PROXY VOTING POLICY AND GUIDELINES

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Introduction

AGF Investments Inc. ("AGFI") has an obligation to act in the best interests of the client accounts that it manages, including segregated client accounts and investment funds (collectively, "AGFI Clients"). This obligation includes exercising the voting rights attached to securities in the portfolio of each AGFI Client account. As such, AGFI will exercise the voting rights of the AGFI Clients in the best interests of the portfolio and with a view to maximizing positive economic effect of shareholder value. AGFI believes responsible corporate governance, social and environmental practices may have a significant effect on the value of the company and, as such, has incorporated these principles into the proxy voting analysis.

Risks

In developing the Proxy Voting Policy and Guidelines (the "Policy"), AGFI considered numerous risks associated with the proxy voting process. This analysis includes risks such as:

- Proxies are not identified and processed in a timely manner;
- Proxies are not voted in AGFI Clients' best interests;
- Conflicts of interest between AGFI and an AGFI Client are not identified or resolved appropriately;
- Third-party proxy voting services do not vote proxies according to AGFI's instructions and in AGFI Clients' best interests; and
- Proxy voting records, AGFI Client requests for proxy voting information, and AGFI's responses to such requests, are not properly maintained;

AGFI has established the following Policy as an attempt to mitigate these risks.

Policy and Procedures

1. Proxy Voting Policy

It is AGFI's policy to exercise the voting rights of the AGFI Clients in the best interest of the portfolio to maximize positive economic effect on shareholder value. AGFI believes responsible corporate governance, social and environmental practices may have a significant effect on the value of the company and, as such, has incorporated these principles into the proxy voting analysis. Responsibility for proxy voting has been delegated to each of the AGFI Client's portfolio managers, and each is required to vote in a manner consistent with this Policy. The intention of this Policy is to provide a framework for each portfolio manager to ensure a disciplined and consistent approach to voting and not to dictate precisely how each ballot item must be voted in every circumstance. Where not specifically addressed in this Policy, the portfolio manager shall vote the securities at its discretion in the best interest of the AGFI Clients, with an aim to maximize positive economic shareholder value.

2. Proxy Voting Guidelines

AGFI has retained Institutional Shareholder Services ("ISS") to provide in-depth research, voting recommendations, vote execution, recordkeeping and reporting. ISS offers proxy voting solutions to institutional clients globally. AGFI has elected to follow the ISS Sustainability Proxy Voting Guidelines (the "Sustainability Guidelines"), because AGFI believes responsible corporate governance, social and environmental practices may have a significant effect on the value of the company. AGFI's Proxy Voting Guidelines (the "AGFI Guidelines") generally mirror the Sustainability Guidelines, but may deviate from the Sustainability Guidelines where AGFI, at the firm level, has decided to take a different approach to the proxy circular matters. The AGFI Guidelines are attached as Appendix A to this Policy and are designed to apply to a wide range of proxy circular matters that may affect the value of the securities held in a AGFI Client's portfolio. The AGFI Guidelines serve as a framework but cannot contemplate all possible proposals with which an AGFI Client may be presented. In the absence of a specific guideline for a particular proposal, the portfolio manager will evaluate the issue and cast the AGFI Client vote in a manner that will maximize the value of the AGFI Client's investment.

3. Voting Practices

3.1 Sub-Advised Accounts

Sub-advisors to investment funds managed by AGFI, may have the authority to make all voting decisions concerning the securities held in the accounts they sub-advise in accordance with the applicable sub-advisory agreement. Sub-advisors must have in place their own proxy voting policies and guidelines as part of their own investment processes. Each sub-advisor will maintain and make available to AGFI, on a timely basis and on a per fund basis, a complete and accurate proxy voting record of all action taken on behalf of the sub-advised funds. Such proxy voting record shall meet the requirements as stipulated in National Instrument 81-106 Part 10 and in any other similar regulatory requirement applicable to the sub-advised funds (see Proxy Voting Reporting).

3.2 Client-Directed Proxy Voting

Segregated client accounts managed by AGFI may elect to have AGFI vote proxies at its discretion or in accordance with the proxy voting policies and guidelines of the client. Each client is responsible for providing their policies and procedures on a timely basis in the event AGFI is contractually expected to comply with the client's policy. AGFI will, as part of the compliance certification process of its clients, certify that it has read and understood the proxy voting policy of the client and that ballots voted were voted in accordance with such policy where applicable.

3.3 Securities Lending

Some AGFI Clients participate in securities lending programs. To allow for proxy voting for securities that have been loaned by AGFI investment funds, AGFI will recall all these securities on or before the record date to ensure vote eligibility. Where a segregated client has elected to participate in securities lending, AGFI is not responsible for an inability to vote a ballot where the client's custodian has not caused the delivery of the ballot with sufficient time for AGFI to assess and to vote.

3.4 Fund of Fund Voting

Where an investment fund advised by AGFI invests in securities of another mutual fund, AGFI will vote the securities in such underlying fund unless the underlying fund is managed by AGFI or its affiliates. For clarity, AGFI will NOT vote securities of an underlying fund if an underlying fund is managed by AGFI or one of its affiliates.

4. Proxy Voting Procedures

AGFI is responsible for monitoring corporate actions and voting client proxies. AGFI is considered to have received a proxy ballot solicitation when it is received at its registered office (Toronto, Canada). AGFI shall take reasonable steps to vote all proxies received. However, in the event AGFI does not receive a solicitation with sufficient time to execute a vote, or insufficient information is available to effectively and appropriately analyze and assess how best to vote, portfolio managers may choose to refrain from voting.

Each portfolio manager will ensure securities are voted in accordance with the AGFI Guidelines or in conjunction with the proxy voting policies and guidelines of the client (see Client-Directed Proxy Voting), as may be required. In evaluating proxy proposals, portfolio managers will consider information from many sources including, but not limited to, research provided by ISS, the AGFI investment management team, continuing engagement with the issuer and management or shareholders of a company presenting a proposal. As such, there is no requirement for individual portfolio managers to vote, or cause to be voted, securities of the same issuer in the same way across multiple AGFI Clients. Where a portfolio manager deems it in the best interest of an AGFI Client to deviate from the AGFI Guidelines, a rationale for the decision must be provided. In addition, where portfolio managers abstain or otherwise withhold a vote if, in the portfolio manager's opinion, such abstention or withholding is in the best interests of an AGFI Client, a rationale for the decision must be provided. Portfolio managers must document and retain all research conducted to inform their proxy voting decision.

5. Conflicts of Interest

A conflict of interest may exist where AGFI, its employees or a related entity maintains a significant relationship with either the issuer soliciting the proxy or a third party with a material interest in the outcome of the vote. In addition, a conflict of interest may exist where the individual AGFI portfolio manager has a direct or indirect personal relationship or interest in the issuer soliciting the proxy or such a relationship with a third party with a material interest in the outcome of the proxy vote.

A conflict of interest may exist, for example, when:

- Proxy votes for non-routine matters are solicited by an issuer who has a direct institutional account managed or advised by AGFI.
- AGFI has business/relationships with:
  - Participants in a proxy contest,
  - Corporate directors or director candidates, and
  - Senior executives of the soliciting issuer.
- An AGFI employee has a personal interest in the outcome of a particular matter before shareholders (e.g. an immediate family member serves as a director of the company);
- An AGFI employee has a business or personal relationship with:

- o Participants in a proxy contest,
- o Corporate directors or director candidates, and
- o Senior executives of the soliciting issuer.

In such identified situations of conflict of interest, the Independent Proxy Committee will meet to consider the matter and to decide, based upon representations to it, as to how to vote the proxy. The Independent Proxy Committee will consider independent third-party research in addition to other public information in making its determination. The Independent Proxy Committee may recommend a portfolio manager abstain from voting the security if the Independent Proxy Committee is unable to reach an objective independent decision. All decisions will be recorded and shall form part of the annual record keeping of all proxy voting records for each AGFI Client.

Sub-advisors to investment funds managed by AGFI, are required to maintain a similar process to ensure ballots are not cast in situations of conflict.

6. Proxy Voting Reporting

AGFI will compile and maintain annual proxy voting records for each investment fund it manages for the annual periods beginning July 1 and ending June 30 of each year in accordance with National Instrument 81-106, Part 10. Such records may be maintained on AGFI's behalf by third-party service providers (ISS). AGFI has in place adequate control procedures to ensure completeness & accuracy of such records. The annual proxy voting record shall be made available on the AGFI website by August 31 of each year. AGFI will deliver a copy of the Funds' proxy voting policies and guidelines and/or proxy voting record free of charge to a Funds' securityholder upon request, for each request made after August 31.

In addition, AGFI will maintain annual proxy voting records for each segregated client portfolio it manages with voting rights to proxy ballots. Such records may be maintained on AGFI's behalf by service providers (ISS). AGFI has in place adequate control procedures to ensure completeness & accuracy of such records.

In accordance with the requirements of the UK Stewardship Code, if applicable, AGFI's proxy voting records will include the voting rationale in the following situations: (1) there is a vote against the board; (2) a vote is withheld and (3) the vote does not follow the AGFI Guidelines. The Independent Proxy Committee will review proxy voting reporting in these instances prior to dissemination.

AGFI will provide a description of this Policy to clients and, upon request, will provide a copy of this Policy at no-cost.

APPENDIX A- AGFI PROXY VOTING GUIDELINES

The AGFI Proxy Voting Guidelines (the "AGFI Guidelines") are applied to AGFI Clients where AGFI has been appointed as the portfolio manager. The AGFI Guidelines are designed to ensure that proxies are voted in the best interests of AGFI Clients and generally mirror ISS Sustainability Proxy Voting Guidelines because AGFI believes responsible corporate governance, social and environmental practices may have a significant effect on the value of the company.

While the AGFI Guidelines are intended to reflect the applicable AGFI Client's general position on certain issues, the portfolio manager may depart from them on any proxy vote depending upon the facts and circumstances. The portfolio manager will document, in writing, occurrences where a proxy vote was cast in a manner inconsistent with the AGFI Guidelines. In certain cases, proxy votes may not be cast. For example, the portfolio manager may determine that it is not in the best interests of an AGFI Client to vote proxies. These situations can include situations where there would be extraordinary costs to vote proxies or where it may not be possible to vote certain proxies despite good faith efforts to do so (e.g., inadequate notice of the matter is provided).

The AGFI Guidelines serve as a framework but cannot contemplate all possible proposals with which an AGFI Client may be presented. In the absence of a specific guideline for a proposal, the portfolio manager will evaluate the issue and cast the AGFI Client vote in a manner that will maximize the value of the AGFI Client's investment. The AGFI Guidelines set out below are a summary of pertinent portions of the ISS Sustainability Proxy Voting Guidelines and does not include all proposals addressed by the ISS Sustainability Proxy Voting Guidelines. For additional information, please see issgovernance.com/policy-gateway/voting-polices/.

1. Routine Matters

Amend Quorum Requirements

Vote **against** proposals to reduce quorum requirements for shareholder meetings below a majority of the shares outstanding unless there are compelling reasons to support the proposal.

Adjourn Meeting

Generally vote **against** proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal. Vote **for** proposals that relate specifically to soliciting votes for a merger or transaction if supporting that merger or transaction. Vote **against** proposals if the wording is too vague or if the proposal includes "other business".

Amend Minor Bylaws

Vote **for** bylaw changes that are of a housekeeping nature (updates or corrections).

Other Business

Vote **against** proposals to approve other business when it appears as a voting item.

Appointment of Auditors

Vote **for** the reelection of auditors and proposals authorizing the board to fix auditor fees, unless:

- The name of the proposed auditors has not been published;
- There are serious concerns about the effectiveness of the auditors;
- The lead audit partner(s) has been linked with a significant auditing controversy;

- There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position;
- The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company;
- The auditors are being changed without explanation; or
- For widely-held companies, fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law.

Where there is compelling evidence of a lack of independence, accounting irregularities or negligence attributable to the auditors, AGFI will vote **against** the reelection of auditors.

2. Board of Directors

Four fundamental principles apply when determining votes on director nominees:

1. **Accountability:** Boards should be sufficiently accountable to shareholders, including through transparency of the company's governance practices and regular board elections, by the provision of sufficient information for shareholders to be able to assess directors and board composition, and through the ability of shareholders to remove directors.
2. **Responsiveness:** Directors should respond to investor input, such as that expressed through significant opposition to management proposals, significant support for shareholder proposals (whether binding or non-binding), and tender offers where a majority of shares are tendered.
3. **Composition:** Companies should seek directors who can add value to the board through specific skills or expertise and who can devote sufficient time and commitment to serve effectively. Boards should be of a size appropriate to accommodate diversity, expertise, and independence, while ensuring active and collaborative participation by all members. Boards should be sufficiently diverse to ensure consideration of a wide range of perspectives.
4. **Independence:** Boards should be sufficiently independent from management (and significant shareholders) to ensure that they are able and motivated to effectively supervise management's performance for the benefit of all shareholders, including in setting and monitoring the execution of corporate strategy, with appropriate use of shareholder capital, and in setting and monitoring executive compensation programs that support that strategy. The chair of the board should ideally be an independent director, and all boards should have an independent leadership position or a similar role in order to help provide appropriate counterbalance to executive management, as well as having sufficiently independent committees that focus on key governance concerns such as audit, compensation, and nomination of directors.

Director Elections

Vote **for** management nominees in the election of directors, <u>unless</u>:

- Adequate disclosure has not been provided in a timely manner;
- There are clear concerns over questionable finances or restatements;
- There have been questionable transactions with conflicts of interest;
- There are any records of abuses against minority shareholder interests and restrictions on shareholder rights;
- The board fails to meet minimum corporate governance standards, including board independence standards;

- There are problematic takeover defenses, audit-related practices, compensation practices; or
- There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities.

Under extraordinary circumstances, vote **against** or **withhold** from directors individually, on a committee, or potentially the entire board due to:

- Material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks;
- A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks;
- Failure to replace management as appropriate; or
- Egregious actions related to the director(s)' service on the boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

Attendance at Board and Committee Meetings
Generally vote **against** or **withhold** from directors who attend less than 75% of the aggregate of their board and committee meetings for the period for which they served, unless an acceptable reason for absences is disclosed.

Overboarded Directors
Generally vote **against** or **withhold** from individual directors who sit on more than five public company boards or are CEOs of public companies who sit on the board of more than two public besides their own – withhold only at their outside boards.

Gender Diversity
Generally vote **against** or **withhold** from incumbent nominees who:

- Serve as the chair of the nominating committee if there is not at least one woman on the board. If the chair of the nominating committee is not identified, generally vote against or withhold from incumbent members of the nominating committee.
- Serve as the board chair if there is not at least one woman on the board and the board lacks a formal nominating committee.
- For Japan, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one woman.

Independence
Vote **against** or **withhold** from non-independent directors when:

- Independent directors comprise 50% or less of the board
- The non-independent director serves on the audit, compensation or nominating committee;
- The company lacks an audit, compensation or nominating committee so that the full board functions as that committee; or
- The company lacks a formal nominating committee, even if the board attests that the independent directors fulfill the functions of such committee.

Age/Term Limits

Vote **against** management and shareholder proposals to limit the tenure of outside directors through mandatory retirement ages. Vote **against** management proposals to limit the tenure of outside directors through term limits. However, scrutinize boards where the average tenure of all directors exceeds 15 years for independence from management and for sufficient turnover to ensure that new perspectives are being added to the board.

Board Size

Vote **for** proposals seeking to fix the board size or designate a range for the board size. Vote against proposals that give management the ability to alter the size of the board outside of a specific range without shareholder approval.

Classification/Declassification of the Board

Vote **against** proposals to classify (stagger) the board. Vote for proposals to repeal classified boards and to elect all directors annually.

CEO Succession Planning

Generally vote **for** proposals seeking disclosure on a CEO succession planning policy, considering, at a minimum, the following factors:

- The reasonableness/scope of the request; and
  The company's existing disclosure on its current CEO succession planning process.

Cumulative Voting

Generally vote **against** management proposals to eliminate cumulate voting, and for shareholder proposals to restore or provide for cumulative voting, unless:

- The company has proxy access, thereby allowing shareholders to nominate directors to the company's ballot; and
- The company has adopted a majority vote standard, with a carve-out for plurality voting in situations where there are more nominees than seats, and a director resignation policy to address failed elections.

Vote **for** proposals for cumulative voting at controlled companies (insider voting power > 50%)

Director and Officer Indemnification and Liability Protection

Vote **case-by-case basis** on proposals on director and officer indemnification and liability protection. Vote **against** indemnification proposals that would eliminate entirely directors' and officers' liability for monetary damages for violating the duty of care, expand coverage beyond just legal expenses for acts, such as negligence, that are more serious violations of fiduciary obligations than mere carelessness or expand the scope of indemnification to provide for mandatory indemnification of company officials in connection with acts that previously the company was permitted to provide indemnification for, at the discretion of the company's board, but hat previously the company was not required to indemnify. Vote **for** only those proposals that provide such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if: (i) the director was found to have acted in good faith and in a manner that the director reasonably believed was in the best interests of the company, and (ii) if only the director's legal expenses would be covered.

Establish/Amend Nominee Qualifications

Vote **case-by-case** on proposals that establish or amend director qualifications. Votes should be based on the reasonableness of the criteria and to what degree they may preclude dissident nominees from joining the board. Vote **case-by-case** on shareholder resolutions seeking a director nominee candidate who possesses a particular subject matter expertise.

Independent Board Chair

One of the principal functions of the board is to monitor and evaluate the performance of the CEO and other executive officers. The board chair's duty to oversee management may be compromised when he/she is connected to or a part of the management team. Generally, AGFI Guidelines recommend supporting shareholder proposals that would require that the position of board chair be held by an individual with no materials ties to the company other than their board seat. Vote **for** shareholder proposals that would require the board chair to be independent from management.

Establishment of Independent Committees

Vote **for** shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors.

Board Policy on Shareholder Engagement

Vote **for** shareholders proposals requesting that the board establish an internal mechanism/process, which may include a committee, in order to improve communications between directors and shareholders, unless the company has the following features, as appropriate:

- An established communication structure that goes beyond the exchange requirements to facilitate the exchange of information between shareholders and members of the board.
- Has effectively disclosed information with respect the communication structure to all shareholders in a meaningful way.
- Company has not ignored majority-supported shareholder proposals or a majority withhold vote on a director nominee; and
- Has an independent chairman or a lead director who is available for periodic consultation and direct communication with major shareholders.

3. Takeover Defenses/Shareholder Rights

AGFI believes that certain fundamental rights of shareholders must be protected. AGFI will generally vote in favour of proposals that give shareholders a greater voice in the affairs of a company and oppose any measure that seeks to limit those rights.

Takeover Defenses and Shareholder Rights-Related Management Proposals

Vote **case-by-case** on management proposals:

- on poison pill ratification, focusing on the features of the shareholder rights plan;
- to adopt a poison pill for the stated purposes of preserving a company's net operating loss ("NOLs"); and
- to adopt a protective amendment for the stated purposes of protecting a company's net operating loss ("NOLs").

Supermajority Vote Requirements

Vote **against** proposals to require a supermajority shareholder vote. Vote **for** proposals to reduce supermajority shareholder vote requirements. However, for companies with shareholder(s) who have significant ownership levels, vote **case-by-case**, taking into account: a) ownership structure; b) quorum requirements; and c) vote requirements.

Shareholder Ability to Call Special Meeting

Vote **against** proposals to restrict or prohibit shareholders' ability to call special meetings. Vote **for** proposals that provide shareholders with the ability to call special meetings considering;

- shareholders' current right to call special meetings,
- minimum ownership threshold necessary to call special meetings (10% preferred),
- the inclusion of exclusionary or prohibitive language,
- investor ownership structure, and
- shareholder support of, and management's response to, previous shareholder proposals.

Shareholder Ability to Act by Written Consent

Generally vote **against** proposals to restrict or prohibit shareholders' ability to act by written consent. Generally vote **for** proposals to allow or facilitate shareholder action by written consent, taking into account the following factors:

- shareholders' current right to act by written consent,
- consent threshold,
- the inclusion of exclusionary or prohibitive language,
- investor ownership structure, and
- shareholder support of, and management's response to, previous shareholder proposals.

Advance Notice Requirements for Shareholder Proposals/Nominations

Vote **case-by-case** basis on advance notice proposals, giving support to those proposals which allow shareholders to submit proposals/nominations as close to the meeting date as reasonably possible and within the broadest window possible, recognizing the need to allow sufficient notice for company, regulatory and shareholder review.

Poison Pills

Vote **for** shareholder proposals requesting that the company submit its poison pill to shareholder vote or redeem it UNLESS the company has: (1) a shareholder approved poison pill in place, or (2) the company has adopted a policy concerning the adoption of a pill in the future specifying that the board will only adopt a shareholder rights plan if either:

- Shareholders have approved the adoption of the plan; or
- The board, in its exercise of its fiduciary responsibilities, determines that it is in the best interest of shareholders under the circumstances to adopt a pill without the delay in adoption that would result from seeking shareholder approval. A poison pill adopted under this fiduciary out will be put to a shareholder ratification vote within 12 months of adoption or expire. If the pill is not approved by a majority of the votes cast on this issue, the plan will immediately terminate.

If the shareholder proposal calls for a time period of less than 12 months for shareholder ratification after adoption, vote **for** the proposal, but add the caveat that a vote within 12 months would be considered sufficient implementation.

Reimbursing Proxy Solicitation Expenses

Vote **case-by-case** on proposals to reimburse proxy solicitation expenses. When voting in conjunction with support of a dissident slate, vote **for** the reimbursement of all appropriate proxy solicitation expenses associated with the election. Vote **for s**hareholder proposals calling for the reimbursement of reasonable costs incurred in connection with nominating one or more candidates in a contested election where the following apply:

- The election of fewer than 50% of the directors to be elected is contested in the election;
- One or more of the dissident's candidates is elected;
- Shareholders are not permitted to cumulate their votes for directors; and
- The election occurred, and the expenses were incurred, after the adoption of this bylaw.

4. Capital/Restructuring

Proposals to restructure or reorganize shall be assesses on case-by-case basis based on analysis of strategic rationale, shareholder notification, shareholder ratification, financial implications, future economic prospects, changes in corporate governance and their impact on shareholder rights and other related matters.

Share Issuance Requests

Evaluate share issuance requests on a **case-by-case** basis taking into consideration market-specific guidelines as applicable.

Increases to Authorized Capital

Vote **case-by-case** basis on proposals to increase the number of shares of common stock authorized for issuance.

Corporate Reorganization/Debt Restructuring

Vote **case-by-case** on proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan, after evaluating:

- Dilution to existing shareholders' positions;
- Terms of the offer - discount/premium in purchase price to investor, including any fairness opinion; termination penalties; exit strategy;
- Financial issues - company's financial situation; degree of need for capital; use of proceeds; effect of the financing on the company's cost of capital;
- Management's efforts to pursue other alternatives;
- Control issues - change in management; change in control, guaranteed board and committee seats; standstill provisions; voting agreements; veto power over certain corporate actions; and
- Conflict of interest - arm's length transaction, managerial incentives.

Vote **for** the debt restructuring if it is expected that the company will file for bankruptcy if the transaction is not approved.

Mergers and Acquisitions

Vote **case-by-case** on mergers and acquisitions. Review and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- *Valuation* - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction and strategic rationale.

- *Market reaction* - How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.
- *Strategic rationale* - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions.
- *Negotiations and process* - Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.
- *Conflicts of interest* - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger.
- *Governance* - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

5. Compensation

Underlying all evaluations are five global principles that most investors expect corporations to adhere to in designing and administering executive and director compensation programs:

1. Maintain appropriate pay-for-performance alignment, with emphasis on long-term shareholder value: This principle encompasses overall executive pay practices, which must be designed to attract, retain, and appropriately motivate the key employees who drive shareholder value creation over the long term. It will take into consideration, among other factors, the link between pay and performance; the mix between fixed and variable pay; performance goals; and equity-based plan costs.
2. Avoid arrangements that risk “pay for failure”: This principle addresses the appropriateness of long or indefinite contracts, excessive severance packages, and guaranteed compensation.
3. Maintain an independent and effective compensation committee: This principle promotes oversight of executive pay programs by directors with appropriate skills, knowledge, experience, and a sound process for compensation decision-making.
4. Provide shareholders with clear, comprehensive compensation disclosures: This principle underscores the importance of informative and timely disclosures that enable shareholders to evaluate executive pay practices fully and fairly.
5. Avoid inappropriate pay to non-executive directors: This principle recognizes the interests of shareholders in ensuring that compensation to outside directors does not compromise their independence and ability to make appropriate judgments in overseeing managers’ pay and performance. At the market level, it may incorporate a variety of generally accepted best practices.

Executive Compensation-Related Proposals

Generally recommend a vote **against** a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles and their corresponding rules.

Shareholder Ratification of Director Pay Programs

Vote **case-by-case** on management proposals seeking ratification of nonemployee director compensation, based on the following factors:

- The relative magnitude of director compensation as compared to companies of a similar profile;
- The presence of problematic pay practices relating to director compensation;
- Director stock ownership guidelines and holding requirements;
- Equity award vesting schedules;
- The mix of cash and equity-based compensation;
- Meaningful limits on director compensation;
- The availability of retirement benefits or perquisites; and
- The quality of disclosure surrounding director compensation.

Employee Stock Purchase Plan

Vote **case-by-case** on nonqualified employee stock purchase plans. Vote for nonqualified employee stock purchase plans with all the following features:

- Broad-based participation;
- Limits on employee contribution, which may be a fixed dollar amount or expressed as a percent of base salary;
- Company matching contribution up to 25 percent of employee's contribution, which is effectively a discount of 20 percent from market value; and
- No discount on the stock price on the date of purchase when there is a company matching contribution.

Vote **against** nonqualified employee stock purchase plans when any of the plan features do not meet the above criteria.

6. Social/Environmental Issues

The AGFI Guidelines generally supports standards-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the AGFI Guidelines will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles.

Generally vote **for** social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value. In determining votes on shareholder social and environmental proposals, the following factors are considered:

- Whether the proposal itself is well framed and reasonable;
- Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;
- The percentage of sales, assets and earnings affected;

- Whether the company has already responded in some appropriate manner to the request embodied in a proposal;
- Whether the company's analysis and voting recommendation to shareholders is persuasive;
- What other companies have done in response to the issue;
- Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
- Whether implementation of the proposal would achieve the objectives sought in the proposal.

Climate Change/Greenhouse Gas (GHG) Emissions
Vote **for** shareholder proposals seeking information on the financial, physical, or regulatory risks it faces related to climate change- on its operations and investments, or on how the company identifies, measures, and manage such risks. Vote **for** shareholder proposals calling for the reduction of GHG emissions. Vote **for** shareholder proposals seeking reports on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change. Vote **for** shareholder proposals requesting a report/disclosure of goals on GHG emissions from company operations and/or products.

Board Diversity
Generally vote **for** requests for reports on a company's efforts to diversify the board, unless:

- The gender and racial minority representation of the company's board is reasonably inclusive in relation to companies of similar size and business; and
- The board already reports on its nominating procedures and gender and racial minority initiatives on the board and within the company.

Vote **case-by-case** on proposals asking a company to increase the gender and racial minority representation on its board, taking into account:

- The degree of existing gender and racial minority diversity on the company's board and among its executive officers;
- The level of gender and racial minority representation that exists at the company's industry peers;
- The company's established process for addressing gender and racial minority board representation;
- Whether the proposal includes an overly prescriptive request to amend nominating committee charter language;
- The independence of the company's nominating committee;
- Whether the company uses an outside search firm to identify potential director nominees; and
- Whether the company has had recent controversies, fines, or litigation regarding equal employment practices.

Equality of Opportunity
Generally vote **for** proposals requesting a company disclose its diversity policies or initiatives, or proposals requesting disclosure of a company's comprehensive workforce diversity data. Generally vote **for** proposals seeking information on the diversity efforts of suppliers and service providers.

Sustainability Reporting
Vote **for** shareholder proposals seeking greater disclosure on the company's environmental and social practices, and/or associated risks and liabilities. Vote **for** shareholder proposals asking companies to report in

accordance with the Global Reporting Initiative (GRI). Vote **for** shareholder proposals to prepare a sustainability report.

Environmental, Social, and Governance (ESG) Compensation-Related Proposals

Generally vote **for** proposals to link, or report on linking, executive compensation to environmental and social criteria (such as corporate downsizings, customer or employee satisfaction, community involvement, human rights, environmental performance, or predatory lending).