



INVESCO CANADA

PROXY VOTING GUIDELINES

Purpose

The purpose of this document is to describe Invesco Canada Ltd.'s ("Invesco Canada") general guidelines for voting proxies received from companies held in the accounts ("Accounts") for which it acts as investment fund manager and/or adviser including:

- Investment fund manager, including investment funds offered in Canada (the "Canadian Funds"),
- Adviser, including separately managed portfolios ("SMPs"),
- Sub-adviser, including investment funds registered under and governed by the US Investment Company Act of 1940, as amended (the "US Funds").

The Accounts referred to above, exclude Accounts that are sub-advised ("Sub-Advised Accounts") by affiliated or third party advisers ("Sub-Advisers"). Proxies for Sub-Advised Accounts will be voted in accordance with the Sub-Adviser's proxy voting policy (which may contain different voting recommendations), provided the policy as a whole is designed with the intention of voting securities in the best interest of the Account; unless the sub-advisory agreement provides otherwise.

Voting rights will not be exercised in accordance with this policy or the Sub-Adviser's proxy policy if the investment management agreement between the client and Invesco Canada governing the SMP provides otherwise.

Compliance will review the proxy voting policies and procedures of any new sub-advisors as part of its due diligence.

Introduction

Invesco Canada has a fiduciary obligation to act in the best long-term economic interest of the Accounts when voting proxies of portfolio companies.

The default is to vote with the recommendation of the company's management.

As a general rule, portfolio managers shall vote against any actions that would:

- Reduce the rights or options of shareholders,
- Reduce shareholder influence over the board of directors and management,



- Reduce the alignment of interests between company management and the shareholders; or
- Reduce the value of shareholders investments.

Since Invesco Canada's portfolio managers follow an investment discipline that includes investing in companies that are believed to have strong management teams, the portfolio managers will generally support the management of companies in which they invest, and will accord proper weight to the recommendations of company management. Therefore, in most circumstances, votes will be cast in accordance with the recommendations of company management.

While Invesco Canada's proxy voting guidelines are stated below, the portfolio managers will take into consideration all relevant facts and circumstances (including country specific considerations), and retain the right to vote proxies as deemed appropriate.

These guidelines may be amended from time to time.

Voting rights may not be exercised in situations where:

- The securities have been sold subsequent to record date;
- Administrative issues prevent voting, or;
- Invesco Canada is sub-advising for an unaffiliated third-party and either: (a) the sub-advisory agreement with the unaffiliated third-party does not permit Invesco Canada to vote the securities; or (b) the securities to be voted have been lent out by the unaffiliated third-party.

Conflicts of Interest

When voting proxies, Invesco Canada's portfolio managers assess whether there are material conflicts of interest between Invesco Canada's interests and those of the Account. A potential conflict of interest situation may include where Invesco Canada or an affiliate manages assets for, provides other financial services to, or otherwise has a material business relationship with, a company whose management is soliciting proxies, and failure to vote in favour of management of the company may harm Invesco Canada's relationship with the company. In all situations, the portfolio managers will not take Invesco Canada's relationship with the company into account, and will vote the proxies in the best interest of the Account. To the extent that a portfolio manager has any personal conflict of interest with respect to a company or an issue presented, that portfolio manager should abstain from voting on that company or issue. Portfolio managers are required to report in writing to the relevant Investment Head or CIO any such conflicts of interest and/or attempts by outside parties to improperly influence the voting process. If the portfolio manager in question is the CIO, such conflicts of interest



and/or attempts by outside parties to improperly influence the voting process shall be presented in writing to the Chief Compliance Officer. The Global Investments Director (or designate) will report any conflicts of interest to the Independent Review Committee on an annual basis.

I. BOARDS OF DIRECTORS

We believe that a board that has at least a majority of independent directors is integral to good corporate governance. Unless there are restrictions specific to a company's home jurisdiction, key board committees, including audit and compensation committees, should be completely independent.

Voting on Director Nominees in Uncontested Elections

Votes in an uncontested election of directors are evaluated on a **case-by-case** basis, considering factors that may include:

- Long-term financial company performance relative to a market index,
- Composition of the board and key board committees,
- Nominee's attendance at board meetings,
- Nominee's time commitments as a result of serving on other company boards,
- Nominee's stock ownership position in the company,
- Whether the chairman is also serving as CEO, and
- Whether a retired CEO sits on the board.

Voting on Director Nominees in Contested Elections

Votes in a contested election of directors are evaluated on a **case-by-case** basis, considering factors that may include:

- Long-term financial performance of the company relative to its industry,
- Management's track record,
- Background to the proxy contest,
- Qualifications of director nominees (both slates),



- Evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met, and
- Stock ownership positions in the company.

Majority Threshold Voting for Director Elections

We will generally vote **for** proposals that require directors to be elected with an affirmative majority of votes cast unless the relevant portfolio manager believes that the company has adopted formal corporate governance principles that present a meaningful alternative to the majority voting standard.

Separating Chairman and CEO

Shareholder proposals to separate the chairman and CEO positions should be evaluated on a **case-by-case** basis.

While we generally support these proposals, some companies have governance structures in place that can satisfactorily counterbalance a combined position. Voting decisions will take into account factors such as:

- Designated lead director, appointed from the ranks of the independent board members with clearly delineated duties;
- Majority of independent directors;
- All-independent key committees;
- Committee chairpersons nominated by the independent directors;
- CEO performance is reviewed annually by a committee of independent directors; and
- Established governance guidelines.

Majority of Independent Directors

While we generally support proposals asking that a majority of directors be independent, each proposal should be evaluated on a case-by-case basis.

We generally vote for proposals that the board's audit, compensation, and/or nominating committees be composed exclusively of independent directors.

Stock Ownership Requirements



We believe that individual directors should be appropriately compensated and motivated to act in the best interests of shareholders. Share ownership by directors better aligns their interests with those of other shareholders. Therefore, we believe that meaningful share ownership by directors is in the best interest of the company.

We generally vote **for** proposals that require a certain percentage of a director's compensation to be in the form of common stock.

Size of Boards of Directors

We believe that the number of directors is important to ensuring the board's effectiveness in maximizing long-term shareholder value. The board must be large enough to allow it to adequately discharge its responsibilities, without being so large that it becomes cumbersome.

While we will prefer a board of no fewer than 5 and no more than 16 members, each situation will be considered on a **case-by-case** basis taking into consideration the specific company circumstances.

Classified or Staggered Boards

In a classified or staggered board, directors are typically elected in two or more "classes", serving terms greater than one year.

We prefer the annual election of all directors and will generally **not support** proposals that provide for staggered terms for board members. We recognize that there may be jurisdictions where staggered terms for board members is common practice and, in such situations, we will review the proposals on a **case-by-case** basis.

Director Indemnification and Liability Protection

We recognize that many individuals may be reluctant to serve as corporate directors if they are personally liable for all lawsuits and legal costs. As a result, limitations on directors' liability can benefit the corporation and its shareholders by helping to attract and retain qualified directors while providing recourse to shareholders on areas of misconduct by directors.

We generally vote **for** proposals that limit directors' liability and provide indemnification as long as the arrangements are limited to the director acting honestly and in good faith with a view to the best interests of the company and, in criminal matters, are limited to the director having reasonable grounds for believing the conduct was lawful.



II. AUDITORS

A strong audit process is a requirement for good corporate governance. A significant aspect of the audit process is a strong relationship with a knowledgeable and independent set of auditors.

Ratification of Auditors

We believe a company should limit its relationship with its auditors to the audit engagement, and certain closely related activities that do not, in the aggregate, raise an appearance of impaired independence.

We generally vote **for** the reappointment of the company's auditors unless:

- It is not clear that the auditors will be able to fulfill their function;
- There is reason to believe the auditors have rendered an opinion that is neither accurate nor indicative of the company's financial position; or
- The auditors have a significant professional or personal relationship with the issuer that compromises their independence.

Disclosure of Audit vs. Non-Audit Fees

Understanding the fees earned by the auditors is important for assessing auditor independence. Our support for the re-appointment of the auditors will take into consideration whether the management information circular contains adequate disclosure about the amount and nature of audit vs. non-audit fees.

There may be certain jurisdictions that do not currently require disclosure of audit vs. non-audit fees. In these circumstances, we will generally **support** proposals that call for this disclosure.

III. COMPENSATION PROGRAMS

Appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of long-term shareholders and the interests of management, employees and directors. Plans should not substantially dilute shareholders' ownership interests in the company, provide participants with excessive awards or have objectionable structural features. We will consider each compensation plan in its entirety (including all incentives, awards and other compensation) to determine if the plan provides the right incentives to managers, employees and directors and is reasonable on the whole.

While we generally encourage companies to provide more transparent disclosure related to their compensation programs, the following are specific guidelines dealing with some



of the more common features of these programs (features not specifically itemized below will be considered on a **case-by-case** basis taking into consideration the general principles described above):

Cash Compensation and Severance Packages

We will generally **support** the board's discretion to determine and grant appropriate cash compensation and severance packages.

Executive Compensation ("say on pay")

Proposals requesting that companies subject each year's compensation record to a non binding advisory shareholder vote, or so-called "say on pay" proposals will be evaluated on a **case-by-case** basis.

Equity Based Plans - Dilution

Equity compensation plans can increase the number of shares of a company and therefore dilute the value of existing shares. While such plans can be an effective compensation tool in moderation, they can be a concern to shareholders and their cost needs to be closely watched. We assess proposed equity compensation plans on a **case-by-case** basis.

Employee Stock Purchase Plans

We will generally vote **for** the use of employee stock purchase plans to increase company stock ownership by employees, provided that shares purchased under the plan are acquired for no less than 85% of their market value. It is recognized that country specific circumstances may exist (e.g. tax issues) that require proposals to be reviewed on a **case-by-case** basis.

Loans to Employees

We will vote **against** the corporation making loans to employees to allow employees to pay for stock or stock options. It is recognized that country specific circumstances may exist that require proposals to be reviewed on a **case-by-case** basis.

Stock Option Plans – Board Discretion

We will vote **against** stock option plans that give the board broad discretion in setting the terms and conditions of the programs. Such programs should be submitted with detail and be reasonable in the circumstances regarding their cost, scope, frequency and schedule for exercising the options.



Stock Option Plans – Inappropriate Features

We will generally vote **against** plans that have any of the following structural features:

- ability to re-price “underwater” options without shareholder approval,
- ability to issue options with an exercise price below the stock’s current market price,
- ability to issue “reload” options, or
- automatic share replenishment (“evergreen”) features.

Stock Option Plans – Director Eligibility

While we prefer stock ownership by directors, we will **support** stock option plans for directors as long as the terms and conditions of director options are clearly defined

Stock Option Plans - Repricing

We will vote **for** proposals to re-price options if there is a value-for-value (rather than a share-for-share) exchange.

Stock Option Plans - Vesting

We will vote **against** stock option plans that are 100% vested when granted.

Stock Option Plans – Authorized Allocations

We will generally vote **against** stock option plans that authorize allocation of 25% or more of the available options to any one individual.

Stock Option Plans – Change in Control Provisions

We will vote **against** stock option plans with change in control provisions that allow option holders to receive more for their options than shareholders would receive for their shares.

IV. CORPORATE MATTERS

We will review proposals relating to changes to capital structure and restructuring on a case-by-case basis, taking into consideration the impact of the changes on corporate governance and shareholder rights, anticipated financial and operating benefits, portfolio manager views, level of dilution, and a company’s industry and performance in terms of shareholder returns.



Common Stock Authorization

We will review proposals to increase the number of shares of common stock authorized for issue on a **case-by-case** basis.

Dual Class Share Structures

Dual class share structures involve a second class of common stock with either superior or inferior voting rights to those of another class of stock.

We will generally vote **against** proposals to create or extend dual class share structures where classes have different voting rights.

Stock Splits

We will vote **for** proposals to increase common share authorization for a stock split, provided that the increase in authorized shares would not result in excessive dilution given a company's industry and performance in terms of shareholder returns.

Reverse Stock Splits

We will vote **for** proposals to implement a reverse stock split.

Share Repurchase Programs

We will vote **against** proposals to institute open-market share repurchase plans if all shareholders do not participate on an equal basis.

Reincorporation

Reincorporation involves re-establishing the company in a different legal jurisdiction.

We will generally vote **for** proposals to reincorporate the company provided that the board and management have demonstrated sound financial or business reasons for the move. Proposals to reincorporate will generally **not be supported** if solely as part of an anti-takeover defense or as a way to limit directors' liability.

Mergers & Acquisitions

We will vote **for** merger & acquisition proposals that the relevant portfolio managers believe, based on their review of the materials:

- will result in financial and operating benefits,
- have a fair offer price,



- have favourable prospects for the combined companies, and
- will not have a negative impact on corporate governance or shareholder rights.

V. SOCIAL RESPONSIBILITY

We recognize that to effectively manage a corporation, directors and management must consider not only the interests of shareholders, but the interests of employees, customers, suppliers, and creditors, among others.

We believe that companies and their boards must give careful consideration to social responsibility issues in order to enhance long-term shareholder value.

We **support** efforts by companies to develop policies and practices that consider social responsibility issues related to their businesses.

VI. SHAREHOLDER PROPOSALS

Shareholder proposals can be extremely complex, and the impact on the interests of all stakeholders can rarely be anticipated with a high degree of confidence. As a result, shareholder proposals will be reviewed on a **case-by-case** basis with consideration of factors such as:

- the proposal's impact on the company's short-term and long-term share value,
- its effect on the company's reputation,
- the economic effect of the proposal,
- industry and regional norms in which the company operates,
- the company's overall corporate governance provisions, and
- the reasonableness of the request.

We will generally **support** shareholder proposals that require additional disclosure regarding corporate responsibility issues where the relevant portfolio manager believes:

- the company has failed to adequately address these issues with shareholders,
- there is information to suggest that a company follows procedures that are not in compliance with applicable regulations, or



- the company fails to provide a level of disclosure that is comparable to industry peers or generally accepted standards.

We will generally **not support** shareholder proposals that place arbitrary or artificial constraints on the board, management or the company.

Ordinary Business Practices

We will generally **support** the board's discretion regarding shareholder proposals that involve ordinary business practices.

Protection of Shareholder Rights

We will generally vote **for** shareholder proposals that are designed to protect shareholder rights if the company's corporate governance standards indicate that such additional protections are warranted.

Barriers to Shareholder Action

We will generally vote **for** proposals to lower barriers to shareholder action.

Shareholder Rights Plans

We will generally vote **for** proposals to subject shareholder rights plans to a shareholder vote.

VII. OTHER

We will vote **against** any proposal where the proxy materials lack sufficient information upon which to base an informed decision.

We will vote **against** any proposals to authorize the company to conduct any other business that is not described in the proxy statement (including the authority to approve any further amendments to an otherwise approved resolution).

Reimbursement of Proxy Solicitation Expenses

Decisions to provide reimbursement for dissidents waging a proxy contest are made on a **case-by-case** basis.