

Proxy Access is Good Governance

Teachers' believes that good governance is good business. A good business is defined by the efficacy of its corporate model and at the core of this effectiveness is good governance. An initiative such as increasing shareholder involvement in the director nomination process, as described in the CCGG policy "*Shareholder Involvement in the Director Nomination Process: Enhanced Engagement and Proxy Access*" (available from www.ccg.ca) is consistent with creating and maintaining a well-functioning corporate model and as a result is good governance.

The Corporate Model: A Brief Description

In the corporate model management develops and implements the corporate strategy and oversees the day to day operations of the company; directors supervise and monitor management; shareholders elect directors. The model is strengthened through the accountability built into it. The corporate organizational chart delineates the hierarchy of oversight within the company with ultimate responsibility for operations resting with the CEO. One of the most important (if not the most important) duties of the board is to hire/fire the CEO thus creating a direct line of accountability between the CEO and the board. Finally, it is the shareholders responsibility to elect the board of directors making boards answerable to the owners.

Proxy Access: An Overview

Proxy access is a concept which allows shareholders to add director candidates to the shareholder ballot under specific conditions such as minimum share ownership requirements and limits on the number of directors that can included on the ballot.

The purpose of proxy access is to provide shareholders a mechanism to propose a small number of director nominees of their choosing (much like management has their own candidates); not to take control of the board. The ownership thresholds and limits on the number of nominees prevents proxy access from being a substitute for a contested meeting where a shareholder or group of shareholders look to replace either the whole board or a substantial number of the incumbent directors. The small number of candidates that can be added to the ballot using proxy access makes significant disruption to the board unlikely as the majority of the elected directors will be management nominees.

Proxy Access: Consistent with the Corporate Model

Providing shareholders with proxy access is consistent with the corporate model. Much like directors have the ability to appoint or dismiss the CEO, it is reasonable that shareholders have the comparable capability to have some input as to who they choose to consider for election to the board.

When proxy access is used it is likely there will be more director candidates than director positions. However, since Canada (and the United States for that matter) uses a plurality voting system having more nominees than vacancies is not an issue since directors with the highest number of “for” votes, up to the number of available director openings, are elected to the board. It is also important to stress that there is no guarantee that a shareholder candidate(s) will be elected to the board. With proxy access, the corporate model is supported. Roles and responsibilities have not changed – shareholders continue to decide who will be on the board, directors continue to oversee management and management continues to run the company.