



Proxy Voting Guidelines and Corporate Governance Principles

March 2022

Table of Contents

PREFACE	2
BOARD OF DIRECTORS	3
Independence of Individual Directors	3
Separation of Board and Management Roles	3
Board Committees	3
Overboarding	4
Attendance	4
Board Refreshment	4
Election of Directors	4
Diversity	4
AUDITOR	5
COMPENSATION	5
Executive Compensation	5
Use of Equity in Executive Compensation	5
Equity Ownership by Executives	5
Compensation of Directors	6
CORPORATE STRUCTURE AND CAPITAL	6
SHAREHOLDER RIGHTS	6
Right to Call a Special Meeting	6
Proxy Access	6
Shareholder Rights Plans	6
Equal Voting Rights	6
SHAREHOLDER PROPOSALS	7
Environmental and Social (E&S) Shareholder Proposals	7
CLIMATE CHANGE	7



Letko, Brosseau & Associates Inc. (“LBA”) believes that strong corporate governance, including responsible management of material environmental and social issues, will benefit shareholders through better corporate performance and enhanced shareholder value over time. Good corporate governance begins with the board of directors, which is charged with providing oversight of management which, in turn, is responsible for developing and executing the company’s strategy. As shareholders, we encourage companies to design and implement a system of policies and procedures that will allow its board of directors and management to effectively discharge their roles in a strong corporate governance system.

Voting rights, including the election of the directors who are to act on behalf of shareholders in implementing good governance, are one of the most important rights inherent to shareholding. LBA has a fiduciary duty to ensure that proxies are voted and that the decisions taken represent the long-term interests of shareholders, including our clients. We do not believe this fiduciary duty is best served by outsourcing the voting of our proxies and, as such, our internal team evaluates proxy resolutions with utmost diligence, governed by the guidelines set out here.

In establishing these guidelines, we have endeavoured to address the most common proxy voting issues, but we acknowledge that the issues addressed here will not necessarily cover all issues that may appear on a proxy. When an issue is not directly addressed in these guidelines, our overriding consideration when evaluating the resolution will be to vote in a manner that we believe represents the long-term interests of shareholders, including our clients. In evaluating each proxy resolution, unique circumstances may lead us to determine that a vote contrary to the guidelines set out herein is appropriate.

Consistent with our approach to responsible investing, we are proponents of engagement and, as such, we strive to meet with our investee companies on a regular basis. Through discussions with the company’s management and board of directors directly and supported by our participation in the Canadian Coalition for Good Governance (CCGG), we seek to gain a thorough understanding of the company’s strategy, the material risks and opportunities facing the business and its approach to corporate governance, including its policies and procedures. When, after evaluation of a company’s proxy materials, we arrive at a decision to withhold support for one or more management recommendations, our decision, together with the rationale, will typically be conveyed to the company.

In applying the guidelines set out here, we must consider the laws and regulations in each applicable country. This may lead to a vote that appears to be different than the guideline set out below. As example, certain countries do not permit a shareholder to vote “against” a director nominee but instead only provide shareholders with the option to vote “withhold”.



BOARD OF DIRECTORS

Independence of Individual Directors

We support an independent board of directors and will vote against non-independent director nominees when the majority of the nominees is determined to be non-independent. In evaluating the independence of an individual nominee, we will consider the nominee to be “non-independent” or “related” if one or more of the following criteria is met:

- a) The nominee is a current or former executive of the company or one of its subsidiaries;
- b) The nominee is connected with a shareholder owning or controlling at least 20% of the company;
- c) The nominee has a direct or indirect material financial or familial connection with the company, its executives or other board members;
- d) The nominee is currently, or within the last ten years was, employed by the company’s audit firm;
- e) The nominee is employed by a foundation, university or non-profit organization that receives significant donations or financing from the company;
- f) The nominee works for a law or brokerage firm that receives significant fees from the company;
- g) The nominee offers any type of professional services, including legal, financial and medical, to an executive of the company;
- h) As a non-employee director, the nominee is among the company’s top-five most well-paid individuals, excluding a temporary CEO.

In the case of a majority-owned company, we will not generally oppose a majority non-independent board provided the level of non-independent directors is consistent with the level of majority ownership or control.

Separation of Board and Management Roles

To promote the independence of the board of directors when it comes to its supervisory role, we strongly recommend that the positions of Chair of the board and CEO be separate. While we generally support the separation of these board and management roles, the combination of the roles may be justified in certain circumstances, such as where the company’s governance structure is strong and an independent director serves as lead director, with a clearly defined role that provides the lead director with responsibilities consistent with those of an independent Chair. When the two roles are not separated and the company has provided a rationale for the combination of the roles that we believe to be reasonable, we will consider supporting the combination of the two roles.

Board Committees

In order that the board may effectively discharge its responsibilities, it is often appropriate that the board be organized into committees, each of which will provide oversight in a specific area. There are several committees that are commonly used, including audit, compensation, governance, nomination and, increasingly, environmental and social (E&S). While we will generally defer to the board to determine which committees are appropriate, at a minimum we expect that an audit committee will be formed and given responsibility for oversight of the preparation and audit of the company’s financial statements. Where the level of risk in a particular area warrants the creation of a new committee, we will expect the board to form a committee to provide oversight in this area.

We believe good governance calls for the appointment of an independent Chair for each board committee and that certain key committees, such as the audit, compensation, nominating and governance committees, be comprised exclusively of independent directors. We will generally withhold support for each non-independent committee Chair and all non-independent members of key committees. We will consider exceptions to this position in cases where there is a significant shareholder.



Overboarding

We believe directors should have the necessary time to properly fulfill their obligations to shareholders. We will withhold support for director nominees who sit on an excessive number of boards (“overboarded”). We generally view a director serving on more than five boards to be overboarded. However, when the company’s CEO serves on more than two boards, we consider the CEO to be overboarded.

In evaluating whether a director is overboarded, we will consider factors such as the size of the companies on which the nominee serves, whether the companies are public or privately held, whether the companies are related, the nominee’s role on these boards, and whether the nominee also holds an executive role in addition to their directorships.

Attendance

We will withhold support for directors that have attended less than 75% of board sessions in the previous year unless the company provides a satisfactory explanation.

Board Refreshment

While we generally do not support age and term limits for directors, we encourage board refreshment to ensure that new perspectives are added over time. We support establishment of a policy that requires regular evaluation of the board’s effectiveness and ensures sufficient turnover of directors. We may withhold support from long-serving directors when such a policy is not in place, particularly when the average tenure of the board exceeds 10 years.

Election of Directors

We support the annual election of individual directors and we will withhold support for all director nominees when they are to be elected for a staggered term or are proposed as a slate.

We do not generally support cumulative voting. However, in those jurisdictions where cumulative voting is required, we will allocate our votes equally amongst the independent director nominees.

We support the establishment of a majority voting policy, accompanied by a resignation policy that requires a nominee, having received support from less than 50% of total votes recorded, to promptly tender their resignation to the board for consideration and that the board accept the resignation absent extraordinary circumstances.

Diversity

While competency is the most important factor to be considered when selecting new directors, diversity must also be a key consideration. We do not believe it is necessary to forego competency to achieve diversity in building a strong board. Being of the belief that diversity on the board will yield positive outcomes for the company over the long term, we encourage companies to develop a policy relating to diversity including, at a minimum, gender, ethnicity and race. This policy should include the board’s position as to a reasonable level of diversity and, if not yet achieved, its plan to attain this level of diversity.

We will evaluate board gender diversity on a case-by-case basis, considering the size of the board, the company’s diversity policy and its plan to improve gender diversity on its board. We support a minimum of at least two women on a board or at least 30% representation by women on a board. Where this minimum level of gender diversity is not met, we will generally vote against the members of the nominating or governance committee, or the Chair of the Board where these committees do not exist.



AUDITOR

While we will generally support management's recommendation for the company's independent auditor, there may arise circumstances where conflicts, or perceived conflicts, may exist, such as the situation where the auditor performs substantial non-audit work for the company. When a majority of income received by the auditor in a year is related to non-audit work, we will consider withholding support for the auditor.

COMPENSATION

Executive Compensation

In designing its executive compensation plan, we expect the board, typically through its Compensation Committee, to structure the plan, including incentives, to attract and retain the right people, incenting them to perform toward the enhancement of long-term shareholder value. We support the alignment of pay with performance, with performance tied to both individual and corporate objectives, both strongly linked to corporate strategy, as opposed to general market or industry performance.

We will evaluate executive compensation-related resolutions on a case-by-case basis, generally supporting the company's executive compensation arrangement. However, in certain cases, such as where the overall level of compensation is excessive, where the plan fails to align pay with performance, the existence of concerning features in the use of equity in the compensation plan, or inadequate disclosure, we may withhold support for the relevant resolution and/or members of the compensation committee.

We encourage companies to provide shareholders with an annual (advisory) vote on its executive compensation (say-on-pay) and, in cases where the company does not do so, we will consider withholding support for members of the compensation committee.

Use of Equity in Executive Compensation

We believe it is advisable to include equity as a component of executive compensation but, as this is likely to be dilutive to existing shareholders, we will evaluate the use of equity in compensation plans, paying particular attention to issues such as dilution, concentration, price, vesting, change of control, repricing/retesting and authorization of shares.

- a) Dilution – we will not generally support plans where dilution exceeds 5%.
- b) Concentration – we support equity compensation plans that do not overly concentrate the awards in a small number of individuals. We will generally withhold support for a plan where more than 25% of the awards granted in the year are allocated to any one individual.
- c) Price – we support plans where awards are priced at or above the market price on the day of grant.
- d) Vesting – we support plans with a suitable vesting period, but in no circumstance less than three years.
- e) Change of control – we will not support plans that provide for accelerated vesting of equity awards upon a change of control unless such acceleration occurs upon a “double-trigger” event.
- f) Repricing/retesting – we will not support plans that permit the repricing of awards (such as when the market price has fallen below the original award price) or retesting (such as the deferral of an unmet performance condition to a future period).
- g) Authorization of shares – we support plans that provide for a specified maximum number of shares to be issued to eligible plan participants and will not support plans that provide for a rolling maximum number of shares to be available as equity compensation.

Equity Ownership by Executives

To strengthen the alignment of long-term interests of executives with those of shareholders, we support a required level of company stock ownership by executives, including a mandatory minimum holding period.



Compensation of Directors

In structuring compensation for non-executive directors, we support plans designed to ensure independence, objectivity and alignment with the long-term interest of shareholders. We do not typically support the use of performance-linked equity/units in compensating non-executive directors. As with executive compensation, we support a required level of shareholding for non-executive directors to be maintained throughout the director's term on the board. We believe that a meaningful share of the compensation for a non-executive director should be in the form of equity/units.

CORPORATE STRUCTURE AND CAPITAL

Each proposal to amend the company's by-laws, or similar corporate document, will be evaluated on a case-by-case basis. Generally, we will support such amendments provided they will not have an adverse effect on shareholders, including a material negative economic impact on the company.

Each proposal seeking shareholder approval for an increase in authorized shares will be evaluated on its merits. Generally, we will support an increase in authorized share capital provided it is reasonable and not overly dilutive to current shareholders. For this purpose, we will generally oppose an increase in authorized shares greater than 10%. We believe that, in the case of a significant transaction requiring the issuance of additional shares, the company should justify the use of the additional shares and bring the matter to a vote of shareholders.

SHAREHOLDER RIGHTS

We believe that the long-term interests of shareholders and management must be well-aligned and the board must ensure that it, as a representative of shareholders, supports and protects the fundamental rights of shareholders, while avoiding situations which may diminish these rights. We will generally support proposals that will improve corporate governance practices.

Right to Call a Special Meeting

We support the right of a shareholder with a significant ownership position, being at least 5%, to call a special meeting of shareholders and we will generally oppose any proposal seeking to restrict this right.

Proxy Access

We generally support proxy access proposals giving shareholders, or group of shareholders, the right to nominate well-qualified directors, provided the shareholder(s) has maintained a reasonable minimum level of ownership for a minimum number of years. In most circumstances, we consider minimum ownership of 3% for at least three years to be reasonable. Consistent with this, we will generally oppose proposals that impose unreasonable conditions that will serve to limit shareholders' proxy access right.

Shareholder Rights Plans

We will evaluate each shareholder rights plan (often called a "poison pill") case-by-case, generally opposing proposals that may unduly deter unsolicited takeover bids and plans that expire in more than three years. We generally support a shareholder rights plan that achieves a reasonable balance between the company as a target and potential bidders, while serving the interest of long-term shareholders. We generally support proposed amendments to a shareholder rights plan provided they promote equal treatment of all shareholders. We believe all shareholder rights plans, or plan amendments, must be put to a shareholder vote and we will withhold support for the responsible directors when a plan is not submitted to a shareholder vote.

Equal Voting Rights

We support equal voting rights for all shareholders and generally do not support the use of non-voting or multiple-voting shares. Where a company has already established unequal voting rights, we will support proposals asking that this structure be re-approved at regular intervals.



SHAREHOLDER PROPOSALS

Each shareholder proposal, including those relating to environmental and social matters, will be evaluated on a case-by-case basis, considering issues such as the long-term interest of shareholders, materiality, the adequacy of the company's current disclosure and the cost to provide the requested information weighed against the benefit. Where the proposing shareholder provides a compelling rationale for its position and we evaluate that the preceding factors have been satisfactorily addressed, we will generally support the shareholder proposal.

In the case of a shareholder proposal receiving significant shareholder support, we believe that the board has a duty to respond to the action proposed and we will generally withhold support for directors failing to act on such proposals.

Environmental and Social (E&S) Shareholder Proposals

The approach to shareholder proposals outlined above will be applied when evaluating shareholder proposals concerning environmental matters, such as climate change and sustainable water management, and social issues, including income inequality, human rights and relations with local communities.

CLIMATE CHANGE

Climate change is a major source of risk for companies and one we believe often calls for oversight at the board level. As with shareholder proposals broadly, each shareholder proposal related to climate change will be evaluated on its own merits. Generally, we support increased transparency and encourage companies to report based upon the recommendations made by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Each company has a role to play in the transition to a low-carbon economy and we look for each company to provide meaningful disclosure of its climate change strategy, its targets and performance against those targets.