Triodos Investment Management

SUNOPTA INC

MEETING DATE	Tue, 10 May 2016 16:00 pm	TYPE	AGM	ISSUE DATE	Fri, 06 May 2016
MEETING LOCATION	2233 Argentia Road, Suite 401, West Tower, Mississauga, Ontario, Canada				
CURRENT INDICES	PIRC Global				
SECTOR	Farm-product raw materials				

	PROPOSALS	ADVICE
1a	**Elect Jay Amato** Independent Non-Executive Director.	**For**
1b	**Elect Margaret Shan Atkins** Independent Non-Executive Director.	**For**
1c	**Elect Michael Detlefsen** Independent Non-Executive Director.	**For**
1d	**Elect Douglas Greene** Independent Non-Executive Director.	**For**
1e	**Elect Katrina Houde** Non-Executive Director. Not considered independent as she has served on the Board for more than nine years. There is sufficient independent representation on the Board.	**For**
1f	**Elect Hendrik Jacobs** Chief Executive Officer.	**For**
1g	**Elect Alan Murray** Independent Non-Executive Director.	**For**
2	**Appoint the Auditors** Deloitte proposed. Non-audit fees represented 6.17% of audit fees during the year under review and 2% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. The current auditor has been in place for more than five years.	**For**
3	**Advisory Vote on Executive Compensation** The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: CDE. There is no disclosure of the targets for the annual incentive plan. No targets were made available to shareholders, which is considered unacceptable and does not allow shareholders the opportunity to assess the challenging nature of targets. Also, the absence of non-financial metrics attached to annual cash incentives is not best practice. With respect to PSUs, the use of a sole performance criterion is not considered appropriate in evaluating performance. Based on these concerns, Triodos opposes this resolution.	**Oppose**

4 Amend Articles: to Confirm the Company's Advance Notice By-Law No.15 **For**

The Company has put forward a resolution requesting shareholders to approve by-law number 15 providing for advance notice requirements for the nomination of directors. In particular, the Advance Notice By-Law provides that for an annual meeting of shareholders, advance notice of director nominations to the Company must be given not less than 30 days prior to the date of the annual meeting. Also, if the annual meeting is to be held on a date that is less than 50 days following the date of public announcement of date of the annual meeting, notice must be given by the nominating shareholder not later than the close of business on the 10th day following the notice date. The Board argues that the advance Notice By-Law ensures an orderly, fair and open nomination process and that shareholders are properly informed, in a timely way, in advance of a proxy contest and have the relevant information to knowledgeably vote on contested director elections.

It is considered that the by-law amendment to require advanced notice of shareholder-nominated directors will provide more clarity and consistency with how shareholder candidates are nominated. The proposal is considered reasonable, as it will provide shareholders with improved information on shareholder nominated candidates. Acceptable proposal.

5 To Ratify and Confirm the Company's Shareholder Rights Plan **Abstain**

The Company has put forward a resolution requesting shareholders to approve the shareholder rights plan (the Rights Plan) dated as of November 10, 2015 between the Company and American Stock Transfer & Trust Company, LLC, as rights agent. The Rights Plan is intended to provide the Board with additional time, in the event of an unsolicited take-over bid, to develop and propose alternatives to the bid and negotiate with the bidder, as well as to ensure equal treatment of shareholders. The Rights will become exercisable at the close of business on the tenth business day after the earliest of i) the first public announcement of facts indicating that any person has acquired beneficial ownership of 20% or more of the common shares; ii) the date of commencement of, or first public announcement of the intent of any person to make, a take-over bid that would result in such person beneficially owning 20% or more of the common shares; and iii) the date upon which a permitted bid ceases to be such, or such later date as the Board may determine.

The Rights Plan will effectively serve as an anti-takeover device, which could be used to entrench under-performing management. Triodos abstains on this resolution.

6 Re-approve and amend the Company's 2013 Stock Incentive Plan **Oppose**

The Company has put forward a resolution requesting shareholders to approve an amendment to the 2013 Plan to increase the maximum number of common shares that can be issued under the 2013 Plan as incentive stock options by 1,750,000, so that the total number of common shares reserved for purposes of the 2013 Plan is 3,000,000. The Amended 2013 Plan permits the Committee to grant stock options, stock appreciation rights, restricted stock, restricted stock units and performance-based awards. The Amended 2013 Plan is open to all employees, officers and directors of the Company and its subsidiaries and is administered by the Compensation Committee which has the power to determine the individuals to whom awards are made, the type of awards, the amount of the awards and the other terms and conditions of the awards. Pursuant to the Amended 2013 Plan, no recipient may be granted in any fiscal year performance-based awards under which the maximum number of shares that may be issued exceeds 275,000 shares or the maximum dollar amount that may be paid exceeds $3,000,000.

As performance conditions may be attached to awards at the Compensation Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards and as a result awards may not be subject to robust enough performance targets, and be insufficiently challenging. As a result, Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

The Company has achieved: an average level of disclosure; a poor balance for rewards; and a very poor approach to contracts with executives.

Disclosure: C- Annual cash incentives are based on Net Income (NI), Return On Equity (ROE) and Return On Net Assets (RONA). The Company granted long-term incentives in the form of stock options (50%) and performance share units (PSUs) (50%). The PSUs will be paid out in shares after three years based upon performance against the financial target (15% as the target goal for SunOpta Foods RONA for the year ending December 31, 2017). There is no disclosure of the targets for the annual incentive plan.

Balance: D- Due to the shortfall in financial performance in 2015, none of the executives will receive a short term incentive award. However, no targets were made available to shareholders, which is considered unacceptable and does not allow shareholders the opportunity to assess the challenging nature of targets. Also, the absence of non-financial metrics attached to annual cash incentives is not best practice. With respect to PSUs, the use of a sole performance criterion is not considered appropriate in evaluating performance. Half of the long term incentive award is granted in the form of stock options that vest over a five-year period, with 20% of the total grant vesting annually on the anniversary date.

Contract: E- The Company's Stock Option Plan, provides for immediate vesting of all unvested stock options in the event of a change of control.

For Private Circulation only

Researcher: Irene Tsopanoglou
Email: pircresearch@pirc.co.uk

PIRC

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

Regulated by the Financial Conduct Authority