



**QUBE  
INVESTMENT  
MANAGEMENT**

## Proxy Summary Report 2020



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## Why It Matters

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

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

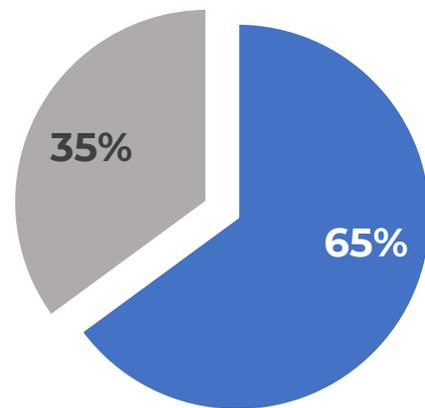
Each year in addition to our Environmental, Social, and Governance (ESG) research and reporting we take an active approach in voting and representing our client's best interests through proxy voting for each company held in our Kaleo Portfolio. Included in this report is a summation of the votes made in 2020 for the 12-month period ending Dec 31, 2020.

## Support for Management Proposals

In 2020, Qube voted on 255 management agenda items amongst 19 companies held in Kaleo. 65% of those votes were in favour of managements proposals while 35% were against.

Reasoning for each of these votes either for or against can be found detailed in our 2020 company specific proxy reports (which are available upon request).

### Votes on Annual Requirements

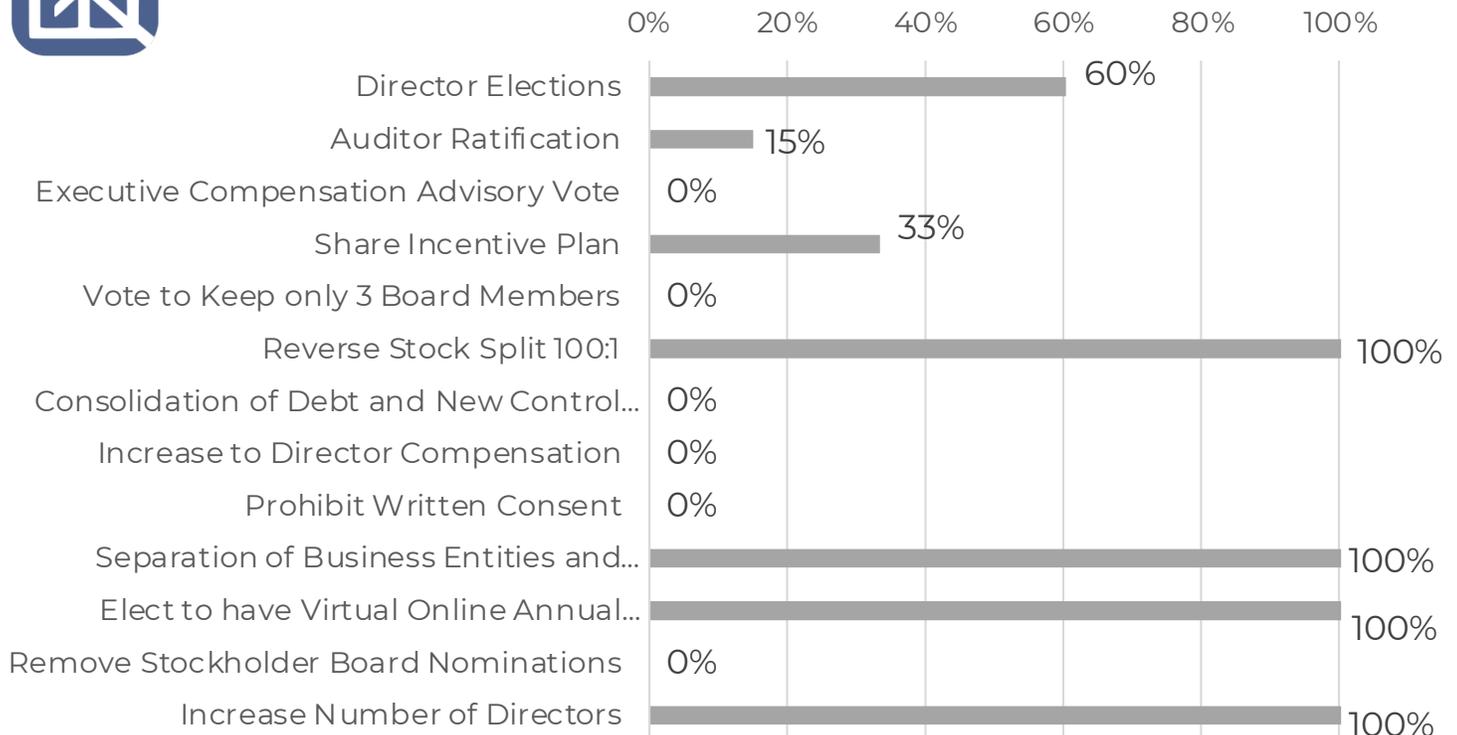


- Votes for Management
- Votes Against Management





## Votes on Management Resolutions



## Stance on Management Resolutions

**In order to keep voting consistent and true to our values, we have committed to concrete stances on certain management proposals.**

Every proxy card has required votes (the same three topics each year; Director Elections, Auditor Ratification and Executive Compensation), and a list of management proposals that may differ from year-to-year. Qube only votes ‘for’ Directors that are independent from the company (ie. will not vote for an executive of that same company to be on the Board), and only votes ‘for’ the proposed auditing firm if it has been auditing the corporation for less than ten years. Our goal is to keep management accountable by voting for independent third parties.

Qube believes that fair executive compensation should be measured relative to the median employee at the corporation. It is not reasonable to pay any one employee more than 100 times the salary of the median worker. At the present time, Qube has voted against all proposed executive compensation due to the quantum of compensation (when they are already making 300-400% times the median salary, any proposal to increase is beyond excessive).

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

## Shareholder Proposals

In 2020, Qube voted on 10 different agenda items brought forward by shareholders of 18 companies held in Kaleo. 92% of those votes were in favour of the independent shareholder proposals while 8% were against.

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

Qube has started to see a few trends when it comes to Shareholder Proposals; trends that we are mostly on board with. As shareholders, we want to vote for whatever will allow us more rights, value and transparency. Unfortunately, there are many games that management can play to maximize their own benefits. These shareholder proposals can help change that. Some trends we support are listed and explained below:

### Amendment of the Proxy Access Bylaw

This is a proposal lobbied by our own portfolio manager (Ian) through the years. The amendment would allow shareholders the right to put forth their own director nominations and have those directors nominated on management proxies. This is important, as director nominations are usually only done internally, subject to a conflict of interest.

### Right to Act by Written Consent

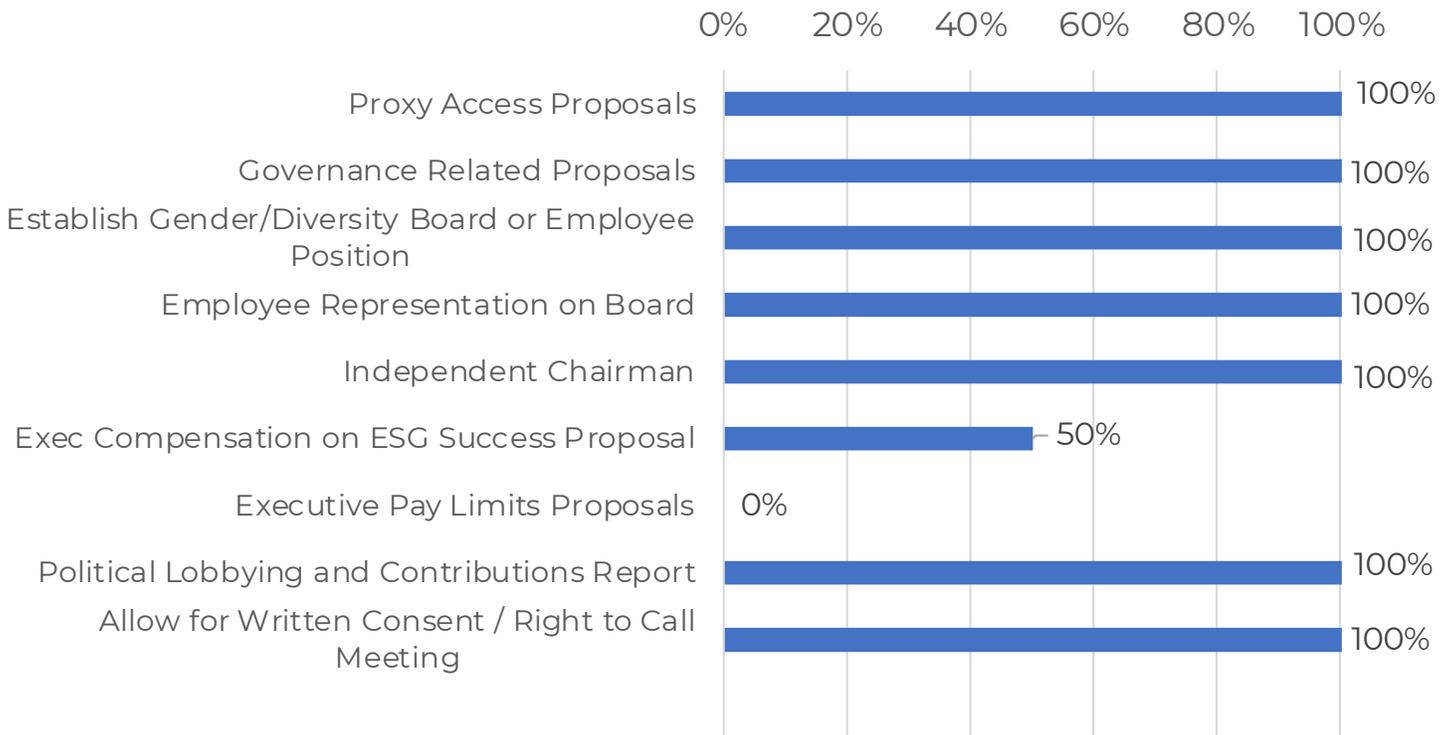
This is a request to allow shareholders the ability to initiate any appropriate topic for written consent in lieu of a meeting. Action by written consent may be used to accomplish the amendment of bylaws and removal of directors without cause and filing of board vacancies, all without waiting for an annual or special meeting.

### Proposal for a Chairman Independent of the Corporation

Oftentimes, the Chair of the Board of Directors is also the corporation's CEO. A rising shareholder proposal trend is to request an amendment of the bylaws that would require the corporation to find an independent member as Chair. This allows more autonomy for the Board of Directors and reduces any conflict of interest.

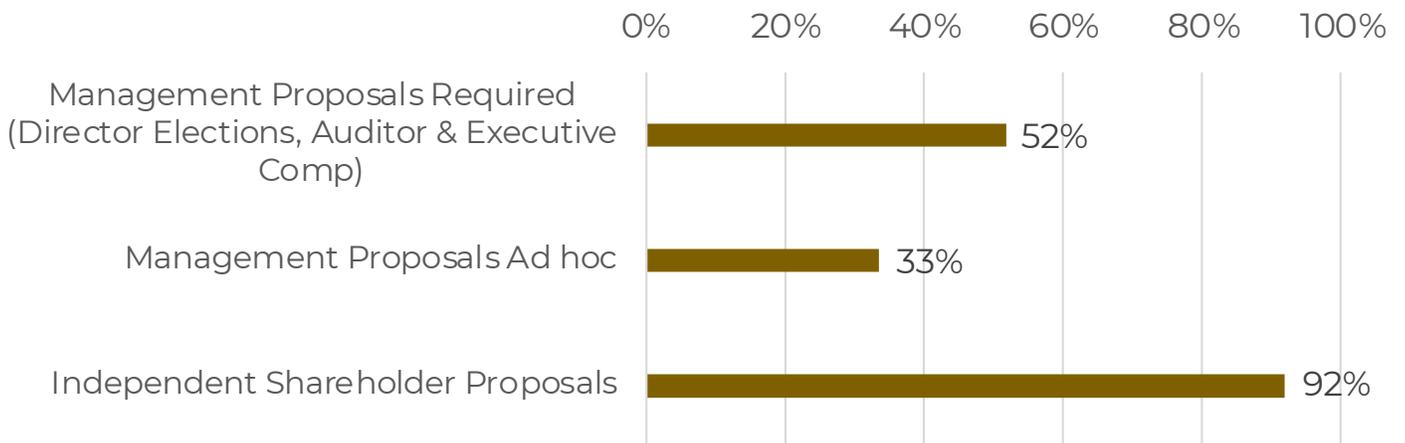


## Votes on Shareholder Resolutions



When we vote against a shareholder proposal, we are not necessarily voting against the topic itself (such as environmental responsibility, gender diversity or executive compensation incentives) but the specific proposal submitted. Some proposals may seem too aggressive given the context, may not approach the issues in conjunction with our proxy manual, or strive for a goal that we do not agree with.

## Overall Summary of Votes



## QIM PROXY VOTING PROCEDURES AND GUIDELINES

### INTRODUCTION

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

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

## 2. PROCEDURES

### 2.1 Voting Process

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

### 2.2 Record Keeping Report

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

- a) name of the issuer;
- b) whether the matter or matters voted on were proposed by management or another person or company;
- c) whether *QIM* voted on the matter or matters;
- d) if applicable, how *QIM* voted on the matter or matters and whether those votes were in keeping with these guidelines;
- e) whether votes cast by *QIM* were for or against the recommendations of management of the issuer; and
- f) any other comments.



## 2.3 Preparation and Availability of the Proxy Voting Record

### 2.3.1 Ongoing Maintenance

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

### 2.3.2 Requests by Clients

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

## 2.4 Annual Review

The following will be reviewed on an annual basis:

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

## 2.5 Non-Voting of Proxies

There may be instances in which *QIM* may, despite best efforts, not be able to appropriately vote a proxy. Additionally, where *QIM* determines that the costs of entering a vote outweigh the potential benefit to its clients, or where the impact of voting will have a de minimus affect upon the matter voted upon, *QIM* will not be required to enter a vote for the matter in question. *QIM* will not vote on proxies that it does not have discretionary authority over unless requested by the client.

## 3. GUIDELINES AND STANDING POLICIES

### 3.1 Introduction

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

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

### 3.2 Board of Directors

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



### 3.2.1 Independence of the Board of Directors

#### *Guideline*

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

#### *Voting Policy*

QIM will rarely support a non-independent board member.

### 3.2.2 Director Qualifications

#### *Guideline*

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

#### *Voting Policy*

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

### 3.2.3 Slate Voting

#### *Guideline*

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

#### *Voting Policy*

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

### 3.2.4 Director Attendance and Performance

#### *Guideline*

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



We do not support a board member holding greater than 3 directorships unless they are retired (not full-time employed), or have other unique circumstances.

*Voting Policy*

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

**3.2.3 Term Limits for Directors**

*Guideline*

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

*Voting Policy*

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

**3.2.4 Separation of Chair and CEO**

*Guideline*

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

*Voting Policy*

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

**3.2.5 Committees of the Board**

*Guideline*

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

*Voting Policy*

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



### 3.2.6 Audit Process

#### *Guideline*

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

#### *Voting Policy*

QIM will generally support the choice of auditors recommended by the Audit Committee, but will monitor the audit relationship in accordance with the guidelines noted. If the audit relationship has not been competitively reviewed within the past 10 years, we will not support the audit appointment.

### 3.2.7 Cumulative Voting

#### *Guideline*

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

#### *Voting Policy*

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

### 3.2.8 Director Compensation

#### *Guideline*

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

#### *Voting Policy*

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



### 3.2.9 Director Terms

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

#### *Voting Policy*

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

### 3.3 Shareholders

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

#### 3.3.1 Confidential Voting by Shareholders

##### *Guideline*

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

##### *Voting Policy*

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

#### 3.3.2 Takeover Protection – Shareholder Rights Plans

##### *Guideline*

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

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

##### *Voting Policy*

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



### 3.3.3 Dual Class Shares

#### *Guideline*

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

#### *Voting Policy*

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

### 3.3.4 Supermajority Approval

#### *Guideline*

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

#### *Voting Policy*

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

### 3.3.5 Linked Proposals

#### *Guideline*

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

#### *Voting Policy*

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

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

#### *Guideline*

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



*Voting Policy*

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

**3.3.7 Shareholder Proposals**

*Guideline*

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

*Voting Policy*

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

**3.3.8 Disclosure of Voting Results**

*Guideline*

Proxy voting results at annual and special meetings should be released in a timely manner and include, at a minimum, the votes for, against and withheld.

*Voting Policy*

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

**3.3.9 Other Business**

*Guideline*

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

*Voting Policy*

We will generally not support “other business” proposals.

**3.4 Management**

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



### 3.4.1 Executive Compensation Disclosure and Reporting

#### *Guideline*

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

#### *Voting Policy*

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

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

#### *Guideline*

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

#### *Voting Policy*

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

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

#### *Guideline*

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

#### *Voting Policy*

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



### 3.5 Social and Environmental Issues

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

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

#### 3.5.2 Human Rights

##### *Guideline*

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

##### *Voting Policy*

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

#### 3.5.3 Climate Change

##### *Guideline*

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

##### *Voting Policy*

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

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

##### *Guideline*

Companies often directly support political parties, individual candidates and committees to gain influence when the candidates or parties of choice are elected. Indirectly, contributions can be made as a result of being a donor/member of a trade association, union, or other tax-exempt group whose monies are used for political purposes.



*Voting Policy*

QIM will vote for and encourage proposals that ask companies to report publicly, regularly, and in detail their political contributions, whether made directly or indirectly.

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

*Guideline*

Companies and trade associations hire professional advocates to lobby government officials and committees on issues that are important to their continued success, or to maintain access for needs at a later date.

*Voting Policy*

QIM will vote for and encourage proposals that ask companies to report in detail on their lobbying efforts and the costs associated.

