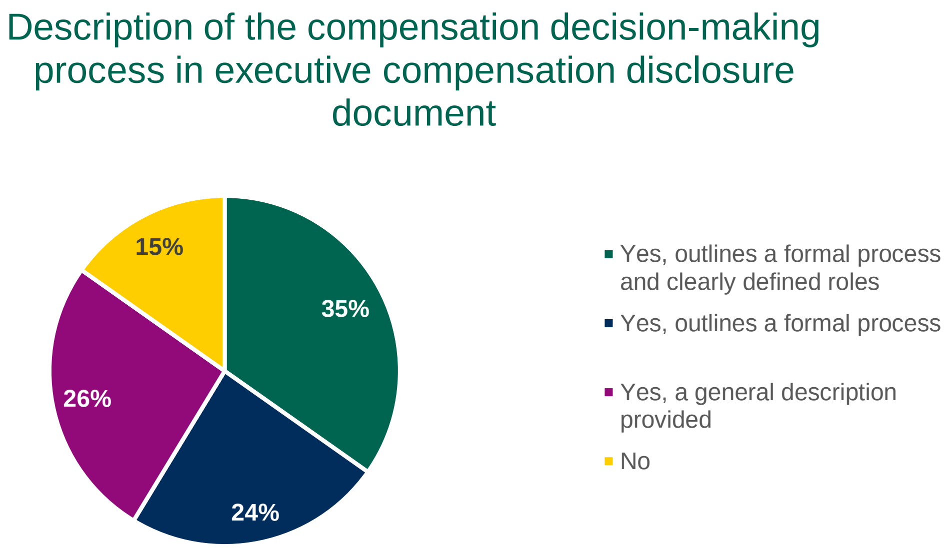
Stakeholder's perception on clarity and conciseness of the language in the executive compensation disclosure document



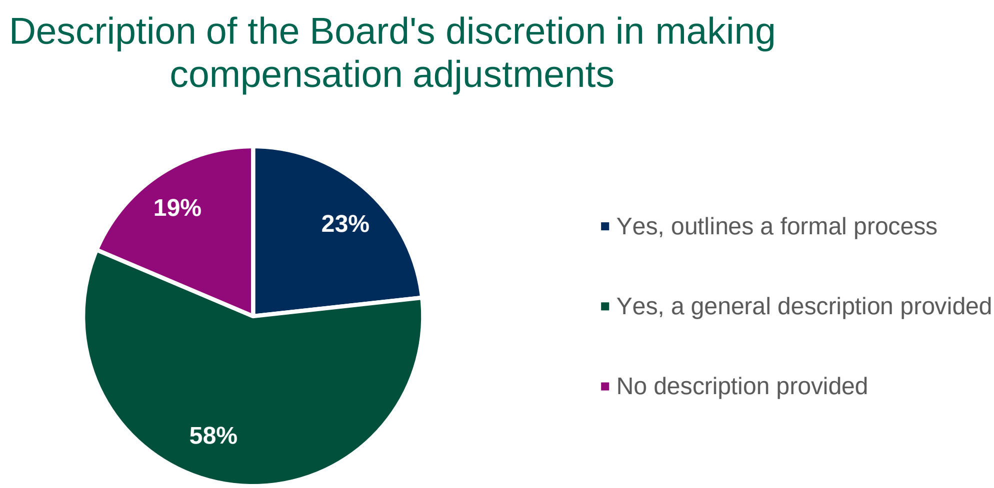
For the participants that did report conducting a survey of their stakeholder's perception of the language in their disclosure document, only half receive assistance from the organization's communications department in developing the disclosure document.

Completeness and transparency

85% of the participants' compensation disclosure documents include at least a general description of each respective organization's compensation decision-making process. 35% of all respondents reported that their executive compensation disclosure document contains description of a formal compensation decision making process with clearly defined roles.



Over half of the participants reported that their organization includes a description of the board's discretion in making compensation adjustments in their disclosure documents.



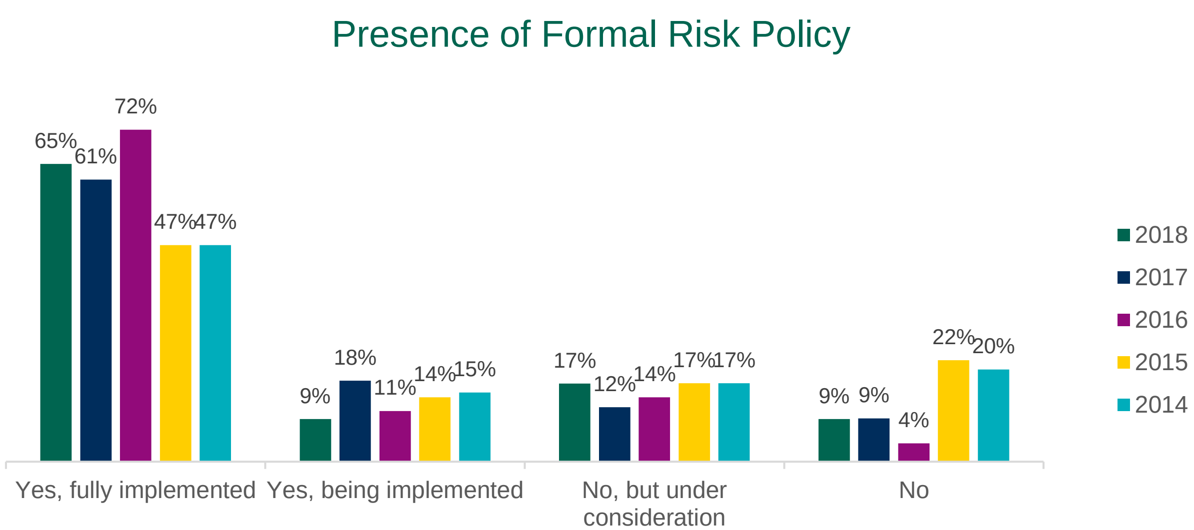
A small number of participants (7%) reported having received criticism from a financial journalist in terms of lack of transparency on financial disclosure.

Enterprise risk management oversight and governance

This section includes information regarding risk policies and practices, top risk-related accountabilities, and most significant barriers to risk oversight.

Formal Risk Policy

Formal risk policy includes a risk governance model, segregated and distinctive functional responsibilities for risk management and / or written goals and reports. 65% of participants in 2018 reported that they have a fully implemented formal risk policy in place. By ownership type, publicly-traded organizations have the highest percentage of respondents with fully implemented risk policies. By industry sector, financial and life science organizations have the highest percentage of respondents with fully implemented risk policies.

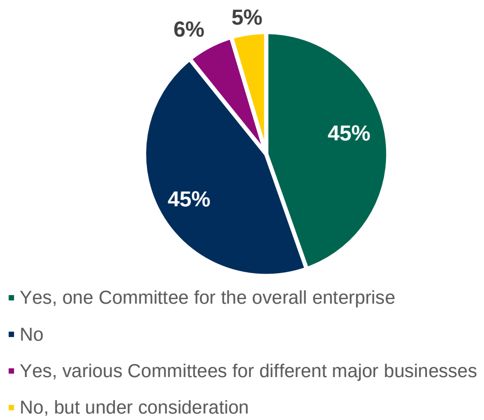


Enterprise risk management accountability

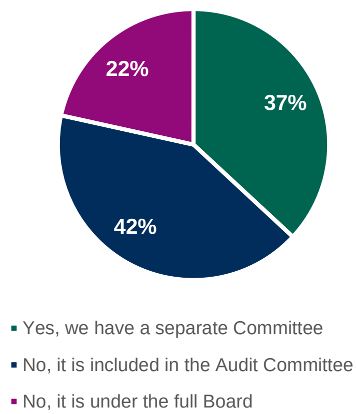
A risk committee (or equivalent) exists at the management level for half of the participants, and a chief risk officer or an equivalent senior risk officer role is present in 60% of participant organizations.

A little over a third of participants stated that they had a separate risk committee. For the rest of the participants, typically the audit committee holds responsibility for risk oversight and governance for participant organizations.

Risk committee at the management level



Is there a separate risk committee primarily responsible for risk oversight / governance?

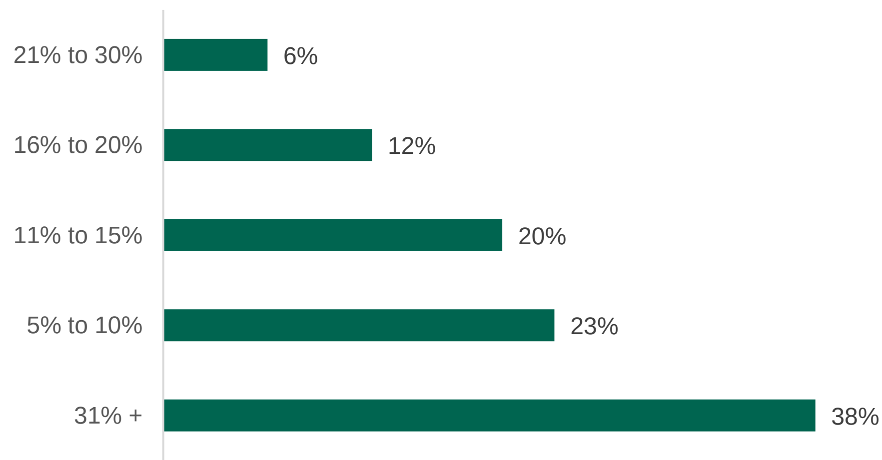


Over one-third of respondents have 31%+ of its board members meeting the requisite level of expertise in enterprise risk management. The level of requisite expertise for committee members will vary by organization, based on requirements specific to each organization. In general, expertise requirements would typically include:

a) Experience successfully managing significant risks; and

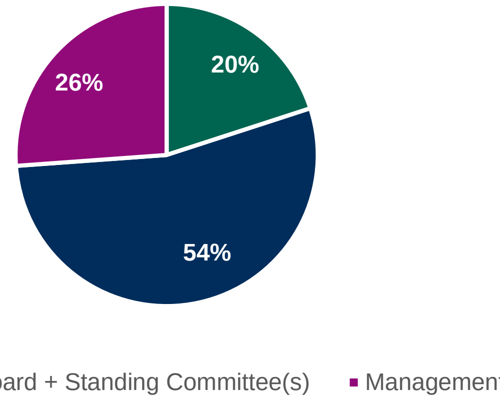
b) Organizational and leadership skills required to work with the board and management to support sound risk management in the organization.

Directors with requisite level of risk expertise



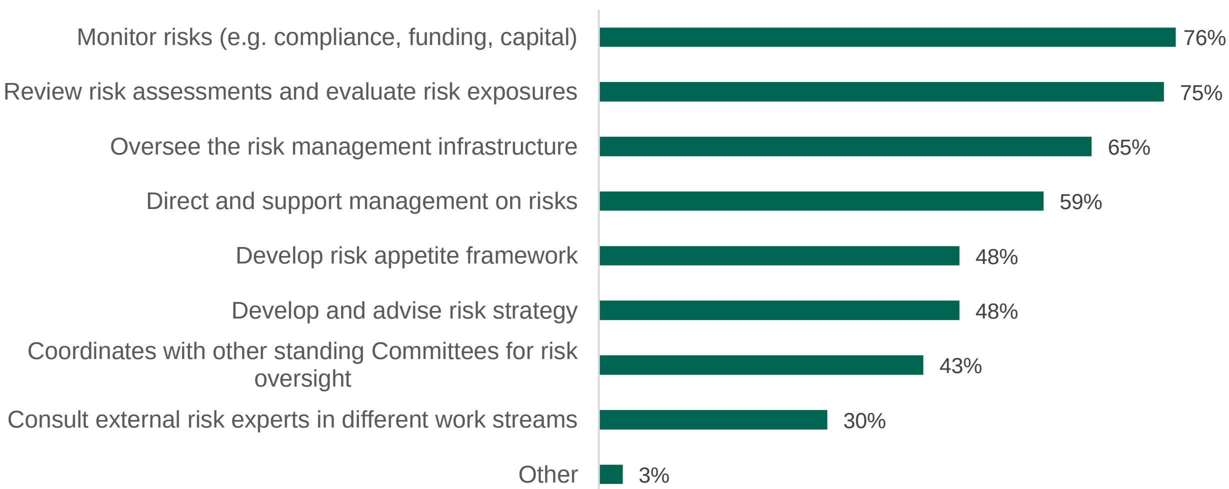
In the majority of participants, accountability for enterprise risk oversight and governance is split between the board and standing committees.

Accountability for enterprise risk oversight and governance



Monitoring risks, reviewing risk assessments and evaluating risk exposures, and risk oversight remain the top three most common risk-related accountabilities, as was the case for the previous two years. This was the case for most sectors, but respondents in the industrial sector (e.g. manufacturing, energy, mining) and the BPS also frequently mentioned directing and supporting management on risks as a major accountability.

Accountabilities for risk



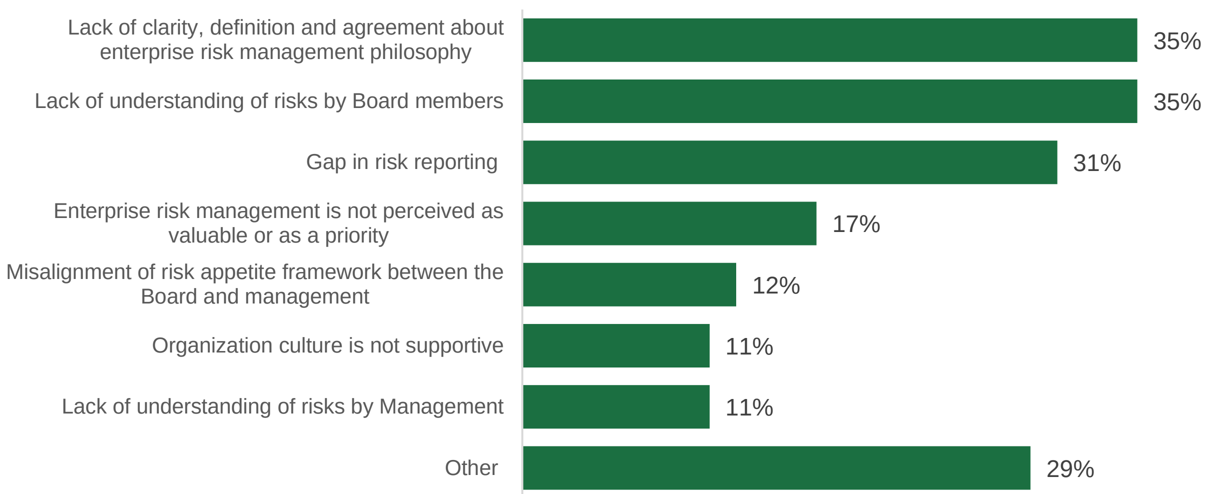
Barriers to risk oversight

The top three barriers in an organization's risk oversight process are consistent with the 2016 and 2017 results and are as follows:

1. A lack of clarity, definition and agreement about the organization's enterprise risk management philosophy.
2. A lack of understanding of risks by board members.
3. A gap in risk reporting, where there is a barrier in methodology, data and / or the tracking system.

Based on these results, it appears that more education on enterprise risk management may be necessary for board members to better understand the risk reporting regulations and, the most critical risks to the organization, reach a consensus with regards to the organization's risk management philosophy.

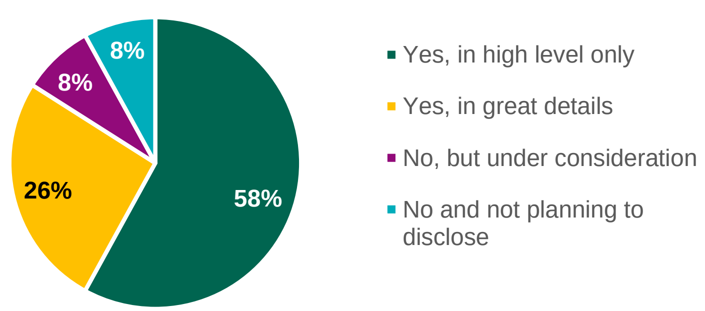
Barriers to risk oversight process



Disclosure

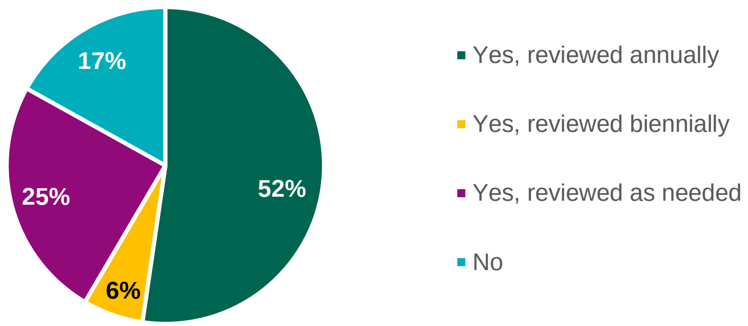
84% of respondents discuss risk oversight and risk management in disclosure material in some manner.

Risk disclosure material



83% of respondents have a defined risk appetite and risk tolerance framework, the majority of whom review the framework annually.

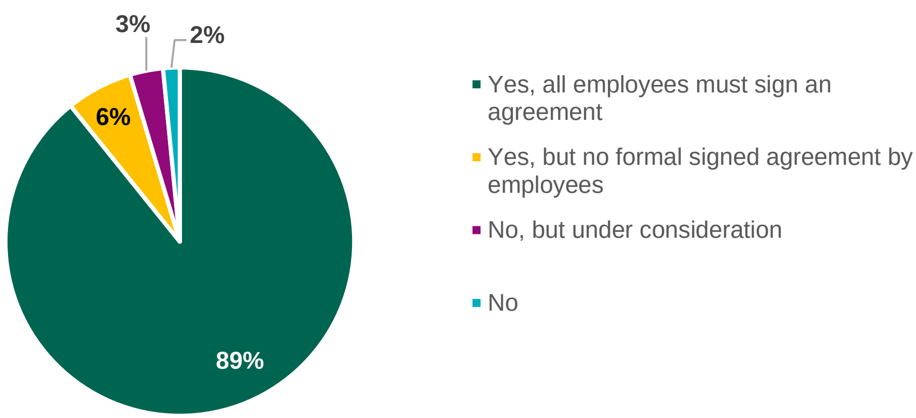
Risk appetite and tolerance framework



Ethics and risk

Almost all participants have an employee business code of conduct and ethics policy in place. Among them, the dominant practice is to require all employees to sign an agreement.

Employee business conduct and ethics policy



In addition, 65% of respondents reported having a board-approved crisis management plan and written policy in place, and 83% have implemented a formal whistleblower policy.

Engagement by a governance team

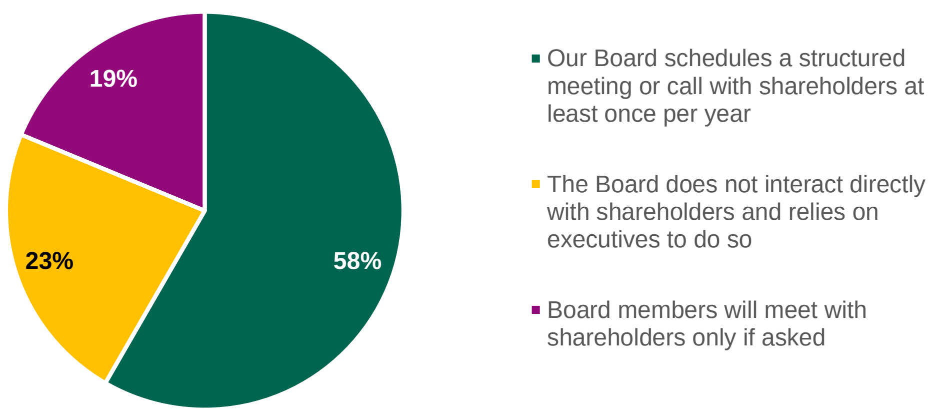
This section discusses the frequency of respondents’ interaction with stakeholders, along with the approach and types of stakeholders involved in these interactions.

Board interaction

There are various approaches boards can take in terms of interaction with their shareholders. The majority of boards schedule structured meetings or calls, while one out of five boards meet with shareholders only if asked.

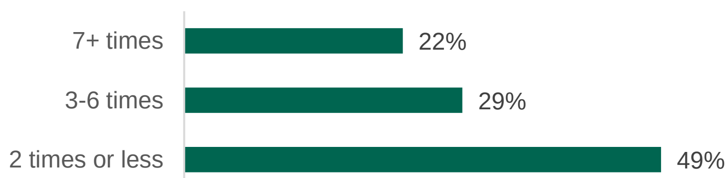
Practices vary slightly by organization type. Most notably, only 40% of publicly traded respondents schedule a structured meeting or call with shareholders at least once per year. For the remaining 60%, only two-thirds reported that they will meet with shareholders only if asked, while the rest indicated that the board does not interact directly with shareholders and relies on executives to do so. In contrast, two-thirds of privately-held respondents schedule a structured meeting or call with shareholders at least once per year.

Board's interaction with shareholders

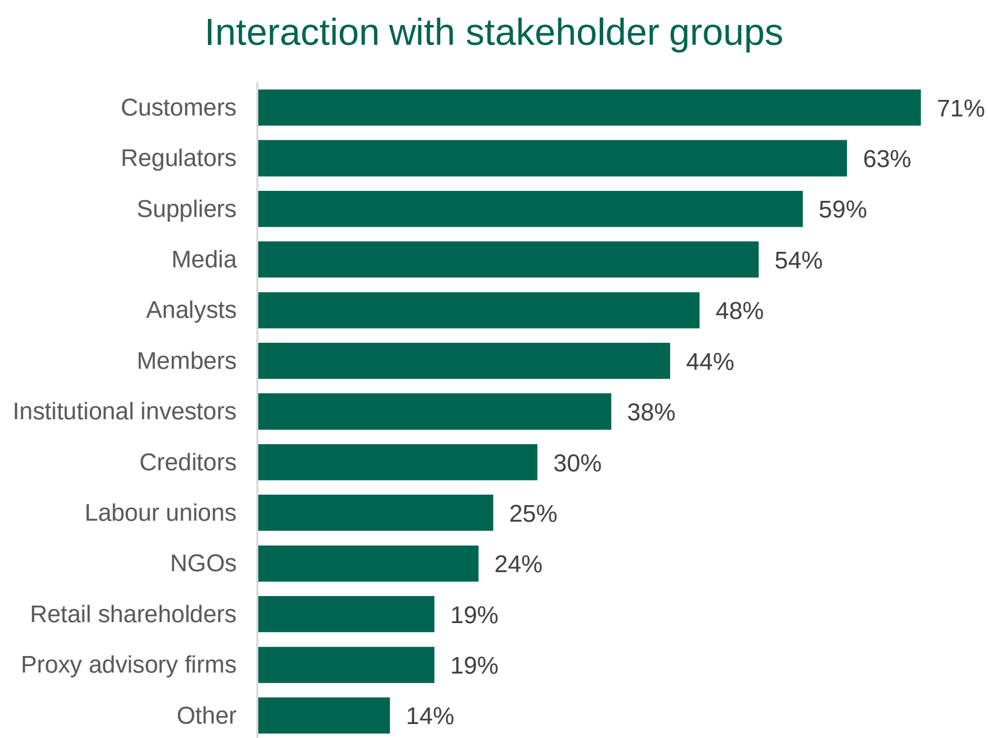


Nearly half of the participants communicate with stakeholders two times or less each year.

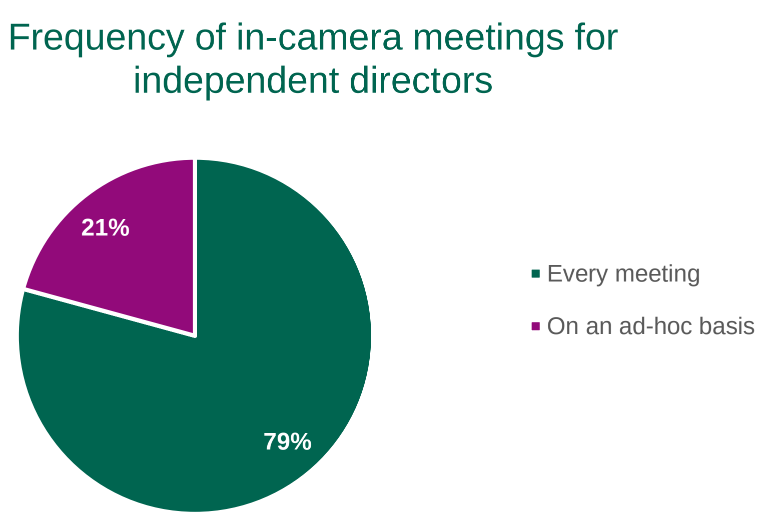
Board communications with stakeholders



The chart below indicates respondents tend to interact most frequently with customers, regulators, suppliers and the media.



The majority of the participants reported having an in-camera session for independent directors in every meeting.



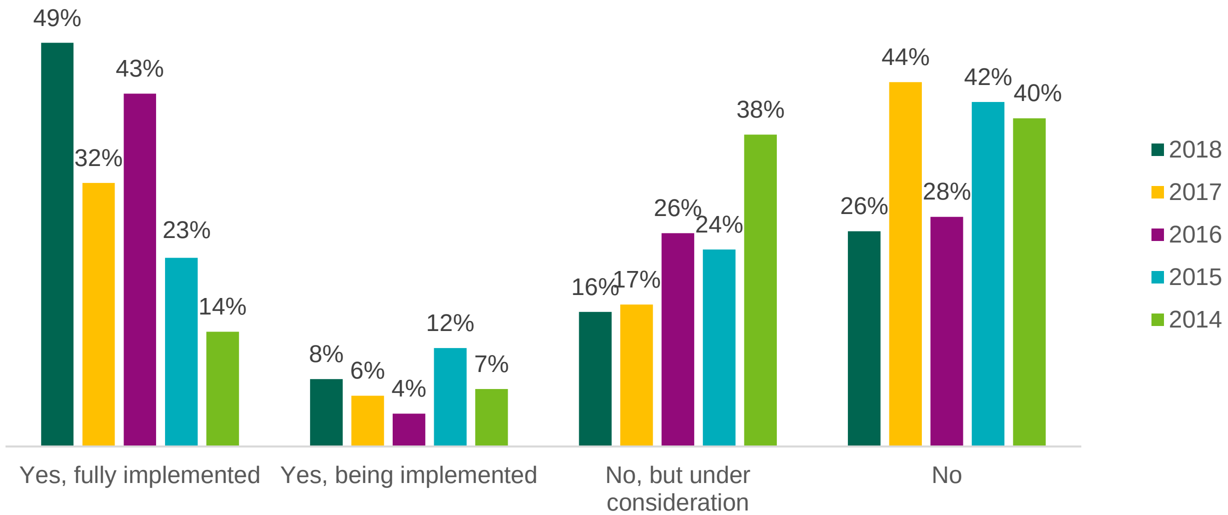
Boardroom diversity

This section addresses boards' perspectives on the definition of 'diversity' and what relevant measures they have implemented towards promoting board diversity.

Board diversity policy

Nearly half of the participants have fully implemented a formal board diversity policy covering gender, age and ethnicity, with a further 8% in the process of implementing one. This is a shift from 2017, where only 32% of participants had a fully implemented policy and 6% only partially implemented. 44% of respondents with no formal board diversity policy (with no intention of implementing one), compared to 44% in 2017 and 28% in 2016.

Formal Board diversity policy



A significantly higher rate of policy implementation was observed among publicly traded organizations and crown corporations, where 71% of publicly traded organizations and 75% of crown corporations have fully implemented a formal board diversity policy. The diversity requirements for the boards of publicly traded organizations in Canada may be tied to our results, as 56% of privately-held respondents have not implemented formal board diversity policies and are not currently considering one.

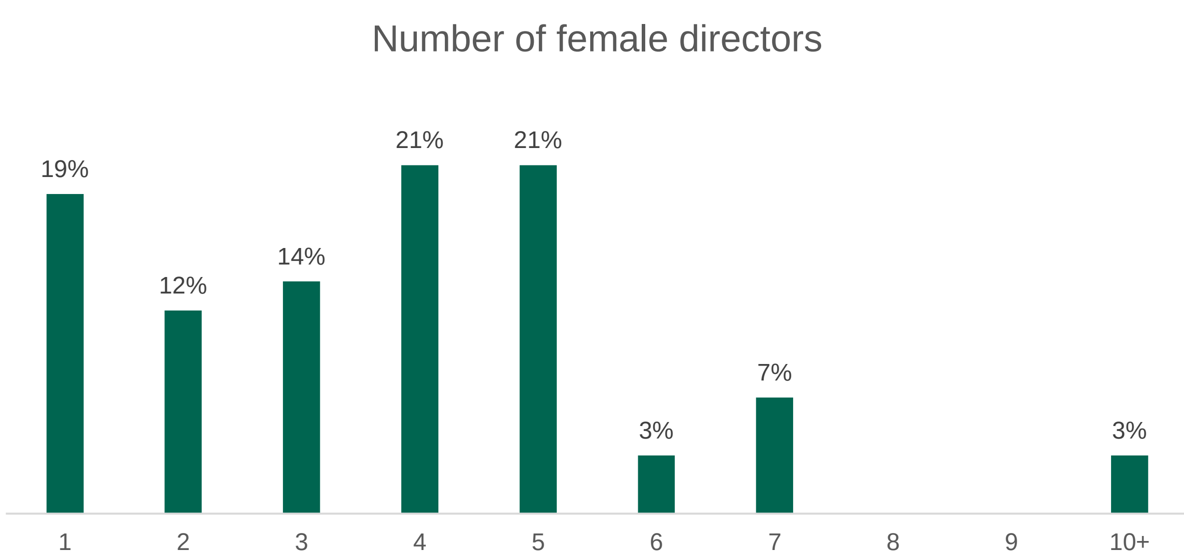
Of the 49% of organizations who reported having a formal board diversity policy in place or are in the process of implementing one, the most common topic that the board diversity policy addresses is gender, followed by ethnicity and age.

Facts and figures within the Canadian boardroom

4-5	Average number of committees
95%	Boards with female representation
52%	Boards with visible minority representation
33%	Boards including non-Canadians
41 years	Average age of the youngest director
55 years	Average age of board directors
67 years	Average age of the oldest director
5+ years	Typical tenure

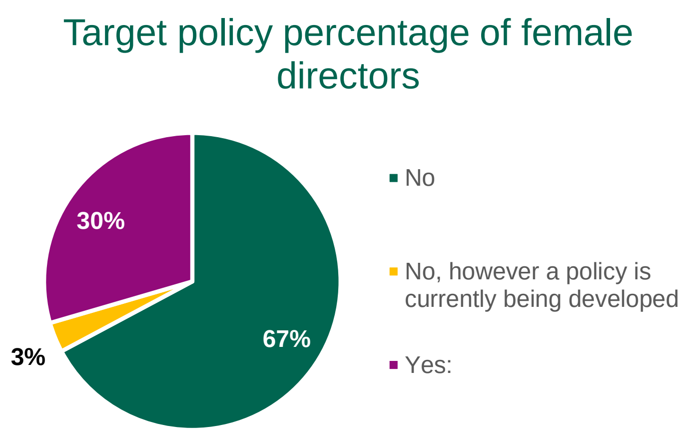
Gender diversity

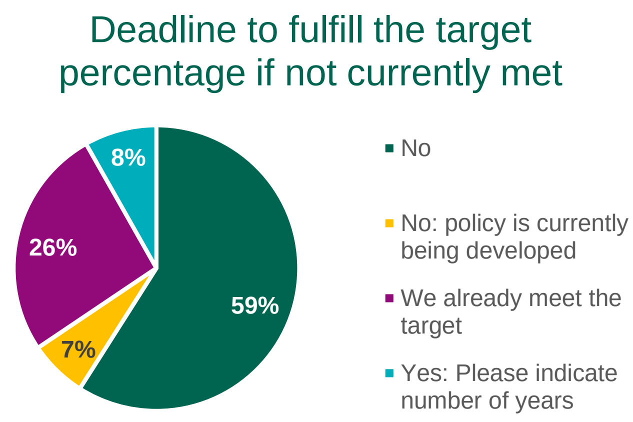
95% of the participating organizations have at least one female director on the board. Out of these respondents, 83% have two or more females. This is a slight change from 2017, when approximately 86% of respondents had two or more females as directors.



A written policy related to the identification and nomination of female directors is in place for nearly one-third of participants, compared to last year's 20%. Of the participants reported to have a policy for having a target percentage of female directors on the board, the target percentage policy ranged from 25% to 50%, with an average of 39%.

For those with a target percentage policy who do not currently meet the target, the percentage of respondents with a deadline to fulfill that policy is 8%, compared to 5% in 2017. However, the majority do not have a firm deadline to fulfill the target percentage.





Visible minority diversity

There is a member of a visible minority on the board for over half of the participants, where the number of such directors ranges from one to eight among these respondents. On average, participants had two directors of a visible minority.

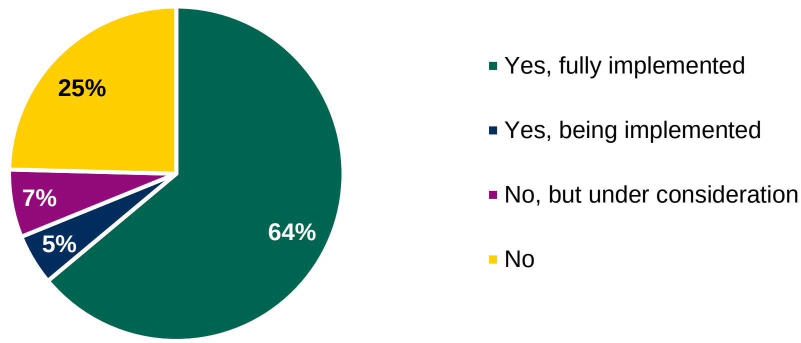
Ethnic diversity

Approximately one in three respondents have a non-Canadian director, similar to previous years. The number of non-Canadian directors ranges from one to six among the Boards with a non-Canadian director, with an average of 3. The United States is the most common countries of origin for non-Canadian directors, followed by non-US North American and South American countries.

Board recruitment

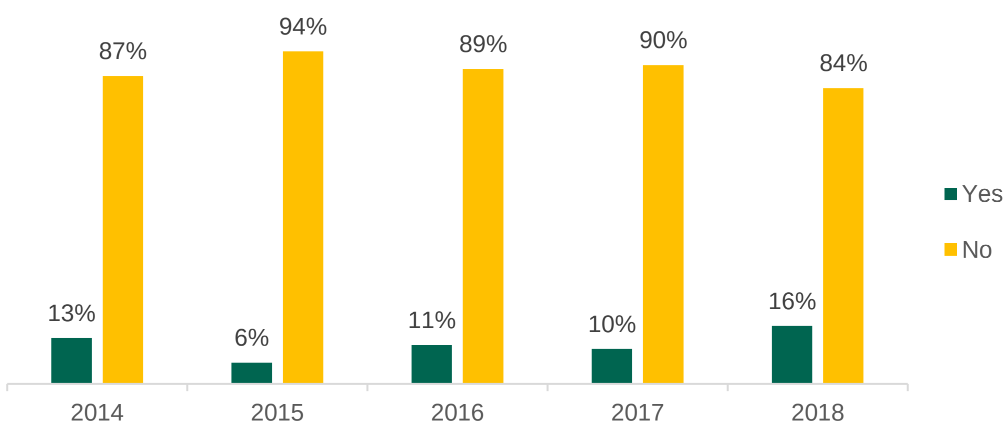
A fully implemented formal board recruitment policy is in place for 64% of participating organizations, covering practices surrounding director nomination and election, compared to 61% in 2017.

Board recruitment policy



As indicated in the chart below, 16% of the respondents have a formal restriction on the number of boards on which a director can serve in.

Restrictions on number of Boards



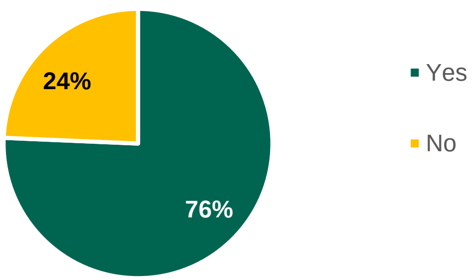
Subsidiary governance

This section covers the survey results on effectiveness of board operations in terms of subsidiary governance.

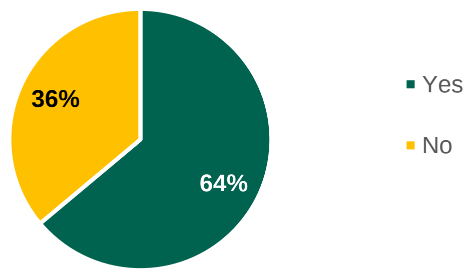
Degree of separation

For respondents with subsidiaries, 76% have a separate board of directors for the organization's significant subsidiaries. 64% have directors who serve on the boards of both the parent company and its subsidiaries (as opposed to 82% in 2017), which could indicate an increasing degree of separation for subsidiary boards where they exist.

Separate boards of directors for organization's significant subsidiaries



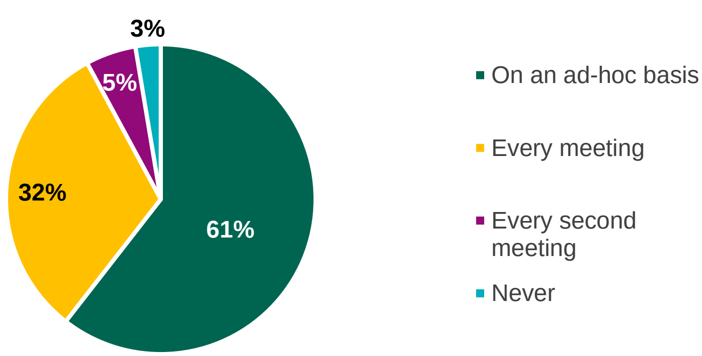
Directors on both the boards of the subsidiaries and the parent company



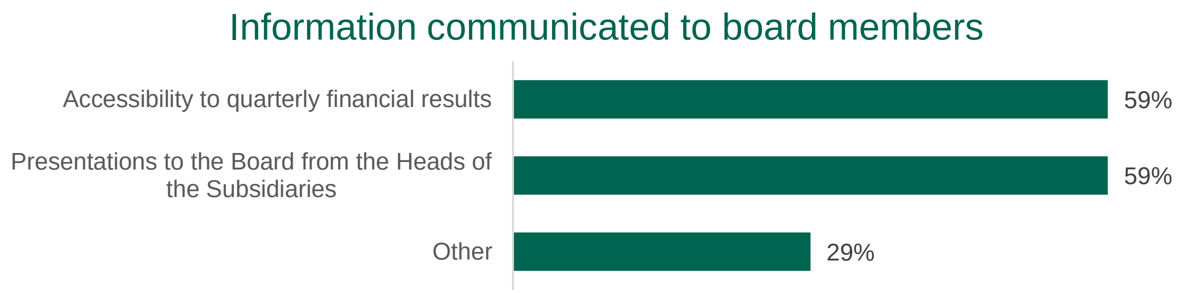
Integration

The most common practice for boards is to discuss subsidiary business and risk oversight on an ad-hoc basis. The second most common practice is to discuss the matter in every board meeting.

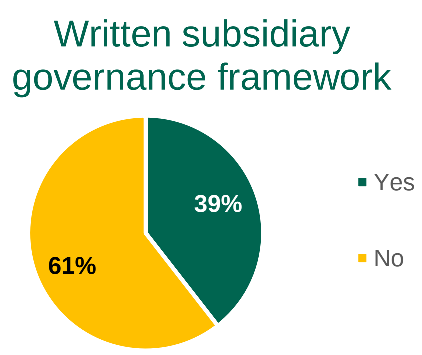
Subsidiary business and risk oversight discussion

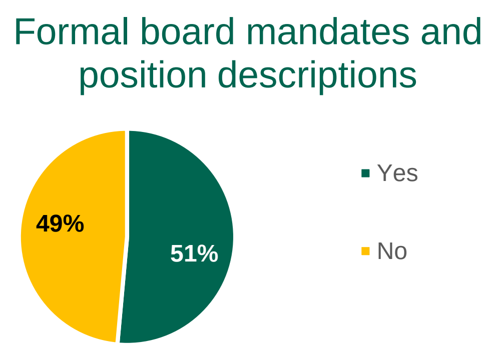


As shown in the chart below, the majority of participants are communicating subsidiary information through board presentations conducted by the heads of the subsidiaries and accessibility to quarterly financial results. 29% of participants reported other communication methods, which may include an annual subsidiary governance oversight report from the CEO or reports from the management.

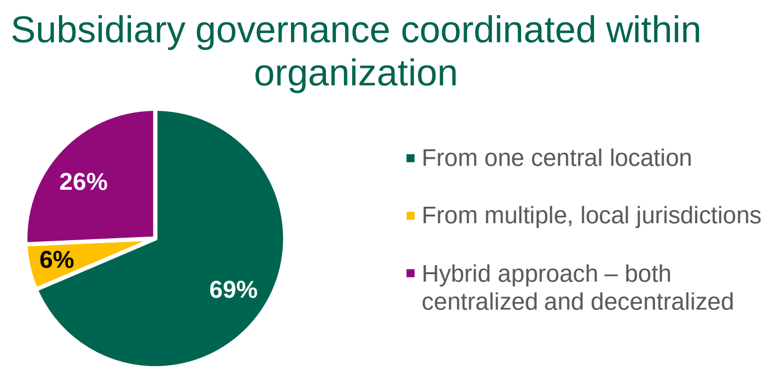


39% of participants have a written subsidiary governance framework, and 51% of the respondents adopt formal board mandates and position descriptions at the subsidiary level.



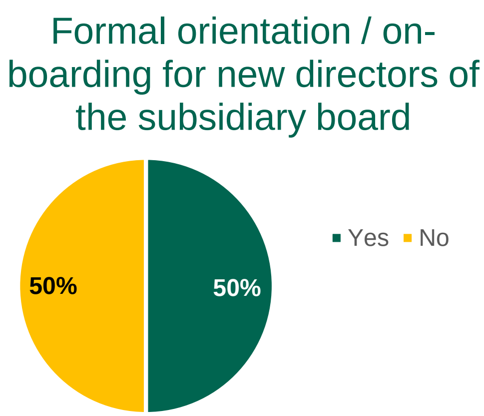


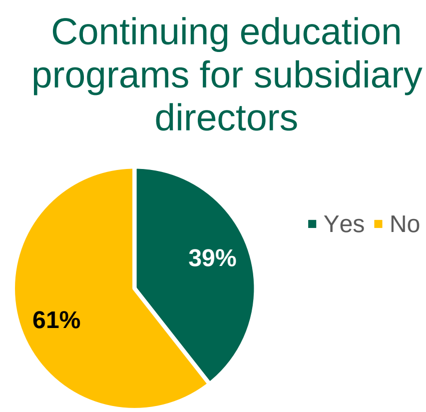
For coordination of subsidiaries with the parent organization, 69% of the participants have reported the use of one central location. 26% of the participants have reported the use of a hybrid approach, where the subsidiaries are coordinated from both a centralized and decentralized location.



Director orientation and education

Formal orientation / on-boarding programs are present in half of the participating organizations. Over one-third of the participants reported having a continuing education program available for subsidiary directors.





Effective board and committee operations

This section covers methods used to increase the effectiveness of board operations via evaluation, education, assessment and succession planning.

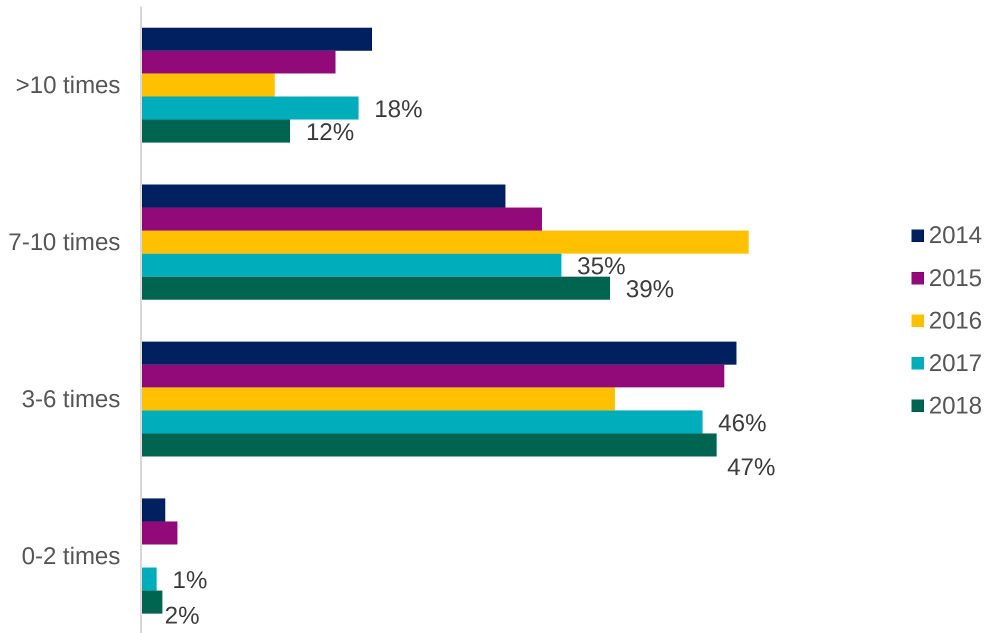
Board committees

Audit, governance and compensation / human resources remain the top three board sub-committees since 2015.

Board meetings

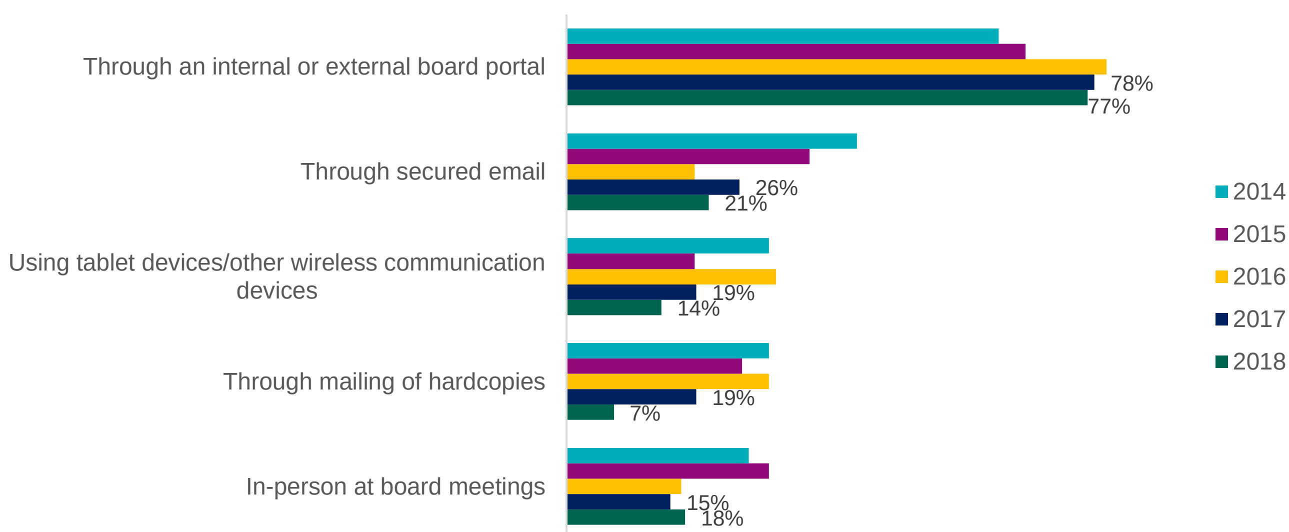
In 2018, the percentage of participants who hold board meetings (whether live or via teleconference) 7-10 times per fiscal year is 39%, compared to 35% in 2017.

Frequency of Board Meetings



Board materials are most commonly distributed through an internal or external board portal. In 2018, 77% of respondents distributed their materials using this method. This has remained the most common method over the past five years. In-person distribution has seen a slight resurgence in 2018, with 18% of respondents choosing this method, while mailing of hardcopies has now become extremely uncommon at 7%.

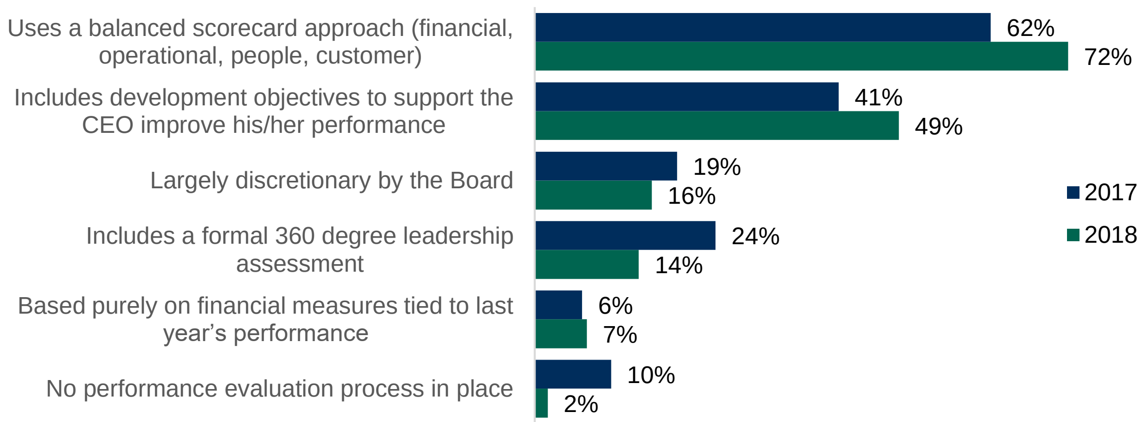
Distribution of board materials



Management performance evaluation

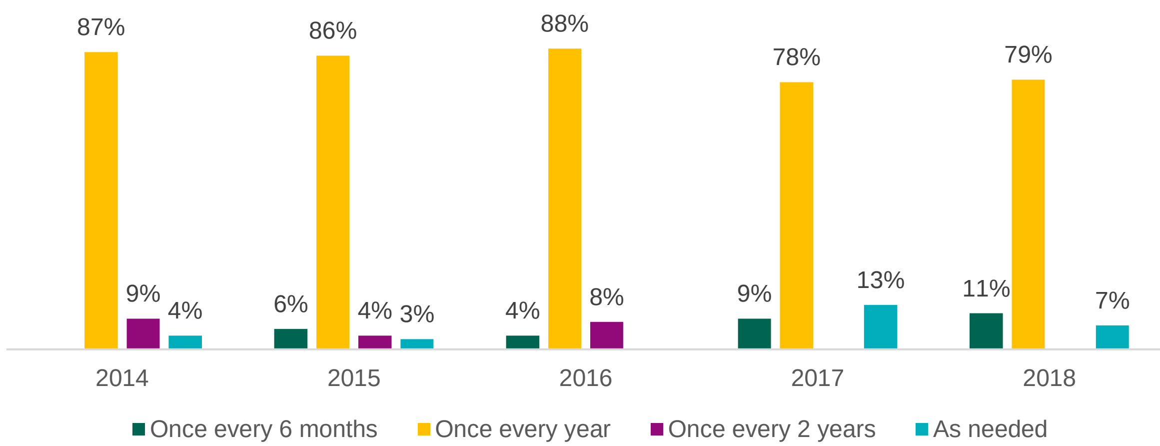
When making pay decisions, the performance evaluation process for senior executives in 2018 was largely based on using a balanced scorecard approach (i.e. financial, operational, people and customer measures) and evaluating development objectives to support the CEO to improve his or her performance, as was the case in 2017. Formal 360 degree leadership assessment has become a less popular method of performance evaluation.

Performance evaluation process for senior executives for making pay decisions

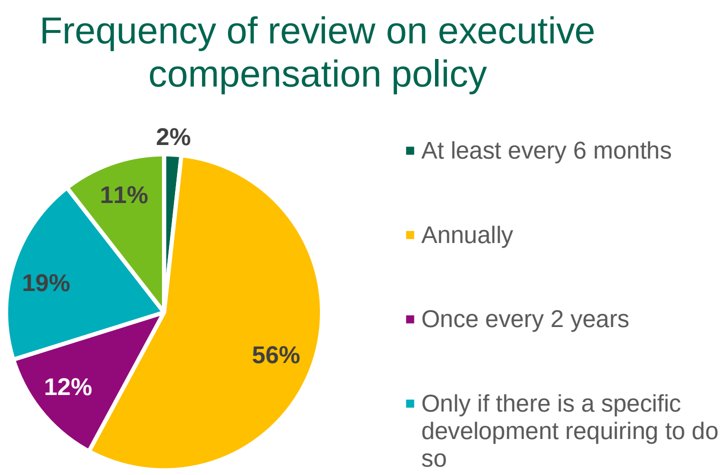


In 79% of participating organizations, the CEO is evaluated once every year, a similar level as last year. This frequency is still by far the most common, as has been the case for the previous 4 years.

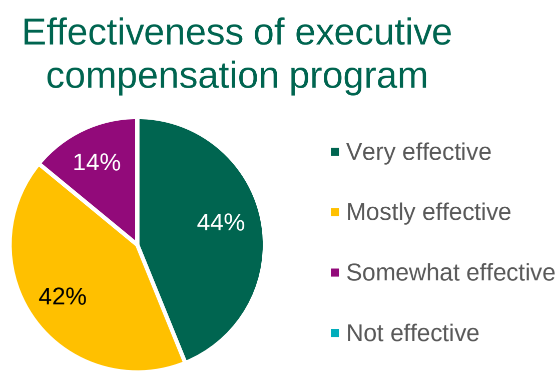
Frequency of CEO evaluation



The majority of the participating organizations reported reviewing their executive compensation policy on an annual basis. Nearly one in five reported reviewing their executive compensation policy only if there is a specific development requiring the organization to do so.



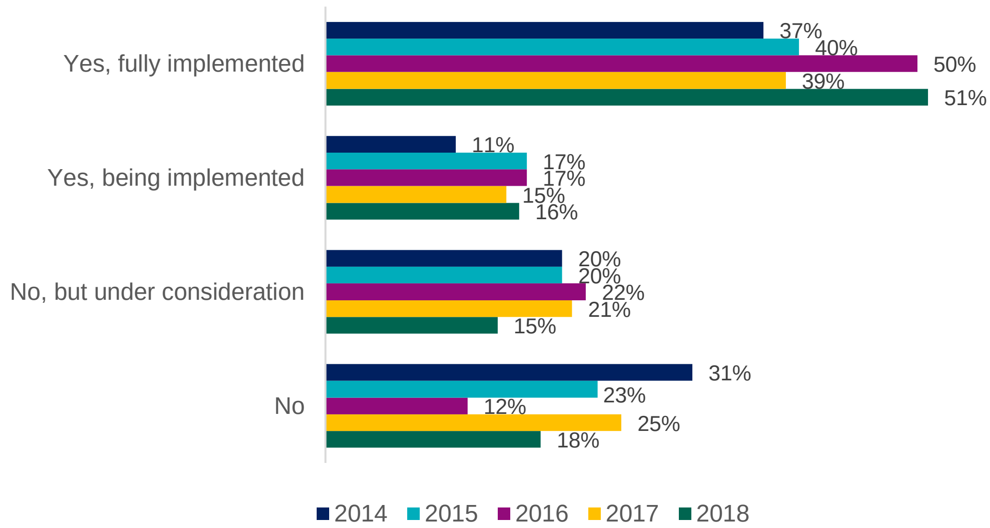
The majority of participants perceive their executive compensation program to be very effective in terms of motivating, retaining and achieving desired performance. 86% overall consider their program to be mostly or very effective. Notably, no participants believed their executive compensation program was ineffective.



CEO succession planning

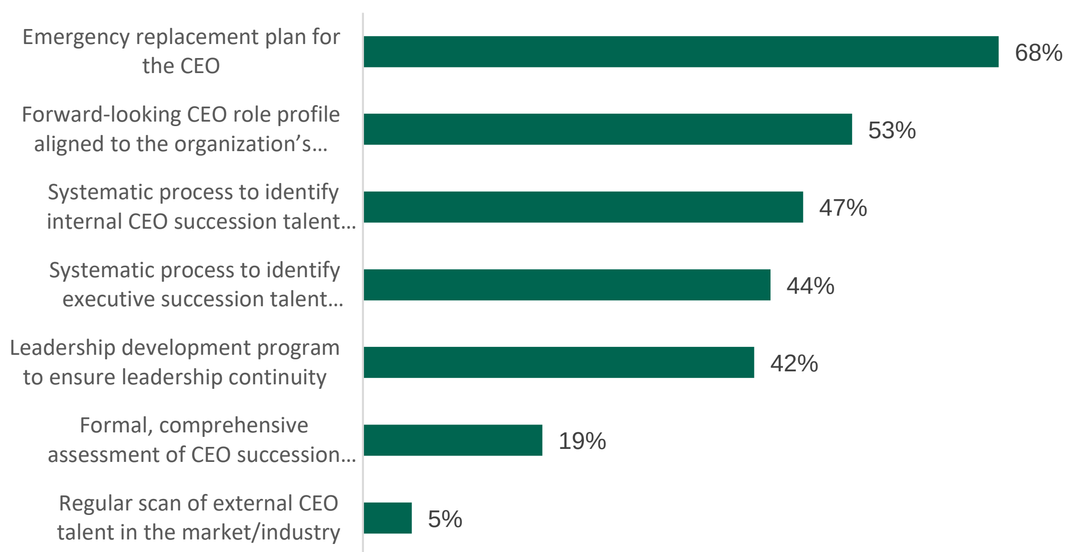
In 2018, over half have fully implemented a formal CEO succession planning process, including a policy, written objectives and a report, a change from 2017 where the percentage was closer to 40%. Subsequently, 18% the percentage of respondents with no formal CEO succession planning process under consideration, as opposed to 25% in 2017.

CEO succession planning process



The most prevalent approach used in planning for CEO succession is an emergency replacement plan. This remains the most popular approach. The second most common approach is using a forward-looking CEO role profile aligned to the organization's strategic direction. Both of these reflect a similar preference as seen in 2016 and 2017.

Description of CEO succession planning process



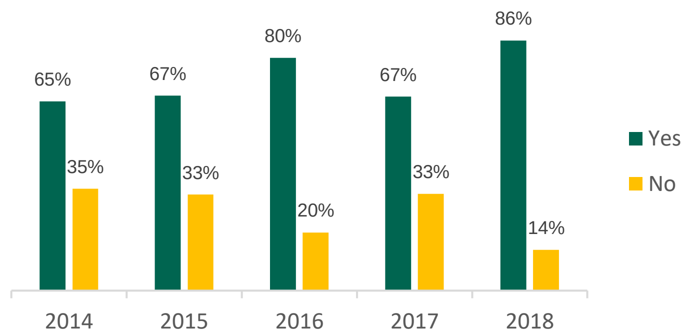
Board performance evaluation

86% of participants have a formal policy for board performance evaluation that includes written objectives, processes and reports. This is the highest percentage of participants seen in the past 5 years.

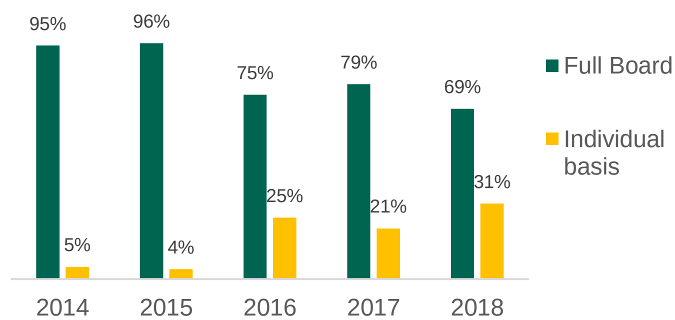
In 2018, there is a strong preference for valuating board performance on an individual basis, as opposed to evaluating the full board all at once. The percentage of participants using individual board member performance evaluations is 31% in 2018. That being said, a full board performance evaluation is still used by most participants.

Consistent with results from 2014 to 2017, the most common frequency of board evaluation continues to be once per year, with approximately 80% of respondents reporting this frequency each year.

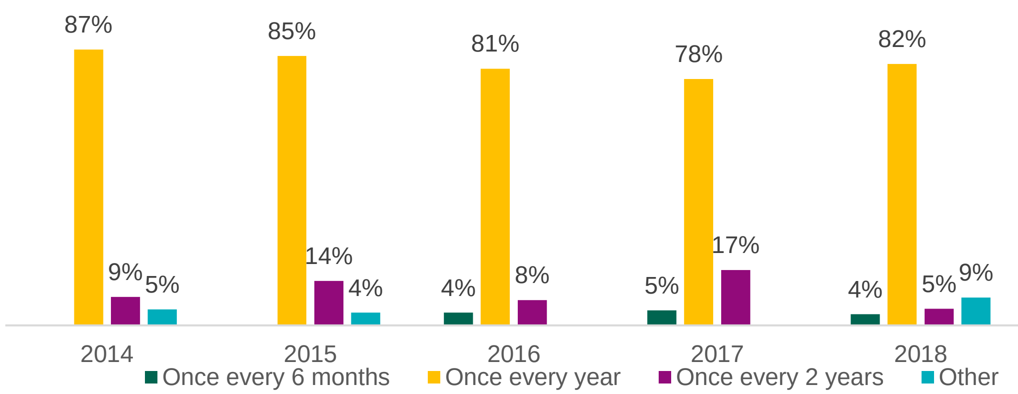
Formal board performance evaluation policy



Board performance evaluation methodology



Frequency of board evaluation



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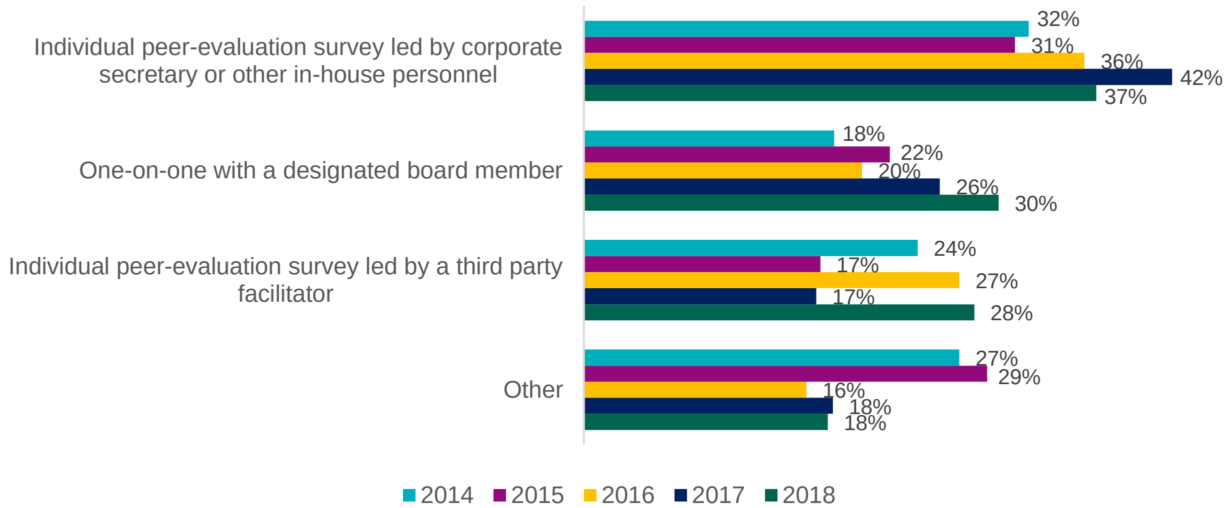
In 2018, conducting an individual peer-evaluation survey led by the corporate secretary or other in-house personnel was the most common director performance evaluation methodology. 30% of respondents performed one-on-one evaluations with a designated board member, reflecting the comprehensiveness and benefits of this evaluation methodology.

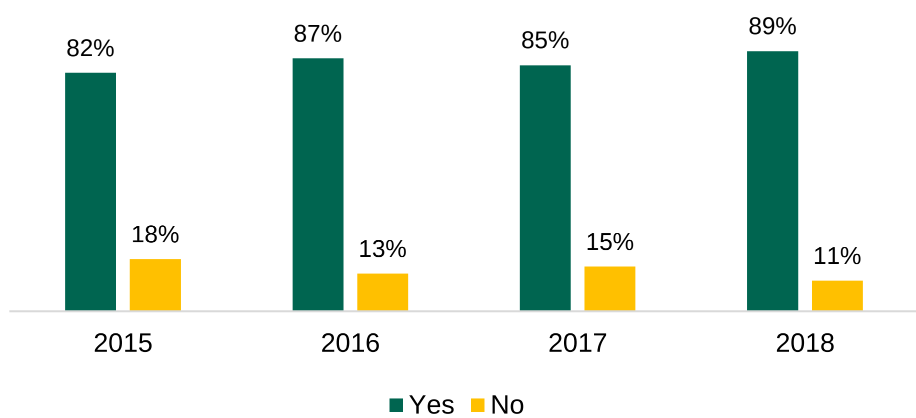
Director evaluation methodology



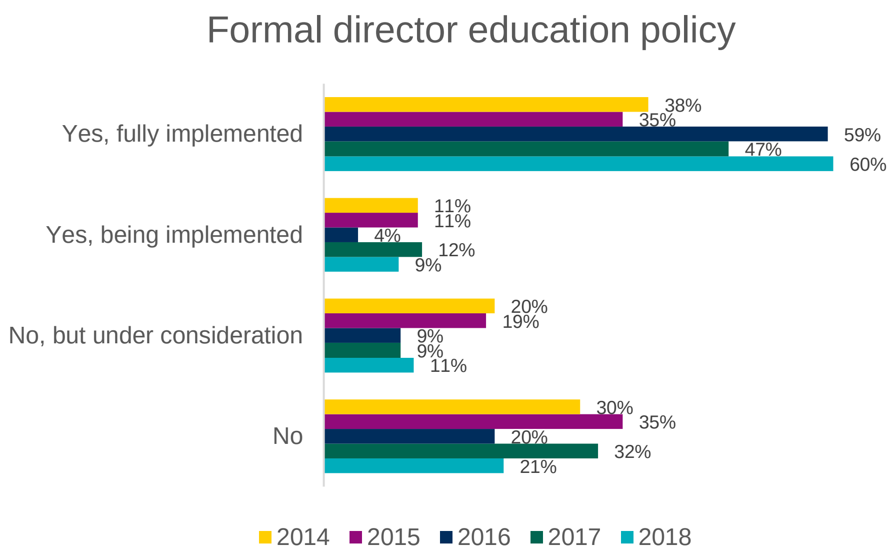
Director orientation and education

In 2018, 89% of respondents reported having a formal orientation program for new directors that includes written objectives, processes and reports.

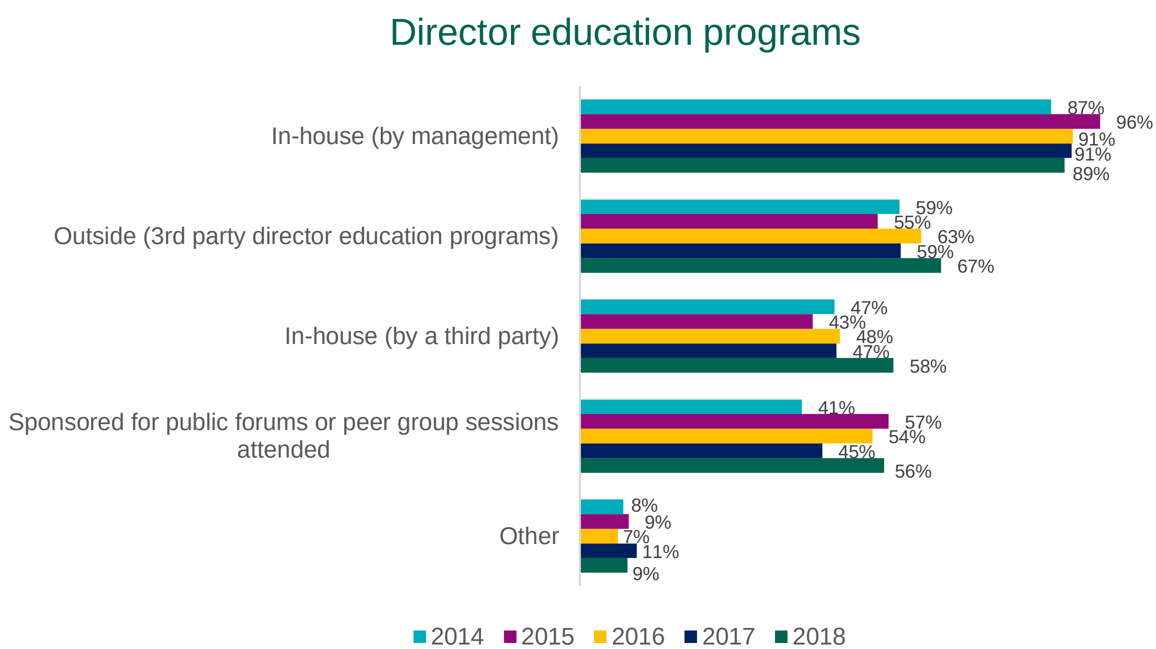
Director orientation program



Two-thirds of the participating organizations reported having a fully implemented formal director education policy characterized by written objectives, processes and reports.

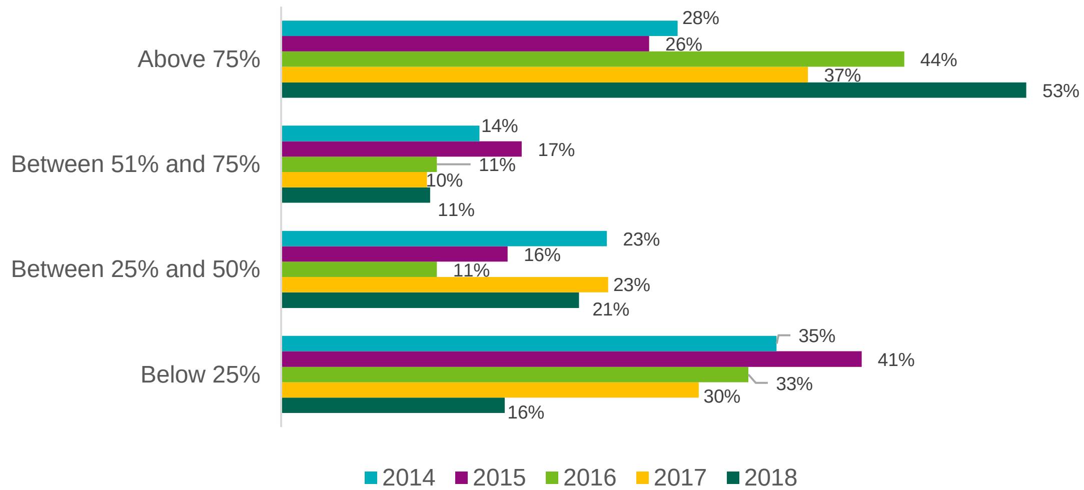


In 2018, the top three methodologies used by respondents to educate their board directors are in-house education by management, outside education by a third party director education program and in-house education by a third party. Common 'other' responses include conferences and in-house education by governance committee members.



53% of respondents have had over 75% of their directors attend education programs over the past year. This percentage is the highest seen in the past 5 years.

Directors attending education programs



By sector, the majority of financial and industrial respondents had over 75% of their directors attend education programs, while it was more common for BPS organizations to send less than 75%. By organization type, the majority of publicly-traded and privately-held respondents sent more than 75% of their directors.

The most common board education topics that are provided by respondents to new and existing directors include industry specific topics, risk oversight and organization policies.

Board education topics

Appendix

2018 Corporate Governance Best Practices Survey Questionnaire

I. Introduction

The Governance Professionals of Canada (GPC) and Korn Ferry Hay Group thank you for taking the time to complete this survey. Your responses will help us in examining the current corporate governance landscape as well as provide insights on the leading practices implemented across organizations.

Additionally, it will serve as a tool in assessing entries in each of the categories for nominations in the GPC Excellence in Governance Awards program. Winners of the awards will be announced at the GPC Excellence in Governance Awards Gala at the Carlu in Toronto on October 25th, 2018.

This survey should take about 25-35 minutes of your time. If at any point, you choose to leave the survey, your most recent pages of responses will be automatically saved. To return and view your responses, please click on the survey link on the invite sent to your email address.

Once the survey has closed and the data have been analyzed, all participants will receive the comprehensive '2018 Corporate Governance Best Practices Survey' report, which will be published in August 2018, and complimentary registration to the following '2018 Corporate Governance Best Practices Survey' webinar.

Please note that confidentiality is our priority. This survey is being administered by Hay Group using a survey system provided by a third party, SurveyMonkey. Any information you submit as part of this survey will be collected by SurveyMonkey and processed by Hay Group on behalf of GPC. Please click here for the Privacy Policy of SurveyMonkey. By continuing with this survey, you consent to the transfer of your information to SurveyMonkey and Hay Group and the related privacy policies. For Hay Group's privacy policy, please click here. Finally, all responses will be submitted directly to Hay Group and no individual participant data will be presented in the report.

If you have any questions about the survey, please contact Eddington Eron Ruiz at Eddington.Ruiz@KornFerry.com.

II. Background

1. Contact Information:
   - Name:
   - Job Title:
   - Company:
   - Mailing Address:
   - City:
   - Province:
   - Postal Code:
   - Email Address:
   - Phone Number:

2. Industry Sector: (Please select among the options)
   - Consumer (e.g. FMCG, Retail, Hospitality)
   - Financial (e.g. Bank, Investments, Insurance, Private Equity)
   - Industrial (e.g. Manufacturing, Energy, Mining, Infrastructure, Utilities)
   - Life Science (e.g. Biotech, Pharmaceutical)
   - Technology (e.g. Software, Hardware)
   - Professional Services (e.g. Legal Services, Accounting Services)
   - Broader Public Services (e.g. Government, Not-for-Profit, Transit)

3. Company Type: (Please select among the options)
   - Publicly traded
   - Privately held
   - Not-for-profit
   - Crown Corporation
   - Other (please specify)

4. Total number of employees: (Please select among the options)
   - 0-500
   - 501-1000
   - 1001- 5,000
   - 5,001-10,000
   - 10,001-100,000
   - Greater than 100,000

5. Under which category does your total annual revenue fall under:
   - Less than $100 million
   - $100 to $249 million
   - $250 to $499 million
   - $500 to $999 million
   - $1 billion or more

III. Corporate governance overview

1. In your opinion, what is the most significant corporate governance issue facing your organization right now? (Select up to 3 options that apply)
    - Amount of disclosure
    - Financial reporting
    - Dynamic regulation compliance and its impact on business
    - Board diversity
    - CEO succession planning
    - CEO performance/evaluation
    - Executive bench strength and succession
    - Independent Board leadership
    - Executive compensation
    - Shareholder interaction
    - Crisis readiness
    - Development of conflict management culture
    - Risk management and oversight
    - Subsidiary governance
    - Corporate sustainability
    - Ethical culture
    - Social and environmental risk and their business impacts
    - Cyber risk
    - Other (please specify)
    - No Issue

2. By level of importance, please rank the top 3 issues for your Board (with 1 being the highest):
    - Crisis management / planning
    - Developing human capital
    - Executive compensation
    - Information technology issues
    - Regulatory compliance
    - Risk management
    - Strategic planning
    - Succession planning
    - Ethical culture
    - Social and environmental risk and their business impacts
    - Not applicable

3. How do you perceive the impact of corporate governance codes and legislation introduced over the past few years? (Select only one answer)
    - Positive
    - Negative / Room for improvement
    - Neutral

4. Has the increased prevalence of corporate governance legislation resulted in an increased use of third-party consultants? (Select only one answer)
   - Yes
   - No
   - Not applicable

5. How often does your Board review the continued viability of the organization's strategy? (Select only one answer)
   - At every Board meeting
   - At least six months
   - Once per year
   - Every two years
   - Other (please specify)

IV. Sustainability governance

1. Does your organization have a formal sustainability policy in place? (Select only one answer)
   - Yes, it is reviewed / updated by the Board annually, and periodic internal audits are conducted of policy adherence
   - Yes, and it is reviewed / updated by the Board annually
   - Yes, and it is reviewed / updated by the Board occasionally
   - We have separate Board-approved environmental and health and safety policies instead
   - No, but under consideration
   - No

2. Have the Board and Management agreed on the most material social and environmental risks that will affect the business and its value chain and operating environments, over the short, medium, and long-term?
   - Yes, and they are addressed in the corporate strategy / business plan
   - Yes, but they are not addressed in the corporate strategy / business plan
   - No, but planning to
   - No

3. Is sustainability (social and environmental) a factor in management's incentive compensation?
   - Yes, sustainability metrics and targets are included in management's incentive plan
   - Yes, sustainability objectives are included in management's incentives, but not metrics or targets
   - Yes, management's sustainability achievements are taken into account annually in determining management's incentive compensation, but after the fact
   - No, sustainability is not a factor in management's incentive compensation

4. Have the Board and Management updated your organization's purpose, mission and / or vision?
   - Yes, in the past year
   - Yes, in the past five years
   - Yes, in the past 10 years
   - Not to our knowledge
   - We do not have a purpose, mission, or vision

5. Are social and environmental oversight responsibilities embedded in any of the following committees?
   - Yes, in the Audit committee
   - Yes, in the Risk committee
   - Yes, in the Governance committee
   - Yes, in the Compensation committee
   - Yes, in our sustainability or social responsibility committee
   - No, they are not embedded in any committee mandates
   - Yes, in another committee

6. Is sustainability expertise a factor in your skills matrix and board recruitment?
   - Yes, it is an explicit factor
   - Yes, it is combined with other factors, e.g. engineering
   - No, it is not a factor in board recruitment

V. Compensation communication

1. Does your organization discuss executive compensation in disclosure material?
   - Yes, in great details
   - Yes, high level only
   - No, but under consideration
   - No and not planning to disclose
   - Not applicable (no disclosure required)

2. Who is involved in the writing of your organization's executive compensation disclosure document?
   - President
   - Head of HR
   - Human Resources/Compensation Committee
   - Finance
   - Other ___________________
   - Not applicable

3. Which stakeholder groups have access to your organization's executive compensation disclosure document? Select all that apply.
   - Board of Directors
   - Executive Management Team
   - Employees of the organization
   - Shareholders
   - General public
   - Not applicable

4. Do you post your organization's executive compensation disclosure document on your company's website?
   - Yes
   - No, available upon request only
   - No
   - Not applicable

5. Do your stakeholders perceive the language in your organization's executive compensation disclosure document to be clear and concise?
   - Yes
   - Yes, compared to disclosure documents in other organizations
   - Unsure, have never conducted a survey to determine stakeholder's perception
   - Not applicable

6. If you answered yes to the previous question, is someone from the Communication department involved in developing the executive compensation disclosure document?
   - Yes, provides assistance with utilization of plain language
   - Yes, only provides assistance for the document layout
   - No, but under consideration
   - No
   - Not applicable

7. In which ways does your organization's executive compensation disclosure document explain how pay is linked to performance? Select all that apply.
   - Corporate and business unit performance against targets (financial and/or non-financial)
   - Individual performance against targets
   - How performance affects the compensation of individual executives
   - None of the above
   - Not applicable

8. Does your organization's executive compensation disclosure document contain a section(s) or subsection(s) describing how compensation is linked to the following? Select all that apply.
   - Company strategy
   - Creating long-term shareholder value
   - Managing risk
   - Not applicable

9. Does your organization's executive compensation disclosure document include a description of the compensation decision-making process?
   - Yes, outlines a formal process and clearly defined roles
   - Yes, outlines a formal process
   - Yes, a general description provided
   - No
   - Not applicable

10. Does your organization's executive compensation disclosure document include a description of the Board's discretion in making compensation adjustments?
    - Yes, outlines a formal process
    - Yes, a general description provided
    - No description provided
    - Our Board does not have discretion in making compensation adjustments
    - Not applicable

11. Have you ever been criticized by a financial journalist for lack of transparency on financial disclosure?
    - Yes
    - No

VI. Enterprise risk management oversight and governance

1. Does your organization have a formal risk policy in place (i.e. risk governance model, segregated and distinct functional responsibilities for risk management, written goals and reports)? (Select only one answer)
   - Yes, fully implemented
   - Yes, being implemented
   - No, but under consideration
   - No

2. Who is primarily accountable for enterprise risk oversight and governance? (Select only one answer)
   - Board
   - Board + Standing Committee(s)
   - Management

3. Other than the full Board, do you have a separate Risk Committee (or equivalent) of the Board primarily responsible for risk oversight and governance? (Select only one answer)
   - Yes, ___________Committee (e.g. Safety & Environment Committee)
   - No, it is included in the Audit Committee
   - No, it is under the full Board

4. At the Board / Committee level, what are the accountabilities for risks? (Select all that apply)
   - Oversee the risk management infrastructure
   - Develop and advise risk strategy
   - Develop risk appetite framework
   - Monitor risks (e.g. compliance, funding, capital)
   - Review risk assessments and evaluate risk exposures
   - Coordinates with other standing Committees for risk oversight
   - Direct and support management on risks
   - Consult external risk experts in different work streams
   - Other _____________________
   - Not applicable

5. Within the Committee of the Board responsible for risk, other than the industry expert, what percentage of members have the requisite expertise in enterprise risk management? (Select only one answer)
   - 5% to 10%
   - 11% to 15%
   - 16% to 20%
   - 21% to 30%
   - 31% +

6. What is the overall effectiveness of the Board's risk oversight process? (Select only one answer)
   - Highly effective
   - Fairly Effective
   - Needs some improvements
   - Needs significant improvements
   - Not effective at all

7. What are the top three barriers in your risk oversight process? (Select the top three that apply)
   - Lack of understanding of risks by Board members
   - Lack of understanding of risks by management
   - Enterprise risk management is not perceived as valuable or as a priority
   - Organization culture is not supportive
   - Lack of clarity, definition and agreement about enterprise risk management philosophy
   - Gap in risk reporting (e.g. methodologies, data, tracking system)
   - Misalignment of risk appetite framework between the Board and management
   - Other ____________________

8. Does your organization discuss risk oversight / management in disclosure material? (Select only one answer)
   - Yes, in great details
   - Yes, in high level only
   - No, but under consideration
   - No and not planning to disclose
   - Not applicable (no disclosure is required)

9. Do you have a risk Committee (or equivalent) at the management level? (Select only one answer)
   - Yes, one Committee for the overall enterprise
   - Yes, various Committees for different major businesses
   - No, but under consideration
   - No

10. Is a Chief Risk Officer or an equivalent senior risk officer role present in your organization? (Select only one answer)
   - Yes
   - No
   - Not applicable

11. Does your organization have a defined risk appetite and risk tolerance framework? (Select only one answer)
   - Yes, reviewed annually
   - Yes, reviewed biennially
   - Yes, reviewed as needed
   - No

12. Which of the following types of risks are perceived as most critical current to your organization? (Select the top 3 that apply)
    - Governance risk
    - Compensation risk
    - Compliance-related risk
    - Operational risk
    - Reputational risk
    - Strategy risk
    - Financial risk
    - Financial reporting risk
    - People risk
    - Cyber / Technological / IT risk
    - Environmental risk
    - Social risk
    - Other (please specify)
    - Not applicable

13. How often does the Board/Committee receive the following types of information in the monitoring process? Please select the most appropriate for each type of information.

Information	Quarterly **(0.3)**	Semi-Annual **(0.25)**	Annual **(0.2)**	Biennial **(0.15)**	Ad-hoc **(0.1)**	Not published **(0)**
Report on top risks in the enterprise and business units (e.g. CRO report)						
Summary of emerging risks and trends						
Gap and effectiveness report (identified risks vs. actions on mitigation)						
Scenario analysis / stress tests						

14. Has your organization implemented a formal whistleblower policy? (Select only one answer)
    - Yes
    - No
    - Not applicable

15. Do you have an employee business conduct and ethics policy in place? (Select only one answer)
    - Yes, all employees must sign an agreement
    - Yes, but no formal signed agreement by employees
    - No, but under consideration
    - No

16. Does your organization have a Board-approved crisis management plan and written policy in place? (Select only one answer)
    - Yes
    - No
    - Not applicable

17. Does the Compensation Committee hold a joint meeting with any of the following Committees for handling various common issues? (Select all that apply)
    - No joint meeting between Committees
    - Yes, Risk Committee (or equivalent)
    - Yes, Governance Committee
    - Yes, Audit Committee
    - Yes, other Committee ___________________

18. Does the Compensation Committee have any joint / overlap membership with any of the following Committees for handling various common issues? (Select all that apply)
    - No joint membership between Committees
    - Yes, Risk Committee (or equivalent)
    - Yes, Governance Committee
    - Yes, Audit Committee
    - Yes, other Committee ___________________

19. Is the performance metric framework at the business unit (or division) level aligned with that at the enterprise (corporate) level? (Select only one answer)
    - Yes, very coherent
    - No, based on decentralized approaches
    - Not applicable (i.e. no divisions)

VII. Engagement by a governance team

1. Which stakeholder groups have interacted with your organization over the past year? (Select all that apply)
   - Customers
   - Suppliers
   - Creditors
   - Members
   - Institutional investors
   - Analysts
   - Regulators
   - Proxy advisory firms
   - Labour unions
   - NGOs
   - Media
   - Retail shareholders
   - Other (please specify)

2. How does your Board interact with shareholders? (Select only one answer)
   - Our Board schedules a structured meeting or call with shareholders at least once per year
   - Board members will meet with shareholders only if asked
   - The Board does not interact directly with shareholders and relies on executives to do so
   - Not applicable

3. How many times has your Board participated in communicating substantive issues to various stakeholders such as shareholders, analysts etc. in the past year? (Select only one answer)
   - 0-2 times
   - 3-6 times
   - 7+ times
   - Not applicable

4. How effective is your communication with institutional shareholders (electronic filing and voting etc.)? (Select only one answer)
   - Very effective, we have zero complaints
   - Effective, we get few complaints
   - Could be improved, we have considerable complaints
   - Significant improvement needed, unmanageable number of complaints
   - Not applicable

5. Has the role of the Investor Relations Officer (IRO) become more important due to changing rules and regulations? (Select only one answer)
   - Completely Agree
   - Neutral
   - Completely Disagree

6. Is the Board completely cognizant of the roles and responsibilities of the Investor Relations Officer and does it seek the IRO's advice on related matters? (Select only one answer)
   - Completely Agree
   - Neutral
   - Completely Disagree

7. How often do the independent directors meet *in-camera*?
   - Every meeting
   - Every second meeting
   - On an ad-hoc basis
   - Not Applicable

VIII. Boardroom diversity

1. Does your organization have a formal Board diversity (i.e. gender, age, and ethnicity) policy in place? (Select only one answer)
   - Yes, fully implemented
   - Yes, being implemented
   - No, but under consideration
   - No

2. If you answered yes to Question 1, which of the following topics does your organization address in their formal diversity policy? (Select all that apply)
   - Gender
   - Age
   - Ethnicity
   - No formal Board diversity policy

3. Does your organization have a formal Board recruitment (nomination and election) policy in place? (Select only one answer)
   - Yes, fully implemented
   - Yes, being implemented
   - No, but under consideration
   - No

4. If you answered yes to the above question, do you hire external consultants for Board recruitment or do you conduct your own recruitment?
   - Yes, hire external consultants
   - No, conduct own internal recruitment
   - Not applicable

5. If you answered yes to the above question, to what extent does the Board ensure that the external recruitment consultants and/or the internal Board recruitment team is aware of the formal diversity policy? Please describe.

   ____

   ____

6. Has your organization adopted a written policy relating to the identification and nomination of women directors? (Select only one answer)
   - Yes
   - No

7. Do you currently have any women directors in your Board? (Select only one answer)
   - Yes: Please indicate number of women directors ______
   - No

8. Do you have a target percentage (policy) of women directors in your Board? (Select only one answer)
   - Yes: Target % _______
   - No, however a policy is currently being developed
   - No

9. If target percentage of women is not currently met, do you have a deadline (in years) to fulfill the target percentage? (Select only one answer)
   - We already meet the target
   - Yes we have set a deadline: Please indicate number of years ___
   - No: policy is currently being developed
   - No

10. Do you currently have directors who are non-Canadian? (Select only one answer)
    - Yes: Please indicate number of non-Canadian directors
    - No

11. If you answered yes to Question 10, where are they from? (Select all that apply)
    - USA
    - North or South America (not including USA or Canada)
    - Europe
    - Asia
    - Australia/New Zealand
    - Africa
    - No non-Canadian directors within our organization

12. Are there members of a visible minority on your Board? (Select only one answer)
    - Yes: Please indicate number of visible minorities ______
    - No

13. What are the ages of your directors?
    - Youngest: Age ______
    - Oldest: Age ______
    - Average: Age ______

14. Do you have a retirement age for your directors? If yes, what is the retirement age?
    - Yes: Age _______
    - No

15. Do you have policy of a maximum term for directors? (Select only one answer)
    - Yes: Please indicate number of years ____
    - No: policy is currently developed
    - No

16. What is the typical tenure of your Board members? (Select only one answer)
    - Less than 3 years
    - 3-5 years
    - 5-7 years
    - Over 7 years
    - Not available

17. Does your organization have formal restrictions for the number of Boards on which a director can serve? (Select only one answer)
    - Yes: Please indicate number of Boards
    - No

18. Please indicate the number of <u>other</u> Boards each of your directors serve on (on average). (Select only one answer)
    - 0
    - 1
    - 2-3
    - 4-5
    - Over 5

IX. Subsidiary governance

1. Does your organization's significant subsidiaries generally have separate boards of directors?
   - Yes
   - No
   - Not applicable (no subsidiaries) – please skip to the next section

2. Are there common directors on the boards of the subsidiaries and the parent company?
   - Yes
   - No
   - Not applicable

3. How often does the parent company's board discuss oversight of the business and risks of the subsidiary?
   - Every meeting
   - Every second meeting
   - On an ad-hoc basis
   - Never
   - Not Applicable

4. If so, how is this information communicated to Board members:
   - Accessibility to quarterly financial results
   - Presentations to the Board from the Heads of the Subsidiaries
   - Other, please describe: ________________________
   - Not applicable

5. Does your organization have a written subsidiary governance framework?
   - Yes
   - No
   - Not applicable

6. Are your organization's formal Board mandates and position descriptions adopted at the subsidiary level?
   - Yes
   - No
   - Not applicable

7. How is subsidiary governance coordinated within your organization?
   - From one central location
   - From multiple, local jurisdictions
   - Hybrid approach – both centralized and decentralized
   - Not applicable

8. Is there a formal orientation/on-boarding program (i.e. written objectives, process and reports) for new directors of the subsidiary board?
   - Yes
   - No
   - Not applicable

9. Does your organization have a director continuing education program in place for subsidiary directors?
   - Yes
   - No
   - Not applicable

X. Effective board and committee operations

1. How many Board Committees do you have? Please indicate number of Committees.

   ____

2. Please select the topics your Board Committees focus on. (Select all that apply)
   - Audit
   - Finance
   - Compensation / Human Resource
   - Nomination
   - Governance
   - Risk
   - Social Responsibility / Sustainability (may include Environment)
   - Safety / Health / Reliability (may include Environment)
   - Reserve
   - Pension
   - Investment
   - Other

3. What was the frequency of Board meetings (whether live or via teleconference) in the last full fiscal year? (Select only one answer)
   - 0-2 times
   - 3-6 times
   - 7-10 times
   - >10 times

4. Please specify how your organization distributes Board materials. (Select all that apply)
   - Through mailing of hardcopies
   - In-person at Board meetings
   - Through secured email
   - Through an internal or external Board portal
   - Using tablet devices/other wireless communication devices

5. For the purpose of making pay decisions, how would you best describe the performance evaluation process for senior executives? (Select all that apply)
   - Largely discretionary by the Board
   - Based purely on financial measures tied to last year's performance
   - Uses a balanced scorecard approach (financial, operational, people, customer)
   - Includes a formal 360 degree leadership assessment
   - Includes development objectives to support the CEO improve his/her performance
   - No performance evaluation process in place

6. How often does the CEO evaluation happen? (Select only one answer)
   - Once every 6 months
   - Once every year
   - Once every 2 years

- As needed
- Others (please specify)

7. How often does your organization review its executive compensation policy? (Select only one answer)
   - At least every 6 months
   - Annually
   - Once every 2 years
   - Only if there is a specific development requiring to do so
   - We have never reviewed our executive compensation policy

8. How effective has your executive compensation program been thus far in terms of motivating, retaining and achieving desired performance? (Select only one answer)
   - Very effective
   - Mostly effective
   - Somewhat effective
   - Not effective

9. Does your organization have a formal CEO succession planning process for leadership continuity; i.e., policy, written objectives and reports? (Select only one answer)
   - Yes, fully implemented
   - Yes, being implemented
   - No, but under consideration
   - No
   - Not applicable

10. How would you describe your CEO succession planning process? (Select all that apply)
    - Emergency replacement plan for the CEO
    - Forward-looking CEO role profile aligned to the organization's strategic direction
    - Systematic process to identify internal CEO succession talent bench
    - Systematic process to identify executive succession talent (direct reports to CEO)
    - Regular scan of external CEO talent in the market/industry
    - Formal, comprehensive assessment of CEO succession candidates
    - Leadership development program to ensure leadership continuity
    - Not applicable

11. As part of your succession planning process, does your organization provide the opportunity for the Board to interact with high potential executives in the following settings:
    - Boardroom setting (e.g. presentations to the Board)
    - Social settings like Board dinners
    - Other: ____________
    - Not applicable

12. Does your organization have a formal (i.e. written objectives, process and reports) policy for Board performance evaluation? (Select only one answer)
    - Yes
    - No

13. Is the Board performance evaluation conducted for the full Board as a whole or on an individual basis? (Select only one answer)
    - Full Board
    - Individual basis
    - Not applicable

14. How often does the Board evaluation take place? (Select only one answer)
    - Once every 6 months
    - Once every year
    - Once every 2 years
    - Not applicable

15. Have you had a third party agency evaluate the Board's effectiveness in the last three years? (Select only one answer)
    - Yes
    - No

16. How are your directors evaluated? (Select all that apply)
    - Individual peer-evaluation survey led by corporate secretary or other in-house personnel
    - Individual peer-evaluation survey led by a third party facilitator
    - One-on-one with a designated Board member
    - Others (please specify)
    - Not applicable

17. Is there a formal orientation program (i.e. written objectives, process and reports) for new directors? (Select only one answer)
    - Yes
    - No

18. Is there any opportunity given to directors to visit the company operations and interact with the employees?
    - Yes
    - No

19. Does your organization have a formal (i.e. written objectives, process and reports) director education policy? (Select only one answer)
    - Yes, fully implemented
    - Yes, being implemented
    - No, but under consideration
    - No

20. What methods are used within your organization to educate Board directors? (Select all that apply)
    - In-house (by management)
    - In-house (by a third party)
    - Outside (3rd party director education programs)
    - Sponsored for public forums or peer group sessions attended
    - Other (please specify)
    - Not applicable

21. What percentage of directors have attended education programs over the past year? (Select only one answer)
    - Below 25%
    - Between 25% and 50%
    - Between 51% and 75%
    - Above 75%

22. Have the presence of director education programs resulted in better decision-making in the Boardroom? (Select only one answer)
    - Yes
    - No

23. Which of the Board education topics are provided by your organization for your new and existing directors? (Select all that apply)
    - Industry specific topics
    - Insider trading
    - Organization policies
    - Risk oversight
    - Compensation
    - Regulatory issues
    - Ethics
    - Financial and liquidity risk
    - Anti-corruption policies
    - Market risk
    - Political contributions
    - Other (please specify)
    - Not applicable

24. What changes do you foresee with regards to corporate governance best practices for 2018?

25. Additional comments/input:

We thank you for participating and look forward to your continued support! Please contact Eddington Eron Ruiz at Eddington.Ruiz@KornFerry.com for further information.

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