BOARD COMPOSITION AND GOVERNANCE DILEMMA AT MAGNA INTERNATIONAL

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"A lot of the stuff that made Magna 'Magna' is gone."
(Anonymous shareholder at Magna's 2011 annual meeting[1])

In early 2013, Richard K. Lindsay, a Canadian-born investment analyst at Cappello Capital Group, a New York-based investment bank, has been assigned to a new company portfolio. Among the new companies on his list, the name of Magna International (MGA) quickly calls his attention. Before obtaining Chartered Professional Accountant (CPA) designation, Richard worked for the Montreal Exchange, and he is familiar with the corporate governance debate generated by Magna's buy-out transaction in 2010. He is also aware that because the transaction was approved by the Ontario Security Commission (OSC), Magna's board of directors has undergone significant renewal, resulting not only in the resignation of Frank Stronach (the founder), but also the replacement of seven other directors. As required under Cappello's policy, Richard needs to learn about the governance policies and practices of all the companies in his portfolio. Magna's board of directors has long been perceived as operating in Frank Stronach's shadow, and Richard wonders whether this is still the case. As part of the initial assessment he is required to perform, Richard needs to understand the effects of the elimination of the dual share structure on Magna's governance practices, whether and how the composition of Magna's board of directors has evolved in recent years, and to what extent the board members have the qualifications (expertise and experience) required to fulfill the board's duties.

The 'Deal'

In 1957, Frank Stronach founded what is now called Magna International Inc. (hereinafter "Magna") in a garage in Toronto. He subsequently led it to the top ranks of the world's auto parts makers. As his company became an auto parts colossus, he became one of Canada's most prominent corporate personalities.[2]

In May 6, 2010, Magna proposed dismantling its dual-share capital structure, which had allowed the Stronach family to control the company with just a fraction of its equity. Under the deal, the company would buy all of Stronach's multiple-voting shares for cancellation. This would allow the auto parts giant to better align its policies with Canada's best governance practices.[3] The proposal consisted of three main and related party transactions:

[1] The Globe and Mail, Friday, March 30, 2012. http://www.theglobeandmail.com/globe-investor/magna-internationals-controversial-chairman-on-way-out/article4096815/.
[2] http://www.forbes.com/profile/frank-stronach/

[3] Gray, Tara 2005. Dual-Class Share Structures and Best Practices in Corporate Governance. Library of Parliament, Canada, p. 3.

- Elimination of the dual-class share structure, whereby the Stronach Trust would receive a cash payment of CAD$300 million and 9 million Class A (single voting) shares, with a total financial value of CAD$863 million, in exchange for 726,829 Class B (multiple voting) shares. This would provide Stronach with an unprecedented 1,800 percent premium to eliminate Magna's multiple-voting structure.
- Extension of Mr. Stronach's consulting contract to the end of 2014 (for an estimated CAD$120 million in additional fees).
- Establishment of a private joint venture, controlled by Mr. Stronach, so that Magna could produce electric vehicles.[45]

Thanks to Mr. Stronach's control over the company, Magna's Class A shares had long traded at a significant discount to those of other auto parts companies, and the aim of the capital restructuring was to remove this stock price discount. The effects were seen immediately, and a stock price increase of about 8 percent was announced. This was a significant market reaction compared to a 0.6 percent increase in the S&P/TSX composite index, and given the fact that share prices declined for many other auto parts companies in the same period.

The controversy

Since the announcement, several large institutional shareholders, including the Canada Pension Plan Investment Board[6] and the Ontario Teachers' Pension Plan,[7] have publicly criticized the deal and said they will vote against it.

The controversy escalated on June 16, 2010 when Ontario Securities Commission[8] staff called it "*harmful to the integrity of the Ontario capital markets*"[9] and scheduled a hearing on June 23, 2010, just five days before Magna's shareholders were scheduled to vote on the buy-out proposal. On the day of that announcement, Magna's shares lost 5.5 percent at the close of trading.[10]

The next day, June 17, 2010, the controversy reached new heights when corporate governance activist and billionaire Stephen Jarislowsky (from Montreal) went beyond criticizing Frank Stronach to lambaste the shareholders who planned to vote for the proposal:

> *I think that the people who want to [vote in favour] have no real intentions to do anything but make money. … The people who are voting for it are unprincipled people in my book.*[11]

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[4] http://www.otpp.com/news/article/-/article/24313.

[5] Press Release, Magna Announces Proposal to Eliminate Control Block and Implement Single Vote Share Structure, May 6, 2010. Consulted on April, 11, 2014. http://www.sedar.com/GetFile.do?lang=EN&docClass=8&issuerNo=00001814&fileName=/csfsprod/data107/filings/01576775/00000001/C%3A%5CPR6may10.pdf.

[6] www.cppib.com

[7] www.otpp.com

[8] www.osc.gov.on.ca

[9] "OSC challenges Magna's Stronach buyout," The Globe and Mail, June 15, 2010; retrieved April 12, 2014 from http://www.theglobeandmail.com/globe-investor/osc-challenges-magnas-stronach-buyout/article1373211/.

[10] The Globe and Mail, Thursday, June 17, 2010. http://www.theglobeandmail.com/globe-investor/controversy-over-magna-deal-nothing-new-for-stronach/article4322393/.

[11] Automotive bulletin, July 2010, Deloitte Business Information Services, page 6.

Frank Stronach's reaction was;

> *I worked like crazy. How many times you find a guy which built from scratch a world-class corporation? ... When you think [about] all the hedge funds, they reap in billions without building anything. I provided 80,000 jobs, I made lots of money for the shareholders, but anyway, it's their choice.*[12]

There was strong opposition, but after the intervention of the Ontario Securities Commission and the authorization of the transaction by the Superior Court of Justice of Ontario, the proposal was accepted on a vote by the Class A shareholders. Since August 31, 2010, Magna has had only one class of voting shares (TSX: MG; NYSE:MGA), as presented in Appendix 3.[13]

Mike Harris, former Ontario Premier (1995–2002) and Magna's Director since 2003 (Appendix 1), was appointed Board Chair on May, 4, 2011 after Mr. Stronach stepped down as Chair.[14] He became a lightning rod for criticism of the deal when it was revealed at the Ontario Securities Commission hearing (June 23, 2010) that he had not made a counter offer to Mr. Stronach's, as suggested by the board's advisers, which would have cut his buyout to about CAD$470 million.[15]

According to the Ontario Teachers' Pension Plan website:

> *We continue to believe that these directors failed to satisfactorily represent the interests of the corporation and all shareholders and, as a result, have lost confidence in their ability to act in the best long-term interest of the corporation.*[16]

Following a lawsuit by some major investors, Magna disclosed in December 2011 that Mike Harris (Magna's Board Chair), Louis Lataif, and Donald Resnick, all former members of a special board committee to assess this related party transaction, had all received overwhelming "withhold" votes from shareholders (62% said "withhold" while 38% said "for").[17]

At the 2012 annual meeting in May 2013, the three directors (Mike Harris, Louis Lataif, and Donald Resnick) were replaced by two new independent directors (Scott Bonham, USA; and Peter G. Bowie, Canada), marking the end of a two-year battle between the controlling shareholder, institutional investors, and regulators. Along the way, the controversy also led to Frank Stronach's resignation as Chairman and the elimination of a cumbersome management structure with co-chief executive officers[18] (details on Magna's board structure and composition are presented in Appendices 1 and 2).

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[12] The Globe and Mail, Thursday, June 17, 2010. http://www.theglobeandmail.com/globe-investor/controversy-over-magna-deal-nothing-new-for-stronach/article4322393/.

[13] Press Release, August 31, 2010, Magna Plan of Arrangement Completed, 1 page. http://www.sedar.com/GetFile.do?lang=EN&docClass=8&issuerNo=00001814&fileName=/csfsprod/data110/filings/01631221/00000002/C%3A%5C31AU10PR.pdf.

[14] Proxy Circular, May 10, 2007, page 7.

[15] The Globe and Mail, Friday, March 30, 2012. http://www.theglobeandmail.com/globe-investor/magna-internationals-controversial-chairman-on-way-out/article4096815/.

[16] http://www.benefitscanada.com/news/teachers-to-withhold-magna-votes-28636. Consulted on April 15, 2014.

[17] Press Release, December 7, 2011. Magna provides additional voting information from 2011 Annual Meeting of Shareholders. http://www.sedar.com/GetFile.do?lang=EN&docClass=8&issuerNo=00001814&fileName=/csfsprod/data125/filings/01837789/00000001/C%3A%5CSEDARfiles%5CPR6Dec11.pdf.

[18] Management Proxy Circular, Annual Meeting, May 10, 2012. Pages 10 and 11. (www.sedar.com).

The Company

Magna International Inc. is a Canadian automotive supplier. It conducts business around the world, with a focus on innovative processes[19] for the design, development, engineering, manufacturing, and sales of automotive systems, assemblies, modules, and components. One of Canada's largest manufacturing companies, its stocks are traded on the Toronto Stock Exchange (TSX: MG) and the New York Stock Exchange (NYSE: MGA). As of January 2014, Magna had operations in 29 countries and employed about 125,000 people.[20] Its headquarters is located in Aurora, Ontario. The most diversified automotive supplier in the world, Magna has a number of subsidiaries, including Magna Steyr, Magna Powertrain, Magna Exteriors, Magna Interiors, Magna Seating, Magna Closures, Magna Mirrors, Magna Electronics, and Cosma International. Magna supplies its auto parts primarily to General Motors Inc., the Ford Motor Company, and Chrysler LLC. In addition to these major U.S. automakers, Magna also supplies German and Japanese car makers such as Volkswagen, BMW, and Toyota.[21]

Magna's Background

Magna was originally called Multimatic. It was founded in 1957 by Frank Stronach, an emigrant from Austria. The company began operating with a single mold shop, and General Motors was the first customer to order its auto parts. On December 20, 1962, Multimatic became a publicly traded company on the Toronto Stock Exchange. In 1965, it began delivering goods to the USA, and within a decade it had opened a division in Iowa. In 1969, it merged with Magna Electronics Corporation Limited, a manufacturer of aerospace, defense, and industrial components. In 1973, Multimatic adopted part of the name of this newly merged company, and has been known as Magna International Inc. ever since.[22]

From the start, the Stronach family was deeply involved in the company's operations. Founder Frank Stronach was the Chairman of the Board for many years (1997–2011),[23] as shown in Appendix 1. His daughter Belinda Stronach also held several positions. She was President and CEO from 2000 to 2004 and Vice-President from 2000 to 2004 and from 2007 to 2010. Andrew Stronach, Frank Stronach's son, also acted as Vice President for Corporate and Business Development.[24]

[19] To illustrate its innovativeness, Magna was the first company to produce the pulley system for automobile seat belts. It also participated in the creation of the child safety seat, which earned Magna praise from the prestigious Smithsonian Institute. Magna introduced plastic component manufacturing as well as a unique metal-forming method using high water pressure.

[20] http://www.magna.com/media/press-releases-news/news-page/2014/01/15/press-release-outlook.

[21] http://www.magna.com/capabilities/vehicle-engineering-contract-manufacturing/product-services/contract-manufacturing/product-history.

[22] Orbis (2012). Magna International Inc. Canada, Online resource retrieved on October 20, 2012 from https://proxy2.hec.ca:3113/version-2013917/Search.QuickSearch.serv?_CID=209&context=31OM8Z6MY98QBE4.

[23] Frank Stronach became the Honorable President of the Board in 2012. http://www.theglobeandmail.com/globe-investor/frank-stronach-steps-down-from-magna-board-chairmanship/article5084693/.

[24] http://www.zoominfo.com/p/Andy-Stronach/59688098.

The Automobile Parts Manufacturing Industry

Companies in this industry (SIC: 3714; NAICS: 3363) manufacture automotive parts, including transmission and power train components, engines and engine parts, body parts and trim, electronics, braking systems, and steering and suspension components. The major companies include BorgWarner, Dana, Lear, Tenneco, TRW Automotive, Visteon, and the automotive division of Johnson Controls (all based in the USA[25]), along with Robert Bosch and Continental (Germany); Delphi Automotive PLC (UK), DENSO, and Aisin Seiki (Japan); Faurecia (France); and Magna International (Canada).[26] As of 2014, the worldwide auto parts manufacturing industry has generated about CAD$1 trillion in annual revenues, with economic expansion in emerging markets expected over the next several years.[27]

The industry has seen numerous ups and downs since automobiles began to be mass-produced in the early 20th century. In North America, sales peaked at $111.6 billion (in 2012 dollars) in 1999, and then declined steadily thereafter until 2008, when the financial crisis occurred. Demand for new vehicles then dropped dramatically as consumers coped with major financial problems. Sales slowly rebounded from 2009 to 2012, but never regained pre-crisis levels.

Since the 2008 crisis in the automotive sector, the Government of Canada has supported the industry for the major economic benefits it provides to the country. For example, in 2011 the auto parts manufacturing industry generated a value added of nearly $9 billion to the gross national product (GDP),[28] accounting for 12 percent of Canada's manufacturing output and 20 percent of manufactured exports. In addition, the auto industry directly employed more than 109,000 Canadians and indirectly employed another 332,000. This made the automotive sector the largest manufacturing sector in Canada.[29] Hence, government grants for research and development worth several million dollars have been distributed in order to maintain good-quality jobs and support industry modernization.

The Board of Directors

As stated in Magna's Board Charter,[30] the fundamental responsibilities of Magna's Board of Directors include;

> • overseeing the management of the business and affairs of the corporation pursuant to the Act[31] and other applicable laws, and
> • jointly with Executive Management, seeking to create long-term shareholder value. (page 2)

A strong and effective board of directors should have a clear view of its role in relation to management and/or the controlling shareholder. As summarized in Table 1, during the period under

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[25] The USA is one of the biggest markets in the world. Its auto parts manufacturing industry comprises about 4,000 companies, for a combined annual revenue of about $185 billion (in 2014 terms).
[26] http://www.hoovers.com/industry-facts.automotive-parts-accessories-stores.1521.html.
[27] http://www.firstresearch.com/Industry-Research/Automobile-Parts-Manufacturing.html.
[28] http://www.cbj.ca/features/mar_14_features/exclusive_with_dianne_craig.html.
[29] http://news.gc.ca/web/article-en.do?nid=657629.
[30] http://www.magna.com/investors/corporate-governance/corporate-governance-documents.
[31] "Act" denotes the Business Corporations Act (Ontario).

analysis (before and after the above-described controversy), Magna's board changed in response to the changing environment. The following changes are highlighted:

Insert Table 1 about here

2003–2006: Adapting to The Sarbanes and Oxley Act (Bill 198)

Magna Inc. is a Canadian company whose founder emigrated from Austria.[32] It is therefore not surprising that in 2003 the majority of the members of the board of directors resided in either Canada (47%) or Austria (40%), with only two residing in the United States (13%) (see Exhibit 1). It was only in 2004 that the board began to include directors from other countries. By 2012, none of the directors resided in Austria, while 25 percent resided in the United States and 13 percent resided in countries other than Canada. This diversification reflects not only the need to comply with governance guidelines (more outside, independent directors) but also Magna's expanded market diversification. For example, Magna had manufacturing operations in 10 countries in 2007 (Magna's Annual Report 2007, page 3), but by 2012 that number of countries had increased to 29 (Magna's Annual Report 2012, page 4).

Insert Exhibit 1 about here

The percentage of outside directors increased significantly from 2003 to 2005, as shown in Table 1 and Appendix 1. All outside directors become independent during that same period, consequent to the post-SOX Act regulations in the United States. As a member of top management, Belinda Stronach, daughter of Magna's founder, headed the company until 2004, when she left Magna to pursue a political career (see Table 1). Don Walker then took over the position, jointly with Siegfried Wolf, who remained on the board of directors until 2010.

Starting in 2005, Magna's financial performance began to decline, as shown in Exhibit 2. As mentioned above, the company had two joint CEOs at this time, who also sat on the board: Don Walker and Siegfried Wolf. In addition, the outsider director Gerhard Randa resigned from the board to become Magna's Vice-President of Planning (Proxy Circular 2005, page 5).

Insert Exhibit 2 about here

2007–2009: Traversing the Global Financial Crisis

Year 2007 marked the start of the financial crisis in the USA. Four directors left the board (see Appendix 1). Although ongoing tensions between some outside directors and the Stronach family had been publicly acknowledged,[33] the announcement that dividends would be cut in half for the

[32] Our history, viewed on May 13, 2014, http://www.magna.com/media/facts-history.
[33] http://www.businessweek.com/stories/2007-04-15/how-sweet-it-is-at-magna.

first time in eight years following a steep drop in profits appeared to be the main reason for their departure.[34]

More specifically, two outside directors, Edward C. Lumley, Lead Director since 2003 (Management Proxy Circular 2007, page 13), and Royden R. Richardson, left the board in 2007 after 17 and 16 years of service, respectively. Two inside directors also left: William H. Fike, who had served for 12 years, and Manfred Gingl, who had served for five years. Mr. Fike was Magna's Executive Vice-President from 1994 to 1999. It is worth noting that Mr. Gingl had also worked for Magna, starting as a factory worker and climbing the ranks to become CEO from 1988 to 1993.[35]

In 2007, the board welcomed its second female director in the company's history, as shown in Appendix 1. Lady Barbara Judge, who studied law and history, had held the positions of Chairman of the Board of the United Kingdom (UK) Atomic Energy Authority (since 2004), Deputy Chairman of the Financial Reporting Council (the UK regulatory authority for accounting and corporate governance), and Chairman of the School of Oriental and African Studies at London University (Management Proxy Circular 2008, page 34). This prestigious director had also worked for several for-profit and not-for-profit organizations around the world, providing her with extensive international and governance experience (Management Proxy Circular 2008, page 7).

Three other directors were newly appointed in 2007: Louis E. Lataif, Gregory C. Wilkins, and James Wolfensohn. All had completed a management degree and acquired strong business experience, although not all had worked in the auto industry. James Wolfensohn, an Australian-American lawyer who graduated from Harvard University and Harvard Business School, served as the ninth president of the World Bank. Gregory Wilkins, who served as Chief Executive Officer and President of Barrick Gold Corporation (a subsidiary of the Gold Company of America), had extensive experience and expertise in the gold production industry as well as considerable managerial experience in North America and Europe. Louis E. Lataif had worked with the Ford Motor Company for over 27 years and was Dean of Boston University, School of Management. Thus, all the directors in 2007 had acquired expertise by sitting on boards of directors for various companies. They also brought prestige to the board, as three had earned honorary titles. In addition, Belinda Stronach returned to Magna's board in 2007 (Management Proxy Circular 2008, pages 6 to 8) (further details on the board's background and expertise are presented in Appendix 2).

The departure of some directors and the arrival of several new ones decreased the average board tenure from six years in 2003 to two years in 2007 (see Table 1 above).

In 2009, two more directors left the board: Klaus Mangold and Erik Eberhardson, a representative of Russian Machines. Mr. Eberhardson had been brought in so that Magna could develop a partnership with Russian Machines, which bought 18% of Magna's authorized capital—although the Stronach family retained a majority of voting rights (see Appendix 3). In the wake of the global financial crisis, Russian Machines decided to withdraw its investment, which explains the departure of their representative[36] (Lesova, 2008). The percentage of independent directors remained stable at 71% throughout 2008 and 2009 (see Appendix 1). However, the percentage of directors who resided in other countries (providing specific market knowledge) changed, as shown in Exhibit 1.

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[34] http://www.canada.com/story.html?id=a2d99d03-0f42-4ca6-80d3-87febd027d66.

[35] http://www.theglobeandmail.com/report-on-business/magna-departures-called-coincidence/article682410/.

[36] Lesova, Polya (2008). Russia's Oleg Deripaska ends investment in Magna, *MarketWatch*, viewed on October 8, 2013. http://www.marketwatch.com/story/magna-shares-plunge-after-russias-deripaska-ends-investment.

More specifically, the number of directors residing in Austria decreased while the numbers of directors residing in the USA and other countries increased.

In sum, this troubled period led to a major transformation of the board configuration. Over 50 percent of the directors left the board from 2007 to 2009 (see Appendix 1). As discussed above, the changes in board composition during the crisis had a marked effect on the combined expertise, experience, and prestige of the directors and their specific market knowledge, which became much more diversified.

2010–2012: Moving to a diffuse ownership structure

In 2010, the percentage of business experts on the board dropped to a low of 36% compared to 57% in 2008 and 2009 (see Appendix 2). Two business experts who left the board were replaced by a legal expert (see Appendix 3). In 2012, when Frank Stronach left the board,[37] William L. Young was appointed Chairman (on May 10, 2012, 2012 Management Proxy Circular). Chief Executive Don Walker stated at the time that although Mr. Young was not a renowned figure with as much prestige as some former presidents, he had very strong business skills, which suited Magna's needs (Devau, 2012). When he was appointed Chairman of the Board, he had been a director for only one year. As an outsider, he brought valuable financing and investment expertise to the board, and as an independent director who had served on several boards, his experience in mergers and acquisitions was perfectly aligned with Magna's stated overall growth strategy, specifically in emerging markets (Magna's Annual Report 2012, page 6).

Year 2012 was a record year in terms of the percentage of outside directors on the board, and the first year when no director was residing in Austria (see Appendix 2). Appendix 2 also shows that all Magna's directors had served on other boards, but that the independent directors were more likely to have served on boards in industries other than the automotive industry.

At the beginning of 2012, Magna announced new governance initiatives by the board of directors designed to improve the board's functions and duties. It planned the removal of the directors' options of purchasing shares, the disclosure of detailed poll results, a renewal and assessment process for the board of directors, training for directors, and an advisory vote on executive remuneration and the absolute majority vote (2012 Management Proxy Circular, Statement of Corporate Governance Practices, Appendix A, pages A1 to A18). After three directors had stepped down from 2010 to 2012 (Siegfried Wolf, Frank Stronach, and Franz Vranitzky), the board wanted to recruit new directors who could contribute needed expertise in business, the automotive industry, and corporate governance (see Appendix 2). In addition, the number of directors with honorary titles increased.

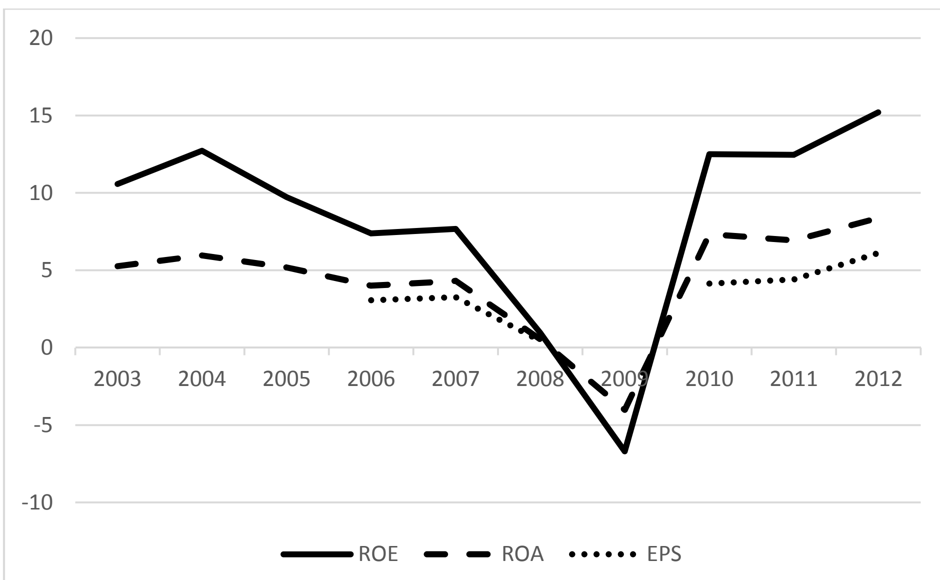
[37] Deveau, Scott (2012). Governance issues now behind us, Magna CEO tells shareholders, *Financial Post*, viewed on 13 May 2014. http://business.financialpost.com/2012/05/10/governance-issues-now-behind-us-magna-ceo-tells-shareholders/.

Now that Richard has completed a preliminary review of the available information on Magna's board of directors, he is surprised to see that there have been so many changes. He quickly realizes that in order to make an accurate assessment of Magna's governance practices, he must understand the main upsides and downsides of the proposed related party transaction. He also needs to know why the board changes occurred and how (or whether) the replaced expertise and experience affected the board's ability to fulfill its functions. Richard feels that he needs to better understand the responsibility of Magna's directors for the controversy surrounding the buy-out transaction. With so many governance regulation reforms going on in the same period, Richard needs to identify whether the changes to the board composition were simply responses to market pressures (e.g., governance rules, market diversification, financial crisis) or whether they were internal initiatives intended to improve the board's functioning.

Table 1
Changes to Magna's Board of Directors

	2003	2007	2012
Board Size (directors)	12	17	12
Board Tenure (median yrs)	6	2	5
Outside Directors	67%	71%	83%
Director Age (median yrs)	59	62	66
Director Gender (male %)	92%	94%	92%
Directors with Honorary Title	33%	47%	50%
Board Chair	Frank Stronach	Frank Stronach	William L. Young
CEO	Belinda Stronach	Donald Walker Siegfried Wolf	Donald Walker

Exhibit 2
Magna's Financial Performance Ψ

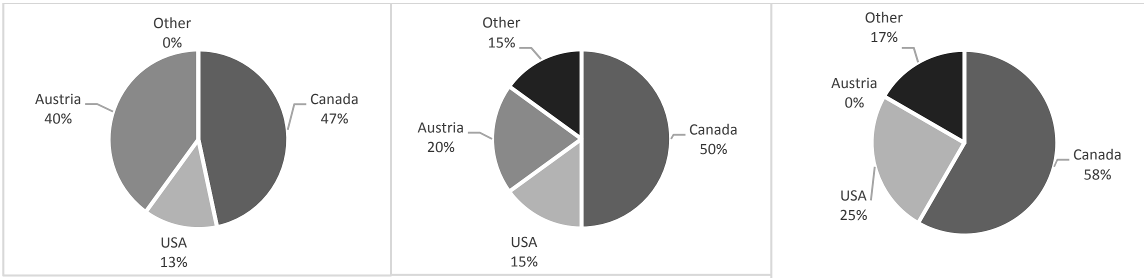


Ψ EPS data not available for 2003, 2004, 2005, or 2009

Exhibit 1
Magna's Board of Directors

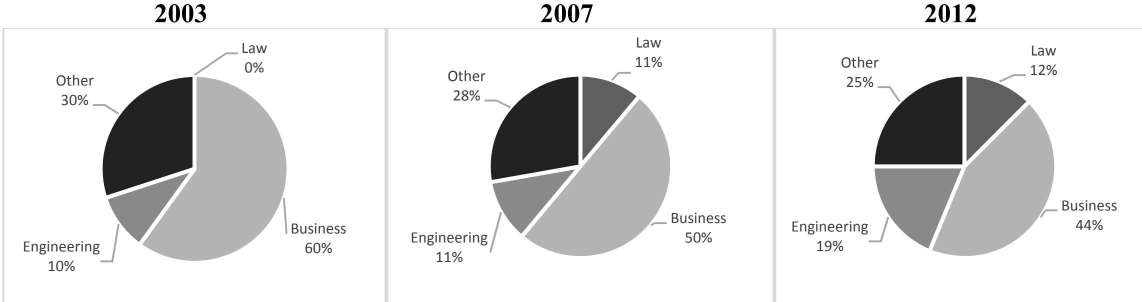
Panel A: Directors' International Market Knowledge

2003 | 2007 | 2012



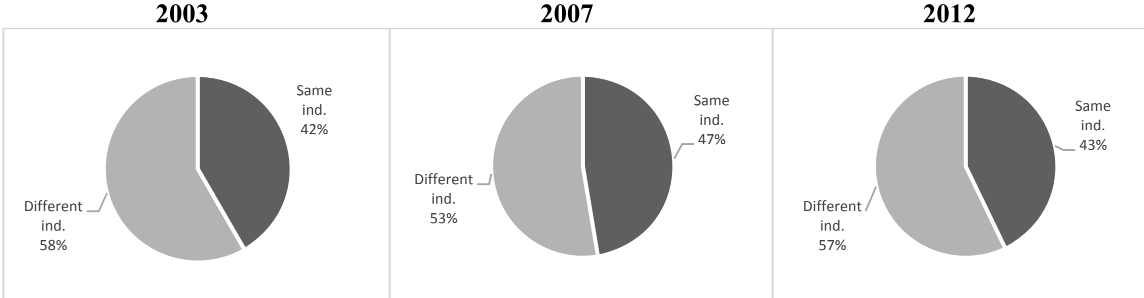
Panel B: Directors' Expertise

2003 | 2007 | 2012



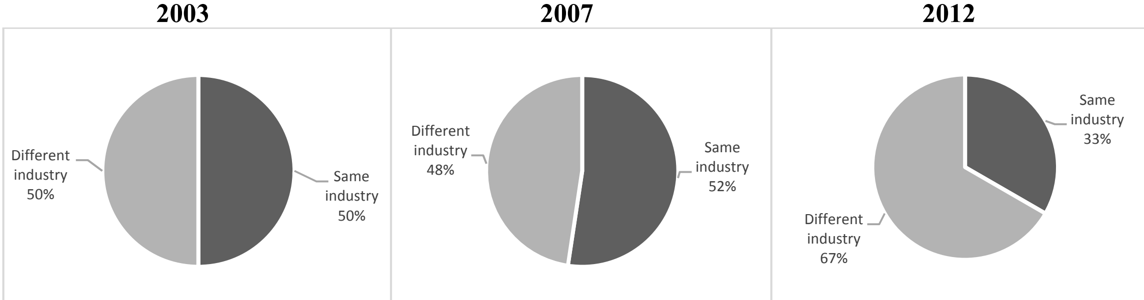
Panel C: Directors' Intra- and Extra-Industry Experience

2003 | 2007 | 2012



Panel D: Interlocking Directorates

2003 | 2007 | 2012



Appendix 1
Structure of Magna's Board of Directors from 2003 to 2012[Ψ]

	Post-Sarbanes Oxley Act				Financial Crisis			Diffuse Ownership		
Director	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Frank Stronach	Insider	Insider	Insider	Insider	Insider	Insider	Insider	Insider	Insider	Insider
Donald Walker			CEO	CEO	CEO	CEO	CEO	CEO	CEO	CEO
William H. Fike	Insider	Insider	Insider	Insider	Insider					
Edward C. Lumley	Outsider	Outsider	Outsider	Outsider	Outsider					
Gerhard Randa	Outsider	Outsider	Outsider							
Donald Resnick	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider
Royden R. Richardson	Outsider	Outsider	Outsider	Outsider	Outsider					
Franz Vranitzky	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	
Belinda Stronach	CEO	CEO			Insider	Insider	Insider	Insider		
Karlheinz Muhr	Outsider	Outsider	Outsider							
Siegfried Wolf	Insider	Insider	CEO	CEO	CEO	CEO	CEO	CEO		
Manfred Gingl	Insider	Insider	Insider	Insider	Insider					
Michael D. Harris	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider
Klaus Mangold		Outsider	Outsider	Outsider	Outsider	Outsider	Outsider			
Lawrence Worrall			Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider	Outsider
Lady Barbara T. Judge					Outsider	Outsider	Outsider	Outsider	Outsider	Outsider
Louis E. Lataif					Outsider	Outsider	Outsider	Outsider	Outsider	Outsider
Gregory C. Wilkins					Outsider	Outsider	Outsider			
James D. Wolfensohn					Outsider	Outsider	Outsider			
Erik E. Eberhardson						Outsider	Outsider			
J. Trevor Eyton								Outsider	Outsider	Outsider
William Young									Outsider	Outsider
Dr. Kurt J. Lauk									Outsider	Outsider
Peter G. Bowie										Outsider
Scott Bonham										Outsider
V. Peter Harder										Outsider
Board Size	12	13	14	12	17	14	14	11	11	13
Outsiders (%)	58%	62%	64%	58%	65%	71%	71%	64%	82%	85%

Legend:	
Insider	(dark grey)
Outsider	(light grey)
CEO	(hatched)

[Ψ] Data Source: Management Proxy Circulars from 2002 to 2012.

Appendix 2
Composition of Magna's Board of Directors from 2003 to 2012[Ψ]

		Expertise				Country-specific knowledge				Director independence				Industry-specific experience					Board Experience	
Director	Starting Date	Legal	Business	Engineering	Other	Canada	USA	Austria	Other	Honorary Tittle	Insider	Outsider-related	Outsider	Same ind.	Different ind.	Politics	Management	Other	Same ind.	Different ind.
Frank Stronach	1968				■	■		■		■	■			■					■	■
Donald Walker	1994			■		■					■			■					■	
William H. Fike	1995						■				■			■			■		■	
William G. Davis	1985	■			■	■				■			■		■	■				■
Edward C. Lumley	1989		■			■				■			■		■	■			■	■
Gerhard Randa	1995		■					■					■		■		■			■
Donald Resnick	1982		■			■							■		■		■	■		■
Royden R. Richardson	1990		■			■							■		■		■			■
Franz Vranitzky	1997		■					■		■			■		■	■	■		■	■
Belinda Stronach	1998				■	■				■	■			■					■	■
James Nicol	1998	■	■			■					■			■	■		■		■	■
Karlheinz Muhr	1999		■				■	■					■		■		■			■
Siegfried Wolf	1999			■				■			■			■					■	
Manfred Gingl	2002					■		■			■			■					■	
Michael D. Harris	2003				■	■				■			■		■	■		■		■
Klaus Mangold	2004	■	■						■	■			■	■	■		■		■	■
Lawrence Worrall	2005		■			■							■	■			■		■	
Lady Barbara T. Judge	2007	■			■		■		■	■			■		■		■	■		■
Louis E. Lataif	2007		■				■			■			■	■	■		■		■	■
Gregory C. Wilkins	2007		■			■							■		■		■		■	■
James D. Wolfensohn	2007		■		■				■	■			■		■		■			■
Erik E. Eberhardson	2008		■						■			■		■			■		■	■
J. Trevor Eyton	2010	■			■	■				■			■	■		■		■	■	■
William Young	2011		■	■		■							■		■		■	■		■
Dr. Kurt J. Lauk	2011		■		■				■	■			■	■	■		■	■	■	
Peter G. Bowie	2012		■			■				■			■		■		■			■
Scott Bonham	2012		■	■			■						■	■	■		■	■		■
V. Peter Harder	2012	■			■	■				■			■		■	■		■		■

Ψ Data Source: Management Proxy Circulars from 2002 to 2012.

Appendix 3
Magna's Large Shareholders[£] from 20013 to 2012[Ψ]

	Post-Sarbanes Oxley Act								Financial Recession						Diffused Ownership					
	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
Stock Type[§]	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Shareholder																				
Stronach Trust		66%		66%		66%		66%		67%						100%				
Magna Deferred Profit Sharing Plan		10%		10%		10%		10%		10%	5%		5%		5%		4%		4%	
Alliance Capital Management L.P.			13%																	
M Unicar Inc. (Stronach Trust)											18%	100%	1%	100%						

[Ψ] Data Source: Management Proxy Circulars from 2002 to 2012.
[£] Shareholders holding more than 5% of equity.
[§] Different types of stock (or shares): Sometimes publicly traded companies want their voting power to remain with a certain shareholder group. At such times they issue different classes of shares (such as Type A and Type B), which are designed to capture different voting rights. A Type A share is a classification of common stock that generally carries fewer voting rights than a Type B share. Companies will often try to disguise the disadvantages associated with owning shares with fewer voting rights by naming these shares "Class A" or "Type A" and those with more voting rights "Class B" or "Type B."