



# Make It Matter

## Proxy Voting Report 2017/2018



## Table of Contents

<b>WHY IT MATTERS .....</b>	<b>3</b>
<b>MANAGEMENT PROPOSALS .....</b>	<b>3</b>
<b>SHAREHOLDER PROPOSALS .....</b>	<b>4</b>
<b>SHAREHOLDER MEETINGS BY SECTOR.....</b>	<b>4</b>
<b>PROPOSAL CATEGORIES.....</b>	<b>5</b>
<b>QIM PROXY VOTING PROCEDURES AND GUIDELINES .....</b>	<b>6</b>
INTRODUCTION .....	6
2. PROCEDURES .....	6
2.1 Voting Process .....	6
2.2 Record Keeping Report .....	6
2.3 Preparation and Availability of the Proxy Voting Record .....	7
2.4 Annual Review .....	7
2.5 Non-Voting of Proxies.....	7
2.6 Notification to Investor Relations.....	7
3. GUIDELINES AND STANDING POLICIES.....	7
3.1 Introduction.....	7
3.2 Board of Directors .....	8
3.3 Shareholders.....	11
3.4 Management.....	14
3.5 Social and Environmental Issues .....	15

## Why It Matters

At Qube, we believe that our investment management approach matters. We uphold corporate responsibility by engaging in shareholder engagement to increase corporate accountability, and, in turn, support higher share values for our investors. This ensures a higher return for society at large.

Before investing, we passionately investigate, monitor, and review companies to ensure they demonstrate transparency of executive compensation and accounting practices; environmentally sustainable operations; active partnerships in the communities in which they operate; and positive relationships with all stakeholders, including employees.

Each year in addition to our Environmental, Social, and Governance (ESG) research and reporting we take an active approach in voting and representing our client's best interests through proxy voting for each company held in our Kaleo Portfolio. Included in this report is a summation of the votes made in both 2017 and 2018 for the 24-month period ending Dec 31, 2018.

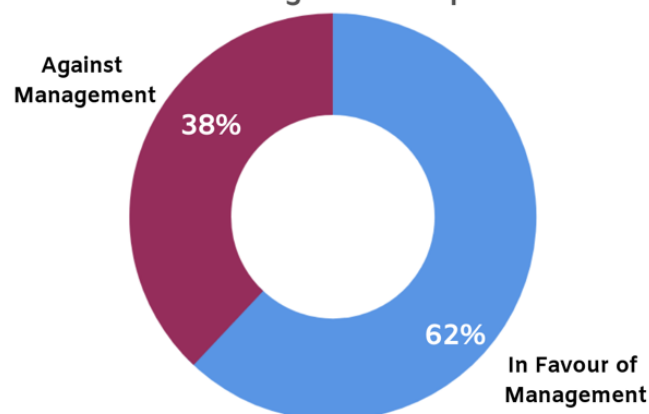
## Management Proposals

In 2017 Qube voted on 182 management agenda items amongst 12 companies held in Kaleo. 62% of those votes were in favour of managements proposals while 38% were against.

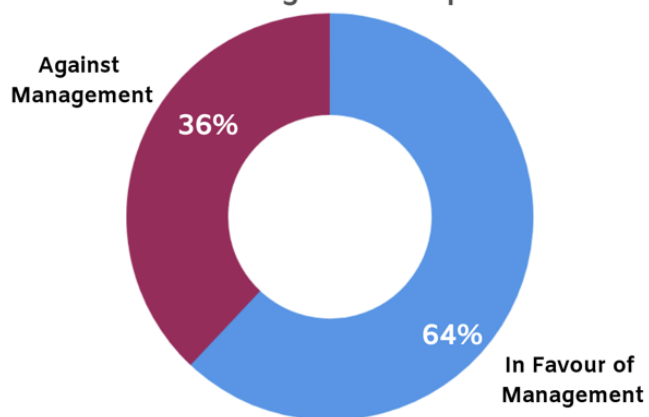
In 2018 Qube voted on 306 management agenda items amongst 28 companies held in Kaleo. 64% of those votes were in favour of managements proposals while 36% were against.

Reasoning for each of these votes either for or against can be found detailed in our 2017 and 2018 company specific proxy reports. Which are available upon request.

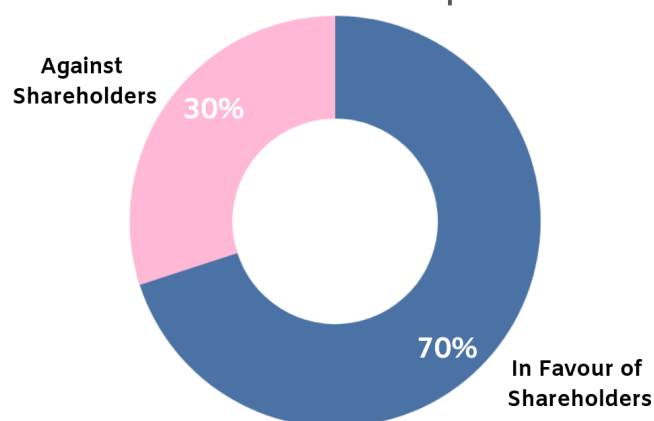
2017 Management Proposals



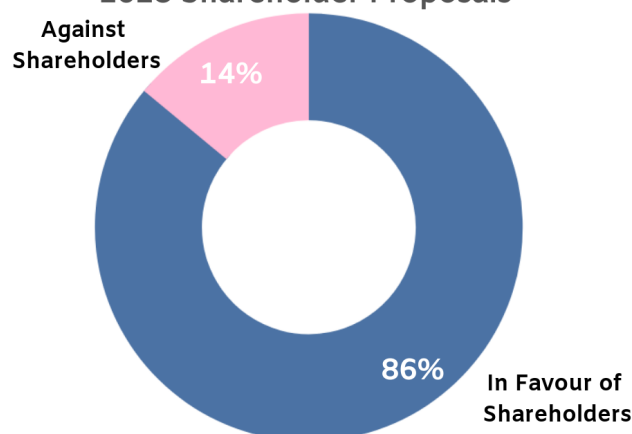
2018 Management Proposals



## 2017 Shareholder Proposals



## 2018 Shareholder Proposals



## Shareholder Proposals

In 2017 Qube voted on 10 different agenda items brought forward by shareholders of 7 companies held in Kaleo. 70% of those votes were in favour of the independent shareholder proposals while 30% were against.

In 2018 Qube saw an increase in agenda items and voted on 29 different items brought forward by shareholders of 13 companies held in Kaleo. 86% of those votes were in favour of the shareholder proposals while 14% were against.

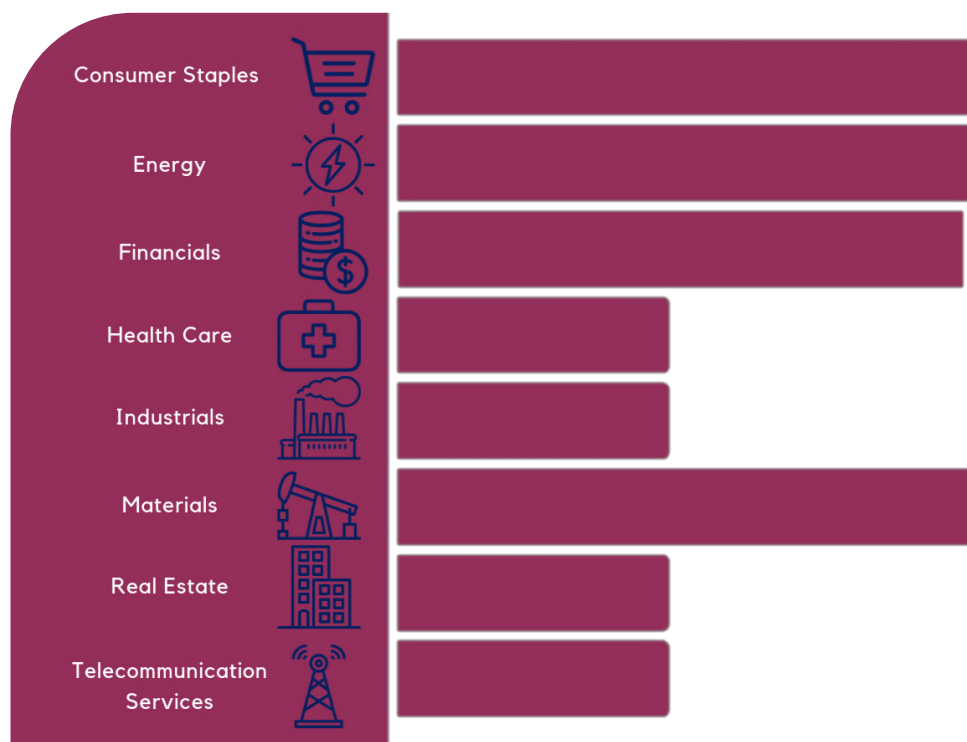
For a shareholder (in the USA) to be eligible to submit a proposal the investor, or group of investors, must have owned their stake in the company for at least one calendar year. They must also own \$2,000 worth of shares or 1% of the company. Furthermore, they must own voting class shares.

## Shareholder Meetings by Sector

At Qube our focus is on investing in established companies which provide value to both shareholders and society. At this time there are no set sectors which we do not invest in, however, any company proposed by our Portfolio Steering Committee can be vetoed by our ESG Committee.

In our 2017 and 2018 proxy voting, our voice was represented in a variety of sectors. Noticeable changes from 2017 to 2018 included not just an increase in our active voting but votes in a more diverse range of sectors.

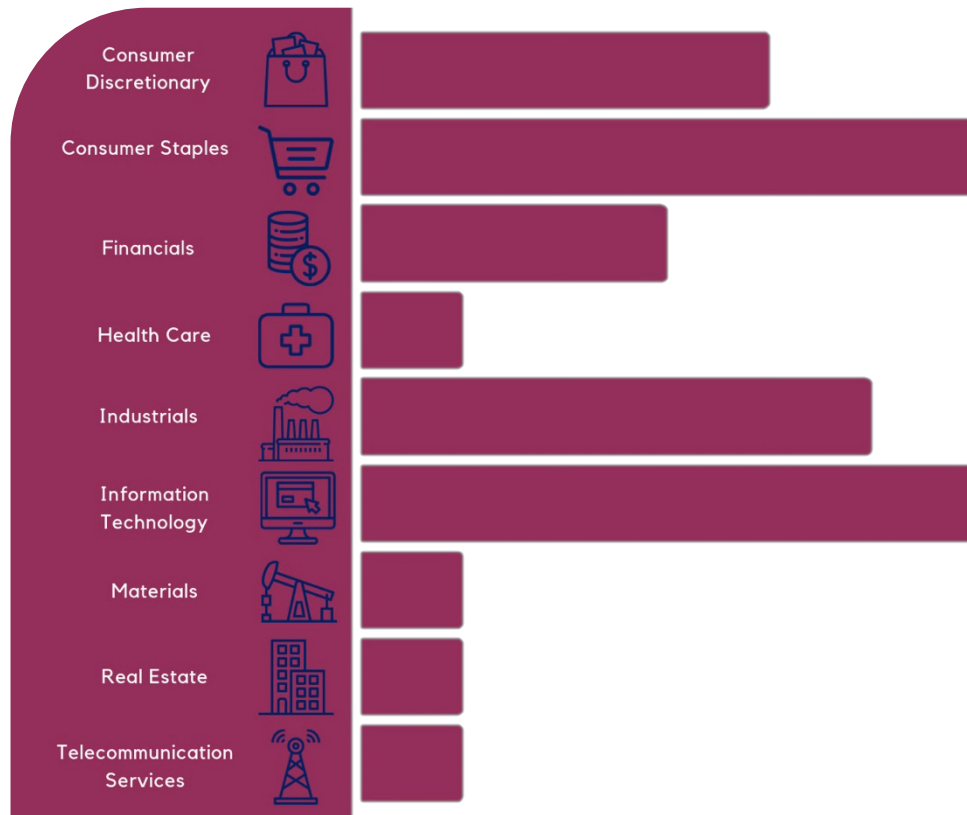
## 2017 Shareholder Meeting Sectors



## Proposal Categories

A consistent stance that Qube has is a belief that fair compensation is also measured relative to all workers. We believe it is not reasonable to pay any one employee more than 100 times the average wage of a worker at that company. At the present time, Qube has voted against all proposed executive compensation due to the quantum of compensation.

## 2018 Shareholder Meeting Sectors



As a continuation of Qube's beliefs regarding executive compensation, Qube has chosen to support all shareholder proposals in regard to the frequency of Advisory Voting on Executive Compensation. This is pursuant to Section 14A of the Exchange Act.

Qube is also in full support of employee stock purchase plans as both a motivator and a benefit for employees. In each of the shareholder proposed votes regarding stock purchase plans Qube has voted 'For' these proposals.



## QIM PROXY VOTING PROCEDURES AND GUIDELINES

### INTRODUCTION

*Qube Investment Management Inc. (QIM)* has formulated its voting policies and guidelines in order to ensure that proxies are voted in the best interests of our clients and the community that surrounds us. We aim to vote proxies with a view to enhance the value of the shares or securities held by our clients, while also considering the ethical, social and environmental implications of such decisions. In all situations the guidelines in sections 3 and 4 will provide guidance as to *QIM*'s course of action.

These guidelines are not rigid policy positions. *QIM* will consider each matter on a case-by-case basis and may vote in a manner different from what is set out in our guidelines where we determine it to be appropriate in the circumstances.

### 2. PROCEDURES

#### 2.1 Voting Process

Once a client's account is established, the client's custodian forwards the proxy-related material and voting dates to *QIM*. A portfolio manager at *QIM*, or a designate thereof, then reviews the proxy-related material and, in accordance with these guidelines, votes on the particular issue. These votes are then transmitted either by electronic means, fax or paper, directly to the relevant party (which could be a third-party proxy voting service).

#### 2.2 Record Keeping Report

*QIM* will maintain a proxy voting report that details the following:

- (a) name of the issuer;
- (b) exchange ticker symbol of the portfolio securities, unless not readily available to the client account;
- (c) number of shares voted by *QIM*;
- (d) a brief identification of the matter or matters to be voted on at the meeting;
- (e) whether the matter or matters voted on were proposed by the issuer, its management or another person or company;
- (f) whether *QIM* voted on the matter or matters;
- (g) if applicable, how *QIM* voted on the matter or matters and whether those votes were in keeping with these guidelines;
- (h) whether votes cast by *QIM* were for or against the recommendations of management of the issuer; and
- (i) any other comments.



## 2.3 Preparation and Availability of the Proxy Voting Record

### 2.3.1 *Ongoing Maintenance*

QIM maintains an ongoing voting record in accordance with the requirements of section 2.2 herein.

### 2.3.2 *Requests by Clients*

A client of QIM may obtain a copy of our proxy voting record by requesting the voting record from us at [info@qubeinvest.ca](mailto:info@qubeinvest.ca) or by phoning 780-463-2688.

## 2.4 Annual Review

The following will be reviewed on an annual basis:

- (a) Timeliness of votes;
- (b) Adequacy of record-keeping and documentation;
- (c) Confirmation of proxy voting in accordance with these guidelines;
- (d) The Guidelines themselves.

## 2.5 Non-Voting of Proxies

There may be instances in which QIM may, despite best efforts, not be able to appropriately vote a proxy. Additionally, where QIM determines that the costs of entering a vote outweigh the potential benefit to its clients, or where the impact of voting will have a de minimus affect upon the matter voted upon, QIM will not be required to enter a vote for the matter in question.

## 2.6 Notification to Investor Relations

QIM believes it professional and productive to advise investor relations of our voting decisions and the reasons behind these decisions. As a result, it is our standard practice to send a copy of our voting report to investor relations on each proxy voted.

## 3. GUIDELINES AND STANDING POLICIES

### 3.1 Introduction

QIM's proxy voting guidelines cover generally, on a category-by-category basis, the following:

- (a) our policy for dealing with routine matters;
- (b) the circumstances under which we will deviate from the standing policy for routine matters; and
- (c) how we determine our vote (or refrain from voting) on non-routine matters;



### 3.2 Board of Directors

The board of directors' primary role is to protect the interests of all shareholders. Key functions of the board are to approve the direction of corporate strategy, ensure succession of management and evaluate performance of the corporation as well as senior management. The board is accountable to shareholders and must operate independently from management.

#### 3.2.1 *Independence of the Board of Directors*

##### *Guideline*

Directors have a legal obligation to act in the best interests of the company. However, it is difficult for anyone to avoid being influenced when in a conflict of interest. Directors have to be in a good position to hold management accountable for their performance as employees of the corporation. For this reason, the majority of board members should be independent from the corporation management or a majority shareholder. An independent member should not be a former employee of the company or a representative of a key supplier to, or a key client of, the company.

##### *Voting Policy*

QIM will rarely support a non-independent board member.

#### 3.2.2 *Director Qualifications*

##### *Guideline*

Directors must bring training and experience that is beneficial to the board. After 10 years of board service we do not believe they are independent and do not support an independent declaration.

##### *Voting Policy*

QIM will only support Directors that bring unique and relevant qualifications to the board.

#### 3.2.3 *Slate Voting*

##### *Guideline*

Some board elections call for shareholder approval on each Director, while others call for a vote from shareholders on all recommended Directors. The term, "Slate Voting", is used to reference when only one vote can be cast for all Directors on the ballot. Slate voting does not allow for separate evaluation and approval of Directors and is therefore considered by QIM less effective when ensuring a strong board to represent shareholders.

##### *Voting Policy*

QIM will vote against on all slate votes to protest this method of board election.





## 3.2.4 Director Attendance and Performance

### *Guideline*

Board membership requires a significant amount of time in order for responsibilities to be executed. Attendance at Board and Committee meetings is important and one of the few metrics we can use to evaluate Director Performance. Another metric can be the number of other board or employment positions the Director has committed to, as well as performance recorded at these other posts. Such evaluation has to be done on a case-by-case basis.

### *Voting Policy*

Generally QIM will look for Director attendance to exceed 75% participation when evaluating Director performance, unless extenuating circumstances have been disclosed in the proxy materials. QIM may also vote against a Director who appears to have too many non-beneficial existing commitments elsewhere.

## 3.2.3 Term Limits for Directors

### *Guideline*

While QIM is more concerned with the performance of directors than with a term limit, QIM does believe that a Director could lose objectivity and potentially independence after 10 years of service.

### *Voting Policy*

While reviewed on a case-by-case basis, QIM will generally not support a Director that has served for longer than 10 total (not consecutive) years. This would include board service at predecessor, amalgamated or successor firm/board.

## 3.2.4 Separation of Chair and CEO

### *Guideline*

When the Chair of the Board, who is responsible to shareholders, is also the CEO and responsible to management, conflicts of interest are bound to occur. This is unfortunately a common practice today and, when it occurs, requires checks and balances. For example, some corporations in this scenario will create an independent Corporate Governance Committee. QIM supports and encourages an orderly transition of the dual role into separation of Chair and CEO positions.

### *Voting Policy*

QIM will support all recommendations to separate the Chair from the CEO.



### 3.2.5 Committees of the Board

#### *Guideline*

The Audit and Compensation committees are the most significant committees of the board. These committees should be made up entirely of independent directors as they play a vital role overseeing corporate activities.

#### *Voting Policy*

QIM will only support the establishment of these committees when they are made up of independent directors.

### 3.2.6 Audit Process

#### *Guideline*

Auditor independence is vital to shareholders and the company's audited financial statements usually the only independently verified information shareholders have about the company's performance and financial condition. For this reason, the auditor has to meet the highest of independent standards. Further, the members of an audit committee should also be independent directors. The auditor should report directly to the Audit committee, and not to management. Hiring of the audit firm for work other than the audit can create conflicts of interest. Therefore, these assignments should be minimized and, more specifically, work outside of the audit should not exceed one third of the total audit fee. The audit firm should be rotated no less than every 10 years.

#### *Voting Policy*

QIM will generally support the choice of auditors recommended by the Audit Committee but will monitor the audit relationship in accordance with the guidelines noted. If the audit relationship has not been competitively reviewed within the past decade, we do not support the audit appointment.

### 3.2.7 Cumulative Voting

#### *Guideline*

Cumulative Voting allows a shareholder to concentrate the votes on one Director, as opposed to an affirmative or negative vote on each shareholder. While controversial, cumulative voting could discriminate against majority shareholders as it allows minority shareholders to band votes together on one director. While this may be considered an undemocratic vote counting method, we believe the worst-case scenario is that one director, representing minority shareholders, might be elected. That might actually do a world of good!



### *Voting Policy*

QIM will generally support cumulative voting, unless there is a clearly demonstrated issue presented by management against it.

### *3.2.8 Director Compensation*

#### *Guideline*

Directors should be compensated fairly for the time and expertise they devote on behalf of shareholders. Compensation should not be excessive. Directors should personally own significant shares in the corporation, and preferably receive remuneration in the form of shares. Boards need to be encouraged to fully and plainly disclose board remuneration.

### *Voting Policy*

QIM will review compensation to ensure that it is not excessive and will support the granting of share remuneration, because it better aligns the board and shareholders.

### *3.2.9 Director Terms*

Classified boards staggers board terms, with a minority of board members up for election each year. While this allows for continuity, it compromises accountability.

### *Voting Policy*

QIM will support all proposals to de-classify the boards, phasing out and eliminating staggered terms.

## *3.3 Shareholders*

Shareholders should be in a position to influence the future course of the corporation. Shareholder rights, like any other asset, should be protected and maintained. This can be done by staying informed about the issues, exercising proxy-voting rights, and communicating directly with management and directors.

### *3.3.1 Confidential Voting by Shareholders*

#### *Guideline*

The voting at annual and special meetings should be confidential and free from any potential coercion and/or impropriety.

### *Voting Policy*

QIM will support any proposals to introduce or maintain confidential voting, while opposing proposals to the opposite.



### *3.3.2 Takeover Protection – Shareholder Rights Plans*

#### *Guideline*

Some companies adopt shareholder rights plans that incorporate various anti-takeover measures, which may include Poison Pills, Crown Jewel Defenses, Payment of Greenmail, Going private Transactions, Leveraged Buyouts, Lock-up Arrangements and/or Fair price amendments.

Takeover Protection plans should be designed to ensure that all shareholders are treated equally in the event that there is a change in control of a company. These plans should also provide the Board with sufficient time to ensure that the appropriate course of action is chosen to ensure shareholder interests have been protected. However, many shareholder rights plans can be used to prevent bids that might in fact be in the shareholders' best interests. Depending on their contents, these plans may also adversely influence current share prices and long-term shareholder value.

#### *Voting Policy*

QIM will review each situation on a case-by-case basis and support proposals in which the takeover measure protects the rights of all shareholders, share values through an orderly and competitive process.

### *3.3.3 Dual Class Shares*

#### *Guideline*

It is not unusual for certain classes of shares to have more than one vote per share. This is sometimes referred to as a dual class share structure. This scenario can result in a minority class of shareholders having the ability to make decisions that may not be in the best interests of the majority of shareholders. Dual share classes can also create confusion or misunderstanding of corporate governance and control.

#### *Voting Policy*

QIM will vote against the creation of share classes that have unequal or multiple-voting rights. QIM will also support proposals to transition out of dual share classes.

### *3.3.4 Supermajority Approval*

#### *Guideline*

A two-thirds majority (67 percent) vote requirement is fairly common and any requirement above that level can, from a practical point of view, be difficult to obtain. A very high requirement can be unwieldy and therefore not in the best interest of the majority of shareholders.

#### *Voting Policy*



QIM will generally not support proposals for voting requirements that are greater than two-thirds, but will review supermajority proposals on a case-by-case basis.

### *3.3.5 Linked Proposals*

#### *Guideline*

Linked Proposals combine separate issues into one for the purposes of a proxy vote. Linked Proposals are often used to obtain passage of certain proposals that might not be approved if separately presented.

#### *Voting Policy*

QIM is against the submission of Linked Proposals and will look at each component of a Linked Proposal separately.

### *3.3.6 Unlimited Share Issues/Increase in Authorized Shares*

#### *Guideline*

Corporations may increase their authorized number of shares in order to implement a stock split, to support an acquisition or restructuring plan, to use in a stock option plan or to implement an anti-takeover plan. Shareholders should approve of the specific business need for the increase in the number of shares and should understand that the issuance of new shares can have a significant effect on the value of existing shares.

#### *Voting Policy*

We will generally oppose proposals to increase the number of authorized shares to "unlimited", but will consider any proposals to increase the number of authorized shares on a case-by-case basis.

### *3.3.7 Shareholder Proposals*

#### *Guideline*

Shareholders should have the opportunity to raise their concerns or issues to company management, the board and other shareholders. As long as these proposals deal with appropriate issues and are not for the purposes of airing personal grievances or to obtain publicity, they should be included on the proxy ballot for consideration.

#### *Voting Policy*

Shareholder proposals will be reviewed on a case-by-case basis.

### *3.3.8 Disclosure of Voting Results*

#### *Guideline*

Proxy voting results at annual and special meetings should be released in a timely manner



and include, at a minimum, the votes for, against and withheld.

### *Voting Policy*

We will support proposals to disclose the results of proxy voting on a timely basis.

### *3.3.9 Other Business*

#### *Guideline*

We feel that allowing Boards to include “other business” as a proposal on a proxy ballot gives them far too much leeway to obtain shareholder approval for proposals that the shareholders have not had an opportunity to review and consider.

### *Voting Policy*

We will generally not support “other business” proposals.

## 3.4 Management

Shareholders should understand the compensation plan and philosophy behind it. Corporations should describe at least their executive compensation plan in a clear and comprehensive manner. Compensation should be reasonable and defensible, based on what that employee has committed to within his or her contract. Above average pay should be reserved for above average performance.

### *3.4.1 Executive Compensation Disclosure and Reporting*

#### *Guideline*

Both Canadian and American companies are required by securities regulations to disclose executive compensation in a comprehensive manner. Directors and compensation committees should submit compensation plans to shareholders for approval and in some jurisdictions are required to do so by law (say-on-pay).

### *Voting Policy*

QIM will support only clear, comprehensive and defensible compensation commitments made to all employees, including executives. QIM will further support proposals to report compensation levels on an annual basis. QIM will also support regulatory intervention in Canada to legislate Say-On-Pay disclosure. Generally, executive pay in quantum (beyond 100 times the average Canadian worker) exceeds what we believe is reasonable and therefore will tend to vote against executive pay packages.

### *3.4.2 Underwater Stock Options and Option Re-pricing*



### *Guideline*

When the market price of a company's shares is lower than the exercise price of the stock option (called underwater options), companies may seek to change the exercise price to match the lower market price or to withdraw the option and reissue it at the lower rate. In either case, this practice could be considered to undermine the purpose of awarding share-based compensation by eliminating the risk for executives that other shareholders must accept when investing in the company.

### *Voting Policy*

QIM will vote against re-pricing stock options or reissuing underwater options. QIM will also vote against extending or changing the terms of option agreements that are underwater.

### *3.4.3 Change of Control Provisions in Share-Based Compensation Plans*

#### *Guideline*

Equity-based compensation plans often include provisions that allow equity-based grants to vest immediately if the company changes hands. Such plans can create incentive for executives and directors to pursue changes in control that may not benefit other shareholders.

#### *Voting Policy*

QIM will vote for change of control provisions in share-based compensation plans only if the change in control is associated with the executive losing his or her job in connection with the change of control.

### *3.4.4 Dilution from Employee and Director Share-Based Compensation*

#### *Guideline*

Equity-based compensation plans dilute the earnings and voting strength of the company's shares. The level of acceptable dilution is relative to the size of the firm, but needs to be monitored on a regular basis.

#### *Voting Policy*

QIM will vote against equity-based compensation plans if the company's overall dilution is 10% or greater.

## **3.5 Social and Environmental Issues**

Responsible practices of a corporation apply to its relationship with its employees, suppliers, customers, local community and natural environment. These responsibilities are important and need to be taken seriously, not just for support of share values, but also because it is the right thing to do.



The consequences of climate change are being widely recognized as risks that businesses of all kinds must address. Climate change has investment implications for shareholders whose diverse portfolios expose them to risks across a wide range of economic sectors.

### *3.5.1 The Global Reporting Initiative*

#### *Guideline*

The Global Reporting Initiative (GRI) is an international NGO and collaborating centre of the United Nations Environment Programme that has developed the world's most widely used framework for sustainability reporting. This reporting framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.

#### *Voting Policy*

QIM will vote for and encourage proposals to either begin reporting to the GRI, or to increase the reporting level to the GRI.

### *3.5.2 Human Rights*

#### *Guideline*

Conducting business in a country that has been accused of persistent, gross and systemic violations of human rights can jeopardize a company's reputation, even if the company tries to distance itself from the human rights abuses. All business conduct, regardless of location, should exceed with international human rights standards, not just to support share values, but also because it is the right thing to do.

#### *Voting Policy*

QIM will vote for proposals requiring the corporate adoption of international human rights standards, the Universal Declaration of Human Rights (or better), and for proposals that ask for increased reporting on human rights policies and practices.

### *3.5.3 Climate Change*

#### *Guideline*

The Global Framework for Climate Risk Disclosure is a set of guidelines, created in consultation with the Global Reporting Initiative and the Carbon Disclosure Project on how corporations can report on their climate change risks and management strategies.

#### *Voting Policy*

QIM will vote for and encourage proposals that ask companies to examine and/or report on the risks and opportunities they face related to climate change, provided this information is not already available and easily accessible to shareholders.





### *3.5.4 Political Contributions (Direct and Indirect)*

#### *Guideline*

“inquires and makes a reasonable effort” annually to find out where dues and other expenditures more than \$25,000 were used for lobbying or political contributions

#### *Voting Policy*

QIM will vote for and encourage proposals that ask companies to report publicly, regularly, and in detail their political contributions, whether directly to political parties, candidates, or committees, or indirectly by being a donor and/or member in a trade association or other tax-exempt group whose monies are used for political purposes.

### *3.5.5 Lobbying Efforts (Direct and Indirect)*

#### *Guideline*

Companies will hire professional advocates to lobby government officials on issues that are important to their continued success. Lobbyists have often spun through the “revolving door” of public service to use their personal connections to advance the goals of their current private employers.

#### *Voting Policy*

QIM will vote for and encourage proposals that ask companies to examine and/or report on the risks and opportunities they face related to climate change, provided this information is not already available and easily accessible to shareholders.

