



CORPORATE GOVERNANCE TRENDS
IN CANADA

Early Insights

2025 Proxy Season

Learn what's new in governance in Canada

Dive into trends, proposals & activism

Table of Contents

Page no.

Summary

03

Trends & 2025 Updates

04

Shareholder Proposals

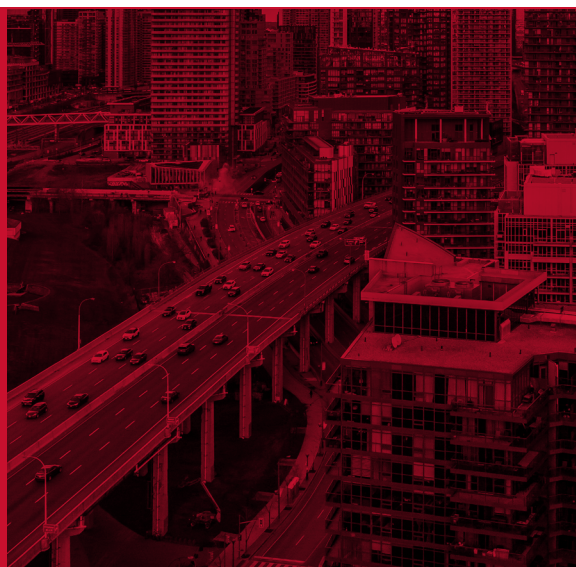
11

Shareholder Activism

18

Looking Ahead

21





Executive Summary

The 2025 proxy season marks a turning point in Canadian corporate governance, where strong performance must now be matched by strategic foresight and credible engagement. Issuers are operating in a more complex environment: one shaped by shifting investor behaviour, evolving stewardship models and heightened expectations around board accountability, diversity and disclosure.

The most significant development this year is a quiet but meaningful retreat from the once-standard practice of prescriptive shareholder engagement. In response to new regulatory guidance in the U.S., many global institutional investors are reducing proactive outreach, including to Canadian companies. The result is a new model of "quiet diplomacy"; meaning less guidance, fewer calls, but high scrutiny. For issuers, this means that the responsibility to initiate dialogue and clarify governance practices now squarely rests with them.

Canada's governance standards remain stable and distinct from recent U.S. rollbacks, particularly on diversity, equity and inclusion. While policy updates from ISS and Glass Lewis have been minimal, their expectations are sharpening. Focus areas include gender and racial diversity, director independence, virtual meeting transparency and board oversight of material risks.

Artificial intelligence has emerged as a governance theme, but within a wider conversation about technological oversight and board preparedness. While proposals and commentary on AI are increasing, the broader investor message is about effective, credible risk governance and not over-indexing on any single issue.

Shareholder activism continues to gain momentum. This season, 36 campaigns have been launched with most targeting board composition, and others focused on strategy, capital allocation and governance reform. ESG remains a prominent feature on the ballot, though investor support is becoming more selective. Say-on-Climate proposals, in particular, are receiving lower backing compared to previous years. This signals a clear shift toward expectations for detailed, actionable plans over broad-stroke commitments.

As of March 31, 2025, 64 shareholder proposals have been or are expected to be put to a vote during this proxy season. Of these, 17 are Environmental in nature, 27 focus on Social issues, and 20 relate to Governance. In this environment, passive governance will no longer suffice. Companies must lead with intention, engage proactively, govern with rigour and communicate clearly. For Canadian issuers willing to meet the moment, this is not just a challenge but a strategic opportunity to define what strong governance looks like in a new era.

As engagement models evolve, companies are receiving less candid or detailed feedback during traditional meetings. In this environment, analysing how investors vote and not just what they say, offers a more accurate gauge of sentiment and priorities. Companies that integrate such analysis into their governance and investor relations strategy will be better positioned to anticipate issues, calibrate messaging and avoid surprises.



What's New in the 2025 Proxy Season?

- 1 There have been minimal updates to the proxy voting guidelines of Institutional Shareholder Services ("ISS") and Glass, Lewis & Co. ("Glass Lewis") in 2025 for Canadian companies.
- 2 Robust board gender and racial diversity practices and disclosure continue to be expected in Canada by many key stakeholders, despite rollback in the U.S. market.
- 3 Some large U.S.-based institutional investors are reacting to new guidance from the U.S. SEC by pausing much of their engagement and stewardship efforts.
- 4 The most common reasons why Glass Lewis opposes directors in Canada are due to inadequate board diversity, independence concerns and accounting issues.
- 5 Companies are receiving ESG-related shareholder proposals, including on Say-on-Climate, employee language proficiencies and artificial intelligence ("AI") oversight.
- 6 Underperforming companies are feeling pressure from their shareholders to initiate changes for the better, with 34 shareholder activist campaigns launched in 2025 so far this year.

■ 2025 refers to the proxy season year between July 1, 2024, and June 30, 2025.



Updates to ISS' 2025 Canada Policy

There have been minimal updates to ISS' Canada Benchmark Policy in 2025. **No change to ISS' diversity policies in Canada** despite U.S. President Donald Trump's attack on diversity, equity and inclusion ("DEI"), which has prompted a material update to ISS' U.S. policy.

Policy Updates

Pay-for-Performance ("P4P") Evaluation: ISS may evaluate non-CEO executive pay in exceptional cases

Board Diversity:

- **Gender Diversity is <30%:** S&P/TSX Composite Index companies with <30% gender diversity may be exempt from ISS' opposition if they make a public commitment to achieving at least 30% at their next annual meeting and they are new to the Composite Index or they have temporarily fallen below 30% diversity after achieving 30% diversity at the prior meeting.
- **Racial Diversity:** Specified when an S&P/TSX Composite Index company will not be penalized.

ISS will not support proposals affording boards the discretion to hold virtual-only meetings

Policy Clarifications

Article or Bylaws Amendment for Virtual-Only Meetings: ISS will not support proposals affording boards the discretion to hold virtual-only meetings.

Definition of Independent Former/Interim CEO: After a minimum five-year cooling period, only in exceptional circumstances a former CEO may be considered independent.

Former CEO/CFO on Audit/Compensation Committee: Aligns with ISS' previous policy clarification.



Updates to Glass Lewis' 2025 Canada Policy

There have been minimal updates to Glass Lewis' Canada Benchmark Policy in 2025. Like ISS, Glass Lewis has **not made any changes to its Canadian diversity policies** despite U.S. pressures.

Policy Updates

AI-Related Oversight: Boards must disclose AI-related oversight practices. Glass Lewis may oppose directors or committees responsible if oversight is insufficient or if AI use materially harms shareholders.

- Currently, ISS does not have a similar policy but has been tracking disclosure.

Virtual-Only Meetings: Lack of clear shareholder participation disclosures when holding virtual-only AGMs may prompt GL's opposition of the governance committee chair.

Board Skills: At S&P/TSX 60 Index companies, insufficient disclosure of board key skills and experiences may result in GL's opposition of the nominating committee chair.

Glass Lewis may oppose directors or committees responsible if oversight is insufficient or if AI use materially harms shareholders. Currently, ISS does not have a similar policy but has been tracking disclosure.

Policy Clarifications

Executive P4P: Unfavourable voting recommendations are based on overall program rationale, structure, disclosure quality, performance alignment, shareholder sentiment, and changes by the compensation committee, not solely on individual performance based or time-based awards.

Meetings of the Governance Committee: All TSX-listed companies must disclose having held at least one governance committee meeting annually; failure to do so may result in GL's opposition to the committee chair.



Evolution of Shareholder Engagement

- U.S. institutional investors are rethinking their engagement and stewardship efforts following new guidelines released by the U.S. SEC on February 11, 2025.
 - The new guidance suggests that the engagement and stewardship efforts made by passive investors may be seen in some circumstances to be seeking to “influence or control” of a U.S. company, which would then trigger more onerous disclosure obligations.
- U.S.-based investors are now trying to gain greater clarity on the new guidance, which has put a chill on the efforts amid the 2025 proxy season when companies are trying to understand the evolving views of their shareholder base.
- Two of the world’s largest U.S. institutional shareholders have continued to hold engagement discussions with Canadian-based companies following the new guidance.
 - However, **BlackRock** and **State Street** participated in those calls in **listen-only mode** and **did not ask direct questions nor did they provide feedback**.
 - Utility of these meetings for companies would be limited.
- Maintaining a robust dialogue with shareholders is paramount to companies for many reasons, including in instances where a board's responsiveness is now expected by the proxy advisors and shareholders.
- Meetings with ISS as well as Glass Lewis have now become more important for communication with investors who otherwise may be reluctant to engage under the new guidance.
- Analytics of shareholder voting patterns will also be important this proxy season.



Focus on Board Oversight of AI

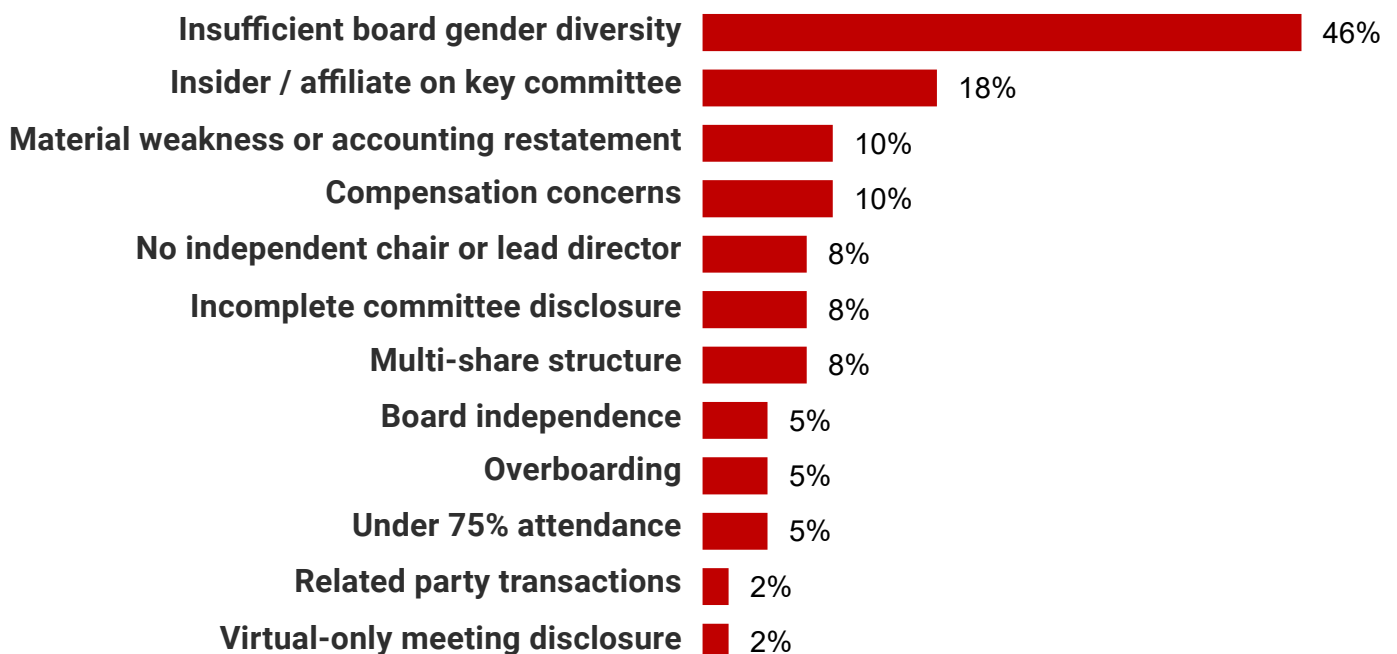
- Key stakeholder groups are increasingly focusing on AI-related governance:
 - Glass Lewis has added a policy in 2025 under its Canada coverage encouraging companies to disclose how their boards oversee AI.
 - In 2025, shareholders have submitted a proposal to multiple Canadian companies requesting that they adhere to the Voluntary Code of Conduct on the Responsible Development and Management of Advanced Generative AI Systems.
 - 46 companies are signatories,¹ including **Canadian Imperial Bank of Commerce, Telus Corp., CGI Inc.** and **OpenText Corp.**
 - As part of its most-recent methodology changes published on January 31, 2025, The Globe and Mail's 2025 Board Games rankings of corporate governance expects that companies disclose how their boards considers cybersecurity, technological and AI risk issues.
 - Worth two marks, Question 10 expects that disclosure will identify a board committee(s) responsible for managing these risks, as well as how often these issues are considered, and must specifically reference AI and cybersecurity oversight details for full marks.



Why Glass Lewis Opposed Directors in Canada in 2024

- Inadequate board gender diversity is the main reason why Glass Lewis opposed directors of Canadian companies (at 46%), followed by a non-independent director serving on a key committee (at 18%).
- Insufficient virtual-only meeting disclosure, which is a concern for many clients that are holding virtual-only meetings, accounts for only 2% of Glass Lewis' director opposition.

Reasons Glass Lewis Opposed Director Elections in Canada in 2024



■ Source: Glass Lewis. Includes companies covered by Glass Lewis' Canadian policy for shareholder meetings held between 1H of calendar 2024.



Future of Corporate Diversity Under President Trump




- President Trump's January 2025 executive orders to end federal and private sector DEI programs in the U.S. have prompted companies to rethink both their practices and disclosure.
- **ISS and Glass Lewis in the U.S. have responded differently to this issue**
 - ISS has suspended its board diversity policy for U.S. companies.
 - Glass Lewis has maintained its board diversity policy for U.S. companies and will emphasize when this policy results in a negative voting recommendation for a director.
- Some institutional shareholders have updated their in-house proxy voting policies to remove numerical diversity requirements or targets from board composition considerations.
 - Unclear how these investors will apply these policies in 2025.
- Anti-DEI shareholder proposals in the U.S. have been opposed in the high 90%, including at Costco Wholesale Corp. and Apple Inc.



- Canadian companies with U.S. operations and/or U.S. stock listings are evaluating their risks.
 - As mentioned, ISS and Glass Lewis **have not** made any updates to their previously published 2025 benchmark proxy voting guidelines for Canadian companies.
 - Securities and corporate law under the Canadian Business Corporations Act maintain their “comply or explain” disclosure approach to diversity.
 - Some U.S.-based global asset managers have updated their global in-house proxy voting policies, which may affect Canadian companies.



 Northbridge

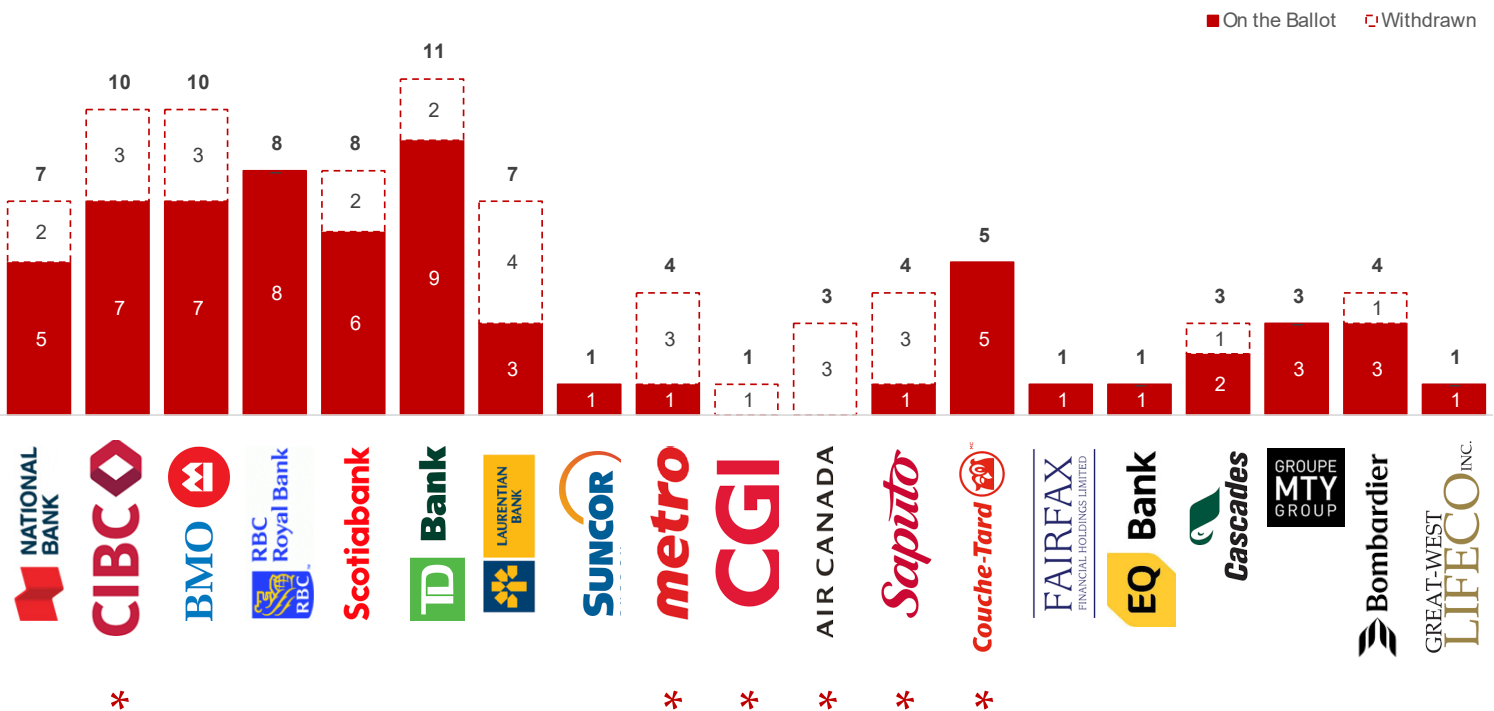
SHAREHOLDER PROPOSALS



Total Shareholder Proposals Received

- Canadian banks and Quebec-based companies continue to receive the majority of shareholder proposals.
- Toronto-Dominion Bank ("TD")** leads all companies with 11 shareholder proposals received, including several unique proposals related to governance and oversight considering TD's anti-money laundering challenges.

Shareholder Proposals in Canada in the 2025 Proxy Season



Sources: ISS-Corporate and SEDAR+. Data are capturing shareholder proposals received by Canadian companies under ISS' Canada coverage. Timeframe is shareholder meetings held from July 1, 2024 to proxy materials filed as of March 31, 2025. Companies with an * have already held their annual meetings as of April 4, 2025.



ESG Proposals on the Ballot

- 64 shareholder proposals have been or are being put to a shareholder vote during the 2025 proxy season (based on company filings as of March 31, 2025).
- 17 of these shareholder proposals are categorized as “Environmental,” including one that is anti-“E”.

Shareholder proposal at **Canadian Imperial Bank of Commerce** to disclose its annual energy supply

- ratio received 37.1% shareholder support
 - The Bank of Nova Scotia** committed to disclosing its annual energy supply ratio, prompting the shareholder proponent to withdraw its proposal

ENVIRONMENTAL



Sources: ISS-Corporate and SEDAR+. Data are capturing shareholder proposals received by Canadian companies under ISS' Canada coverage. Timeframe is shareholder meetings held from July 1, 2024, to proxy materials filed as of March 31, 2025. ESG categorizations by Kingsdale.



ESG Proposals on the Ballot

- 27 of these shareholder proposals are categorized under “Social,” including two new proposals in 2025 that call for multiple companies to:
 - Commit to adhering to a voluntary code of conduct related to AI
 - Disclose language fluency of employees



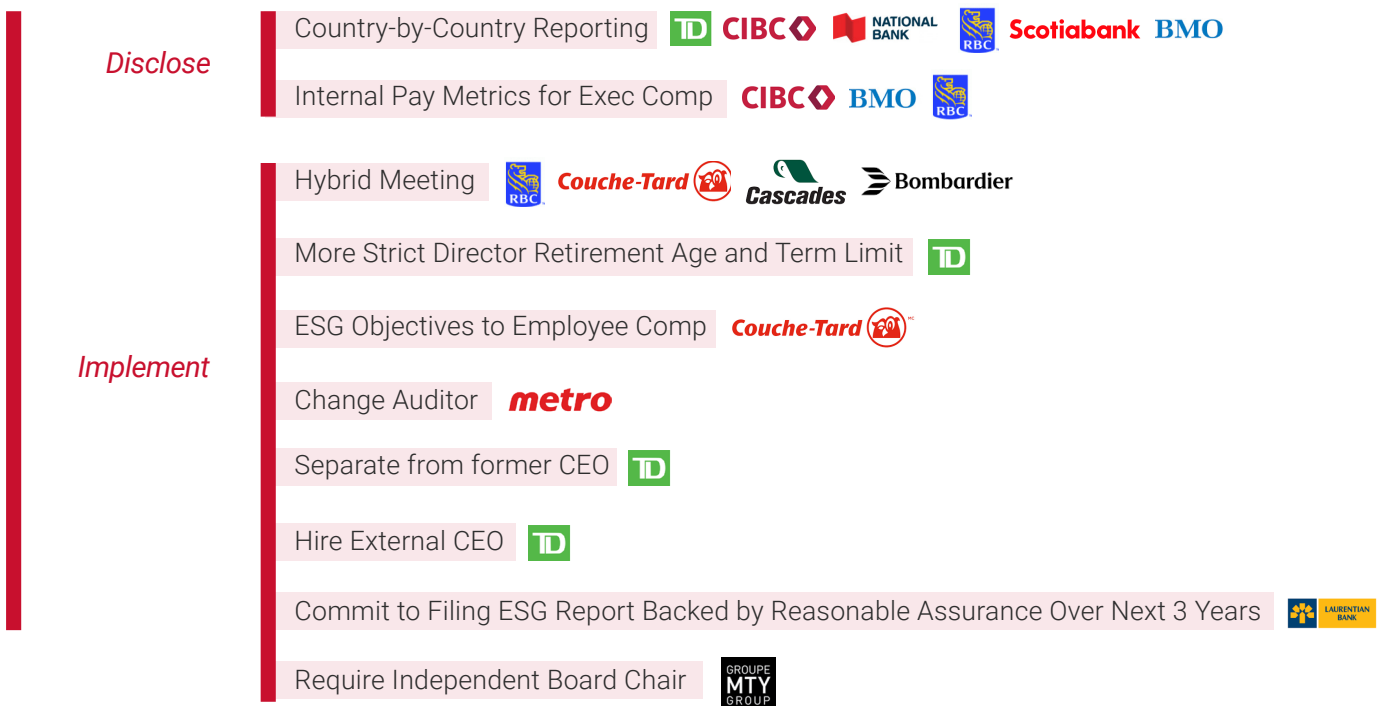
Sources: ISS-Corporate and SEDAR+. Data are capturing shareholder proposals received by Canadian companies under ISS’ Canada coverage. Timeframe is shareholder meetings held from July 1, 2024, to proxy materials filed as of March 31, 2025. ESG categorizations by Kingsdale.



ESG Proposals on the Ballot

- 20 of these shareholder proposals are categorized under “Governance”
- Number of shareholder proposals on the ballot related to hosting hybrid meetings has declined YoY, as six of these proposals were withdrawn

GOVERNANCE



■ Sources: ISS-Corporate and SEDAR+. Data are capturing shareholder proposals received by Canadian companies under ISS' Canada coverage. Timeframe is shareholder meetings held from July 1, 2024, to proxy materials filed as of March 31, 2025. ESG categorizations by Kingsdale.



Proposals Withdrawn

- As in prior years, multiple shareholder proposals have been withdrawn following negotiations between proponents and companies, including calls for companies to:
 - Host a hybrid meeting
 - Withdraw from Net Zero Banking Alliance

ENVIRONMENTAL

| | | |
|-----------|---|------------------------|
| Disclose | Energy Supply Ratio | Scotiabank |
| | Impact of CWB Acquisition on Decarbonization Plans | NATIONAL BANK |
| | More Information on Renewable vs. Non-Renewable Energy Financing Commitment | NATIONAL BANK |
| Implement | Say-on-Climate Vote | LAURENTIAN BANK |
| | Withdraw from the Net Zero Banking Alliance (NZBA) | TD CIBC BMO Scotiabank |

SOCIAL

| | | |
|-----------|---|---------------------------------------|
| Disclose | Forced Labour and Child Labour | BMO LAURENTIAN BANK |
| | Report on Cage-Free Egg Goal | metro |
| | Languages of Executives | Saputo |
| | Languages of Employees | AIR CANADA |
| | Measures Taken to Increase Support for Say-on-Pay | AIR CANADA Cascades |
| Implement | AI Code of Conduct | CIBC LAURENTIAN BANK metro Bombardier |
| | Bonus for all Employees Tied to ESG Objectives | Saputo |

GOVERNANCE

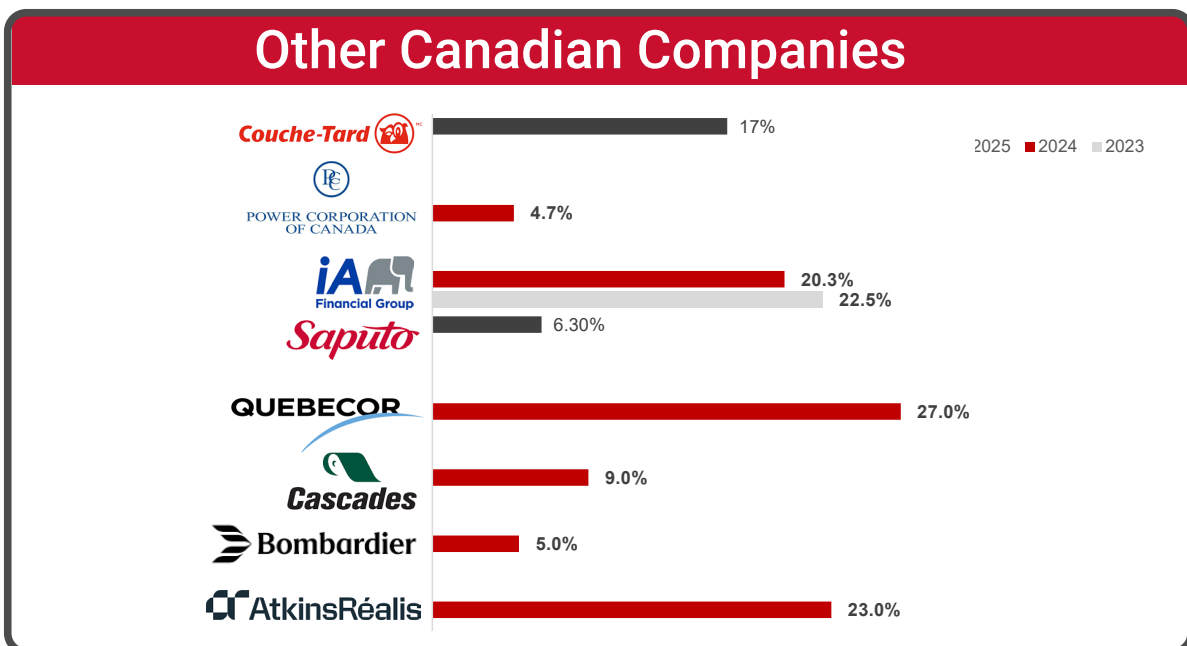
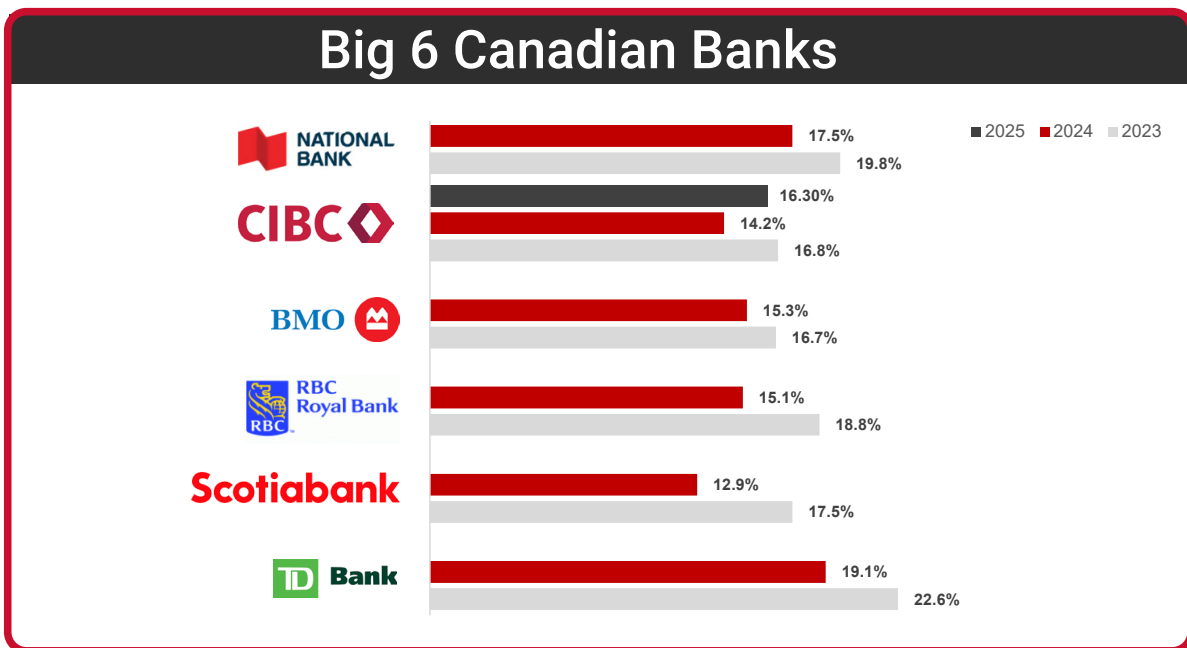
| | | |
|-----------|---|--------------------------------------|
| Disclose | Country-by-Country Reporting | LAURENTIAN BANK |
| Implement | Hybrid Meeting | CIBC BMO metro CGI Saputo AIR CANADA |
| | Independent Review of Board Governance Policies and Director Selection Criteria | TD |

Sources: ISS-Corporate and SEDAR+. Data are capturing shareholder proposals received by Canadian companies under ISS' Canada coverage. Timeframe is shareholder meetings held from July 1, 2024 to proxy materials filed as of March 31, 2025. ESG categorizations by Kingsdale.



Lower Support for Say-on-Climate Shareholder Proposals

- Support for shareholder proposals urging companies to adopt a so-called “Say-on-Climate” resolution declined in 2024 at the Big 6 Banks and at iA Financial Group compared to 2023.
- Railways **Canadian Pacific Kansas City Ltd.** and **Canadian National Railway Co.** are the only Canadian companies that put forward a management-sponsored Say-on-Climate resolution.



■ Captures shareholder proposals under ISS' Canada policy using proxy season years of the 12 months ended June 30. Source: ISS-Corporate.



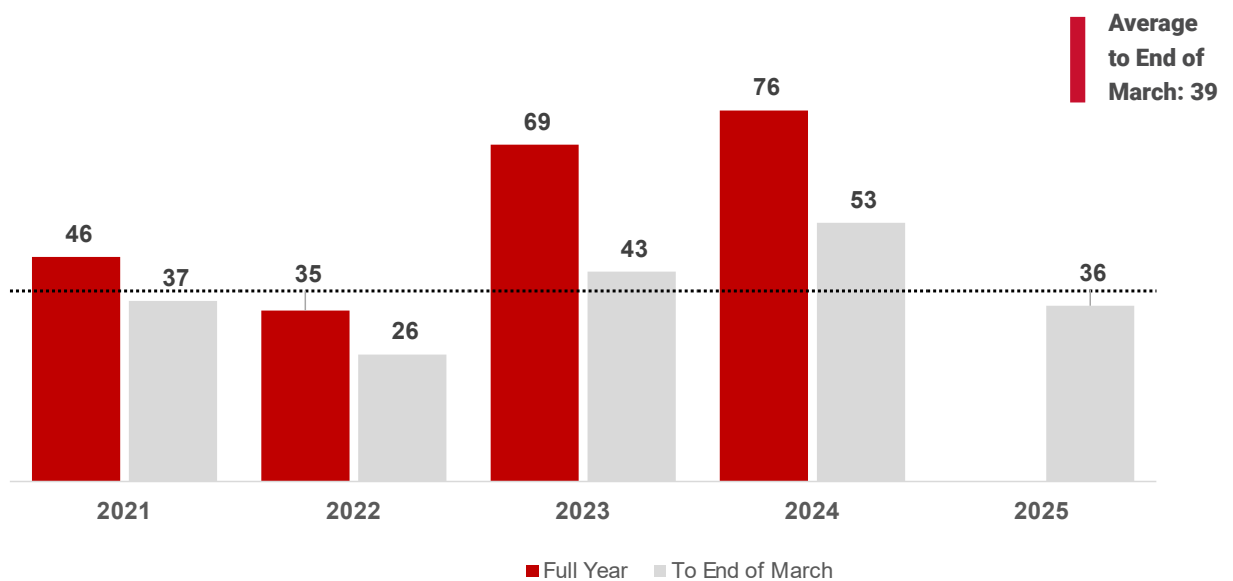
SHAREHOLDER ACTIVISM



Shareholder Activism in Canada

- Shareholder activism in Canada is picking up steam amid volatile market conditions.
 - Kingsdale has tracked 36 campaigns initiated by shareholder activists since July 2024.
 - Average of 39 shareholder activist campaigns against Canadian targets were publicized in the first nine months of 2021 to 2024, with last year being the busiest year on record.
 - Data includes publicized campaigns; activist shareholders continue to privately engage and agitate.

Shareholder Activist Campaigns in Canada



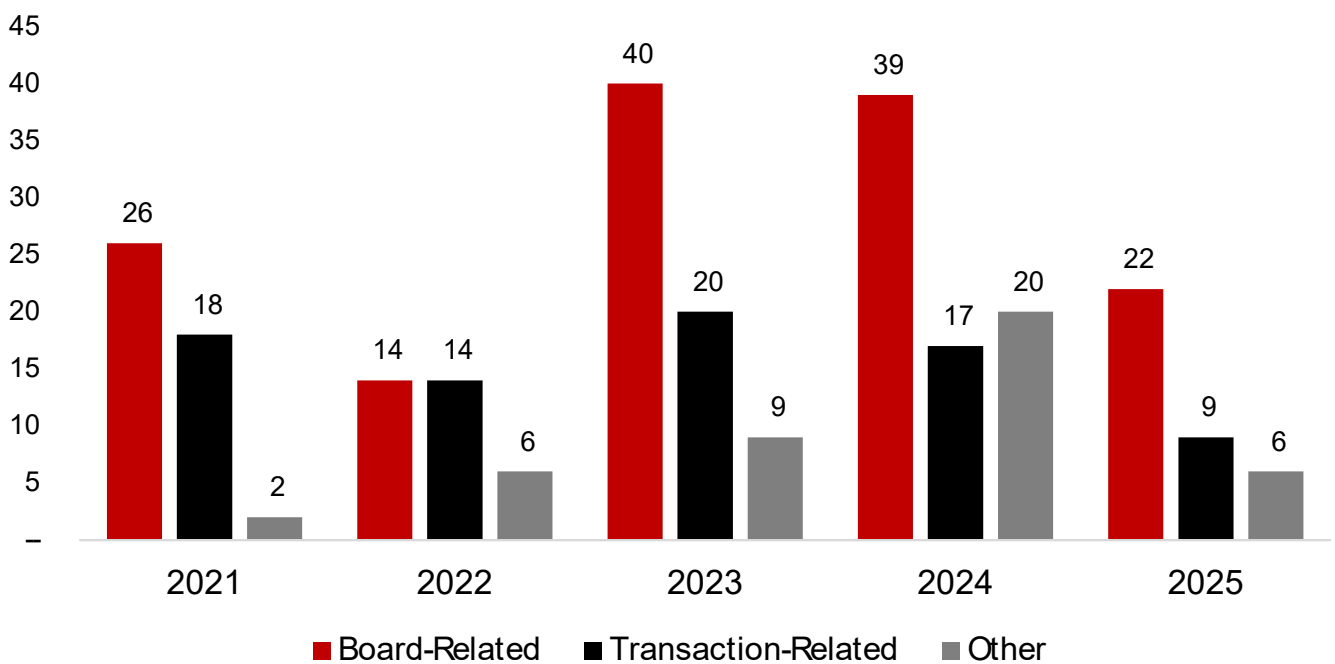
■ Source: Kingsdale Advisors from various sources. Years are Proxy Years from July 1 to June 30. 2025 data is preliminary and captures activist campaigns initiated to March 31, 2025. Prior years include campaigns launched before March 31.



What Shareholder Activists Want

- Board-related campaigns continue to account for more than half of the activist campaigns initiated at Canadian companies in 2025 to date (22 of 36 campaigns).
- Transaction-related campaigns (with no board-related component) account for nine of 2025's 36 campaigns.
 - Proportion of transaction-related campaigns has dropped in recent years amid an overall slump in M&A.
- Remaining six activist campaigns categorized as "Other".

Types of Shareholder Activist Campaigns



“Board-Related” campaigns include situations whereby an activist has put forward an alternative director slate or has initiated a Withhold/“Vote No” campaign.

“Transaction-Related” campaigns include instances whereby an activist contests a friendly transaction, launches a hostile bid or demands that a company conducts a strategic review (without targeting the board for removal).

“Other” campaigns include those whereby the demands have not yet known or may be criticism of a governance or financial practice.

■ Source: Kingsdale Advisors. Years are Proxy Years from July 1 to June 30. Kingsdale’s 2025 data is preliminary and captures shareholder activist campaigns initiated from July 1, 2024, to March 31, 2025. Prior years’ campaigns are full year.



Planned Updates to Glass Lewis' P4P Model

- Glass Lewis announced at the end of March 2025 that it is developing a new P4P assessment model for evaluating executive compensation across global markets.
 - Glass Lewis said it plans to launch its new model in the second half of calendar 2025 and expects to share more information in the summer.
 - Its methodology for upcoming meetings in the 2025 proxy seasons has not changed.
 - This update will present some uncertainty for Say-on-Pay resolutions in the 2026 proxy season, particularly for clients whose shareholders are heavily influenced by Glass Lewis recommendations.
 - P4P models play a critical role in how ISS and Glass Lewis evaluate executive compensation.



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Contact us to explore
board education options:
strategy@kingsdaleadvisors.com