

KINGSDALE SHAREHOLDER SERVICES DEFINES 2015 PROXY SEASON IN NEW REPORT

TORONTO, September 24, 2015 -- Kingsdale Shareholder Services today released its annual 2015 Proxy Season Review, a report designed to equip public companies, boards and advisors to face the next wave of shareholder activism in Canada and effectively manage the upcoming 2016 proxy season.

“Only halfway through this year, we’ve seen more proxy fights than we did in all of 2014. With a growing rift between long and short-term shareholders, more active institutional investors, and boards continuing to underperform in a number of key areas, we expect the back half of the year and early 2016 to be just as busy,” said Kingsdale CEO and Founder, Wes Hall. “Activists are attracting more capital, superior talent and effecting change. Just as companies thought they were catching up and defending themselves appropriately activists are set to leapfrog their best efforts again. Directors should be under no illusion that what got them through last year will get them through the next.”

Activists are continuing to outperform management this year racking up more victories. Interestingly, the Energy and Materials sectors have bucked this trend (so far) with activists being generally less successful when compared to the aggregate activist success rate. Part of the reason for the continued success of activists year after year is their willingness to innovate and adjust tactics, such as the increased use of ‘constructivism’ and minority short slates.

Kingsdale defined the most noteworthy developments of the 2015 Proxy Season as:

- 1. Say-on-Pay:** Shareholders have reached their breaking point when it comes to compensation related concerns. A record number of issuers failed the say-on-pay vote this year sending a clear message: Satisfy shareholders or they will make themselves heard.
- 2. Majority Voting:** In the first proxy season where majority voting policy is mandated, we saw more directors in trouble with 20 directors triggering the policy this year vs. just four a year earlier. Boards need to be clear on how to handle the resignation process and succession planning as more shareholders demand ‘true’ majority voting, allowing them to cast votes *against* directors, not just *withhold*.
- 3. Forum Selection By-Laws:** While not supported by proxy advisory firms but applauded by shareholders, a little noticed but highly innovative by-law made its way to Canada this year from the U.S. that directs what jurisdiction a corporate dispute can be litigated in. The by-law does not deprive shareholders of their ability to bring a claim but ensures a claim proceeds in a way that is not punitive to other shareholders.
- 4. Long vs. Short-Term Shareholders:** Tension between the apparent divergent interests of long and short-term shareholders continues escalate with directors caught in the middle asking *which owners do they and should they serve first?* Institutional investors are challenging directors to produce more evidence of long-term thinking while short-term investors demand an equal say in corporate strategy.
- 5. Women on Boards:** This proxy season was the first to include the “comply or explain” rule as it pertains to board diversity and the big news is *nothing changed*. The representation of women on boards on the S&P/TSX60 Index nudged up less than 2%. Shareholders will begin forcing change if companies are unwilling as diversity has become a metric for companies that pay

attention. If investors see the new policy doesn't mean much to you or you aren't doing anything about it, it raises the question "*what else don't you care about?*"

- 6. Improve Director-Shareholder Communications Or Else:** Shareholders want regular interaction and transparency into the strategic decisions of the company they own and are increasingly unwilling to accept regulated disclosure as sufficient communication. We are rapidly approaching a tipping point where shareholders who are not getting the access and information they expect will soon hold boards accountable.

To view the 2015 Proxy Season Review visit:

<http://kingsdaleshareholder.com/resourcesdd/2015ProxySeasonReview.pdf>

About Kingsdale Shareholder Services:

Since 2003, public companies across North America have looked to the expertise of Kingsdale Shareholder Services to help them reach out to shareholders to secure votes for annual meeting agenda items and transactions. Kingsdale has been engaged by more issuers and in more proxy contests than all other advisors in Canada combined and acted on the majority of M&A transactions each year. As Canada's preeminent shareholder services firm, Kingsdale offers an array of specialized services including: strategic and defensive advisory, proxy solicitation, shareholder identification, information agent, depository, governance advisory and proxy analytics, asset reclamation, and corporate communications.

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