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Proxy Voting Guidelines

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ABOUT BCI

With $211.1 billion of managed assets, British Columbia Investment Management Corporation (BCI) provides investment management services to British Columbia's public sector and is one of the largest asset managers in Canada. We generate the investment returns that help our institutional clients build a financially secure future for their beneficiaries. With our global outlook, we seek investment opportunities that convert savings into productive capital that will meet our clients' risk and return requirements over time. This compels us to integrate long-term ESG matters into all investment decisions and activities. We offer investment options across a range of asset classes: fixed income; public and private equity; infrastructure and renewable resources; and real estate and real estate debt. Headquartered in Victoria, BCI also has offices in Vancouver, New York City and London.

Preface

BCI is a long-term investor in the global equity markets. We believe companies that take material environmental, social, and governance (ESG) matters into account are better positioned to manage risk and generate long-term value for investors. The COVID-19 pandemic has reinforced this belief as we observed companies that previously demonstrated strong ESG performance generally take appropriate steps to protect workers, customers, and other stakeholders. It is also our belief that sound ESG practices contribute to the integrity of the public corporations we hold and the creation of value for our clients.

In 2019, BCI adopted a company-wide ESG Strategy, which comprises four key components: integrate, influence, invest and insight. Proxy voting falls within influence. Accordingly, through proxy voting and other engagement with portfolio companies, we advocate for improvements in both ESG disclosure and performance where necessary, in order to increase overall company performance and shareholder value. This is in line with our role and responsibilities as stewards of our clients' assets.

PURPOSE

These guidelines set our expectations with respect to the governance practices of the companies in which we invest and how they will address environmental and social risks. This document describes how we approach these issues from a proxy voting perspective and gives guidance to investee companies on how we are likely to vote the shares we own when such matters are put to a shareholder vote.

BCI respects the capabilities and expertise of company directors and management and does not seek to interfere in day-to-day management functions. We expect that the implementation of these guidelines will assist and encourage boards to remain focused on the objective of building shareholder value while holding them accountable for actions taken.

PROCESS

BCI aims to vote all meetings at every public company in our portfolio while recognizing that certain markets continue to employ additional administrative hurdles that may preclude us from the ability to vote. We apply the following guidelines on a global basis while also recognizing that practices can differ dramatically from market to market and these differences may influence actual voting decisions. In applying our guidelines, BCI reviews company filings, such as the proxy statement or information circular, and may also use research reports from external proxy voting service providers to assist in the voting process, however, we do not follow their voting recommendations without conducting rigorous analysis

DISCLOSURE

BCI is transparent about our proxy voting activity, pre-disclosing all votes prior to company meetings on our website at BCI.ca/proxyvoting

Questions or comments about these guidelines or our voting activity can be directed to corpgov@bci.ca.

Facilitating Shareholders' Rights and Interests

PRINCIPLE

In view of the vital importance of the shareholder right to vote, BCI believes that all shareholders should have the ability to cast their votes, free of impediments or obstacles. In addition, all shareholders should be treated equally, with no special ownership rights or privileges available to any one class of shareholder. In keeping with these beliefs, BCI will encourage public companies to treat all shareholders equally and to facilitate shareholders' rights to vote in person or by proxy, at annual and special meetings.

PROXY VOTING GUIDELINES

Shareholder Meetings

Meeting Notice: Shareholder meetings occur annually and on an ad hoc basis (these are known as extraordinary or special meetings). Appropriate notice of shareholder meetings should be given by companies to ensure that shareholders have a reasonable opportunity to exercise their voting rights.

> **Voting Guideline:** BCI will vote **AGAINST** proposals to shorten the meeting notice period to a length of time that is inadequate for global shareholders, such as BCI, to make an informed and timely vote.

Meeting Format and Location: Companies should make accountability and shareholders' convenience the primary criteria when selecting the format and location of the annual meeting. Meetings that allow the virtual participation of shareholders, as well as physical attendance, and the rotation of meeting locations may allow more shareholders the opportunity to take part. In the case of a global pandemic, virtual-only meetings would protect public health, but BCI expects the virtual meeting to be fully interactive so that shareholders can still present proposals, as well as hold directors and management accountable with questions in a transparent process.

> **Voting Guideline:** BCI will vote **FOR** proposals to change the format and location of a shareholder meeting

where such changes preserve or enhance the ability of shareholders to participate in the meeting. When physical meetings are best avoided or prohibited due to public health concerns, and companies fail to provide fully interactive virtual meetings, BCI will vote **AGAINST** the chair of the governance committee where feasible.

Proxy Disclosure. Shareholders vote on proposals presented by management and shareholders at shareholder meetings. Appropriate quantity and quality of information regarding management and shareholder proposals should be given by companies to enable shareholders to make informed voting decisions.

Voting Guideline: BCI will vote **AGAINST** proposals if adequate information is not provided in the company's information circular, annual report, or other disclosures.

Shareholder Voting Rights

One Share, One Vote. Shareholders should have the right to vote in proportion to their economic ownership of the company. Each share of company common stock should have one vote. Companies should not have multiple classes of shares with different/unequal voting rights and privileges. Such shares entrench control and power in the hands of select shareholders.

Voting Guideline: BCI will vote **AGAINST** proposals to authorize or issue common shares that do not have full and equal voting rights. BCI will also generally vote **AGAINST** proposals that seek to create or perpetuate multiple share class structures. BCI will vote **FOR** proposals to eliminate or unify multiple classes of shares.

To hold the board accountable where practical to implement, BCI will vote **AGAINST** independent board chairs or lead independent directors and governance committee chairs at companies with unequal voting rights unless there are other mitigating factors.

Supermajority Approval. Shareholders should have the right to approve matters submitted for their consideration with a simple majority of the shares voted. Companies should not impose supermajority voting requirements. Supermajority votes are generally favored by dominant shareholders to deter outside challenge and change (e.g. takeover attempt) by imposing high voting barriers.

Voting Guideline: BCI will vote **AGAINST** proposals to require a supermajority shareholder vote, except if necessary under corporate law. BCI will vote **FOR** proposals to lower supermajority vote requirements.

Bundled Proposals. BCI expects the opportunity to vote on proposals individually. Bundled proposals combine more than one item into one votable resolution, giving shareholders an all-or-nothing choice to either accept or reject all of the matters contained therein. BCI believes that shareholders should be allowed to vote on separate and distinct proposals without constraints.

Voting Guideline: BCI will vote **AGAINST** linked or bundled proposals in situations where the potential benefits of supporting the combined matters contained in the proposal are outweighed by any risks that we perceive as a result of support for such combination.

Quorum. A quorum of shareholders must be present and represented by proxy at the shareholder meeting, or no business can be conducted that is binding on the company. Typically, a majority of outstanding shares will constitute quorum, although, by statute, companies may have flexibility to set a lower quorum in their by-laws. Quorum requirements should be set at a reasonable level so that there is a sufficiently broad indication of shareholders' approval for business conducted at the meeting.

Voting Guideline: BCI will generally vote **AGAINST** proposals to reduce quorum requirements for shareholder meetings below two persons holding 25 per cent of the eligible votes/shares outstanding. In the case of a small cap or venture company, quorum requirements should not be set below 10 per cent of the shares outstanding.

Conflicting Management and Shareholder Proposals. General meeting agendas can contain both management and shareholder proposals that relate to the same issue. Typically, shareholder proposals contain provisions that are more shareholder-friendly than those presented by management. In addition, in certain circumstances, management proposals can be tabled as a way to exclude shareholder proposals on the same issue from the meeting agenda.

Voting Guideline: In situations where there are management and shareholder proposals on the ballot that relate to the same issue, BCI will vote **FOR** the proposal that we believe is in the best interests of shareholders. In situations where support for either management or the shareholder proposal would represent an improvement over the status quo, BCI may vote **FOR** both the management and shareholder proposals. In situations where we believe that management have tabled a proposal as an attempt to exclude a shareholder proposal from the ballot, BCI may vote **AGAINST** the management proposal in question, in addition to voting **AGAINST** the chair of the governance committee.

Shareholder Proposals Related to Shareholder Rights

Shareholders Calling Special Meetings. Shareholders should have the right to call special meetings without onerous restrictions and the need to meet a high ownership threshold.

Voting Guideline: BCI will vote **FOR** proposals to provide shareholders holding 10 per cent or more of the company's outstanding shares with the right to call special meetings. BCI will be supportive of lowering the ownership threshold to call a special meeting if it is above 10 per cent and/or eliminating onerous restrictions to call a special meeting.

Acting by Written Consent. Having the ability to act by written consent is beneficial for shareholders as the company does not need to incur added expense to hold a special meeting and shareholders have the ability to act on issues in between company annual general meetings. Consents are similar to the proxy voting process except that, instead of a meeting taking place, shareholders simply return their signed consent which represents their vote and the matter is ratified.

Voting Guideline: BCI will generally vote **FOR** proposals to grant shareholders the right to act by written consent unless we have concerns about the lack of adequate safeguards such as a meaningful consent threshold.

Proxy Access. We consider proxy access to be an important shareholder right that complements other corporate governance best practices. Company proxy materials and related mailings should provide equal space and treatment for shareholder proposals including potential board candidates.

Voting Guideline: BCI will vote **FOR** shareholder proposals calling for the company to provide proxy access rights to a shareholder, or group of shareholders, having owned a minimum of one per cent of outstanding shares to nominate up to 25 per cent of the board of directors in each election. The features of the proposal should not impose unreasonable burdens on the nominating committee while providing for necessary safeguards to the nomination process. In addition, BCI will vote **FOR** shareholder proposals that seek to amend currently in place proxy access provisions in situations where such amendments would enhance the rights of shareholders.

The Board of Directors

PRINCIPLE

The principal responsibility of the board of directors is to foster the long-term success of the company,

- providing input to and approval of corporate strategy;
- evaluating management performance and making chief executive officer (CEO) changes when necessary;
- ensuring there are systems in place to effectively assess and manage all material risks; and
- supervising the selection and work of the company's external audit firm.

Over the last decade, the expectations of, and demands on, corporate directors have evolved and increased significantly, and the COVID-19 pandemic has added further to those demands. The shareholders that directors are accountable to expect greater levels of oversight, more robust evaluation of both management and the board itself, proactive and well-thought-out succession planning, and the setting of an appropriate tone from the top of the organization; a tone that espouses the highest levels of integrity and accountability, while demonstrating the importance of diversity throughout.

To effectively perform these critical functions, the board of directors must be composed of members who are independent of management and possess a diversity of skills, backgrounds, and experience that aligns with the strategic direction of the organization.

PROXY VOTING GUIDELINES

Board Membership

Director Independence. The board must be able to exert authority over management's recommendations and to objectively evaluate company and executive performance. This can be best achieved by ensuring that at least two-thirds of the board are independent directors.

An independent director is defined as an individual who is not a current or former executive of the company or its affiliates. Former executives, CEOs, and chief financial officers (CFOs) will be considered independent after a five-year cooling off period. Company founders are never considered independent by BCI. An independent director does not currently, or within the past five years, have a business or personal interest as a significant customer or supplier of goods or services to the company, and has no other direct or indirect material relationship to the company, other than interests and relationships arising from being a shareholder and receiving director's fees.

In effect, directors should be free from any connection to the company or its management that may compromise the director's loyalty to shareholders.

We recognize that in some markets, such as Germany and Sweden, companies are subject to legislation imposing employee or labour representatives on their board of directors. For these companies, BCI expects the majority of shareholder-elected directors to be independent. In Japan, recent corporate governance reforms are moving the market toward increased director independence. Historically, most boards of Japanese companies were made up of company executives only; now the local code calls for each board to have a minimum of two directors who are independent and not company employees at non-prime market companies. For prime market companies, the code requires an independence level of at least one-third and encourages companies to increase the number of female directors.

We also recognize that there may be some governance differences applicable to companies where there is a controlling shareholder(s). In these instances, where the company is controlled by virtue of equity ownership and not through multiple-voting shares, BCI expects the board to be at least majority independent.

Voting Guideline: BCI will vote **AGAINST** all non-independent nominees (except the CEO), where the proposed board (or shareholder elected portion of the board) will not be composed of two-thirds of independent directors. Even if board independence is adequate, BCI will vote **AGAINST** management nominees other than the CEO given the board's primary responsibility of overseeing management. BCI will vote **AGAINST** director nominees in cases where a nominee cannot be categorized as independent or non-independent due to lack of disclosure.

In Japan, BCI will vote **FOR** all outside nominees regardless of their independence status. In cases where the board is less than one-third independent or the board lacks at least one female director, BCI will vote **AGAINST** top executives. BCI will vote **AGAINST** management nominees other than the president and chairman. BCI will vote **AGAINST** top executives for sustained poor financial performance, such as a consistently low Return on Equity (ROE), or excessive cross-shareholdings.

Director Effectiveness and Accountability. The board should be composed of committed individuals who can contribute knowledge and diversity of thought and experience to the company's strategy and board decisions. The board's processes for identifying, recruiting, orienting, and evaluating directors should be disclosed so that shareholders understand how boards acquire and maintain the strengths necessary for effective governance and management oversight. BCI will use its discretion to vote against nominees when we feel that it is necessary to hold someone accountable and there is no other ballot item for us to convey this. Examples of this would be voting against governance committee members for companies with no say on pay vote, compensation committee members for unsatisfactory pay practices, or audit committee members when there is a history of financial restatements.

We support the following processes and criteria (and disclosure of such) for ensuring director effectiveness:

> **Attendance** – Directors should attend all board and committee meetings and prepare in advance of the meetings.

Voting Guideline: BCI will vote **AGAINST** nominees that fail to attend at least 75 per cent of board and committee meetings in aggregate without a valid reason.

> **Number of directorships** – Directors must ensure they are able to commit the appropriate amount of time and energy to their duties. When directors serve on an excessive number of boards, they are considered over-boarded and may not be fulfilling all duties.

Voting Guideline: BCI will vote **AGAINST** nominees that serve on more than five public company boards; for those nominees who are in executive roles (e.g. c-suite executives or executive chairs) at other companies, BCI will vote **AGAINST** such nominees if they are on more than two public company boards, including his or her own company. BCI will vote **AGAINST** the CEO when they are on more than two boards total.

- **Tenure –** Boards should establish a maximum length of service for directors. A fixed director term, which is preferable to retirement age limits, will contribute to board vitality while allowing for a mix of seasoned and new directors.

Voting Guideline: Where average tenure of the board exceeds 10 years, BCI will consider voting **AGAINST** individual nominees on a case-by-case basis, taking into account the overall composition of the board, in order to encourage board refreshment.

- **Responsiveness** — Directors should be responsive to shareholder concerns and engage with shareholders when vote results indicate a level of dissatisfaction.

Voting Guideline: BCI will vote **AGAINST** nominees that fail to respond to significant levels of shareholder concern. This will often result in votes against, for example, the compensation committee when changes are not made following low levels of support for executive compensation or votes against the governance committee when shareholder proposals are not implemented after passing.

- **Unsatisfactory Compensation Practices –** Compensation committees should ensure appropriate incentives for senior executives, establishing well disclosed compensation plans that align pay for performance and that are sensitive to the broader workforce experience and societal context. Additional details can be found below in the Executive Compensation section at the top of page 14.

Voting Guideline: BCI will vote **AGAINST** the chair or all returning members of the compensation committee where compensation practices fail to meet our expectations.

- **Lack of ESG Risk Oversight** – Risk management failures are often linked to inadequate oversight of risk management processes and systems by boards of directors. Such governance failures can result in significant reputational and financial harm to companies due to scandal, mismanagement, and criminal prosecutions. As a result, directors should be transparent in their efforts to assess and manage material environmental, social, and governance risks. There is also increasing regulatory and investor pressure on companies to provide climate-related disclosure, and BCI expects directors to oversee management's efforts to manage climate change-related risks.

Voting Guideline: BCI will vote **AGAINST** the chair or all returning members of the relevant board committee who, in our view, have not effectively performed this critical function and corporate ESG performance, including performance on climate change, has been unsatisfactory. If no committee is responsible for oversight of these issues, we will consider voting **AGAINST** the board chair or entire board, including the CEO. In other cases, if there is, for example, a failure to adopt the global tailings management standard, we may target the chair of the board or the chairs of the audit and governance committees.

Voting Guideline: On a case-by-case basis, where a company has been asked to provide relevant climate risk information, but has not done so, BCI may vote **AGAINST** the chair/members of the sustainability committee (or equivalent). If there is no sustainability committee or if it is not clear which committee is mandated to look at these risks, BCI may vote **AGAINST** the chair of the board.

Voting Guideline: On a case-by-case basis, where a company in a high-emitting sector has been engaged by investors but failed to be responsive by, for example, not incorporating climate risk assessments in its audited financial statements, BCI may escalate the engagement to a vote **AGAINST** the chair and members of the audit committee.

- **Diversity and Inclusion** — nominating and/or governance committees should ensure that boards are inclusive of a diversity of perspectives that will ultimately lead to better decision-making. There is mounting regulatory and investor pressure to boost gender diversity in particular and recent regulatory changes to the Canada Business Corporations Act, effective January 2020, introduce disclosure requirements beyond gender to also include Indigenous peoples, visible minorities, and persons with disabilities. Boards and executive management have a role to play in promoting and fostering diversity and inclusion, including disclosure, setting goals and timelines, and to report against them. We believe that boards should consider all forms of diversity in the director recruitment process. We expect boards to adopt and disclose a formal diversity policy that includes targets and timelines to increase levels of diversity at both the board and senior management level.

Voting Guideline: BCI will vote **AGAINST** the chair of the nominating/governance committee if a board lacks adequate female representation, and we will consider mitigating factors, such as a policy with targets and timelines, where practical. Currently BCI expects a minimum of 30 per cent of the board to be represented by females, which aligns with our commitment to the 30% Club.[1] BCI began considering diversity more broadly starting in the United States in 2021 and will expand to Canada in 2023. We will expand to other markets as disclosures permit. The gender guideline will be applied generally except where it is impractical.

- **Unilateral Actions** – Directors should provide shareholders with the opportunity to vote on all major corporate changes, including by-law amendments. Directors should not unilaterally enact bylaw amendments that restrict shareholder rights such as classifying the board, adopting a supermajority vote requirement, or eliminating shareholders' ability to change by-laws.

Voting Guideline: Where a board has unilaterally adopted by-law amendments that restrict or degrade shareholder rights, BCI will vote **AGAINST** members of the nominating/governance committee, or in certain circumstances, the entire board, in the first year after the amendments were ratified. BCI will consider continuing to vote **AGAINST** these members of the board in ensuing years on a case-by-case basis.

Contested Elections. The board of directors is responsible for representing shareholders' interests. When the board fails to fulfill its governance responsibilities, dissident shareholders are able to challenge the board via proxy contests. A proxy contest occurs when an activist shareholder attempts to install their own slate of directors by encouraging the company's other shareholders to vote against the current directors and for the dissident slate.

In considering our vote on a proxy contest, BCI assesses which option will best serve the long-term interests of shareholders, and ultimately, our clients. We believe that each proxy contest is unique, and therefore the vote should be treated as such. From a starting point, we believe that an incumbent management team should be open to credible and well thought out plans that will create long-term value for shareholders, irrespective of whether such plans were created by management or a company shareholder.

Ahead of a proxy contest vote, it is our expectation that both parties be open to communication with the company's shareholders.

Our preference is for a universal ballot in the case of a contested election, meaning that a single ballot is used listing all nominees, rather than an all-or-nothing option, where shareholders must choose either management's slate or the dissidents' slate. As of September 2022, the U.S. Securities and Exchange Commission (SEC) requires the use of universal proxy cards in contests for board seats but other markets may still permit different slates

Voting Guideline: BCI will review dissident shareholder proposals for director nominees on a case-by-case basis, considering factors such as long-term company performance, board performance and responsiveness to shareholder concerns, the strategic plan of the dissident slate, the quality of dissident critique against the current board, and the qualifications of director nominees.

Board Structures/Processes

Slate of Directors. Shareholders should have the opportunity to consider and vote on the qualifications and performance of each individual director, rather than being presented with a vote on a "slate" of directors.

Voting Guideline: BCI will vote **AGAINST** the entire slate of director nominees if presented this way due to our preference for individual director elections.

Staggered or Classified Boards. All directors should stand for annual election to the board, as opposed to staggered or classified terms of office. With a "staggered" or "classified" board, directors are elected in two or more classes and serve for terms longer than one year. Staggered boards make it difficult for shareholders to hold directors accountable and to replace individual directors during periods of deteriorating company or board performance.

Voting Guideline: At companies with a staggered board where practical to implement, BCI will vote **AGAINST** the director nominees up for election

[1] The 30% Club, with chapters established in many global markets, campaigns for greater representation of women on boards and in senior management, with a target of 30% representation in both by 2022. BCI is a signatory to the 30% Club Canadian Investor Group Statement of Intent, which expands beyond gender and includes race and other identities: https://30percentclub.org/wp-content/uploads/2022/03/30-Club-Canadian-Investor-Statement-of-Intent-Update-2022-FINAL.pdf

Board Size. The board should be large enough to ensure diversity of expertise and opinion and to allow key committees to be staffed by independent directors, but small enough to allow all views to be heard and to encourage the active participation of all members. BCI believes that a board's effectiveness generally declines once a certain threshold size has been reached. In a large board, individual directors may lose a sense of responsibility and accountability, which can result in opinions and advice not being voiced as effectively as they otherwise would be.

> **Voting Guideline:** BCI will review proposals to increase or decrease board size on a case-by case basis, generally voting **FOR** proposals where the proposed board size will be between seven and 16 directors.

Board Committees. The board should delegate certain functions to committees, although the board maintains overall responsibility for the work of the committees. Each board should have at least three key committees composed wholly of independent directors: the nominating committee, the compensation committee, and the audit committee. Each committee should create and disclose to shareholders a written mandate specifying its role and responsibilities.

> **Voting Guideline:** BCI will vote **AGAINST** non-independent nominees who serve on the nominating, compensation, or audit committees.

Board Discharge. In several European markets, boards request formal shareholder approval to "discharge" the directors from further responsibility for the actions they have taken during the past year. The formal discharge of the board represents shareholder approval of board policies and is an express vote of confidence in the company's oversight. In certain markets, it does not eliminate the possibility of future shareholder action.

> **Voting Guideline:** BCI will vote **FOR** proposals to discharge the board and management, unless we have serious concerns about past conduct that has been detrimental to shareholder interests.

Advance-Notice Policies. Advance notice policies specify conditions under which nominees can be put forward for election to the board. While a number of these policies do not appear problematic, some may serve as a way for a widely held company to insulate itself from activist investors and may not be in the best interest of shareholders.

> **Voting Guideline:** BCI will review advance notice policies on a case-by-case basis, but we will generally vote **FOR** proposals on the adoption of advance notice policies that meet market best practice, or where there is a legitimate threat of a stealth takeover at the annual general meeting.

Related Party Transactions. A related party transaction is a business deal or arrangement between two parties who have a pre-existing or special relationship, such as a transaction between a corporation and one of its directors. While related party transactions can play an important role and provide benefits to those involved, they can also result in conflicts of interest, and therefore the risk of abuse. BCI believes that boards should develop and disclose formal policies around the process undertaken for reviewing, monitoring, and ultimately approving related party transactions, including any conflicts of interest that may arise. We believe that such a process should involve only independent directors who are free to seek independent external advice if deemed necessary. In the case of related party transactions that have a material impact on the strategic direction or capital structure of a company, we believe shareholder approval should be sought.

> **Voting Guideline:** BCI will review related party transaction proposals on a case-by-case basis, however, in situations where disclosure around a transaction is insufficient for shareholders to make a fully informed vote, BCI will vote **AGAINST** the relevant proposal(s).

Director Compensation

Director Share Ownership. Share ownership by directors can serve to motivate and align directors' interests with the long-term interests of shareholders. BCI's preferred compensation for directors is in the form of restricted shares or deferred share units. We do not support outside directors participating in the company's stock option plan or performance-based incentive plan.

> **Voting Guideline:** BCI will vote **FOR** proposals that set a minimum share ownership level for company directors. BCI will vote **AGAINST** proposals that provide for director participation in company stock option plans or performance-based incentive plans.

Director Retirement Benefits. An outside director's independence could be compromised if they receive retirement benefits from the company. For this reason, we support the payment of retirement benefits to company employees, including executive directors, only.

> **Voting Guideline:** BCI will vote **AGAINST** proposals that seek approval of retirement benefits for outside directors.

Separation of Board and Management. A board's ability to exercise independent judgment of company management is weakened if one person fills both the positions of chief executive officer and chair of the board of directors. The board will be more effective in carrying out its critical role of appointing, monitoring and, if necessary, replacing the CEO, if different individuals hold the positions of CEO and chair. Separating the roles assists in establishing an appropriate balance of power between management and directors, increases accountability and helps ensure that the board serves to represent the interests of shareholders, not management. Consequently, we believe that the board chair should be an independent, non-executive director.

> **Voting Guideline:** BCI will vote **AGAINST** the CEO/chair and the chair/members of the nominating committee in situations where the roles of chair and CEO are combined.
>
> **Voting Guideline:** BCI will vote **AGAINST** the lead director and/or the chair/members of the nominating committee, and **AGAINST** executive chairs, except in situations where they are the only senior executive on the board or the former CEO is appointed as executive chair for a specified transition period (up to two years). We will assess founders who hold the role of executive chair on a case-by-case basis.

Shareholder Proposals Related to the Board

Independent Board Chair. Since one of the key functions of the board chair is to oversee the appointment or removal of the CEO, corporate governance best practice requires separation of the chair and CEO roles to eliminate this conflict of interest.

> **Voting Guideline:** BCI will vote **FOR** shareholder proposals to separate the board and management roles and to appoint an independent, non-executive director to the position of chair.

Staggered or Classified Boards. As noted above, staggered boards make it difficult for shareholders to hold directors accountable and to replace individual directors during periods of deteriorating company or board performance.

> **Voting Guideline:** BCI will vote **FOR** proposals to abolish staggered boards and institute annual elections for all directors.

Audit Process

PRINCIPLE

The audit process is critical to verifying the financial performance of the company, and to ensuring that management has adequate internal control and financial reporting systems. While companies may have internal auditors to help them comply with legal and regulatory requirements and with professional accounting standards, independent, external auditors are a necessary condition of good corporate governance. They can also leave an indelible mark on a company's public reputation and on investor confidence. Recent accounting scandals have served to further highlight the critical importance of auditor independence, and their ability to exercise professional skepticism towards a company's financial statements.

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Auditor Ratification. BCI supports the engagement of external auditors that provide qualified, competent advice and support in the best interests of the company and its shareholders and avoid any actual or appearance of conflict of interest or undue influence of management. We believe climate change poses a range of material risks especially to companies in high-emitting sectors, including physical, transition, and regulatory risk. We believe that it will eventually become common practice for external auditors to advise such companies to disclose potential financial impacts from climate change risk within audited financial statements, and auditors would opine on the quality of those disclosures. One example would be estimates of a company's physical assets at risk to significant weather events, such as hurricanes, or regulatory changes that would curtail further expansion of operations. When companies in high-emitting sectors fail to provide such disclosures, external auditors should be noting the absence of this information in their opinions.

> **Voting Guideline:** BCI will vote **AGAINST** proposals to appoint and/or remunerate the recommended auditors if the audit firm's tenure is 20 years or more; or if tenure is not disclosed; or if the firm earns 25 per cent or more of the total audit fees from non-audit work. We would exclude the fees for ESG assurance services if disclosed. BCI will also vote **AGAINST** the audit committee chair or members when non-audit fees are 50 per cent or greater.

Voting Guideline: On a case-by-case basis or as an engagement escalation strategy, BCI may vote **AGAINST** audit committee members if there is no reference to climate risk impacts in the auditor's opinion.

Financial Statements. The financial statements and auditor reports are valuable documents when evaluating company performance. BCI will ratify the statements and reports unless we have concerns about their quality, the performance and independence of the auditors who prepared them, or the documents have not been made available to shareholders prior to the annual meeting.

Voting Guideline: BCI will generally vote **FOR** proposals to approve a company's financial statements and auditor reports, except if we have questions about their reliability, or the auditors who prepared them, or the company has not made them publicly available.

Voting Guideline: On a case-by-case basis or as an engagement escalation strategy, BCI may vote **AGAINST** a company's financial statements if they lack sufficient details on climate change risk to the company's operations and finances.

Executive Compensation

PRINCIPLE

BCI believes that management compensation is a critical aspect of a company's governance. Pay decisions are one of the most direct and visible ways for shareholders to assess the performance of the board of directors. Boards must strike a balance between compensation packages that, on the one hand, are required to attract, retain, and motivate qualified executives, and, on the other hand, show moderation and restraint.

Boards should seek to align the interests of management with the interests of shareholders through compensation arrangements that are linked to the achievement of long-term company success and do not incentivize excessive risk-taking. In addition, boards should ensure a level of consistency with the experience of employees, and also take into account the broader economic environment, when considering any pay increases for executives. We believe that any salary increases for executives should be in line with inflation, barring any exceptional circumstances, which should be explained fully in a company's compensation discussion and analysis.

While BCI has seen progress in compensation plan design, we remain concerned that total pay, or quantum, continues to rapidly increase. This increase in executive pay is not always matched by pay increases for the general workforce, and the COVID-19 pandemic has introduced additional concerns related to employee safety, layoffs, dividends and stock buybacks. BCI will therefore incorporate a more holistic review of compensation, looking at workforce treatment and capital allocation practices, thereby embedding our analysis within the company, sector, and societal context.

PROXY VOTING GUIDELINES

Management Stock-Based Awards. BCI is not opposed to the use of equity incentives, including stock options, restricted stock, and deferred share units, to motivate managers and further the interests of shareholders. But poorly designed stock-based awards can permit excessive or abusive pay that is detrimental to the company and to shareholders. Excessive dilution[2] is a cause for concern for shareholders. BCI prefers to see dilution limited to five per cent but will evaluate plans that may result in up to 10 per cent dilution, as long as the plan is sufficiently performanced-based and meets all of our other criteria.

[2] The reduction of shareholders' proportional ownership in a company following the issuance of new shares.

Voting Guideline: BCI will vote **AGAINST** stock-based plans with the following features:

- the re-pricing of options or extension of expiry dates is permitted;
- evergreen and/or reload provisions are present whereby options automatically replenish the shares held in reserve for stock incentives once the currently issued options have been exercised;
- potential dilution is over 10 per cent of the shares outstanding unless unique circumstances exist;
- burn rates[3] are in excess of two per cent;
- immediate vesting of awards is permitted;
- there is concentration in a single recipient defined as more than 20 per cent of available awards;
- there are no associated predefined and relevant performance targets;
- consultants or contractors are eligible participants, or grants can be transferred to others, except in the case of death;
- corporate loans to acquire stock or stock-based incentives can be made;
- excessive change in control provisions; or
- amendment procedures that leave too much discretion to the board.

Advisory Vote on Compensation. Providing shareholders with the ability to vote on company pay policies/decisions should encourage executive compensation that is clearly disclosed, reasonable, has a strong link to long-term shareholder value, and minimizes potential "pay for failure" components. In addition, 'say on pay' votes offer a more targeted way for shareholders to signal discontent, rather than only voting against board members for the ratification of poor compensation practices.

Voting Guideline: BCI will vote **FOR** proposals requesting an advisory (non-binding) vote on compensation packages as a means of reinforcing director accountability to shareholders. When voting on the frequency of such votes, BCI will support annual advisory votes on compensation.

Voting Guideline: When casting an advisory vote, BCI will take a case-by-case approach but will generally vote **AGAINST** compensation practices or structures that fail to emphasize pay-for-performance or lack disclosure and other best practices or structures that:

- do not emphasize a pay-for-performance philosophy, with linkage to protecting and building long-term shareholder value;
- provide largely discretionary and/or guaranteed forms of compensation;
- do not provide clear and comprehensive disclosure that enables shareholders to evaluate the pay for performance linkage;
- opportunistically grant large stock awards when share prices are temporarily deflated;
- target pay above the median of peers;
- actual pay is a multiple of peer median that is unjustified by performance;
- outsized increases not justified by performance;
- provide continuous executive pay increases amidst widespread layoffs;
- use narrow or duplicative metrics in both the long term and short term incentive plans;
- provide for excessive pay levels or contractual arrangements;
- rely excessively on stock options with no associated performance conditions; or
- lack sufficient risk mitigation features.

Golden Parachute Votes. In some instances, investors have the opportunity to vote separately on compensation arrangements in connection to a merger or acquisition. There is some benefit to these contractual arrangements when they are designed in a way that incentivizes executives to act in the best interests of the company versus protecting their own financial interests.

[3] The rate at which a company uses the shares it has available for incentive purposes.

Voting Guideline: BCI will review golden parachutes on a case-by-case basis but will vote **AGAINST** arrangements with single-trigger change in control provisions and/or features that provide for accelerated vesting of equity awards.

Employee Share Ownership. We support stock ownership plans that give company employees the opportunity to become shareholders, which gives them a stake in the company growth. Evidence indicates that such plans provide significant spillover benefits to employees and companies in terms of retention and performance. These human capital management benefits are also seen extending to the broader systemic risks related to income inequality, as employees with access to such plans have significantly higher savings rates compared to those at peer companies without such plans.

Voting Guideline: BCI will vote **FOR** proposals to adopt or revise employee stock purchase plans where dilution levels of the plan remain reasonable and the purchase price discount is modest.

Shareholder Proposals on Compensation

Adopt a Clawback Policy. Such policies allow companies to recoup incentive compensation if the circumstances under which it was earned were questionable.

Voting Guideline: BCI will vote **FOR** the adoption of a clawback policy as a sound risk mitigation measure and part of a comprehensive compensation program.

Pro-Rata Vesting of Equity Awards. It is common for equity awards to vest immediately under a change in control circumstance, which makes the performance metrics under which the awards were granted irrelevant.

Voting Guideline: BCI will vote **FOR** the adoption of pro-rata vesting of equity awards to reinforce the underlying performance connection of such awards at the time of grant.

Share Retention Policies. Such policies strengthen the alignment of interests between management and shareholders by requiring executives to maintain a certain level of share ownership throughout their tenure. The ownership is derived from the routine granting of equity awards and is, therefore, not onerous to achieve.

Voting Guideline: BCI will vote **FOR** the adoption of share retention policies for management, provided the threshold is reasonable.

Capital Issues

PRINCIPLE

BCI believes that shareholders should have the ability to participate in the fundamental decisions that affect long-term corporate viability. For this reason, BCI takes all share issuance and use of capital requests seriously, and we will support requests that have a valid corporate purpose – that is, will help management pursue long-term value creation. Alternatively, we will not support any sustained erosion of the value of outstanding shares or approve of issuances that will be used in a manner inconsistent with adding long-term shareholder value.

PROXY VOTING GUIDELINES

Authorized Shares. When companies request that shareholders approve an increase in the number of common shares available or authorized for issuance, the increase should serve a specific business purpose. BCI supports company requests for limited increases in authorized shares if they are necessary for clearly disclosed, sound business reasons. Limited capital structures protect against excessive dilution and can be increased when needed with shareholder approval.

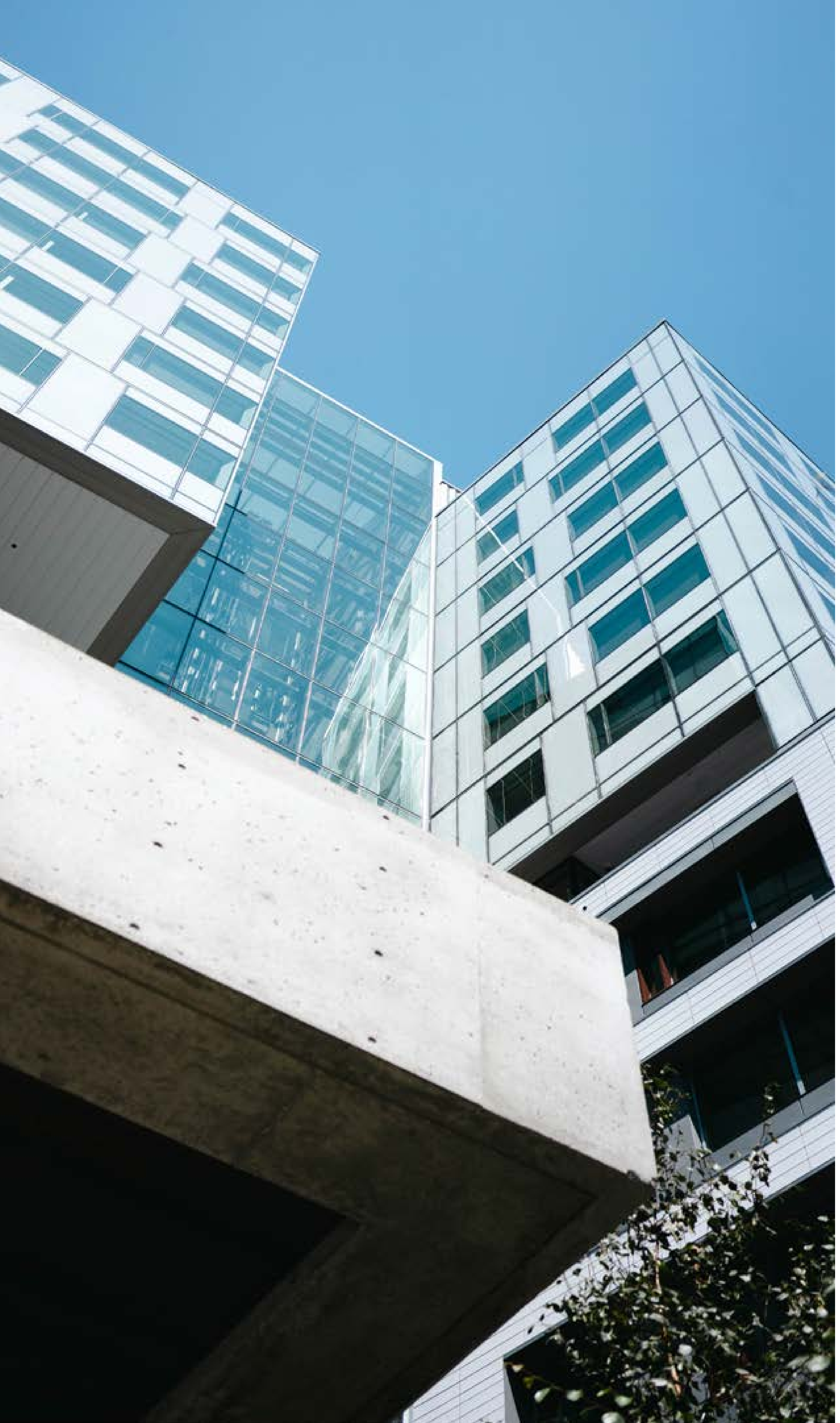
> **Voting Guideline:** BCI will vote **AGAINST** unlimited share authorization. BCI will vote **FOR** limited increases in authorized share capital if the proposed increases are intended for legitimate, clearly stated business purposes.

New Share Issues. From their authorized pool of share capital, companies may seek shareholder permission to issue a specific amount of stock. The proposed issuances may have attached provisions, such as pre-emptive rights, to prevent dilution to the value of outstanding shares. The issuance of shares can be a valuable tool for management when raising capital, and therefore we recognize that a certain level of flexibility should be afforded to companies on such issues, particularly when opportunities arise at short notice and there is a need to act quickly. In these situations, we believe management and the board should have the latitude to take actions that they believe will best serve the long-term interests of shareholders. However, there may be cases where proposed share issuances have unspecified rights, restrictions and terms (often called “blank cheque shares”) and could be used in ways that dilute the value of outstanding shares and are not in the best interests of existing shareholders.

> **Voting Guideline:** BCI will generally vote **FOR** limited general purpose share issues without pre-emptive rights and vote **AGAINST** the issuance of blank cheque preferred shares. BCI will vote **FOR** share issues up to 50 per cent dilution without pre-emptive rights if the issues meet a legitimate, clearly stated business purpose. BCI will vote **FOR** share issues with pre-emptive rights for general or explicit business purposes.

Dividend Policy and Share Repurchases. BCI believes that it is important for the board to have the discretion on appropriate dividend payments as well as share repurchases. However, we do not support the implementation of share repurchase programs that do not have sufficient disclosure or reasonable purchase price limits or that may be used to prevent a company takeover.

> **Voting Guideline:** BCI will consider dividend and share buyback proposals on a case-by-case basis.



Mergers, Acquisitions and Corporate Restructurings

PRINCIPLE

Decisions to prevent or to enter into mergers or restructurings have important implications for shareholders and we must evaluate each circumstance carefully from a financial point of view in addition to considering other factors. In all cases, BCI believes it is necessary to examine proposed transactions in terms of what is in the best long-term interests of shareholders. We will support corporate actions and takeover protection measures that preserve or enhance shareholder rights and create shareholder value over the long-term.

PROXY VOTING GUIDELINES

Mergers and Acquisitions. A merger or acquisition occurs when one corporation is absorbed into another and ceases to exist in its current form. The combined or surviving company gains all of the rights, powers, duties, assets, and liabilities of the partner or target company. The shareholders of the absorbed company receive stock, cash, or other securities of the newly formed company as provided by the plan of arrangement. When voting on mergers and acquisitions, BCI will take into account the following factors:

- **Valuation** — Is the value to be received by the target company, or paid by the acquirer, reasonable?
- **Market reaction** — How has the market responded to the proposed deal?
- **Strategic rationale** — What are the long-term prospects of the combined company? Are the cost and revenue synergies reasonably achievable, or overly aggressive or optimistic?
- **Negotiations and process** — Were the terms of the transaction negotiated at arm's length so that insider and controlling shareholders' interests are not put ahead of outside or minority shareholders? Was there a fair auction process to obtain the best terms? Where laws and regulations permit, will shareholders of both companies be given the opportunity to vote on the transaction, for example, when the acquiring company will be substantially

diluted, or there will be a significant change in management and/or strategy in the combined company?

- **Conflicts of interest** — Are insiders or controlling shareholders benefiting from the transaction disproportionately and inappropriately as compared to outside or minority shareholders?
- **Deal protection costs** — Are break fees and other deal protection costs, including change of control payments to target management and success fees, reasonable and appropriate?
- **Governance** — Will the combined company have a better or worse governance profile than the parties to the transaction?

> **Voting Guideline:** BCI will review and vote on merger and acquisition proposals on a case-by-case basis.

Corporate Restructurings. Corporate restructurings are more commonly seen on meeting agendas of companies located outside North America, particularly in European countries that have historically had complex holding structures. Restructurings include leveraged buyouts, asset spin-offs and liquidations, and going private transactions. When voting on corporate restructurings, we give primary consideration to fair valuation for shareholders with long-term investment horizons, strategic rationale, planned use of sale proceeds, sales process, and managerial incentives (i.e. conflicts of interest).

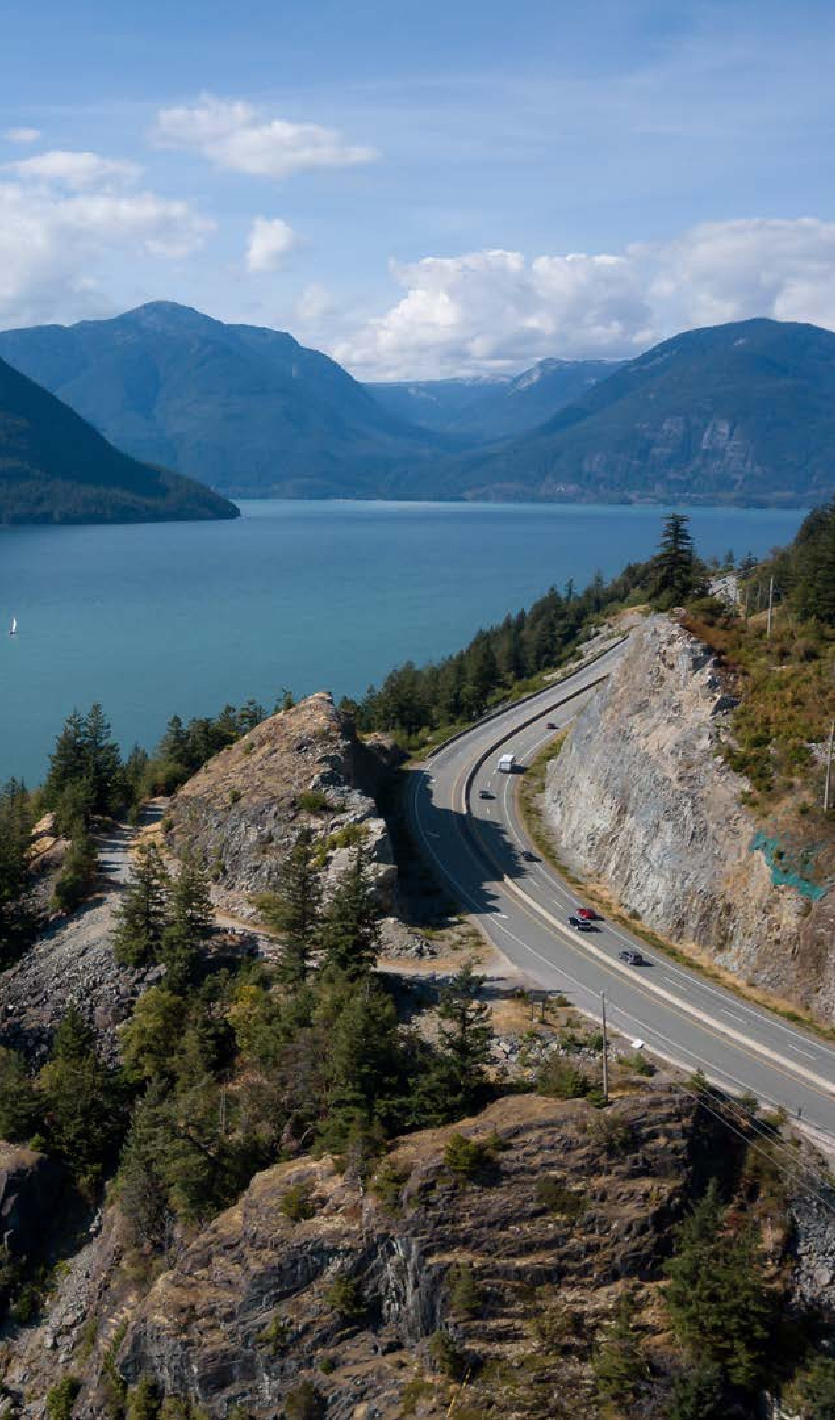
> **Voting Guideline:** BCI will review and vote on corporate restructuring proposals on a case-by-case basis.

Reincorporation. When a company requests approval for reincorporation into a new jurisdiction, BCI makes a careful comparison of the differences between corporate governance and corporate responsibility rules and shareholder rights under the new laws. Also considered is management's rationale for the change.

> **Voting Guideline:** BCI will vote **FOR** reincorporation proposals that have a strong business rationale. BCI will vote **AGAINST** reincorporation proposals that aim to take advantage of more relaxed local corporate environmental, social, and governance standards or would weaken shareholder rights and interests.

Shareholder Rights Plans. The purpose of shareholder rights plans (also known as "poison pills") and other takeover protection measures is to ensure that boards of directors of a company subject to a takeover bid have additional time to maximize shareholder value by developing an alternative transaction or soliciting a competing takeover bid. Beyond this purpose, BCI will not support shareholder rights plans or other measures that serve insiders by making takeover bids more difficult, or that prevent shareholders from considering potentially attractive offers to buy their shares.

> **Voting Guideline:** BCI will vote **FOR** proposals to adopt measures that are appropriately structured to not put excessive control in the hands of directors at the expense of shareholders (For example, in Canada, a new generation of rights plans has developed with many favorable features, such as specific definitions of "acquiring person" and "permitted bid", a 20 per cent ownership trigger, and clear limits on the board's ability to arbitrarily waive or redeem the plan), and are intended to promote the realization of long-term shareholder value. We will vote **AGAINST** proposals to implement lock-up arrangements, crown jewel defenses, and to pay greenmail and excessive break-up fees or other measures that frustrate a competitive auction process and reduce shareholder value. We will vote **AGAINST or WITHHOLD** from director nominees seeking re-election if they have implemented anti-takeover measures that are not in the best interests of shareholders.



Shareholder Proposals on Environmental & Social Risk

PRINCIPLE

BCI believes companies that give careful consideration to environmental and social factors are likely to create long-term shareholder value. We recognize that good business conduct can enhance a company's reputation and long-term economic performance, and we encourage boards and management to adopt policies and practices that appropriately address sustainability[4] factors that are relevant to their businesses.

In voting on shareholder proposals and engaging portfolio companies on environmental and social factors, BCI seeks to encourage actions by company boards of directors and management that we believe will add long-term value to shareholders, including BCI clients. More specifically, BCI will support shareholder proposals and communicate with companies on issues that are likely to reduce exposure to potential material risks.

We believe it is prudent to apply a case-by-case approach to sustainability factors given the extensive list of environmental and social challenges that companies may face, as well as the specific features of the proposal on the ballot.

ENVIRONMENTAL RISKS

A non-exhaustive list of environmental subject matters on which shareholders are most frequently asked to vote on includes the following: climate change and environmental risk assessment, greenhouse gas emissions disclosure and emissions reduction targets, hydraulic fracturing, methane emissions and natural gas flaring, packaging/recycling/waste management, sustainable palm oil, sustainable finance commitments and targets, sustainability reporting, and water consumption and conservation of biodiversity.

SAY ON CLIMATE

In 2021, a shareholder proposal campaign launched with the goal to introduce annual say on climate votes. The campaign had some success in getting companies to offer a management say on climate vote, but BCI has not supported either type of proposal as we see a number of problems with the concept as well as implementation challenges.

Climate change is a complex problem that does not have a simple solution, so reducing it to an advisory

[4] Sustainability is used here to specifically describe our focus on material environmental and social factors.

shareholder vote is fundamentally problematic. Unintended consequences potentially include such a vote inadvertently supplanting our preferred approach: company engagement and holding directors accountable for oversight of the company's climate change strategy. Furthermore, high levels of investor support for a say on climate vote may act as a rubber stamp for what is a weak climate change strategy, shielding management and the board from responsibility for inaction on climate change.

SOCIAL RISKS
(COMMUNITIES, EMPLOYEES AND HUMAN RIGHTS)

A non-exhaustive list of social subject matters on which shareholders are most frequently asked to vote covers the following: animal welfare, board and senior management diversity, corporate political contributions and lobbying activities, data privacy and cybersecurity, employee health and safety, equal employment opportunity and non-discrimination policies, gender/racial pay gaps, genetically modified organisms and labeling, human rights policies/risk assessment/board committees, product safety, mandatory arbitration policies, racial equity audits, tax policy principles, and Indigenous peoples' rights and inclusion in support of reconciliation.[5]

[5] BCI is a signatory to the 30% Club Canadian Investor Group Statement of Intent, which expands beyond gender and includes race and other identities, including, but not limited to, Black, Indigenous, other visible minorities, members of the LGBTQ+ community, and persons with disabilities: https://30percentclub.org/wp-content/uploads/2022/03/30-Club-Canadian-Investor-Statement-of-Intent-Update-2022-FINAL.pdf

Proposals on Indigenous Peoples' Rights and Reconciliation

BCI's approach to shareholder proposals related to Indigenous peoples' rights and reconciliation is in accordance with Call to Action 92 of the Truth and Reconciliation Commission's Final Report and informed by our encouraging business practices that align with the principles of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

While we evaluate proposals on a case-by-case basis, we will generally support the disclosure or adoption of policies and practices related to reconciliation and Indigenous inclusion such as Indigenous community relations, hiring and retention practices of Indigenous employees, training on Indigenous reconciliation, and procurement from Indigenous-owned businesses. In addition, we support and encourage companies to seek the Progressive Aboriginal Relations (PAR) Certification by the Canadian Council for Aboriginal Business.

PROXY VOTING GUIDELINES

We will typically support proposals that seek additional company reporting when companies lag their peers in disclosing environmental or social impacts, policies and/or practices, unless sufficient information is already disclosed and available to shareholders. In some instances, when we consider investors do not have sufficient information to assess emerging risks that could have a material impact in the short or long-term, we will carefully review proposals calling for supplementary disclosure at a reasonable cost to the company. We will also consider supporting efforts to require companies to take specific reasonable management actions to mitigate environmental and social risks or to adopt specific policies and/or implement initiatives aimed at protecting the environment, employees, customers, communities, and broader society.

On climate change specifically, investors are filing increasingly detailed proposals in an attempt to address this risk. While we will continue to approach these proposals on a case-by-case basis, BCI will consider supporting prescriptive proposals such as those asking companies to align emissions reduction targets with best practices.

Except for BCI's shift towards supporting prescriptive climate change related proposals on a case-by-case basis, we will maintain our approach of usually not supporting shareholder proposals that are written in a prescriptive way and/or calling for excluding or adding activities to companies' business lines, as such decisions should be left to management.

Finally, we may be sympathetic to the concerns raised about a firm's ESG performance but may not believe that the reforms or actions requested of the company provide an effective solution for those issues. In such cases, BCI will support the company board of directors and management recommendations.

BCI supports disclosure frameworks and recommendations such as those that have been issued by the Task Force on Climate Related Financial Disclosures (TCFD)[6] and the Sustainability Accounting Standards Board (SASB). We see SASB standards as effective tools for investee companies to use in order to better disclose decision-useful information related to environmental and social factors. BCI will generally support shareholder proposals that seek for companies to report in line with such frameworks and recommendations. SASB is now part of the Value Reporting Foundation (VRF), which is under the International Financial Reporting Standards (IFRS) Foundation umbrella that includes the International Sustainability Standards Board (ISSB) and we will assess the ISSB final standards once released.[7]

Our approach to sound corporate governance and material sustainability factors set out in these guidelines also seeks to be consistent with the commitments BCI has made to responsible investor organizations and initiatives. We will generally be supportive of proposals calling for companies to adopt policies and practices in line with internationally recognized best practice standards and frameworks.

[6] Task Force on Climate-related Financial Disclosures: https://www.fsb-tcfd.org/
[7] IFRS Foundation: https://www.ifrs.org/

We generally support requests in shareholder proposals when at least one of the following is present:

- the company does not have well-documented environmental and social management systems and/or does not monitor impacts;
- the company's actions and policies lag its peers;
- there has been controversies, litigations or fines stemming from its treatment of environmental and social risks;
- there is growing consumer concern and increasing regulation around product use;
- the proposed actions and policies are likely to enhance its reputation as a market leader and its long-term ability to operate; or
- it is related to climate change risk and adopting best practices.

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