PROXY VOTING GUIDELINES

DESCRIPTION

One of the key aspects of effective stewardship comes in the exercise of voting rights pertaining to client investments. Guardian Capital LP (Guardian) believes that active ownership through both engagement and the exercise of proxy votes is one of the key ways to ensure companies focus attention on the matters that shareholders value most. The proxy vote is an important asset of any portfolio and can be used as a tool to encourage good governance and sustainable corporate practices in the companies in which we invest.

PURPOSE

The primary focus of our management of proxy voting is to maximize shareholder value. One of the ways of ensuring that companies focus attention on maximizing value for shareholders is through strong corporate governance. Well-managed companies, with strong, focused governance processes, generally, produce better long-term investment returns for all investors. Guardian also takes into consideration the investee company's commitment to sustainable environmental practices, and consideration of social policies that foster the well-being of all stakeholders, when voting proxies.

PRINCIPLES

As an active owner and signatory to the United Nations-supported Principles for Responsible Investment, Guardian integrates considerations of environmental, social and governance ("ESG") matters into its investment analysis and stewardship activities with the objective of enhancing long-term investment performance for our clients. When voting proxies, Guardian believes that investee companies that demonstrate a commitment to sustainable environmental practices, incorporate social policies that foster the well-being of all stakeholders, and follow strong, focused governance processes, generally produce better long-term investment returns for all investors.

There is no universally applicable governance model for every company, but Guardian believes in four broad fundamental principles to apply when evaluating corporate governance systems:

Accountability: Boards should be accountable to shareholders by holding regular board elections, by providing sufficient information for shareholders to assess directors and board composition and by providing shareholders with the ability to remove directors. Directors should respond to investor input such as that expressed through vote results and shareholder engagement.

Stewardship: A company's governance, social and environmental practices should meet or exceed the standards of its market regulations and general practices and should take into account relevant factors that may materially impact the company's long-term value creation.

Independence: Boards should align their interest with what is best for the company. In order to do so, boards should be sufficiently independent from management to ensure they are able to effectively supervise management's performance for the benefit of all shareholders.

Transparency: Companies should share information in a sufficiently open and timely manner to enable shareholders to understand key issues and make informed investment and voting decision.

These principles guide our approach to meeting our fiduciary responsibility, with respect to voting, by promoting long term shareholder value creation and risk mitigation in our investee companies through support of responsible and sustainable global corporate governance, environmental and social practices.

APPLICATION

The following guidelines are intended to summarize Guardian's general philosophy and approach to the most common proxy voting issues. The guidelines are utilized for reference purposes by Guardian's investment teams and are applied with discretion.

At Guardian, we recognize that our investment teams are the most knowledgeable about their companies and markets and are best positioned to understand the nuances and specific circumstances of material engagement and proxy voting matters. All proposals being voted on are evaluated by our investment teams on a case-by-case basis, which takes into consideration a range of issues including, but not limited to, a company's industry, country of origin, local practices, and governance codes.

We also believe that engagement and proxy voting work hand in hand as part of a broad stewardship approach and our portfolio managers may choose to engage with companies on any concerns that arise through proxy voting proposals in combination with the determination of a voting decision.

These principles and guidelines are reviewed on a regular basis to ensure they reflect evolving global governance best practices. Where best practices are noted, they are supported by research and recommendations from the International Corporate Governance Network, Canadian Coalition for Good Corporate Governance and Institutional Shareholder Services (ISS).

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BOARD COMPOSITION AND STRUCTURE

Guardian believes that sound corporate governance — underpinned by a capable, well-functioning board — is integral to a companies' ability and likelihood of achieving its full long-term value creation potential. Guardian will seek to engage with the appropriate directors where Guardian has concerns about issues that matter to us as long-term investors, including the effectiveness of the board as a whole or of individual directors. When a company is not effectively addressing a risk that could impact long-term value, its directors should be held accountable.

High performing boards are ones that:

- Are accountable and independent.
- Have experienced, knowledgeable, and effective directors with the highest levels of integrity.
- Have clear roles and responsibilities.
- Engage with shareholders.

When evaluating board composition, Guardian will consider factors including, but not limited to, board size, board independence, board diversity, board committee structure, separation of board and management, board risk management and board responsiveness.

Voting for Directors

Guardian will generally vote for the directors nominated by management unless these guidelines indicate otherwise or the long-term performance of the corporation or directors have been unsatisfactory, including instances of material governance failures or significant failures in risk oversight on material ESG issues, such as climate change. Guardian will also consider any issues that come to our attention regarding a director's performance at another public company.

When evaluating the performance of individual directors, Guardian will consider factors including but not limited to board tenure, number of directorships held, meeting attendance, experience, and relevant skillset.

<u>Board Independence</u>

Principle
Guardian believes that in order to carry out its fiduciary duties to shareholders in an effective and objective manner, boards must be independent. In assessing the independence of directors, Guardian will look at each nominee's current and former relationships with the company, its associated entities, other board members, and senior management or controlling shareholder. An independent director is generally one who is free from any material interest or relationship that could otherwise deter his or her ability to act in the best interests of the corporation and its shareholders.

Voting Guideline

- Guardian will generally not support directors who are not independent if the proposed board is composed of less than a two-thirds majority of independent directors.
- Guardian will generally support proposals that limit executive management members sitting on the board to the CEO only.
- For equity-controlled companies, Guardian view it as reasonable for a controlling shareholder to have representation on the board proportionate to its economic interest up to a limit of two-thirds of the board.

Separate of Chairman of the Board and CEO

Principle
One of the principal functions of the board is to monitor and evaluate the performance of the CEO and other executive officers. Guardian is of the view that the Chair of the Board and CEO should be separate roles held by different people to ensure objectively, as these roles have different responsibilities and functions. The chair is the leader of the board of directors, which is responsible for selecting and replacing the CEO, setting executive pay, evaluating managerial and company performance, and representing shareholder interests. The CEO, by contrast, is responsible for maintaining the day-to-day operations of the company and being the company's spokesperson.

Voting Guideline
- Guardian will generally support boards where the Chairman and CEO positions are separate.
- Guardian will generally support proposals to separate the positions of chair and CEO.
- If a controlling shareholder controls more than 50% of the common shares of a company, the roles of CEO and Chair may be combined, provided there is a lead director who is an Independent Director and the board has an effective and transparent process to deal with any conflicts of interest between the Controlled Corporation, minority shareholders and the Controlling Shareholder. The Independent Director must be accompanied by majority independence on the board and key committees, and the absence of any problematic governance practices.

Board Size

Principle
Guardian is of the view that boards should be of a reasonable size to be effective and provide diversity of thought. Boards with too few members decrease the opportunity for differing opinions and point of views which reduces the experience and expertise required to carry out the functions of the board. Alternatively, boards with too many members may result in some members not making an optimal contribution to the board.

Voting Guideline
- Guardian believes the optimal size for corporate boards is between 5-16 directors. Where the number of directors is outside this range, Guardian will generally withhold or vote against approval of the board if we believe that board effectiveness has been compromised.

Board Diversity

Principle
Guardian believes that board diversity contributes to long term sustainable performance. Having a diverse board ensures that a wide range of perspectives and competencies are fostered, which will ultimately lead to better decision-making and overall board effectiveness.

Guardian believes that boards should adopt and disclose a written diversity policy for board members. Best practices indicate that companies also set board gender diversity targets and disclose progress on reaching those targets and the strategies or plans employed to achieve them. Consideration will also be given to a board's approach to gender diversity in executive officer positions and any related goals, targets, programs or processes for advancing women in executive roles.

Voting Guideline

- Guardian will generally support boards that have a written board diversity policy in place and who acknowledge a consideration of diversity as a part of board succession planning.
- Guardian will generally support boards which exhibit evidence of, or progress on, diversity in board representation.
- Guardian will evaluate proposals asking a company to increase reporting on or increase the gender and racial minority representation on its board on a case-by-case basis, considering:
    - the degree of existing gender and racial minority diversity on the company's board and among its executive officers and how that representation compares to companies of similar size and industry sector;
    - whether the board already reports on its nominating procedures and gender and racial minority initiatives on the board and within the company;
    - whether the proposal includes an overly prescriptive approach or targets;
    - the independence of the company's nominating committee; and
    - whether the company uses an outside search firm to identify potential director nominees.

Best practices in developed markets indicate that gender balance should not be less than 40% or more than 60% for one gender. Research has shown a 30% target constitutes "critical mass" and therefore the ideal balance should be higher so that views of the diverse members are carried at the same weight as others in the group.

<u>Board Committees</u>

Principle

Committees have become accepted mechanisms of corporate governance. Given the importance and complex nature of specific committee mandates, board committees require a degree of expertise in addition to greater independence. Corporations of a sufficient size should, at a minimum, include the following committees of the board:

Audit Committee: The audit committee should be responsible for ensuring the accurate accounting and reporting of the company's financial performance, ensuring that adequate internal control measures exist, and overseeing the annual external audit of the corporation. Guardian believes that audit committee members require sufficient professional expertise to effectively carry out their duties and will consider a lack of expertise and/or relevant experience in our assessment of the committee.

Corporate Governance Committee: The corporate governance committee should be responsible for the oversight of the governance of the corporation.

Nominating Committee: The nominating committee should identify the board's need for new or additional directors and skill sets, and then recruit, nominate and orientate new directors. The committee should also assess the need for certain skills on the board that may be lacking.

Compensation Committee: This committee should be responsible for the direction and oversight of the company's executive compensation program and for regularly evaluating the performance of senior management.

The Chair and majority of committee members should all be independent directors.

Voting Guideline

- Guardian will generally withhold support for any non-independent board members who chair any of the above committees.
- For the audit, corporate governance, and nominating committees, a majority of the members and the chair should be independent.
- For the compensation committee, all members of the compensation committee should be independent of management given their responsibility in designing the compensation structure for senior executives.
- Guardian will generally support proposals to prohibit CEOs of other listed companies from sitting on the compensation committee.
- Guardian will generally not vote against the board for failing to establish any or all of the above committees but will encourage the board to establish them and will support proposals to establish any of the above committees.

<u>Board Oversight and Risk Management</u>

Principle

One of the primary responsibilities of the board is to understand the risks facing the company and to ensure that management has put in place appropriate measures to identify, monitor and manage those risks. This responsibility extends to the management of business risk, climate risk, energy transition risk, financial risk and any other risks pertinent to the company. While initial responsibility for risk management may be delegated to a committee of the board, it is ultimately the responsibility of the entire board.

Proper succession planning is also an important responsibility of senior management and the board, particularly when it comes to identifying candidates for the CEO role. Companies and boards should have a robust succession planning process and fully disclose to shareholders the process to ensure that the company follows that process.

Voting Guideline

Proposals to establish a risk committee, including a climate risk committee, of the board will be assessed on a case-by-case basis. These proposals will be assessed in the context of the risk profile of the company, the oversight structures currently in place, and how effectively those risks are being managed.

<u>Overboarding</u>

Principle

Guardian is of the view that directors must be able to devote sufficient time and energy to attend to their duties and other commitments. When directors serve on an excessive number of boards, they are considered over-boarded and may not be capable of fulfilling all duties.

Voting Guideline

Guardian will generally withhold support for:

- The election of non-executive director serving on more than five public company boards.
- The election of executive directors who serve on more than two public company boards besides their own company.
- The above does not apply in the case of boards of companies within the same group or corporate structure.

Tenure of Directors

Principle
Guardian believes that long board tenure could potentially compromise the independence and objectivity of board members. Guardian considers board renewal as an important component of overall board effectiveness. In order to facilitate board renewal, Guardian encourage boards to consider the tenure of individual directors as well as the range of tenures throughout the board as part of its annual board assessment.

Voting Guideline
- Guardian will assess the independence of all directors annually regardless of length of service
- Guardian will generally not support directors with a tenure of more than ten years if we believe that their longevity on the board has impaired their independence.
- Guardian will evaluate shareholder proposals to introduce term limits for directors on a case-by-case basis.

Director Attendance

Principle
Directors should be able to commit sufficient time and energy to carry out their duties in an effective manner. While attendance at board and committee meetings is not the only measure of director performance, poor attendance makes it difficult for directors to carry out their responsibilities effectively.

Voting Guideline
- Guardian will generally not support existing directors if they have attended less than 75% of the board and committee meetings in aggregate, unless there are extenuating circumstances.
- Guardian encourages companies to disclose a summary of the frequency of key committee meetings and attendance for those meetings.

Performance Evaluation of Directors and Board

Principle
A board must evaluate its own performance, which presents a conflict of interest. Guardian believes the best way to deal with this conflict is for the board to adopt its own statement of principles and guidelines for evaluating the performance of directors and the effectiveness of the board. The board should prepare annual evaluations based on these principles and guidelines and should summarize the results of that evaluation in the annual proxy circular.

Voting Guideline
- Guardian will generally support proposals to develop and institute performance evaluations for a board of directors and to disclose a summary of the results of those evaluations in the annual proxy circular.

Board Responsiveness

Principle
In keeping with market expectations and practices, a lack of board response to shareholder majority votes or majority withhold votes on directors is unacceptable. Board responsiveness is a fundamental principle that should apply when determining votes on director nominees.

Follow-up action by the board is warranted where a director is not supported by a majority of the votes cast by shareholders or where a shareholder proposal receives a majority of support. The disclosed board response and rationale will be taken into consideration in cases where a director's resignation is not accepted by the board or the concern that caused majority shareholder support has not been addressed

Voting Guideline
On a case-by-case basis, Guardian may withhold votes for continuing individual directors, nominating committee members, or the continuing members of the entire board of directors if:

- at the previous board election, any director received more than 50 percent withhold votes and the nominating committee has not required that the director leave the board and/or has not provided another form of acceptable response to the shareholder vote.
- the board failed to act on a shareholder proposal that received the support of a majority of the votes cast (excluding abstentions) at the previous shareholder meeting.

Auditor Ratification

Principle
The audit plays a vital role in the corporate governance process. Not only does it verify the financial performance of a company, but it also identifies any deficiencies in the internal control mechanisms of the company.

Guardian believe that a company’s external auditor must be free from conflict of interests. The role of external auditor should be put to tender on a regular basis. In addition, the lead audit partner should be rotated regularly. When Guardian assesses the independence of the auditor, we will also consider any non-audit fees versus audit-related fees paid and the length of the auditor’s tenure, both of which could potentially impact independence.

Voting Guideline

- Guardian will generally support the choice of auditors recommended by the audit committee.
- On a case-by-case basis, Guardian may vote against the ratification of the auditor where:
  - the audit firm’s tenure exceeds 20 years, or the tenure is not disclosed;
  - the lead audit partner has not been rotated periodically;
  - fees for non-audit services exceed 100% of standard audit-related fees;
  - there are serious concerns relating to the effectiveness of the auditors;
  - the lead audit partner has been linked with significant audit controversy;
  - there are serious concerns relating to the company’s accounting practices or financial reporting; or
  - the lead audit partner has previously served the company in an executive capacity or can otherwise be considered affiliated with the company.

EXECUTIVE COMPENSATION

Establishing a sound executive compensation program that both attracts and retains executive talent and delivers outcomes aligned with long-term shareholder interests is one of the critical responsibilities of the board of directors. When determining executive compensation programs, Guardian expect the board to establish a compensation philosophy, to review current executive compensation against market practices and an appropriate peer group, to assess the impact on the business prior to making final approvals, and finally to report the process and results to its shareholders.

Guardian takes into consideration multiple factors when evaluating executive compensation. Guardian will generally support compensation plans where:

- The components of compensation are aligned with, and support, the strategic objectives of the company over both the short-term and long-term.
- A significant component of executive compensation is based on performance.
- "Performance" is based on key business metrics that are aligned with corporate strategy and the period during which risks are being assumed.
- Compensation plans reward appropriate risk-taking consistent with the risk profile and are focused on maintaining the quality and sustainability of earnings over the long term.
- Executives build equity in the company to align their interests with those of shareholders
- The board ensures that benefit entitlements (i.e. pensions, benefits, severance, change of control entitlements) are not excessive.
- The compensation structure is simple and easily understood by management, the board and shareholders.

Compensation Structure

Principle
Guardian has seen compensation plans with increasingly complex structures. Overly complex compensation plans make the proper assessment of pay and performance alignment difficult and, in some instances, this complexity facilitates misalignment between pay and performance. In contrast, a simplified structure incentivizes management to create long-term, sustainable shareholder value, reduces the burden on compensation committees, and promotes a clearer understanding of compensation opportunities and alignment between those opportunities and company performance.

Voting Guideline
Guardian will generally support simplified pay practices with the following core features:

- Competitive base salary
- Annual incentives tied to performance on short-term material strategic goals
- Long-term, time-vesting restricted share units (RSUs), where the vesting period extends over five or more years

For compensation plans using this structure, companies are also encouraged to implement stock holding requirements which incorporate a vesting schedule.

Guardian will consider supporting proposals to link executive compensation to the company's achievement of goals that go beyond traditional financial metrics, provided that those goals will improve the company's long-term performance and sustainability.

Compensation Report and Say-On-Pay

Principle
The compensation report in the proxy circular is the primary means by which shareholders obtain information to assess the compensation practices of the company. This report should be clear, concise and fully disclose all methods of compensation and performance measures. Furthermore, this report should present the information in a format that will allow all shareholders to easily determine total compensation for an individual. When considering whether to approve a company's advisory vote on executive compensation, Guardian will consider the company's overall compensation philosophy in the context of all relevant factors, including:

- Whether pay is aligned to long-term sustainable performance.
- Whether the company has provided adequate disclosure of specific performance metrics and measures and discloses performance against those metrics.
- Whether the company has poor executive pay practices.
- Whether the company has manipulated its equity compensation plans through stock option backdating, or re-pricing, or the use of non-GAAP performance metrics without a reasonable rationale.
- Whether the company uses time vesting or performance vesting for equity awards, with particular consideration where equity awarded lacks a performance-based component.
- Whether the company has established meaningful stock holding requirements for executives and whether it has claw back policies in place in the event of accounting restatement or wrongdoing.
- Whether overall amounts of executive compensation are reasonable relative to company peers, other employees, and the value added by the executive.
- Whether the executive compensation plans are overly complex or duplicative.
- Whether the company's executive compensation plans give directors excessive discretionary power over awards.
- If there are significant levels of dissent on the say-on-pay vote over two or more consecutive years.

Voting Guideline

- Guardian will generally support proposals that require full or enhanced disclosure of compensation for senior executives.
- Guardian will generally support proposals requiring an advisory vote by shareholders to approve the annual compensation report (i.e. "say-on-pay").
- Where a say-on-pay proposal fails to obtain the support of at least 60% of its shareholders Guardian will expect a substantive board response. Boards should engage with their significant shareholders to determine the nature of their concerns with the company's executive compensation practices. If those concerns are not adequately addressed in the next proxy circular, Guardian will generally withhold/vote against the members of the compensation committee of the board.
- Guardian will assess all say-on-pay proposals on a case-by-case basis, but will generally support plans that demonstrate most or all of the following best practices:

  Short-term incentives:
  - Short-term incentives should be reliant upon annual performance measures, though the time frame could be longer but should not be less than 1 year. Short-term performance measures should not be adjusted, except in very limited circumstances, and never after the performance period has passed.

  Long-term incentives:
  - Long-term incentives should have vesting terms consistent with the company's capital allocation and investment horizon and should be a minimum of 3 years and subject to the continuance of the performance condition under which the incentives are awarded.

  Variable compensation:
  - Variable compensation components should include caps to limit the incentive for excessive risks to achieve short-term performance.

Share repurchase plans:

- Share repurchase plans strictly designed to offset share plan dilution should be discouraged.

Prohibited from hedging:

- Companies should prohibit directors and executives from directly or indirectly hedging or monetizing the value of shares held in the company.

Performance component:

- Performance should be measured on absolute basis and relative to a list of peers.
- Performance component should be variable and dependent on performance, not deferred base salary.
- Performance awards should be based on intrinsically risk-adjusted financial and non-financial measures and should include share-based awards (i.e. Performance Share Units, or a mixture of PSU and time vesting Restricted Share Units).
  - Stock options: Where stock options are used, they should be de-emphasized in favour of other forms of equity-linked compensation in order to avoid situations where management can participate in upside of share performance but not the downside. Serious consideration should be given to introducing performance-vesting provisions.
- Performance measures governing the vesting of short-term and long-term incentives is strongly preferred. Time accelerated vesting should be discouraged as a legitimate or desirable performance vesting methodology.
- Performance hurdles should measure sustained performance over long periods that span multiple accounting periods. They should be designed to minimize or eliminate potential adverse incentives (i.e. avoid claw back policies that provide re-capture of performance related pay in cases of misconduct, avoiding financial restatements or fraudulent reporting if either resulted in the vesting of an award, limiting the level of payout at threshold or avoiding cliff edge vesting).
- If performance targets are significantly exceeded, compensation above target levels may be warranted, provided that compensation is similarly reduced in the event that performance is below target.
- It generally is preferable to align payouts with the period in which risks are realized and to use intrinsically risk-adjusted economic efficiency measures and equity-based compensation, rather than to rely on a recoupment policy.

Performance metric:

- Metrics should include broad corporate financial metrics as well as individual and/or corporate measures key to managing risk.
- There should be a minimal focus on total shareholder return as a key metrics. A more preferable metric would focus on ROIC (return on invested capital) and ROA (return on asset).
- Metrics should be evaluated on a “per share” basis and discourage growth for growth’s sake.
- ESG should be tied to performance key performance indicators.
- Consideration should be given both to performance in the year and to metrics measured over longer periods related to the long-term viability of the company.
- Period over which compensation is paid should be aligned with the period in which performance is achieved and the associated risks are assumed.

Required ownership level:

- Company's shareholding guidelines should require a significant ownership level over an appropriate period of time.
- Executives should be required to maintain ownership for a minimum of 2 years following their departure from the company.

Stock options:

- If there is a significant sustained drop in the company's share price, the board should not directly or indirectly "re-price" stock options.

Claw back / compensation recoupment:

- Companies should adopt a "claw back" policy in the event of a material restatement of financial statements due to wrongdoing to ensure executives do not benefit from such occurrence.

Benefit entitlements:

- Boards should impose an annual limit on Supplementary Executive Retirement Plans (SERP) payments on retirement to ensure that the total pension entitlement is reasonable and does not amount to additional non-performance linked compensation.
- If a company has a written employment agreement with an executive, it should ensure that the termination provisions are reasonable and are not overly generous in order to avoid "pay for failure".

Change of control provision:

- Any change of control provision should have a "double trigger" requirement, meaning that
  1) an actual legal change of control has occurred, and
  2) the executive has been terminated by the company. This includes termination by way of constructive dismissal through a downgrade of pay and/or responsibilities during a specified time period following the change of control.
- Severance payments on termination after a change of control should be substantially the same as are payable on a normal dismissal without cause.

External consultant:

- When external consultants are retained by the board, the board should ensure that the consultant is independent of management.

<u>Excessive Executive Compensation</u>

Principle

In recent years, Guardian has witnessed some executive compensation packages reach excessive levels, with insufficient correlation to individual or corporate performance. Guardian believes that executive compensation should be performance based and should align the interests of executives with the long-term interests of shareholders.

Voting Guideline

Guardian will generally support executive compensation plans that are fair and oppose those that are excessive. Guardian will review excessive compensation payments on a case-by-case basis and but will generally support proposals that:

- have performance criteria clearly disclosed and defined in addition to detailed disclosure of whether and how those criteria have been met.
- are comparable in magnitude and measurement to executive compensation payments of peers.

- require executives to hold a substantial portion of their equity compensation awards, including shares received from option exercises, during their employment with the company and for some reasonable time after leaving the company.

Inclusion of Non-GAAP Performance Measures

Principle
While Guardian is not against the use of non-GAAP performance measures in executive compensation, their presence necessitates additional disclosures in proxy circular disclosures in order to fully understand the decision-making process.

Voting Guideline
Guardian will generally support policies where Boards include:

- An acknowledgement of the board's responsibility for vetting non-GAAP measures and scrutinizing any adjustments proposed by management
- An explanation of the process and parameters used by the board to determine appropriateness of individual adjustments and rationale for any material adjustments made in the previous year.
- Clear definitions of all non-GAAP measures used.
- Where applicable, a detailed reconciliation of non-GAAP measures to the closest GAAP measure and some context regarding the magnitude and trend of adjustments.
- Confirmation as to year over year consistency in calculation of non-GAAP measures, or disclosures of changes made to calculation methodology, along with rationale for such changes and their implications in terms of year over year comparability of performance metrics.
- Ideally, an independent third-party review process of the measures selected.

Environmental, Social, and Governance (ESG) Linked Compensation

Principle
Guardian is of the view that companies should adopt a clear process for identifying appropriate ESG metrics that relate to sustainable returns and company strategy. An appropriate ESG metric should be linked to reward systems in a way that they form a meaningful component of the overall framework. Companies should disclose clearly and concisely the rationale, method, and challenges in determining the ESG metric.

Voting Guideline
Guardian generally supports compensation structures where:

- ESG metrics have a clear link to the optimization of shareholder value and are aligned with the long-term business strategy.
- ESG metrics are forward looking, clear, attainable, comparable, and time-bound.
- ESG targets are integrated into an appropriate time horizon in line with business strategy.
- ESG targets are stringent and challenging to ensure incentivizing outperformance.
- Disclosures of metrics and targets are understandable and provide sufficient information to allow investors to assess performance.

Director Compensation

Principles
Guardian believe that directors must be compensated adequately for their time and energy required to fulfill their responsibilities. However, the compensation structure for directors must

be designed in a way that will not compromise the independence of the board. Director compensation should reflect the expertise and time commitment of board members and may vary for different director roles. Guardian believe that directors should maintain meaningful level of ownership in the company by a certain time after appointment to better align their interests with those of shareholders. Importantly, director compensation policies should be transparent and have minimal complexity.

Voting Guideline
Guardian generally supports director compensation policies that:

- provide comprehensive disclosure and transparency regarding components of director compensation including the philosophy and process to determine the structure.
- include share-based renumeration and/or minimum shareholding requirements with appropriate holding periods including 2 years past stepping down from the board
- award fees that reflect individual experience and qualifications while also reflecting the expected time commitment.
- do not contain meeting attendance fees or special one-off awards.

Guardian is generally against stock options and performance-based compensation for directors because they can create incentives for directors, which are not aligned with interest of shareholders. Stock options provides upside exposure to share prices but no downside exposure while performance-based compensation could potentially align the interest of the Board with the interest of management, which should be avoided.

SHAREHOLDER RIGHTS AND PROTECTIONS

Dual Class Shares and Unequal Voting Rights

Principle
A company with dual class shares (DCS) gives multiple votes per share to a certain class of shares, resulting in unequal voting rights between classes of shares. This violates the principle of one share, one vote. Companies with multiple voting shares give minority shareholders the ability to make decisions that may not be in the interests of all shareholders or may not be supported by the majority of shareholders.

Voting Guideline
Guardian will consider any proposal to eliminate unequal voting right structures or to enhance the voting rights of long-term shareholders on a case-by-case basis, in light of the particular circumstances of the company and the legal regulatory regime to which it is subject.

Where companies have existing dual class share structures in place, additional attributes will be considered to ensure companies address concerns of alignment, fairness, and protection of shareholders. These attributes should include:

- Holders of Multiple Voting Shares (MVS) should be required to have a meaningful equity ownership stake in the company.
- Coattail provisions are in place to protect holders of Subordinate Voting Shares.
- Provision that the DCS structure should collapse at an appropriate time as determined by the board of the company, unless a majority of outstanding Subordinate Voting shares, voting separately as a class, approve the continuation of the DCS Structure.

- Holders of MVS should not be allowed to monetize their shares by entering into derivative transactions to ensure proportion of control to equity is aligned with the interest of shareholders.
- Disclosure of voting results broken down by each class of share to provide greater transparency.

Guardian will generally not support the creation or extension of an unequal voting right structure without substantial proof that such a plan is critical to the success of the firm as a result of specific and unique challenges. Any such plan must be subject to future approval by the holders of the subordinate voting shares at regular and pre-determined intervals.

Specifically, if a DCS company is created and taken public by entrepreneur founders, then a DCS structure might be defensible when the founders have a meaningful equity stake in the company and bring a unique contribution to the company which justifies maintaining control that is not proportional to equity ownership. If the founders are no longer actively involved in directing or managing the company, or no longer have a meaningful equity stake in the company, then that rationale for the existence of a DCS structure ceases to exist. In those circumstances, the DCS structure should collapse unless a majority of the outstanding SV Shares vote separately as a class to continue it.

<u>Proxy access</u>

Principle
Guardian believe that a robust process for nominating directors is fundamentally important for creating an effective board and that shareholders have a role to play in that process. Significant shareholders should have the right to nominate a number of directors for election in the ordinary course, outside of any contest for control, and should have their nominees included in the proxy circular in the same manner as the company's nominees.

Voting Guideline
Guardian will generally support proposals that provide shareholders owning at least 3% of a company's voting shares (individually or together with other shareholders) access to the company proxy statement to advance non-management board candidates comprising no more than 25% of the total board.

Guardian will not support by-law amendments that place unreasonable conditions or restrictions on shareholders' ability to nominate directors. If proxy access provisions are used to unreasonably restrict the rights of shareholders, Guardian may withhold votes from the members of the corporate governance and nominating committees.

In general, Guardian will withhold support for proxy access proposals if the access right could be used to promote hostile takeovers by allowing for nomination of more than 25% of the board.

<u>Disclosure of voting results</u>

Principle
Guardian believe that shareholders have the right to know whether a proposal has been passed or defeated, as well as the number of votes for, against and withheld. Additionally, all proposals should be cast by ballot rather than a show of hands, as this will ensure that all shareholders, whether present at the meeting or not, will be treated equally. In order to maintain the integrity of the proxy voting process, it is recommended that vote results be subject to independent verification.

Voting Guideline
Guardian will support proposals for the prompt disclosure of proxy voting results, to eliminate the practice of voting by a show of hands, and to adopt independent verification of proxy voting

Equity issues

Principle
Shareholders should exercise control over the issuance of shares, especially when that issuance will result in significant dilution of ownership. This allows shareholder input on major decisions that affect the long-term interests of shareholders and the company.

Voting Guideline
Guardian will review all proposals regarding private placements and the issuance of equity on a case-by-case basis but will vote against any proposal that will cause excessive dilution without a valid business need.

Takeover Protections

The takeover protection measures that are available to boards and management can be a double-edged sword for the shareholder. They can be used to protect shareholder value by defending the company from hostile takeover bids that do not represent a fair value for the assets of the company. However, they can also be used to entrench a board and management who may ultimately undermine shareholder rights and shareholder value.

Shareholder rights plans (“poison pills”)

Principle
There are two main purposes for a shareholder rights plan. The first is to ensure that all shareholders are treated equally, and the second is to give the board time to consider other options. Many shareholder rights plans go well beyond these two aims and may be used to prevent bids that are worthy of shareholder consideration.

A shareholder rights plan should allow a takeover offer to stand for no longer than 60 days before the board responds. This gives management and the board ample time to consider the bid and assess alternatives. In Canada, shareholder rights plans must be ratified by the shareholders at the first annual meeting following adoption of the plan. In the U.S., shareholder ratification is not required.

Voting Guideline
Guardian will review each shareholder rights plan on a case-by case basis but will generally not support plans that are not subject to shareholder approval at least every three years. Guardian will oppose any shareholder rights plan that is triggered by a purchase of less than 20% of the company’s shares, or that includes dead-hand, slow-hand, or no-hand provisions.

Other takeover protection measures

Other takeover protection measures may include, but are not limited to the following: going private transactions; leveraged buyouts; lock-up arrangements; crown-jewel defenses; fair price amendments; and re-incorporation.

Voting Guideline
Guardian will review each takeover protection measure on a case by-case basis. When considering any takeover protection measure, Guardian will generally support a proposal if:

- the measure protects the rights of all shareholders
- the measure seeks to maximize shareholder value
- sufficient time and information are made available to shareholders to make an informed decision
- the measure will allow competing bids to be considered over a reasonable time
- the measure is subject to shareholder approval § the measure is adopted for a limited period

Dissident Shareholders, Contested Elections, and Proxy Contests

Principle
Over recent years Guardian have seen an increase in contested elections where a dissident shareholder is proposing its own slate of director nominees. In these situations, it is important to understand what both sides are proposing and the implications it will have on governance and performance going forward.

Voting Guideline
Guardian will review dissident shareholder proposals for director nominees on a case-by-case basis to determine which will result in the best governance and performance for the company over both the short and long-term.

Guardian will consider:

- board independence, performance, equity ownership and responsiveness to shareholder concerns.
- the performance of current management and the company's long-term performance
- the competing strategic plans of the dissident and incumbent slate to enhance long-term corporate value, including the impact on key constituents.
- the relative qualifications of the nominees and, where relevant, the company's current executive and board compensation practices.

Dissident Director Nominee Compensation

Principle
In some contested director elections, dissident director nominees may have separate compensation agreements with the dissident shareholder. These agreements can be problematic, particularly if they extend beyond the election of the nominee directors, as they may compromise the independence of the nominee directors, motivate them to act in the best interests of the dissident shareholder rather than the best interests of the company, and create divisions within the board.

Voting Guideline
Guardian will review nominee director compensation agreements with dissident shareholders on a case-by-case basis but may vote against/withhold votes from nominee directors if Guardian believe their independence has been or could be compromised.

Guardian will generally support proposals to prohibit payments from a dissident shareholder to its nominee directors after those directors have been elected to the board.

Mergers and Acquisitions

If a proposed merger or acquisition is put to shareholders for a vote, or if a dissident shareholder is proposing an alternative strategy, Guardian will consider all relevant factors, including:

- impact on long-term corporate value
- anticipated financial and operating benefits

- the price being offered to shareholders
- circumstances regarding how the deal was negotiated
- any proposed or resulting changes in corporate governance and the impact of those changes on shareholders' rights
- the impact of any merger or acquisition on key constituents at both companies

All votes on mergers or acquisitions are evaluated on a case-by-case basis. Votes are cast in the best interests of the portfolio(s).

SHAREHOLDER PROPOSALS

Guardian believes that shareholders have the right to bring relevant proposals to the annual general meeting and that these proposals should be included on the proxy ballot for consideration by all shareholders as long as said shareholders have made genuine efforts to engage with company board and management, the two sides have been unable to find satisfactory resolution, and the proposals deal with appropriate issues that impact all shareholders.

Guardian also believes that proposals should generally refrain from specifying how corporations should achieve the desired objectives. Guardian are mindful that some proposals may diminish long-term shareholder value by being too prescriptive and/or by imposing unreasonable constraints on the board and management.

Environmental and social issues are increasingly acknowledged to be areas of real risk to the operations and long-term value of a company. Proposals that address these issues should be assessed in terms of the risks and opportunities they represent for the company and whether those issues have been adequately addressed and/or disclosed to shareholders.

Guardian will generally review all shareholder proposals on a case-by-case basis. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short term or long term.

When evaluating shareholder proposals, the following factors will be considered:

- If the proposal clearly articulates the link to the company’s business.
- If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;
- If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;
- Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive;
- The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;
- Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
- If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and
- If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

Climate Change Proposals

Principle
Guardian believes that climate change increasingly presents significant physical, regulatory and transition-related risks while climate change preparedness can be a source of competitive advantage. Guardian expect companies to understand and manage climate-related risks and opportunities and encourage them to take actions that strengthen governance and oversight of

climate change, reduce greenhouse gas and other emissions, and provide transparency and comprehensive climate related disclosures.

Guardian supports the Task Force on Climate Related Financial Disclosures (TCFD) framework and recommendations as a means for companies to better disclose decision-useful information around climate-related and other material ESG issues. As part of our commitment, Guardian encourage all companies to implement the TCFD framework and recommendations as well as aligning their climate reporting.

Voting Guideline
Guardian will evaluate proposals seeking enhanced climate-related disclosure on a case-by-case basis with consideration to the following:

- Whether the company already provides information on the physical, transition-related, financial and regulatory impacts that climate change may have on the company as well as associated company policies and procedures to address related risks and/or opportunities; and
- The company's level of disclosure compared to industry peers.

Guardian will evaluate proposals requiring the company disclose emissions reduction targets and climate transition action plans on a case-by-case basis with consideration to the following:

- The completeness and rigor of the company's climate-related disclosures;
- The company's existing climate related targets, commitments and initiatives;
- The company's actual GHG emissions performance;
- Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive; and
- Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions.

Environmental Proposals

Principle
We believe companies must recognize their impact on the environment and we will support companies in adopting policies and procedures to minimize a company's impact on the environment.

Voting Guideline
We will generally vote in support of proposals that ask for:

- disclosure of a company's environmental practices and/or environmental risks and liabilities
- initiatives to reduce toxic emissions and detailed disclosure of results
- initiatives to promote recycling, including product life-cycle management, and detailed disclosure of results
- companies to consider sourcing energy from renewable energy sources
- detailed reporting on water use, intensity, supply, and risks. Reporting on efforts to reduce overall water use or intensity and impacts on local water systems

Human Rights Proposals

Principle
Many global companies have operations or supply chains in jurisdictions with weak rule of law and/or insufficient institutional protection of human rights. Guardian generally support proposals that call on companies to respect internationally recognized human rights and comply with relevant international agreements regarding the protection of those rights.

Voting Guideline
Guardian will evaluate proposals on implementing company or supplier labor and/or human rights standards and policies on a case-by-case basis, considering:

- The degree to which existing relevant policies and practices are disclosed;
- Whether or not existing relevant policies are consistent with internationally recognized standards;
- Whether company facilities and those of its suppliers are monitored and how;
- Company participation in fair labor organizations or other internationally recognized human rights initiatives;
- Scope and nature of business conducted in markets known to have higher risk of workplace labor/human rights abuse;
- Recent, significant company controversies, fines, or litigation regarding human rights at the company or its suppliers;
- The scope of the request; and
- Deviation from industry sector peer company standards and practices.

Guardian will evaluate proposals requesting that a company conduct an assessment of the human rights risks in its operations or in its supply chain, or report on its human rights risk assessment process, on a case-by-case basis considering:

- The degree to which existing relevant policies and practices are disclosed, including information on the implementation of these policies and any related oversight mechanisms;
- The company's industry and whether the company or its suppliers operate in countries or areas where there is a history of human rights concerns;
- Recent significant controversies, fines, or litigation regarding human rights involving the company or its suppliers, and whether the company has taken remedial steps; and
- Whether the proposal is unduly burdensome or overly prescriptive.

Lobbying Disclosure Proposals

Principle
Shareholders continue to seek additional disclosure regarding companies' lobbying activities. Guardian encourage companies to provide additional disclosure on their lobbying activities where material and will generally evaluate the quality of disclosure based on the following factors:

- The company's rationale for its lobbying activities
- Disclosure of the company's overall lobbying expenditures
- Board and/or management oversight of lobbying activities and description of this oversight
- Disclosure of a comprehensive list of trade association memberships
- Disclosure of a list of trade associations where dues meet or exceed a specific threshold

Voting Guideline
Guardian will evaluate proposals requesting information on a company's lobbying (including direct, indirect, and grassroots lobbying) activities, policies, or procedures on a case-by-case basis but will generally support proposals where the company does not currently disclose such details or existing disclosure is inadequate. Guardian will consider the practices and disclosure of company peers when evaluating these types of proposals.

Cyber Security Proposals

Principle
Guardian believes investors should be provided with sufficient information to evaluate a

company’s management of risks related to cyber security. Guardian encourage companies to provide additional disclosure on their cyber security policies and procedures, where material.

Voting Guideline
Guardian believes that cyber security is a material risk in several industries and Guardian will generally support requests for enhanced disclosure on how the board and senior management are overseeing, managing, and mitigating these risks. When evaluating cyber security-related shareholder proposals, Guardian will consider:

- The level of disclosure of company protocols, policies, and procedures relating to data protection and guards against cyber-attacks.
- Commitment to applicable market-specific laws or regulations that may be imposed on the company.
- History of controversies, fines, or litigation related to cyber security.