



# CANADIAN SHAREHOLDER PROPOSALS

## 2019-2020

### THE RIGHT TO FILE SHAREHOLDER PROPOSALS

Shareholder proposals are a means for investors to engage not only with corporate management, but with other shareholders, raising suggestions and concerns that are relevant to the long term success of the corporation, and subjecting them to a vote by shareholders to demonstrate their importance.

The right of shareholders to file resolutions and have them included on the ballot for corporate annual meetings is enshrined in Canadian corporate laws (provincial and federal). The laws are generally similar, with relatively consistent word limits, filing deadlines, ownership thresholds and holding periods, despite minor variations by jurisdiction.<sup>1</sup>

### CANADIAN COMPANIES RECEIVE LIMITED PROPOSALS

SHARE maintains an online public database of Canadian shareholder proposals, and tracks proposals for its own proxy advisory and shareholder engagement work for clients.<sup>2</sup>

The number of shareholder proposals filed at Canadian issuers averages around 80 per year with no noticeable increase or decrease year on year. In 2019, 80 proposals were filed nationwide. In 2020, 81 proposals were filed.

Many of those proposals are withdrawn after constructive discussions between the shareholder and the issuer. In 2020, for example, 38 of the 81 proposals filed at Canadian issuers were withdrawn after such discussion.

A significant number of shareholder proposals filed each year are filed at the same group of companies, such that the total number of Canadian issuers receiving any shareholder proposals was 32 in 2019, and 31 in 2020.

Of these:

- The average vote in favour of all shareholder proposals filed in 2020 was 13.5%. Although this is not a high average, it was skewed by a larger percentage of proposals with low votes.
- Proposals at Canadian Bank Act regulated companies dominate, representing 37.50% of all proposals filed in 2019 and 46.75% in 2020.
- Six climate change-related proposals were filed in 2020, and four of those went to a vote. The average vote in favour of climate-related proposals was 39.5%, almost three times the average level of support for shareholder proposals generally.

<sup>1</sup> The two most notable exceptions to the right are for companies incorporated in Alberta, in which a shareholder or group of shareholders must hold more than 5% of the company's shares before being allowed the right to file, and for Real Estate Investment Trusts, for which the right does not exist in law but in some cases has been enshrined in a Trust's bylaws.

<sup>2</sup> SHARE's online database is accessible at [www.share.ca](http://www.share.ca). Information about SHARE's services for clients is available on the site.



- Three proposals in 2020 received majority support, notably all environmental proposals:
  - A proposal at Ovintiv, filed by the United Church of Canada Pension Plan (with SHARE) asking the company to establish Paris Agreement-aligned climate targets received 56.41% support;
  - A proposal at iA Financial Corp filed by Johanne Elsener, asking the company to conduct and publish a climate risk analysis, received 73.63%; and
  - A proposal at iA Financial Corp filed by Johanne Elsener, asking the company to adopt measured environmental impact reduction objectives with clearly identified targets, received 60.69%.
- 38 companies received proposals in either 2019 or 2020. Of these, almost two-thirds (23 companies) had proposals in both years (the banks, CN, CP, BAM, Bombardier, Cascade, CGI, iA Financial, Loblaw, Metro, Nutrien, Power Corp, RBI, Saputo, SNC-Lavalin, Thomson Reuters.) Fifteen companies received only one proposal over the two years.

Below, we identify the number of shareholder proposals filed and those either withdrawn or voted, with average results for both years.

	2019	2020 (YTD)
No. of shareholder proposals filed	80	81
No. of shareholder proposals withdrawn	25	38
No. of shareholder proposals voted	55	41
Total # of Companies receiving proposals	32	30
Total number of proposals omitted	0	2
Number of proposals receiving majority support (>50%)	1	3

## PROTECTING AN IMPORTANT RIGHT

Shareholder proposals are an important mechanism for shareholder engagement and dialogue. They are non-binding, by law, but allow issuers to understand the level of concern amongst their share owners on a particular issue or proposition, and challenge the board of directors to respond meaningfully to those concerns.

Nearly half of the proposals filed in 2020 were withdrawn. Usually this indicates that board responses to those proposals, once filed, were sufficient to address the concern without necessitating a shareholder vote. With others achieving high or majority votes, the signaling effect of these proposals should assist boards at these issuers and at others in their sectors to identify and address shareholder views and concerns over the coming year.

In a year when regulators south of the border took steps to curtail the exercise of this fundamental shareholder right – something we hope will be challenged under the new US administration – Canadian investors, regulators and issuers should ensure that this right continues to be respected and that it continues to be used constructively to advance dialogue and engagement between share owners, boards and corporate management.

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