

November 2019

# Elixir News



CREATING INCOME FOR EVERYDAY PEOPLE BY USING TECHNOLOGY  
TO HARVEST VOLATILITY.



ELIXIROFTECHNOLOGY.COM

# Disclaimer

This communication is confidential. The contents are not to be reproduced or distributed to the public or press. The information contained herein, while obtained from sources which are believed to be reliable, is not guaranteed as to its accuracy or completeness and confers no right to investors. Except where otherwise noted, statements regarding historical fact and statements regarding industry and market trends and forecasts are based on information obtained from publicly available third party sources of such information. Elixir has not undertaken any independent verification of any such third party information.

This communication should not be considered as the giving of investment advice by Elixir or any of its shareholders, directors, officers, agents, employees or advisors. Each party to whom this communication is made available must make its own independent assessment of Elixir after making such investigations and taking such advice as may be deemed necessary. In particular, any estimates or projections or opinions contained herein necessarily involve significant elements of subjective judgment, analysis and assumption and each recipient should satisfy itself in relation to such matters.

This communication does not constitute, of form part of, any offer or invitation to sell or issue, or any solicitation of any offer to subscribe for or purchase any securities in Elixir, nor shall it, or the fact of its communication, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever. No securities regulatory authority in Canada or the United States has passed upon the securities described herein or reviewed this communication.

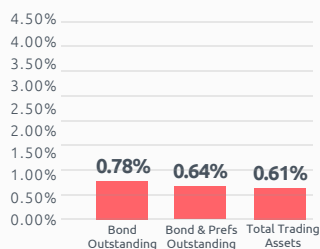
**THIS COMMUNICATION IS NOT A PROSPECTUS OR OFFERING MEMORANDUM.**

# Hi, everyone,

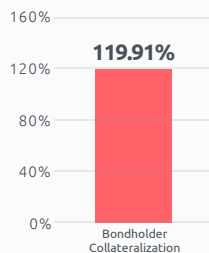
I trust that you are doing well. As I predicted and disclosed in the October newsletter (i.e., "...I am certain that, as of the time of this writing, our record-breaking streak will stop in November due to the presence of general low volatilities in the market ..."), we ended November with a very modest trading income. We also anticipated that volatility would pick up at the beginning of December, and it did. With favorable market conditions now open to us, I am pleased to announce that, during the first couple of days of December, we generated substantial trading revenue. In fact, this revenue has completely eliminated our November drawdown. As of December 2, 2019, we had achieved our annual realized trading revenue target! In this newsletter, I will focus on our November business activities. The following metrics charts provide a quantitative demonstration of our November trading performance. For those who are interested, Elixir's historical performance metrics since inception (a 28-month track record) appear in an appendix at the end of this newsletter.

## NOVEMBER TRADING PERFORMANCE

Trading realized gain as a percentage at the beginning of the month



## NOVEMBER BONDHOLDER COLLATERALIZATION



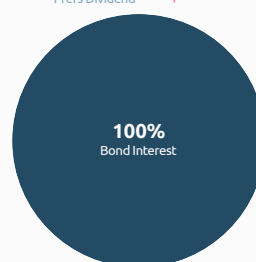
As always, in this newsletter, I will explain our revenue composition. I will also describe the challenges that we experienced in November. Additionally, I will share what our algorithm indicates for the remaining days of 2019 and comment on the market events that caught my attention since I last wrote to you. On the business side, the highlight for November was that we topped Royal Bank of Canada to win one of the 2019 Canadian National Excellence in Governance Awards! We will share the judges' report at the end of this newsletter.

## 2019 CANADIAN NATIONAL EXCELLENCE IN GOVERNANCE AWARDS

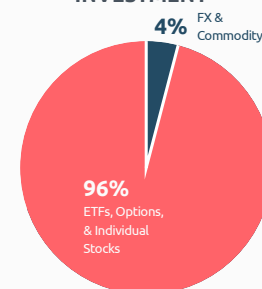


## NOVEMBER REVENUE ALLOCATION

0.00% Prefs Dividend  
0.00% Ops & Others



## NOVEMBER TRADING PERFORMANCE BY INVESTMENT



The award organizer produced this report to provide insight into the accomplishments that set the winners apart and to convey the judges' rationale for selecting this year's winning organizations. The judges spoke very highly of Elixir and I recommend that all shareholders have a read. I hope you find this issue of the newsletter to be insightful. Please feel free to reach out.

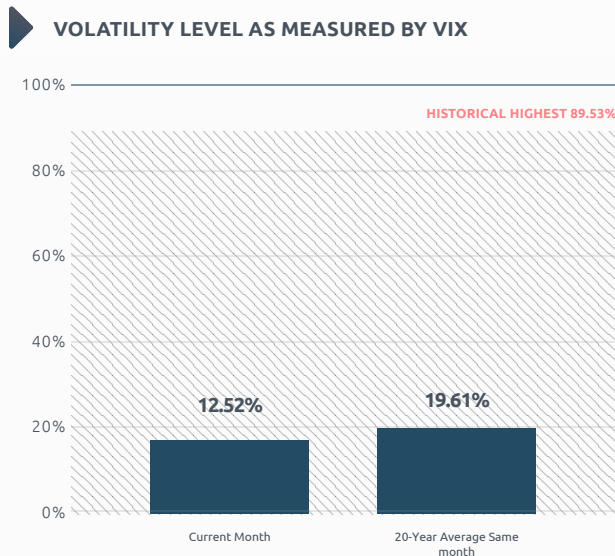
Sincerely,  
William McNarland, CFA  
Elixir Technology Inc.  
Chairman of the Board & CEO

In the October newsletter, I cautioned that November would be a challenging month. To be frank, the level of severity exceeded my expectations. November was an exceptionally difficult month for Elixir. This showed in our poor revenue performance.

In short, the headwind stemmed from a lack of volatility paired with a one-way positive trend in the marketplace and the absence of opportunities in individual stocks, bonds, commodities, and foreign exchange. Following is a detailed breakdown of what happened in November.

### ► First,

The market volatility was very low. The average, as measured by the VIX Index, was 12.52. Compared to the 20-year average of 19.61, November's volatility level was 37% below the norm.



### ► Second,

The slow up-trending market movement lasted unusually long in November. Historical data indicates that, over the course of a month, the market usually goes up 60% of the time and goes down 40% of the time. On a normal day, the US stock market typically moves about 1% in either direction (up or down). During volatile times, the move could be about 3 to 5% a day. In November, however, while the market went up 70% of the time, the percentage increase averaged only about 0.35% on these days. While the market went down on only six days in November, the average daily reduction was only about -0.21%. When the market is hardly moving or is only slowly moving up, the chances of grabbing a spread profit are limited.

### ► Third,

The November 2019 was the first month when we did not make any new trades in FX, commodities, or individual stocks. There was absolutely nothing that was underpriced or overpriced and on which we could execute. Making things more challenging, we still had the negative interest rate drag on the few existing FX positions from the past. Typically, in November we can expect some extreme volatility in natural gas but that didn't happen this year. Another trade that made us good money in November last year was the Mexican Peso. While the currency still pays a daily interest yield of 5.5%, it was about 10% higher in price than it was during the same period last year. This made it too expensive of an investment for us. Additionally, the selective individual stocks that we follow were much too pricey to purchase.

While the market conditions were extremely difficult in November, we still managed to make money in the following areas. First, there was small volatility in the bond market. This allowed us to completely exit our short positions in German and US government bonds. We also made some money by rotating our short positions in the US stock market on the little volatilities that we had. Our strategy was to place short-position trades in specific industry sectors. At different times of the month, we were in and out of technology, housing, utilities, and retail company ETFs. In November, our return was algorithm-driven and had no help from software-driven trading.

As of the time of this writing at the beginning of December, we expect to have a solid month of trading revenue. Volatility started to rise during the first week in December, which meant that we were able to make a good chunk of money. While I expect a strong push to the end of the year, I don't expect that December will be a record-breaking month.



## Other Interesting Observations

### 1 ANYTHING CAN GET A TECH VALUATION

In recent years, we have become used to seeing technology companies receive higher valuations than non-technology companies. It seems that we are back in the 90s, when investors were very confident that technology companies would yield great rewards for their investment. Nowadays, every company, especially the newer ones, is trying to position itself as a technology company even though these companies really aren't. A well-known example is WeWork.

Another shocking example that recently caught my attention appeared in a Wall Street Journal article about Travis Kalanick's new company, CloudKitchens. Kalanick is known for being the founder of Uber. His new venture is essentially a Singapore-style hawker food center in the food court of a North American mall. The company claims that it is a tech company because it uses apps like Grubhub and Uber so that drivers can pick up food from all kinds of restaurants under one roof. Saudi Arabia's sovereign wealth fund thought that this idea was so profound, it invested **\$400 million**. This investment sets the value of this "hawker food centre" or "mall food court" at \$5 billion.

### 2 WHAT'S MORE RELEVANT? ENERGY OR APPLE?

Which would you rather own: every public energy company in the US S&P 500 or Apple? What do you think will be more relevant in the future: oil and gas or iPhones? For reference, do you remember the Motorola Brick Phone in 1983, the Motorola Flip Phone in 1989, the Motorola Startac in 1996, the Palm Pilot in 2000, the Blackberry in 2003, and the iPhone in 2008? I am convinced that technology is changing our world but I also believe that our dependence on dinosaur juice will take decades to wear off.

I was stunned when I read that, in November, the **value** of Apple surpassed that of every oil and gas company listed in the S&P 500 combined. We're talking about ExxonMobil, Chevron, ConocoPhillips, and 25 other top-tier oil and gas companies in the States.


### 3 LOW INTEREST RATES = BANKING CHALLENGES AND JOB LOSSES

Interest rate compression is very challenging for banks, as they have a hard time earning revenue from the cash sitting on their balance sheets. As a result, more than 75,000 jobs were lost in the banking industry worldwide in 2019, according to Bloomberg. This isn't far from home. In Canada, **BMO** announced that it is cutting 5% of its workforce on December 3, 2019 (BMO didn't reveal details about where or when the job cuts will occur). While people are worried about inflation, if we keep interest rates low and negative, we may be heading towards a period of global deflation. I will talk about deflation and how it will impact our everyday life in the future newsletter.

### 4 A GROUND SURVEY IS IMPORTANT FOR MAKING INVESTMENT DECISIONS; HERE'S WHY

From the data researched, Romania seems to be a promising inclusion in our trading portfolio. In 2019, the nation had a solid GDP growth of 3.0%, a stable inflation rate of 3.4%, a low unemployment rate of 4%, an attractive corporate tax rate of 16% to attract foreign companies, and a positive interest rate on deposits of 2.5% annually.

In October, I flew to this promising land and spent a few days there. After less than 48 hours on the ground, walking around and chatting with locals, I reached the firm conclusion that what I saw in reality didn't support the data that I had seen on paper.



When I came home, I shared with the team my belief that Romania is fudging its numbers and that, therefore, we would not consider investing.

I wasn't surprised to learn, through Bloomberg, that the country is now working to prevent its currency from falling sharply below historic low points. In addition, Romania's non-prudent government spending is increasing **inflation** and hasn't done any good for the nation's economy.



## THE WORLD'S LARGEST COMPANY HAS THE WORLD'S LARGEST MANAGEMENT COMPENSATION CONFLICT

While Elixir is a private company, we have a strict governance protocol for the executive management compensation approval process. For Elixir's 2020 executive management compensation, the executives submitted an extensive document with market comparable studies to articulate and justify their compensation proposal. During the board meeting, the two executive directors were removed from the discussion and decision-making process, in which only the independent board members participated. This process ensured that the board's decision to approve the 2020 Executive Compensation Proposal was independent, free of conflict, and in the best interests of the company and its shareholders. It's worth mentioning that Elixir's executive management proposed a compensation plan that was far below the industry standard.

As of December, Saudi Arabia's Aramco, post-IPO, is officially the world's largest company in terms of market capitalization. I must say that, in terms of what I've experienced in my career, Aramco's compensation policy would fall under the "never-before-seen" category. The company has decided that it is appropriate to take up to **80%** of the revenue off the top and distribute it to the Saudi government and key management. To make the matter worse, this decision is final and will not be reviewed in the future. I wouldn't want to invest in Aramco. Would you? With all that in mind, my conscience is in a good place, as I know that Elixir will always prioritize the interests of the company and its shareholders.

6

## FINE ART ON SALE

Recent auctions at **Sotheby's**, Christie's, and Phillips in New York have shown that the amount of capital spent chasing fine art is dropping. Prices have been as much as 30% lower than expected. The fact that fine art is being sold for increasingly lower prices is another sign that the global economy is slowing down, as rich people are trying to be more cautious about spending their money.



Mark Rothko's 'Blue Over Red' (1953) is estimated to sell for \$25 million at Sotheby's on Thursday. PHOTO: SOTHEBY'S



## January 2020 rate change reminder

Based on the company's current financial position, a conservative outlook on future performance, and a market comparable study, the board of directors approved the following rate changes for bonds, preferred shares, and class A common shares for January 2020.

### BONDS (USD, CAD, HKD)

as of Jan 1, 2020

Class A Redeemable Bond	6%
Class B 1 Year Bond	7%
Class C 2 Year Bond	8%
Class D 3 Year Bond	9%
Class E 4 Year Bond	10%
Class F 5 Year Bond	11%

### PREFERRED SHARES

offered only for three months during the 2020 RRSP season, from January 1 to March 15, 2020 (inclusive)


Class A 1 Year Preferred Share	7.50%
Class B 2 Year Preferred Share	8.50%
Class C 3 Year Preferred Share	9.50%
Class D 4 Year Preferred Share	10.50%
Class E 5 Year Preferred Share	11.50%

### CLASS A COMMON SHARES

as of Jan 2, 2020

\$70 per share



	<b>TRADING PERFORMANCE</b> <small>Trading realized Gain as a percentage at the Beginning of the Month</small>			<b>REVENUE ALLOCATION</b>			<b>BONDHOLDER COLLATERALIZATION</b>	<b>TRADING PERFORMANCE BY INVESTMENT</b>	
	Bonds Outstanding	Bonds + Prefs Outstanding	Trading Assets	Bonds Outstanding Interest	Prefs Dividend	Operations & Others		FX, Commodity & Gov't Bonds	ETFs, Options & Individual Stocks
19-NOV	0.78%	0.64%	0.61%	100%	0.00%	0.00%	119.91%	4%	96%
19-OCT	3.56%	2.92%	2.81%	22.13%	7.21%	67.89%	134.27%	13%	87%
19-SEP	3.29%	2.68%	2.93%	23.99%	8.12%	68.18%	141.00%	33%	67%
19-AUG	3.32%	2.70%	3.29%	23.70%	8.12%	51.51%	137.28%	52%	48%
19-JUL	2.60%	1.96%	2.13%	33.99%	14.51%	34.39%	197.63%	69%	31%
19-JUN	1.74%	1.52%	1.48%	50.20%	15.41%	59.56%	144.36%	100%	
19-MAY	2.79%	2.73%	2.86%	33.43%	7.00%	0.00%	134.50%	100%	
19-APR	0.50%	0.49%	0.47%	100.00%	0.00%	28.49%	120.14%	100%	
19-MAR	1.48%	1.44%	1.72%	69.09%	2.42%	13.22%	119.91%	100%	
19-FEB	1.17%	1.14%	1.30%	83.67%	3.11%	33.97%	105.22%	100%	
19-JAN	1.62%	1.56%	1.51%	63.49%	2.54%	45.75%	132.09%	100%	
18-DEC	1.96%	1.90%	2.24%	52.37%	1.87%	73.81%	127.52%	100%	
18-NOV	4.83%	4.65%	5.83%	25.21%	0.98%	56.93%	135.46%	100%	
18-OCT	3.01%	2.89%	3.52%	41.41%	1.67%	0.00%	106.89%	100%	
18-SEP	1.53%		1.57%	100.00%	0.00%	38.97%	213.49%	100%	
18-AUG	2.58%		2.55%	61.03%	0.00%	0.00%	102.70%	100%	
18-JUL	1.54%		1.43%	100.00%	0.00%	4.97%	104.32%	100%	
18-JUN	1.86%		1.94%	95.03%	0.00%	51.75%	88.03%	100%	
18-MAY	4.03%		3.98%	48.25%	0.00%	0.00%	104.10%	100%	
18-APR	1.98%		1.98%	100.00%	0.00%	9.79%	102.09%	100%	
18-MAR	2.50%		2.50%	90.21%	0.00%	17.48%	100.09%	100%	
18-FEB	2.69%		3.05%	82.52%	0.00%	0.00%	100.11%	100%	
18-JAN	1.81%		1.80%	100.00%	0.00%	0.00%	99.55%	100%	
17-DEC	2.00%		1.98%	100.00%	0.00%	0.00%	100.88%	100%	
17-NOV	1.21%		1.12%	100.00%	0.00%	58.85%	101.44%	100%	
17-OCT	6.22%		6.14%	41.15%	0.00%	1.49%	107.67%	100%	
17-SEP	2.60%		2.81%	98.51%	0.00%	0.00%	101.39%	100%	
17-AUG	2.02%		2.02%	100.00%	0.00%		120.24%	100%	





**Elixir Technology topped the Royal Bank of Canada and won one of the National Excellence in Governance Awards ("EGAs"), in the category of Best Practices in Strategic Planning, Oversight and Value Creation by the Board!**

The Governance Professionals of Canada ("GPC") celebrated its Seventh Annual EGAs at a gala dinner and ceremony, held at The Carlu in Toronto on November 8, 2019. The Canadian Corporate Counsel Association and the Canadian Bar Association announced that Elixir Technology Inc. was the 2019 winner in the category of Strategic Planning, Oversight and Value Creation by the Board. On behalf of the company, directors Vicky Wang and Marcel Jreige accepted the award at the ceremony. The award winners were chosen from among 70 nominations in a variety of sectors and markets throughout Canada by a jury panel composed of seasoned and respected governance experts. To learn more about the Panel and Judges Report, please click here. **(See enclosed judges' comments about Elixir on page 17.)**

**The winners, organized by category, are presented below:**

1. Best Approach to Achieving Effective Board and Committee Operations: Meridian Credit Union
2. Best Compensation Disclosure and Communication: Seven Generations Energy
3. Best Engagement by a Governance Team: Calgary West Central & Royal Bank of Canada
4. Best Practices in Diversity and Inclusion: Vancouver Airport Authority
5. Best Practices in Enterprise Risk Management: Meridian Credit Union
6. Best Practices in Strategic Planning, Oversight and Value Creation by the Board: Elixir Technology Inc.
7. Best Practices in Subsidiary Governance: BMO Financial Group
8. Best Practices in Sustainability and ESG Governance: Vancouver Airport Authority
9. Best Overall Corporate Governance: Canada Revenue Agency & Royal Bank of Canada
10. Governance Professional of the Year: Stuart McKellar, ATB Financial
11. Peter Dey Governance Achievement Award: Linda Hohol, Institute of Corporate Directors

Elixir is the only start-up, non-reporting company on the list of winners. We are thrilled to receive national recognition for governance excellence in Canada! Congratulations to the Elixir board of directors!

William McNarland  
Chairman of the Board & CEO  
Elixir Technology Inc.



**2019**

**REPORT OF THE JUDGES**

---

EXCELLENCE IN GOVERNANCE AWARDS / PRIX D'EXCELLENCE EN GOUVERNANCE

# Contents

EGA Sponsors	4
Shortlisted Companies	5
Judges	10
Award Winners	12
2020 Nominations	23
About GPC	24

Report printing courtesy of:



# Report of the Judges

## INTRODUCTION

2019 marks the seventh *Excellence in Governance Awards* (EGAs). The Governance Professionals of Canada (GPC) created the EG Awards program in 2013 to recognize and celebrate the important contribution that governance professionals and their organizations make in terms of governance best practices.

The EGAs highlight the critical role that good governance plays in enhancing the value of Canadian organizations, and in contributing to the competitiveness of the Canadian market economy, which in turn builds and sustains stakeholder value.

These awards represent an important recognition for the Canadian corporate governance community. It also offers a unique opportunity to tell the success stories behind the individuals and organizations that commit to good governance.

This report is intended to provide insight into some of the accomplishments that have set the winners apart, and to impart the judges rationale behind selecting this year's winning organizations. It is our hope that this report will serve as a useful reference for the practices that the EGA judges felt were deserving of recognition.

We also hope that this report will provide a benchmark for good governance and will encourage Canadian organizations to continue to be innovative and to push their governance practices forward.

Congratulations to the 2019 winners!



Lynn Beauregard  
President, GPC



Geoffrey d. Creighton  
Chair, Final EGA Judging Panel



# Shortlisted Companies by Category

## BEST APPROACH TO ACHIEVING EFFECTIVE BOARD AND COMMITTEE OPERATIONS

Sponsored by:



Shortlisted companies:

Canada Revenue Agency



## BEST COMPENSATION DISCLOSURE AND COMMUNICATION

Sponsored by:



Shortlisted companies:



**BEST ENGAGEMENT BY  
A GOVERNANCE TEAM**

**Sponsored by:**



---

**Shortlisted companies:**



**BEST PRACTICES IN  
DIVERSITY AND INCLUSION**

**Sponsored by:**



---

**Shortlisted companies:**





**BEST PRACTICES IN  
ENTERPRISE RISK MANAGEMENT**

**Sponsored by:**



**BEST PRACTICES IN STRATEGIC PLANNING,  
OVERSIGHT AND VALUE CREATION  
BY THE BOARD**

**Presented by:**



**Shortlisted companies:**



**Shortlisted companies:**



**BEST PRACTICES IN  
SUBSIDIARY GOVERNANCE**

**Presented by:**



---

**Shortlisted companies:**



**BEST PRACTICES IN  
SUSTAINABILITY AND ESG**

**Presented by:**



---

**Shortlisted companies:**



## BEST OVERALL CORPORATE GOVERNANCE

Sponsored by:



---

Shortlisted companies:



Canada Revenue Agency



# Judges



GPC would like to acknowledge the contribution of the Canadian Corporate Counsel Association (CCCA) to the shortlisting judging for the Excellence in Governance Awards.

## SHORTLISTING JUDGES:



Leanne Hull  
Senior Counsel  
Bank of Montreal



Stephen Rotstein  
Vice-President, Policy & Regulatory  
Affairs & General Counsel  
Financial Planning Standards Council  
(FPSC)



Wendy King  
Vice President, Legal  
Risk & Governance  
Capstone Mining Corp.



Christie Stephenson  
Executive Director, Peter P. Dhillon  
Centre for Business Ethics  
UBC Sauder School of Business



Denis Lavoie  
Director, Risks, Insurance and Claims  
VIA Rail Canada Inc.



Alena Thouin  
Corporate Secretary & Deputy General  
Counsel, Legal & Enforcement  
Financial Regulatory Authority of  
Ontario (FSRA)



Jamie Patterson  
Lawyer  
SaskTel



Terri Uhrich  
General Counsel, Legal Branch  
Financial and Consumer Affairs  
Authority of Saskatchewan



Neil Puddicombe  
Associate General Counsel and  
Director of Bank Board Governance  
Legal, Corporate & Compliance Group  
BMO Financial Group

## FINAL JUDGING PANEL:

The EGA final judging panel is composed of seasoned and well-respected governance thought-leaders from across Canada. GPC has carefully selected the judges to ensure representation from all aspects of the governance community including shareholder representatives, regulatory experts, leading academics and practitioners.

## JUDGING PANEL:



Gigi Dawe  
Director, Corporate Oversight  
and Governance  
CPA Canada



Sylvia Groves  
President and Creative Director  
Governance Studio



Matt Fullbrook  
Manager, David and Sharon Johnston  
Centre for Corporate Governance  
Innovation  
Rotman School of Management



Paul Schneider  
Head of Corporate Governance  
Public Equities  
Ontario Teachers' Pension Plan

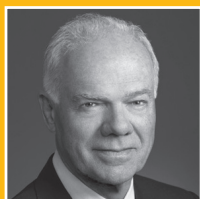


Catherine Gordon  
President and Founder  
SimpleLogic Inc.



Elizabeth Watson  
Founder and President  
Watson Inc.

## HONORARY JUDGE:



Peter Dey  
Chairman  
Paradigm Capital Inc.

## JUDGING PANEL CHAIR:



Geoffrey d. Creighton  
CEO, In-House Counsel  
Worldwide, and member  
BlackRock Canada IRC

# Best Approach to Achieving Effective Board and Committee Operations



## **WINNER: MERIDIAN CREDIT UNION LIMITED**

### **JUDGES' COMMENTS:**

Meridian Credit Union's launch of a Schedule I bank was the catalyst they needed to take their approach to governance to the next level. For starters, Meridian's Governance team spearheaded a top-notch Director Candidate Application Package, highlighting a strong diversity mandate. This is one of the new critical processes that they established while building on a solid foundation for governance excellence. Another key pillar of their strategy was to engage candidates with complementary skills and expertise.

Meridian has continued to strive for excellence following their 2018 win. They have embraced a philosophy of continuous improvement by leveraging a team of external advisors to elevate their already impressive governance framework. As board membership can be dynamic in an everchanging environment, they have crafted a proactive approach to back-up candidate selection. This not only made them well prepared for mid-term vacancies, but also helped them to be fully compliant with the exacting financial industry standards.

Crafting new approaches with fresh ideas is how Meridian advances the operation of their board and committees. They maintain a twin focus on continuously improving skills as well as innovation, and they continue to elevate the performance of their board and committees by maintaining a sharp focus on board chair objectives. Staying on the cutting edge of professional development, Meridian has leveraged technology to deliver targeted webinars to directors through their online portal. Tailored educational programs have been created to bolster innovation and continuously enhance skills and competencies. They leverage digital and interactive tools to ensure that their governance professionals stay on the leading edge.

Meridian has made it a priority to clearly frame their vision of board culture supported by their decision-making process roadmap. This has been brought to life by an innovative placemat for their board members, which clearly articulates the Value Proposition, Rules of Engagement, Long-Term Vision Statements and Strategy Map. The judging panel noted the strides that Meridian has made to raise the bar in enhancing director competencies and maximizing board and committee effectiveness. Their transformation underscores a focus on board culture as well as a keen awareness of risk and strategic initiatives.

# Best Compensation Disclosure and Communication



**WINNER: SEVEN GENERATIONS ENERGY LTD.**

## **JUDGES' COMMENTS:**

Seven Generations brings a fresh approach to its compensation and disclosure practices. This company has revised its compensation disclosure and analysis to offer more robust disclosure, ensuring that the structure is transparent and well-organized for all stakeholders. The quality of their report has greatly been worked on, with enhancements in layout, design and readability. Our judges noted the alignment of their CD&A with their goal to advance various components of their leadership compensation programs, consistent with the governance standards and practices expected of a leading, publicly traded Canadian energy company.

One of Seven Generations' strategic initiatives in their compensation practices is the introduction of a Long-Term Incentive Plan to align executive compensation structures with long-term interests of corporate stakeholders. They also work to formalize personal performance multipliers for all company employees, from a scale of 0.0 to 1.5. They are also broadening the measures for payout multipliers to include metrics such as strategy, applied innovation, production per share and others, as well as share price. These strategies leverage financial rewards to align with and encourage corporate and individual performance, to the benefit of the organization as a whole.

Our judges mentioned that Seven Generations leverage excellent visual aids within the Management Information Circular document, in the form of their 2018 Short Term Incentive Plan (STIP) Corporate Performance Multiplier. This scorecard allows the board to assess corporate performance. Their scorecard appears in the form of speedometer style graphic that highlights strides in health, safety and environment, total shareholder return, operational excellence, business profitability and other measures. Our judges noted that these images were one of the best visual graphics on executive compensation and that the speedometer outline was an excellent illustration of their progress.



# Best Engagement by a Governance Team

## WINNER (PUBLICLY LISTED): ROYAL BANK OF CANADA



The Royal Bank of Canada (RBC) incorporates excellent engagement into its business practices and impressed the judges with its thorough approach. Regular engagement initiatives are maintained with each of their key interest groups. Part of their strategy also includes a very comprehensive public disclosure approach as well as public outreach, to fully engage with their external stakeholders.

The RBC governance team collaborates with the Board Chair and RBC's expert Investor Relations Team for impactful outreach and proactive strategies. Some of their ongoing governance enhancements include a refreshed proxy circular, climate change strategies and risk management technologies. Their engagement practices have reached the top of the organization, where their directors discuss RBC's approach to diversity at luncheons, conferences, galas and interviews. RBC has also established clear channels of coordination among the governance team. Their governance engagement is expanding well into the digital sphere. RBC has its own social network platform, RBC Connect, to encourage engagement with employees. The RBC governance team drives engagement on social media platforms, leveraging communications campaigns like "RBC Future Launch" - their investment in young Canadians in an ever-evolving workforce.

RBC's governance team examines key issues that arise with the organization, such as providing additional disclosure regarding contingent workers and employee complaints in their fiscal 2019 ESG reporting. In response to these, RBC is developing a positive engagement strategy and increasing its commitment to more consistent and enhanced disclosure. RBC actively engages institutional investors, governance advocates and proxy advisors, to take advantage of opportunities to better improve their best practices and proactive outreach. One example of this is their work to improve their Proxy Calendar, which was amended in plainer language in response to consultant, director and investor feedback. RBC has a long history of excellent engagement on governance issues with its shareholders and an impressive track record of working with shareholders to have proposals withdrawn (64 in the last nine years). RBC has risen above expectation in refining its engagement practices.

## WINNER (OTHER SECTORS): CALGARY WEST PRIMARY CARE NETWORK



Calgary West Primary Care chooses to embrace the line that "Leadership is more like jazz than an orchestra." Through their Governance and Policy team, they have leveraged their unique skills in the realms of governance, policy and privacy in order to secure the success of their team, department and the overall company. Through targeted engagement, the Governance and Policy team collaborated with their Membership & External Relations Committee to draft new Articles of Association for their October Annual General Meeting. During this collaboration, they found a new opportunity to amplify membership policies and a privacy procedure.

The Governance and Policy team has collaborated with the Board Development Committee to devise a board survey which is provided after regular board meetings. This practice allows for an improved meeting structure and process. Some results arising from this activity include a comprehensive three-year Board Activities plan and a Corporate Governance Calendar. The team then aligns its objectives with Calgary Health and leverage various engagement strategies to engage their stakeholders.

Through amplified engagement on their website, Calgary West reaches key audience members which lead to a well-attended AGM, with eleven candidates for five new board positions in this past year. They take real steps and embrace new initiatives to create measurable results in their approach to stakeholder engagement. Our judges acknowledged their commitment to improvement, and overall dynamic communication and engagement.

# Best Practices in Diversity and Inclusion



## WINNER: VANCOUVER AIRPORT AUTHORITY

### JUDGES' COMMENTS:

Vancouver Airport Authority (YVR) takes a pioneering approach to diversity and inclusion with a representative board. Since winning this award in 2017, YVR has met the target in its first diversity policy of having 50% of the board made up of members of the four groups set out in the Employment Equity Act – women, Aboriginal Peoples, persons with disabilities and members of visible minorities – and they have gone on to set new progressive goals. The new board's target is to have 50% women and 20% from other EEA designated groups. At present, their Board's Chair and two Committee Chairs are women. Judges noted these strides and achievements in inclusion.

The Vancouver Airport Authority and the Nominating Entities use synergy to achieve successful best diversity and inclusion practices. To further craft their model of diversity, YVR representatives meet with a search firm for a wider range of candidates, and have thus welcomed nine new directors who fit in their diversity model and who were chosen by outside nominees. The YVR team also actively seeks new candidate opportunities within general media, leveraging paid inquiries in local and industry media to get a broader pool of candidates for the federally appointed positions.

YVR takes these practices past the board and into the workforce, where it sets annually reviewed diversity goals. Its current diversity makeup is comprised of 50% women in management; 50% women in the workplace; 25% visible minorities in management; 35% visible minorities in the workplace; 3% Aboriginal Peoples in the workplace and 5% persons with disabilities in the workplace. The YVR Employee equity and diversity team champions the celebration and acknowledgement of diversity practices, with events and themes like Aboriginal History Month, Diversity Awareness, Queer Competencies, Autism Awareness and more initiatives to celebrate the richness of their employee base.

The YVR employee equity and diversity framework expresses how they live their values and achieve their equally impressive outcomes. This standard ricochets throughout their organization and is consistent even up to the management and board level. For instance, each director has an accountability plan that arises from survey results. This highlights the caliber of transparency and accountability for the leadership team. YVR briefs its Nominating Entities (NE) annually on the diversity policy, explaining how YVR's diversity goals align with the NE's own internal diversity policies and, while respecting the individual nominating processes, by offering a helping hand to broaden the pool of prospective candidates. The judges noted that YVR has had a strong case for inclusion, with aggressive target, a broad scope and excellent results worthy of this recognition.

# Best Practices in Enterprise Risk Management



## **WINNER: MERIDIAN CREDIT UNION LIMITED**

### **JUDGES' COMMENTS:**

Meridian clearly demonstrates a commitment to enterprise risk management (ERM) throughout its organization by setting up a robust ERM program. This company promotes a proactive ownership of risks through its Board Risk Committees and its board oversight. An ERM page has been made accessible to all employees, integrating the slogan "ERM means 'Everyone is a Risk Manager.'" Meridian's program is well structured, integrated throughout the organization and it has the full support of the Board Chair and the CEO.

Their Risk Appetite report offers unparalleled transparency, with capital, liquidity and sustainable growth metrics, and a detailed risks and opportunities overview. Risk is measured on risk appetite and target range, with heat maps within the ERM report, a risk appetite report and a major initiative risk report. Meridian has demonstrated that it is actively working to integrate this risk framework on all levels of the organization, while establishing formal stress testing throughout.

There is clear and strong ownership of best practices through the organization. The judges highlighted Meridian's risk courses and contests, which are used to teach employees about risk, reward employee learning and encourage ownership of best practices. Meridian upholds a 'Three Lines of Defense model', among other guidelines, to execute industry best practices: business units, oversight functions and internal audit. Meridian makes risk the responsibility of everyone and consistent steps are taken to integrate ERM into its culture at every level.

The roles of the board, Risk Committees, Audit Committee, CEO are clearly defined within this framework. For instance, "What's on your mind" sessions are included on the board agenda to allow directors to raise any items on strategy and risk. Meridian also utilizes in-camera sessions with the Chief Risk Officer and Risk Committee, as well as monthly video updates for the CEO to all employees. They make a strong case on bringing ERM into their organizational culture. With their thorough and innovative approach to risk, Meridian distinguishes itself as the solid winner within this category.

# Best Practices in Strategic Planning, Oversight and Value Creation by the Board



**WINNER: ELIXIR TECHNOLOGY INC.**

## **JUDGES' COMMENTS:**

Elixir implements transparent and ambitious strategic objectives in its strategic planning, oversight and value creation by the board. To ensure accountability through their IPO, their board is establishing long-term objectives and critical success factors for the organization. As a technological company, their unique governance approach is supported with key metric data points. The board of Elixir oversees the progression tracking and value creation, through a director's dashboard. The Elixir Director Dashboard, developed by Elixir itself, is a state-of-the art custom tool that refreshes data on their four key focusses three times a day, drawing information from the company's own accounting and management systems. The board sees everything from this data on an ongoing basis and can therefore analyze key performance indicators and current progress.

This approach began to take form when the board of Elixir saw the volatility impact on earnings. Directors recommended that management look for new income opportunities to fill the gap. The directors were demanding better insight and a cash flow stream, independent of their trading. The tool selected to provide this insight is strategically poised to improve the board's access and is a product of the company's innovation. It is notable that in response to a problem, Elixir has chosen to create a tailored solution to support its own specific needs. To further bolster its commitment to accountability, an HR Committee has been created to help connect pay to strategy.

Elixir is innovative and illustrates that their board is truly committed to the best interest of the organization. They routinely partake in board and leadership strategic deep dives. Recently, three directors with capital-raising skills stepped aside in order to allow directors having the company's current required skills set to be appointed. This demonstrated a strategic use of the board's thoughtful approach to transitional needs as the organization evolves. It is worth noting that the current board has a diverse makeup, with 50% women and four ethnicities.

Elixir's executive director sought to develop her own governance competency through the Governance Professionals of Canada's certification program, following which she implemented a robust governance structure and practice throughout the organization. Their approach support the connection between strong governance and value creation. As a tech start-up, it is impressive that they have made the choice to run themselves like a publicly owned company, and to go above and beyond to uphold and sustain best practices in their board processes. The judges were impressed by Elixir, remarking that this company was a strong choice and their practices worthy of recognition.

# Best Practices in Subsidiary Governance



## **WINNER: BMO FINANCIAL GROUP**

### **JUDGES' COMMENTS:**

BMO Financial Group (BMO) is an innovator in the realm of subsidiary governance with many specific and practical examples of how and why these processes have been implemented. Their Subsidiary Governance Office (SGO) creates the Guidelines for subsidiaries and their boards. Each position description includes mandates that align with the parent company. Their approach to distinguishing subsidiary board meetings from regular management meetings provides a transferrable outline for each of their subsidiaries.

Within the past year, BMO Financial Group's new Legal Entity Manual has outlined the creation and governance processes of its entities during their lifetime. This useful document is refreshed in an innovative and interactive online manual for increased accessibility. A series of processes ensures the accuracy of the report. Building upon that document, this company is creating a Corporate Law Center to reduce outsourcing on transaction planning, corporate law analysis and document planning. This new entity alone completed 15 transactions that would have been outsourced before the center was created. BMO continues to leverage technological advancements through their Global Entity Management System to track resolutions, director residency and entity classification, among other things. This has led to impressive measurable results, as the SGO completes approximately 2,000 filings a year, with a 99% on-time filing rate.

Subsidiary board meetings are planned in accordance with the Subsidiary Governance Operating Directive "SGOOD", local legal requirements and best practices. For instance, directors are given "Director" name cards and sit in the "power seats" on one side of the table, facing the door. The Chair of the meeting is given a gavel and a clock to serve as a visual reminder. The Chair's script includes language confirming when presenters can leave the meeting after their presentation. They prevent subsidiary board meetings from becoming management meetings through director orientations, Chair speaking notes and training from the Corporate Secretary. The judges were very impressed by the meeting structure and its usefulness in coordinating board and workflow meetings.

There is clear evidence that layered governance is constantly evolving at BMO with innovative design and proactivity. Judges noted that their examples move beyond legal ramifications, to embrace practical, real -life applications. Their system offers a great framework for subsidiary governance.

# Best Practices in Sustainability and ESG



## WINNER: VANCOUVER AIRPORT AUTHORITY

### JUDGES' COMMENTS:

The Vancouver Airport Authority (YVR) really drives ESG innovation within their organization. There is a clear ESG focus within their skills matrix and throughout their major projects, which in turn incorporates sustainability. This company has been transparent about its programs and processes and clear about setbacks, such as the low sustainability leadership score that prompted its business transformation. Since their ESG assessment with a third-party in 2012, their performance has skyrocketed. In their most recent benchmark assessment, they have improved their ESG and sustainability by over 50%, to set their ranking head and shoulders above their global airport and local organization comparators.

Judges noted that their social policy embraces the United National Global Compact and the ISO60000 Standards. For all major projects, YVR is moving from a financially focused business case document to a sustainability case document that incorporates environmental, social and governance impacts, along with the financial impacts. Sustainability is routinely discussed at every meeting, and ambitious targets are set with specific timelines. For instance, they negotiated a historic 30-year Sustainability and Friendship Agreement with Musqueam Indian Band, which includes revenue sharing, employment opportunities, environmental management and more. The Executive Long-Term Incentive Plan has two sustainability metrics – Sustainability Leadership worth 25% and benchmarked by a third party, and Sustainability Goals worth 25% that includes targets. They have requirements and clear results, such as rewards for employee ownership of the program's success.

YVR has a Vice President, People and Sustainability position, and a Diversity Policy with Nominating Entities which includes stretch targets of gender parity on the board and 20% of directors from aboriginal persons, visible minorities and persons with disabilities. They also provide specialized trainings, including Queer Competency; a mandatory two-part, hands-on Accessibility Awareness program; unconscious bias training; workplace impairment program and mental health in the workplace, among other programs. Judges noted a fulsome, well-written and engaging Code of Ethics that goes above and beyond 'doing the right thing', and which addresses areas such as intellectual property, record keeping and communicating with the media.

The Vancouver Airport Authority credits their success to a robust Social Management System and a cross-departmental Sustainability Working Group, all of which contributed to their successful corporate objective in sustainability leadership. This company lives up to its vision, "a world-class sustainable hub airport." The judges agreed that the Vancouver Airport Authority's ESG and Sustainability strategy clearly sets an excellent example of leadership and innovation in this category.

# Best Overall Corporate Governance



## **WINNER (PUBLICLY LISTED): ROYAL BANK OF CANADA**

The judges were impressed with the degree to which Royal Bank of Canada (RBC) continues to demonstrate an overall commitment to the highest governance benchmarks and practices. They stand out as they regularly measure and assess their existing approaches and processes, to ensure they are continuously evolving in all areas of governance best practices, to stand out in their industry. Royal Bank of Canada has undertaken a comprehensive strategy to drive an integration of its governance structure and to strive for continuous improvement.

They highlight multiple facets of governance within their Corporate Governance framework, such as climate change initiatives and related disclosures, conduct and culture, and executive compensation, among other initiatives. To champion the values of the organization, they have promoted a culture of governance through online learning programs and annual certifications with directors and employees. The Board, Committee members and the Governance Committee oversee company best practices. Through these processes, Royal Bank of Canada can pro-actively adopt and adapt governance policies and practices for the greatest organizational impact. Through collaboration with their management team and the board, RBC has advocated for key initiatives in climate change, enterprise strategy, risk management and disclosure. Each of these factors were developed and carefully crafted to align with standards established by the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

Judges noted that their director's effectiveness framework focuses on key skills, experiences, characteristics and behaviours, and encourages director candidate submissions by individuals, and other stakeholders, to boost the diversity of direction representation. Judges noted their commitment to having a regular dialogue between management, the corporate secretariat and the Board, to continue facilitating governance best practices within their organization. They demonstrate stewardship of governance throughout the organization and with careful research, engagement with shareholders and internal teamwork efforts, there is clear evidence of great overall corporate governance.

## **WINNER (OTHER SECTORS): CANADA REVENUE AGENCY**

Canada Revenue Agency (CRA) has a governance structure that is unique and there is clear evidence of dedicated effort toward developing their own best in-class governance model. CRA credits their Board of Management for their role in recent improvements. CRA also shares how their effectiveness comes from having a well-defined yet flexible Committee structure. Committees work alongside of the Board in reviewing items for consideration in the areas of auditing, governance, social responsibility, human resources and other key categories. The Board's proximity and long-term involvement in the business plan demonstrate a commitment to a distinct cohesive governance approach.

To educate the Agency's staff and to facilitate the Board's engagement, tailored Board 101 sessions are given by the Secretariat on subjects such as good presentations and Board oversight. In addition, CRA hosts Strategic Development Meetings which include an exchange on private sector experience and expertise; presentations from leading-edge researchers, academics and organizations, focusing on foresight, risk, emerging technologies and changing customer service expectations.

The CRA has ventured into unique and different strategies to bring forward some solid results in their overall governance and Board processes. They combine collaborative agenda setting strategies, regional representation within their Board, performance dashboards and phased orientation to strengthen their overall governance strategy. The Judges noted that their Committee structure is robust both with competency and diversity and that overall Canada Revenue Agency is clearly committed to creating a winning governance structure for their organization.



# Governance Professional of the Year

## **STUART MCKELLAR, GENERAL COUNSEL, SVP CORPORATE OPERATIONS & CORPORATE SECRETARY AT ATB FINANCIAL**

The Governance Professional of the Year Award recognizes an individual who shows outstanding leadership and/or innovation in one or more aspects of governance in their organizations and beyond. Stuart is well-regarded for his leadership and mentorship investment in those around him. One example of this is the Lead of Board Relations role. Once a permanent position, Stuart has shifted this role into a cycling position, where people can glean career development insights directly alongside him for a year. He can thus offer others the experience to collaborate with the Board and enhance their governance skillset.

Stuart McKellar is an exemplary pioneer in the practice of governance excellence. As ATB's General Counsel and Corporate Secretary, his leadership, drive for innovation and desire for continuous improvement have seen ATB win multiple GPC awards, including "Best Overall Governance," "Best Practices in Strategic Planning, Oversight and Value Creation," and "Best approach to Board and Committee Support" over the past few years. Stuart's leadership and mentorship are not limited to ATB. He also assists a range of organizations with their governance processes, including the Edmonton Symphony Orchestra Board and the Alberta Special Forces Pension Plan Board.

Stuart has been acknowledged within his organization as a technological pioneer, with a growth mindset and a focus on Board enhancement, director development and continuous improvement. GPC is pleased to celebrate his achievements in governance, and to award him with this prestigious recognition.



# Peter Dey Governance Achievement Award

## **LINDA HOHOL, CHAIR OF THE INSTITUTE OF CORPORATE DIRECTORS**

The Peter Dey Achievement in Governance Award recognizes an individual who has positively impacted governance and contributed to transforming the way that Canadian companies are governed. Linda leads with an impressive governance portfolio, with over 20 years of Committee and Board member experience. During her senior executive roles and Board tenures Linda Hohol has worked diligently to further the role of women in governance.

In 1990, she served on a Committee which helped remove systemic barriers for women within CIBC. She is also the first female chair of the Canadian Bankers Association of Alberta chapter. In 2007, she was appointed to a task force which made 15 recommendations for improved governance in Alberta provincial agencies; fourteen of these were accepted. Her contributions to economic and community development will leave a mark for years to come.

Linda's achievements have been recognized across the nation. She is a recipient of the Women of Distinction Award by the YWCA Calgary, the Distinguished Business Leader Award from the Haskayne School of Business, and the Alberta Centennial Medal for Community Service. She serves on many public, private, not-for-profit and crown boards, notably being the current chair of the Board of the Institute of Corporate Directors. GPC and the EGA judges congratulate Linda Hohol on this deserved recognition of her contribution to excellence in governance in Canada.



# Submit a Nomination for the 2020 Excellence in Governance Awards



**NOMINATIONS WILL BE ACCEPTED FROM FEBRUARY 1, 2020 TO MAY 31, 2020**

## **ELIGIBILITY**

The awards are open to all organizations of any sector: private, listed, not-for-profit, government, crown, etc., and head-quartered in Canada. In order for the nomination to be considered, materials submitted in support of the nominations must relate to activities that took place between February 1, 2019 and January 31, 2020.

## **HOW TO SUBMIT A NOMINATION**

Nominations may be submitted in multiple categories, however each submission requires an entry form per category.

If you would like a reminder when the award nominations open, please email [awards@gpcanada.org](mailto:awards@gpcanada.org).



## About GPC

- Governance Professionals of Canada (GPC) is a national association of governance professionals from public, private, crown and not-for-profit organizations in Canada.
- We enhance the recognition and success of Canadian governance professionals by advancing their capabilities, prominence and impact. Together, we define and promote best practices and professionalize the practice of corporate governance in Canada through our Excellence in Governance Awards program, our annual conference and our continuous education offerings.
- GPC's Governance Certification launched in 2017, is the first of its kind in Canada which provides a Practical Education Program focused on the unique needs of governance professionals working in the trenches. The GPC-EP 'Governance in Practice' enhances the existing skills of the governance professional, to ensure they and their organizations will thrive in governance.

### For further information, please contact:



Lynn Beauregard, President  
21 St. Clair Avenue East, Suite 802  
Toronto, ON M4T 1L9, Canada  
Phone: 416-921-5449  
Toll-free: 1-800-774-2850  
Email: [awards@gpcanada.org](mailto:awards@gpcanada.org)  
Website: [www.gpcanada.org/EGA](http://www.gpcanada.org/EGA)