



2026 PROXY VOTING GUIDELINES

Common Principles
for Collective Impact

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Groupe Investissement Responsable inc. (GIR) 2026

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These voting guidelines have been designed as a common resource for all institutional investors who wish to use them. An advisory committee oversees its content, while GIR ensures its implementation and updating.

Disclaimer

These voting guidelines are not intended to provide legal advice. Institutional investors are strongly advised to seek independent professional advice when developing proxy voting procedures to ensure that they represent the interests of their users and beneficiaries.

About GIR

GIR (Groupe Investissement Responsable inc.) is a Canadian proxy voting agency. It is responsible for implementing the Mosaic voting guidelines, which bring together a large group of asset owners and asset managers. Founded in 2000, GIR advises institutional investors on responsible investment practices through proxy voting, ESG research and consultation. It is majority-owned by its employees.

TABLE OF CONTENTS

1. Preamble	5
2. Principles	6
2.1. Long-term Value Creation	6
2.2. Transparency and Disclosure	6
2.3. Risk Management	6
3. Board of Directors	8
3.1. Definition of Independence	8
3.2. Directors' Accountability	9
3.2.1. Independent Chair of the Board	9
3.2.2. Considering Shareholders' Opinion	10
3.2.3. Directors' Availability	10
3.3. Committees	11
3.3.1. Audit Committee	11
3.3.2. Nominating Committee	11
3.3.3. Governance Committee	12
3.3.4. Compensation Committee	12
3.4. Board Size	13
4. Compensation	14
4.1. Executive Compensation	14
4.1.1. Disclosure	14
4.1.2. Stock and Option Compensation Plans	14
4.1.3. Bonuses	15
4.1.4. Omnibus Plans	15
4.1.5. Stock Appreciation Rights and Phantom Shares	15
4.1.6. Severance Packages	15
4.1.7. Compensation and Layoffs	16
4.1.8. Wage Inequality	16

4.1.9. Loans to Executives	17
4.1.10. Clawback	17
4.1.11. Link between Compensation and ESG Performance	17
4.1.12. Say on Pay Frequency	17
4.2. Employee Compensation	18
4.3. Director Compensation	18
5. Auditor	19
6. Capital	20
6.1. Share Issuances	20
6.2. Share Buybacks	20
6.3. Reissuance of Repurchased Shares	20
6.4. Blank Cheque Preferred Shares	21
7. Shareholders' rights	22
7.1. Unequal Voting Rights	22
7.2. Exclusive Forum	22
7.3. Advance Notice Requirements	22
7.4. Reincorporation	23
7.5. Right to Call an Extraordinary Meeting	23
7.6. Amendments to Articles of Association and Bylaws	23
7.7. Supermajority	24
7.8. Adjournment of the Meeting to Solicit Proxies	24
7.9. Quorum	24
7.10. Linked Proposals	24
7.11. Any Other Business	24
8. Mergers/Acquisitions and Takeover Defences	25
8.1. Mergers and Acquisitions	25
8.2. Takeover Defences	26
9. Social Responsibility	28
9.1. General Information	28

9.1.1. Sustainability Reporting	28
9.1.2. Anti-ESG	28
9.2. Climate Change	29
9.2.1. Disclosure of Greenhouse Gas Emissions	29
9.2.2. Climate Transition Plans	29
9.2.3 Say on Climate (advisory vote on climate action plans)	30
9.3. Just Transition	30
9.4. Pollution	30
9.5. Aquatic and Marine Resources	30
9.6. Biodiversity and Ecosystems	31
9.7. Animal Welfare	31
9.8. Resource Use and Circular Economy	31
9.9. Human Rights	32
9.10. Company Workforce and Value Chain Workers	32
9.10.1. Human Capital Management	32
9.10.2. Diversity, Equity, and Inclusion (DEI)	33
9.10.3. Racial Equity	33
9.10.4. Discrimination in the Workplace	33
9.10.5. Freedom of Association and Collective Bargaining	34
9.10.6. Health and Safety	34
9.10.7. Harassment	34
9.10.8. Social Impact of Digital Transition	35
9.11. Affected Communities	35
9.11.1. Relations with Indigenous Peoples	35
9.11.2. Justice and Environmental Racism	35
9.11.3. Obtaining Approval from Local Communities – Social License to Operate	35
9.12. Freedom of Expression and Electronic Censorship	36
9.13. Consumers and End Users	36
9.13.1. Product and Service Safety	36

9.13.2. Artificial Intelligence	36
9.13.3. Predatory Lending	37
9.14. Conduct of Business	37
9.14.1. Lobbying and Political Contributions	37
9.14.2. Tax Transparency	38

1. Preamble

These guidelines are intended for adoption and use by institutional investors and their representatives who wish to use their voting rights to promote good governance and prudent risk management with the companies in which they invest and to thereby protect and enhance the value of their investments.

They have been drafted with the purpose of being available as a common good, thereby facilitating access and use by the widest possible audience.

Voting guidelines concern the proposals submitted to shareholder vote at the general meetings of publicly traded companies.

When applying these guidelines, investors should bear in mind who they represent, whether it is beneficiaries, owners, clients or other stakeholders, and that the decisions they take should serve their interests.

As guidelines, they are meant to be applied with consideration for each specific situation, and a vote recommendation may be disregarded if an alternative voting decision would better serve the principles and objectives of these guidelines in the long term. This might include addressing geographical or jurisdictional specificities, as long as good governance practices are upheld.

2. Principles

Votes shall be exercised in accordance with the principles outlined below. In the absence of a specific guideline for a given matter, investors may refer to these principles to guide their decision.

2.1. Long-term Value Creation

Voting decisions should prioritize long-term value creation over short-term gains. While these are shareholder voting guidelines, whenever possible these guidelines will consider the interests of all stakeholders when assessing vote decisions that may have wider stakeholder impacts. When all stakeholders cannot be satisfied, voting decisions shall be based on the material impact on the portfolio. If needed, investors will clarify their priorities while integrating material stakeholder considerations through a long-term value lens, supported by transparent documentation of trade-offs and predefined thresholds for unacceptable social or environmental impacts.

2.2. Transparency and Disclosure

Shareholders should consistently seek to obtain as much information as possible regarding the companies in which they invest. Comprehensive and transparent disclosure of corporate ESG performance enables shareholders to make informed decisions.

2.3. Risk Management

Companies that adopt robust risk management practices, including the integration of environmental, social, and governance (ESG) factors, are better positioned to identify and proactively address risks, thereby safeguarding their long-term value and performance. Indeed, ESG risks may have a significant financial impact on companies (financial losses, fines, litigation).

In addition to assessing how each vote will affect issuers individually, votes should also be assessed for their impact on economy-wide systemic issues that may affect our portfolio and its future investment returns. Investment returns come primarily from the performance of capital markets and the economy. Market-wide standards of corporate behaviour are an important contributor to investment outcomes. Voting should be assessed for its impact on the economy, and on the society and environment upon which it depends.

For further references, these guidelines will rely on the following international agreements to assess the social and environmental responsibility of companies:

- The Universal Declaration of Human Rights;
- The International Labour Organization Tripartite Declaration of Principles;
- Concerning Multinational Enterprises and Social Policy;
- The OECD Guidelines for Multinational Enterprises;
- The United Nations Declaration on the Rights of Indigenous Peoples;
- The United Nations Global Compact;

- The United Nations Guiding Principles on Business and Human Rights;
- The United Nations Sustainable Development Goals program;

3. Board of Directors

Each year, shareholders of publicly listed companies are called upon to vote on the candidates who will form the board of directors.

The board of directors determines the strategic direction of the company. It assesses the performance of management as well as the financial health of the company. It identifies and evaluates the risks facing the company. Finally, it maintains sound relationships with stakeholders.

To fulfil these functions, the board must bring together individuals with a mix of experiences and knowledge enabling it to make the best long-term decisions.

Two fundamental notions are essential in evaluating the effectiveness of a board of directors: independence and competence.

3.1. Definition of Independence

Director independence is defined as the absence of financial ties with the company's executives, major shareholders, or their representatives.

The guidelines will consider candidates as non-independent if they:

- Are or have been an employee or executive of the company within the past 5 years;
- Have a family member who is or has been an executive of the company within the past 5 years;
- Are or have been associated with, or employed by, the company's audit firm within the past 5 years and have personally participated in the audit during that period;
- Are an executive of another company with interlocking directorships;
- Have received, or whose immediate family member has received, from the company more than \$75,000 annually in direct compensation over any 12-month period in the past 3 years;
- Accept, or whose spouse or child accepts, directly or indirectly, significant consulting fees (over \$160,000);
- Provide professional services (legal, financial, medical, or other) to the company;
- Maintain substantial economic relationships with the company (customers, suppliers, competitors, or major shareholders with commercial ties);
- Are a member of an organization receiving more than \$100,000 or 1% of its donations from the company;
- Hold more than 10% of the voting rights;
- Have served on the board for more than 10 years;
- Owe the company or one of its subsidiaries more than \$100,000 (except bank directors holding residential mortgages under the same conditions as other clients);
- Have received or been promised a bonus by an investor of the company for any reason.

The board of directors must be composed of at least two-thirds independent members.

3.2. Directors' Accountability

Several factors allow to evaluate the relevance of a director nomination. The underlying principle is to make directors accountable for their actions.

VOTE AGAINST non-independent candidates when the board is composed of fewer than two-thirds independent members.

VOTE AGAINST the chair of the board when climate disclosure is deemed inadequate (Transition Pathway Initiative assessment equal to or below 3).

VOTE AGAINST a director who:

- Is not qualified to be a corporate director or the company has not disclosed adequate information about the directors' qualifications;
- Has a conflict of interest, a conviction for financial, corporate or securities crime, or a history of serious misconduct, regulatory sanctions or ethical violations relating to corporate responsibilities;
- Has served on the board of another company that has demonstrated egregious failures in the duty of care.

VOTE AGAINST all directors if:

- The board consistently acts in the interests of a group of shareholders rather than in the interests of all shareholders;
- There is evidence that directors purposely misstated or concealed the financial condition of the company;
- The board has demonstrated a lack of duty of care or refused to provide information to which shareholders are entitled;
- The board has not carried out its duties to protect the value of the company;
- The board acts to limit shareholder rights.

3.2.1. Independent Chair of the Board

The chair of the board of directors is responsible for chairing board meetings and overseeing the implementation of policies and plans approved by the board. He or she cannot fully perform this role when also serving as a member of management, as he or she cannot be completely impartial regarding the work performed by the management team.

VOTE AGAINST the chair of the board who is also the chief executive officer and, more generally, against the chair of the board who is not independent according to these guidelines.

When the CEO is also the chair of the board, companies generally appoint a "lead director" who is responsible for serving as a liaison between independent directors and management, leading board and CEO performance evaluations, approving meeting agendas, engaging with shareholders on important issues, and acting as a mediator in disputes. This lead director should be independent.

VOTE AGAINST the lead director who is not independent according to the company or the definition above ([3.1. Definition of independence](#)).

3.2.2. Considering Shareholders' Opinion

Companies should consider the decisions of their shareholders as they are the owners of the company.

VOTE AGAINST the whole board when articles of incorporation or bylaws have been amended or a decision has been taken without shareholder approval, including takeover defence, or if the board has taken steps to limit shareholders' rights.

VOTE AGAINST the entire board (the following year) when the board refuses the resignation of a director who did not receive a majority of votes.

VOTE AGAINST the directors present at the last annual general meeting when the company failed to act on a majority approved shareholder proposal.

3.2.3. Directors' Availability

The role of a public company director has evolved over time and is becoming more complex. This requires directors to dedicate more time for each of their position. Therefore, a particular attention should be taken regarding the amount of time directors are able to allocate. Certain positions, such as executive or chair, are even more time-consuming. The aim of the overboarding limit is to make sure directors dedicate enough time to their directorship. The board must ensure that executive directors allot sufficient time to their duties.

VOTE AGAINST a non-executive director who is an executive of a public company and sits on more than one other board. If an executive sits on more than two boards but is a C-suite employee at one of the companies, we will not vote against them at the company where they are employed, but we will vote against them at the other companies where they are not an employee.

VOTE AGAINST the chair of a public company who sits on more than 2 boards.

VOTE AGAINST any director who sits on more than a total of 5 boards.

VOTE AGAINST a director who attended less than 75 % of the meetings of the board and committees without any valid reason.

Employee Representation on the Board of Directors

Several European countries (Germany, Netherlands, Sweden among others) include workers representatives on their boards. A board structure with workers representative bears several advantages including: better understanding between management and other employees, higher sense of belonging as employees feel more involved in decision making, improved business performance overall.

VOTE FOR proposals to consider including worker representation on the board of directors.

Classified Boards/Staggered Terms for Directors

On a classified or staggered board, directors are elected for a term longer than one year, and their terms are staggered so that only a portion of the directors come up for election each year. We oppose classified boards because they reduce corporate accountability to shareholders and make it unnecessarily difficult to change control of a board.

VOTE AGAINST proposals to adopt a classified board of directors.

VOTE FOR proposals to eliminate classified boards and institute annual elections of all directors.

If a board is classified, any new directors must be presented to the shareholders for election at the next shareholders' meeting, regardless of the expected length of their terms.

VOTE AGAINST the Nominating Committee if a new director is appointed to a classified board and is not up for election at the next shareholders' meeting.

3.3. Committees

The main committees of the board are the audit committee, the nominating committee, and the compensation committee. These committees should be composed exclusively of independent members, as their independence guarantees impartial decisions in the long-term interest of shareholders.

VOTE AGAINST non-independent candidates serving on any of the key committees (audit, nominating, compensation).

3.3.1. Audit Committee

The audit committee reviews the company's financial statements to ensure their accuracy. It assesses the effectiveness of internal control systems to reduce the risks of fraud, accounting errors, and irregularities. It ensures regulatory compliance of accounting processes and evaluates financial risks.

It maintains regular contact with the audit firm to discuss audit results and potential issues. It ensures auditors are independent and objective. Objectivity can be compromised when too large a share of the audit firm's revenues come from non-audit services.

VOTE AGAINST audit committee members:

- When non-audit fees exceed one-quarter of the total fees paid to the audit firm;
- When ratification of the audit firm is not submitted to shareholder vote.

3.3.2. Nominating Committee

The Nominating Committee is responsible for identifying and selecting candidates to join the Board of Directors.

This selection is based on skills so that the Board forms a coherent whole with the skills and expertise necessary to make informed decisions.

The composition of the Board should also reflect a certain diversity that brings different perspectives to the table. Indeed, diversity within boards of directors promotes more thoughtful decisions and improved financial performance, while strengthening the company's reputation and legitimacy.

VOTE AGAINST nominating committee members:

- When one gender represents less than 30% of the board.
- When the chair of the board of directors is not independent.
- When disclosure on board member diversity is inadequate.
- When a new director is appointed to a classified board and is not up for election at the next shareholders' meeting, vote.

VOTE AGAINST the chair of the nominating committee:

- When the board has no racially or ethnically diverse members (when available).
- When no director has sufficient expertise to assess and manage climate-related risks and opportunities (for companies engaged by Climate Action 100+ and Climate Engagement Canada).

3.3.3. Governance Committee

The governance committee and the nominating committee are often one and the same. When they are separate, it is important to note whether the company has one or more classes of shares. If there are several, it is not uncommon for the voting rights associated with each class to be different, thereby maintaining a system in which some shareholders have more power than others.

VOTE AGAINST the chair of the governance committee when the company maintains multiple classes of shares with unequal voting rights.

3.3.4. Compensation Committee

The compensation committee oversees executive compensation plans and participates in the development of compensation policy. As such,

VOTE AGAINST compensation committee members:

- When executive compensation does not comply with guidelines and shareholders do not have the opportunity to vote on compensation;
- When less than the majority of shareholders supported the compensation last year and no changes have been made since the last annual general meeting.

VOTE AGAINST a member of the Compensation Committee who is also a senior executive of a publicly traded company.

3.4. Board Size

An effective board requires sufficient directors to maintain diversity in opinion and expertise without becoming unwieldy. Generally, boards function best with 5 to 15 directors, rarely performing well with more than 17. However, the appropriate number varies with company size, business complexity, and corporate needs. Legally, boards must have at least three members.

We prefer boards with odd numbers of directors to avoid tied votes. The guidelines oppose practices allowing chairs to cast deciding votes to break ties.

While fixing board size can limit flexibility needed to add independent directors or improve diversity, companies often appropriately ask shareholders to set board size at annual meetings. A board that is too large risks diluting each director's decision-making power and involvement, reducing overall governance effectiveness. Conversely, an excessively small board may lack the capacity to fulfill its mandate or provide necessary expertise variety.

VOTE FOR proposals asking to fix the size of the board between 5 and 17.

Consider voting for proposals to fix the number of directors at fewer than five if the board does not have the usual full range of responsibilities of a public company board.

VOTE AGAINST proposals to fix or set the number of directors if less than two-thirds of the board's directors are independent.

VOTE AGAINST proposals to fix or set the number of directors if none of the directors are women and the company does not have an adequate diversity policy.

4. Compensation

Executive compensation is a sensitive issue in corporate governance. Although the design of compensation plans is the responsibility of independent compensation committees, it is crucial to monitor these practices. These plans often go beyond base salary and include stock options or even personal loans, which contrasts with the slow growth of employee salaries and a sometimes limited correlation between compensation and financial performance.

To avoid costly abuses for shareholders and employees, compensation committees must adopt principles that align executives' interests with the long-term profitability of the company, while respecting social responsibility objectives. For this reason, it is important to link executive compensation to performance that takes into account long-term value creation for shareholders. Compensation plans that incorporate environmental, social, and governance (ESG) factors should also be encouraged.

4.1. Executive Compensation

4.1.1. Disclosure

Companies should clearly explain how and how much executives are compensated.

VOTE AGAINST compensation plans or reports that do not provide sufficient information for shareholders to evaluate executive compensation.

4.1.2. Stock and Option Compensation Plans

VOTE AGAINST plans with any of the following characteristics:

- Dilution greater than 5 %;
- No expiration date or expiration date greater than 5 years;
- Grant rate (burn rate) greater than or equal to 2 %;
- Vesting period shorter than 3 years;
- Allocation of 20 % of the shares available in a year to a single individual;
- Consultants, suppliers, temporary employees, or non-executive directors are eligible for the plan;
- Executives can buy and sell their shares in the event of a change of control (“single-trigger”), except in the case of job loss following a change of control (“double-trigger”);
- Performance criteria are not clearly defined or are so vague that they do not allow shareholders to properly assess the link between company performance and compensation.
- The compensation committee evaluates performance using a performance criterion based on the number of shares (EPS) and the company has the option to repurchase or has repurchased its shares.
- A tax gross-up to cover the taxes on any portion of the compensation paid.

4.1.3. Bonuses

Bonuses should be awarded as a reward for above-average performance, i.e., exceeding performance targets or standards. Bonuses should not be paid on a one-off basis.

VOTE AGAINST bonuses that are not linked to performance or that reward executives for average or below-average performance.

VOTE AGAINST bonuses paid to executives based solely on an increase or decrease in the market price of the stock.

VOTE AGAINST bonuses when the company discloses performance criteria in such vague terms that shareholders are unable to determine the criteria used to allocate these bonuses.

VOTE AGAINST bonus payments if performance is measured over less than one year (minimum of three years for long-term plans).

VOTE AGAINST bonus payments exceeding twice the fixed salary.

4.1.4. Omnibus Plans

These are stock-based compensation plans that include at least three types of awards, making them difficult to evaluate because each plan would have to be voted on individually.

VOTE AGAINST omnibus plans.

4.1.5. Stock Appreciation Rights and Phantom Shares

Appreciation rights entitle the holder to receive compensation equal to the difference between the market price of the share and the price of the share when the right was granted. Phantom shares grant the holder income related to the appreciation of shares that were never actually granted.

With this type of compensation, there is no risk of poor performance since the beneficiary does not hold any actual shares in the company. Contrary to the idea that they strengthen the link between company performance and executive compensation, phantom shares tend to encourage excessive short-term risk-taking at the expense of the long term.

VOTE AGAINST plans that include appreciation rights and phantom shares.

4.1.6. Severance Packages

Golden parachutes, or severance packages granted to executives during a change of control (merger or acquisition), raise concerns because of their potential impact on fairness and stakeholder interests. Although these packages are intended to alleviate executives' concerns about losing their jobs, they can sometimes encourage decisions motivated by personal interests. Stock-based compensation plans should not allow executives to benefit more than ordinary shareholders during a change of control. In summary, severance

payments must be capped, aligned with the long-term interests of stakeholders, and not constitute a conflict of interest. Clauses such as acceleration of vesting should be prohibited. These clauses allow executives to receive unvested equity when a change of control occurs, even if the performance period is not over. Compensation committees allow executives to receive equity awards at the change of control, as if the performance targets were to be met in the future.

VOTE AGAINST golden parachutes that are deemed excessive, particularly those that exceed twice the annual salary and bonuses.

VOTE AGAINST severance packages that are not conditional on an actual loss of position and a change of control involving at least 50% of the company's shares.

VOTE AGAINST severance packages allowing the acceleration of vesting, upon a change in control.

4.1.7. Compensation and Layoffs

Increasing executive compensation or paying bonuses during layoffs is contrary to the principle of performance-based compensation. In the event of restructuring resulting in layoffs, any increase or benefit granted to executives is considered unjustified.

VOTE FOR proposals to prohibit increases in executive compensation during layoffs, including wage freezes, limits on performance-related bonuses, and the cancellation of bonuses.

VOTE AGAINST any compensation that includes increases or bonuses for executives during a period of layoffs.

4.1.8. Wage Inequality

The growing disparity between executive and employee compensation is a major concern for shareholders, particularly because of its negative impact on social stability, long-term corporate performance, and reputation. Executive compensation, often among the top 1% of earners, contributes to these disparities and exacerbates perceived injustice within companies. In short, fairer and more transparent compensation schemes promote long-term corporate stability and better wealth redistribution.

A good compensation system should promote fairness and recognize the contribution of all employees. It is recommended that the total compensation of executives be evaluated in relation to the average wage of workers in the country, with a ratio greater than 150:1 becoming a cause for concern but could be tolerated depending on the specific situation of the company (sector, performance). Any remuneration above 200:1 is considered unacceptable.¹

¹ Wilson, Jim, "CEO-to-worker pay gap narrows in Canada", Human Resources Director, January 6th, 2025

A reasonable internal ratio encourages increases in employee salaries to balance remuneration. Furthermore, a fair ratio between the CEO and other executives is also essential for the equitable distribution of responsibilities and resources.

VOTE FOR proposals to disclose these ratios and define limits.

VOTE AGAINST compensation when the ratio between the CEO's compensation and the national average wage exceeds 200:1.

VOTE AGAINST compensation when the compensation of the highest paid non-executive officer (NEO) exceeds three (3) times the compensation of any other NEO and the CEO pay ratio is higher than 170:1.

4.1.9. Loans to Executives

Some companies offer loan programs to members of management, in many cases at low or zero interest rates, to enable executives to purchase shares. Such loans make compensation programs less transparent. US law prohibits loans to executives and directors, unlike Canadian law, which still allows this practice.

VOTE AGAINST compensation packages that offer loan programs to executives and directors, unless the interest rate is at market rates.

4.1.10. Clawback

These provisions allow bonuses paid to executives to be recovered in the event of a restatement of financial statements or the discovery of misconduct. The aim is to hold executives accountable for their actions and decisions and to discourage actions that could lead to misstatements in financial reports or damage to reputation.

VOTE AGAINST compensation packages that do not include a clawback policy.

4.1.11. Link between Compensation and ESG Performance

Executive compensation is an important element of corporate governance because it is seen as a driver of executive motivation. With total compensation packages constantly rising, it is always relevant to evaluate these compensation packages and link them to non-financial indicators to advance corporate practices.

VOTE FOR proposals that call for executive compensation to be based in part on the company's ESG performance.

VOTE AGAINST compensation if it does not include any ESG performance criteria.

4.1.12. Say on Pay Frequency

Shareholders should be able to vote annually on the compensation paid and to be paid to executives.

VOTE FOR proposals to introduce an annual advisory vote on executive compensation.

VOTE AGAINST proposals to hold a Say on Pay at intervals of more than one year.

4.2. Employee Compensation

These plans allow employees to purchase shares in their company at below market price, which motivates them to improve their performance. This aligns the interests of employees with those of shareholders.

VOTE FOR employee stock purchase plans unless the share price reduction exceeds 30% and the plan's dilution rate exceeds 10%.

4.3. Director Compensation

Directors are in a unique position because they decide their own compensation. While it is desirable for directors to hold shares in the company to align their interests with those of shareholders, their compensation must be structured in such a way that it does not compromise their independence by creating a conflict of interest.

VOTE AGAINST the directors' compensation for the following reasons:

- The details of the plan are not disclosed.
- The plan applies to both directors and executives.
- The plan includes stock options.
- The amounts proposed for directors are equal to or greater than those received by the company's executives or than the national average of directors compensation.

5. Auditor

The role of the auditing firm is to validate the quality of the company's financial statements. This role may be called into question if there are doubts about the independence and impartiality of the auditing firm.

In fact, companies sometimes grant consulting mandates, particularly in taxation, to the same firms that audit their financial statements. If a significant portion of the fees paid to the firms derive from these mandates, their independence could be called into question.

Some studies suggest that auditor tenure, the number of years an auditor is retained by an issuer, may be linked to an increased risk of erosion of independence, increased tolerance of accruals, and excessive familiarity. Other studies show that auditors with shorter tenure are associated with lower earnings quality than auditors with longer tenure. Overall, it appears that the rotation of the main partner, which should happen every five (5) years, is more influential than the rotation of the firm. Considering mandatory firm rotation in certain countries and a research review, we found that the decline of audit quality may happen after a period between 10 years and 15 years, often statistically significant only after 13 years.²

Finally, investors now expect an auditor to adopt a wider view on risks when assessing financial statements, especially to include climate risks. As some sectors are more exposed to climate risks, it seems natural that financial statements reflect the impact the climate events may have on a company's bottom line. Carbon Tracker Initiative examines whether a company's financial statements, accompanying notes, and auditor's report adequately capture the financial implications of climate-related risks and the worldwide transition toward achieving net zero greenhouse gas emissions by 2050 or earlier, in alignment with the Paris Agreement's objective to cap global temperature rise at 1.5°C.

VOTE AGAINST the audit firm:

- When non-audit fees represent more than a quarter of the total fees paid to the firm;
- When the auditor tenure exceeds 10 years;
- When the company's financial statements do not reflect the financial effects of material climate-related risks.

² Bell, T. B., M. Causholli and W. R. Knechel. "[Audit Firm Tenure, Non-Audit Services, and Internal Assessments of Audit Quality.](#)" *Journal of Accounting Research*, Vol. 53 No. 3, (June 2015): 461-509.

6. Capital

The issuance, repurchase, and cancellation of shares must be carefully regulated to protect shareholders' interests and prevent abuse or negative impacts, such as excessive dilution or unjustified benefits for executives.

6.1. Share Issuances

Issuing too many new shares dilutes existing shareholders' ownership and can signal weak financial discipline, undermining investor confidence and long-term value.

VOTE AGAINST issuances with preferential rights if the dilution is greater than or equal to 50% and the objective is unjustified.

VOTE AGAINST issues without preferential rights if the dilution is greater than or equal to 20% and unjustified.

VOTE AGAINST issues if the number of shares is not disclosed, if the price is lower than the current market price without pre-emptive rights, or if the issues are used to block a takeover.

6.2. Share Buybacks

Excessive repurchases can prioritize short-term stock price boosts over long-term investment, reduce financial flexibility, and risk misallocation of capital at the expense of sustainable growth.

VOTE AGAINST if the number of shares repurchased exceeds 10% of outstanding shares and the repurchase premium is less than 10% of the share price.

VOTE AGAINST if used to artificially inflate earnings per share, if derivatives are involved, or if their characteristics are not clearly defined.

6.3. Reissuance of Repurchased Shares

The reissuance of repurchased shares, also known as treasury stock, is when a company sells previously bought-back shares back into the market. This action allows a company to raise capital, meet needs for employee stock plans, or adjust its ownership structure without creating new shares. Shareholders may be cautious about a company reissuing repurchased shares because it can negate the benefits of the buyback by diluting ownership again, raise concerns about inconsistent capital management, and signal that the company may not have a clear long-term strategy for its equity structure.

VOTE AGAINST if carried out at a reduced price for related parties.

6.4. Blank Cheque Preferred Shares

Companies have the option of issuing shares with undetermined characteristics (also known as blank cheque shares). This means that shareholders cannot determine the impact of such plans on their shares.

VOTE AGAINST as they give excessive discretionary power to the board of directors.

7. Shareholders' rights

7.1. Unequal Voting Rights

Good governance favors one vote per share, while structures with multiple share classes allow a minority to exercise disproportionate power. Indeed, shareholding structures with share classes carrying unequal voting rights allow certain shareholders or executives, often from the same family clan, to retain control without being held accountable.

VOTE AGAINST the creation or renewal of structures with unequal voting rights.

VOTE FOR the replacement of multiple voting shares with single voting shares unless the terms of conversion have a more detrimental impact on the interests of holders of subordinate shares than maintaining the two-class structure.

7.2. Exclusive forum

Some proposals require to select a specific jurisdiction, sometimes different from the jurisdiction of incorporation, to resolve disputes arising between shareholders and the company. This limits the right of shareholders to sue to company as the fees involved may be higher and the jurisdiction be less favorable for them.

VOTE AGAINST proposals asking to select a specific jurisdiction to resolve disputes.

VOTE FOR proposals to remove exclusive forum provisions from a company's bylaws or articles.

7.3. Advance Notice Requirements

These proposals require shareholders to provide a company with advance written notice of their intent to nominate directors or propose other matters at a shareholders' meeting. Companies should not require a deadline earlier than 120 days prior to the meeting and should provide a submittal window of at least 30 days.

In Canada, if the notice of annual meeting is given less than 50 days prior to the meeting, the deadline for submitting nominations should not be less than 10 days after the notice. Therefore, the advance notice deadline should not be more than 40 days before the meeting. The nominating shareholder shall provide biographical information about itself and the nominee, along with potential conflict of interest.

VOTE AGAINST advance notice requirements under the following conditions:

- The period for shareholders to notify the company of their nominations is shorter than what is described above;
- Shareholders' nominees are forced to agree in advance with all of the company's policies and guidelines;
- Higher expectations from shareholders regarding the information to be submitted.

7.4. Reincorporation

Some companies decide to reincorporate in a jurisdiction they consider friendlier to management. This is especially the case for incorporation in certain US states. Companies' decisions to reincorporate into jurisdictions perceived as more management-friendly can materially affect shareholder rights, fiduciary duties, and the ability of investors to hold directors and executives accountable. Such moves may reduce legal predictability and weaken established governance protections, particularly when motivated by limiting litigation or oversight rather than clear long-term shareholder benefit. As a result, reincorporation proposals warrant scrutiny to ensure they serve the interests of shareholders and do not primarily entrench management.

Evaluate reincorporation proposals on a CASE-BY-CASE basis considering the impact on shareholders' rights and fiduciary duties, the economic and fiscal advantage for the company, as well as the litigation risk.

VOTE AGAINST reincorporation in a new jurisdiction if it is done to avoid takeovers, reduce director liability, or diminish shareholder rights.

7.5. Right to Call an Extraordinary Meeting

Shareholders should have the right to call extraordinary meetings. If shareholders are required to hold a minimum number of shares to call an extraordinary meeting, this percentage of shares should be reasonable in relation to the size of the company.

VOTE FOR proposals that allow shareholders representing at least 10 % of the outstanding shares or voting power to call a special meeting.

VOTE AGAINST proposals that seek to limit or remove the right of shareholders to call special meetings.

7.6. Amendments to Articles of Association and Bylaws

Any amendments to a company's articles of association and bylaws must be put to a shareholder vote, as even minor changes can influence governance. While some changes are purely administrative, others, such as those relating to quorum, the right to submit shareholder proposals, and the ability of shareholders to file derivative lawsuits can have a major impact on decision-making and on shareholder rights. The articles of association generally require a qualified majority to be amended, giving shareholders greater control than the bylaws, which only require a simple majority.

VOTE ON A CASE-BY-CASE BASIS on proposals to approve amendments to the articles of association and bylaws, considering the long-term interests of shareholders.

Under the Canada Business Corporations Act directors in uncontested elections must receive a majority of votes cast. Amendments to company by-laws could be used to weaken this provision of the Act by, for example, allowing a postponement of the meeting if a director in an uncontested election received below a certain threshold of votes. Such by-laws limit shareholder rights.

VOTE AGAINST bylaws that permit the automatic postponement of a company annual meeting based on the number of shares voted against a director.

7.7. Supermajority

Some clauses require a supermajority (also called qualified majority), sometimes exceeding 75%, to approve major transactions such as takeover bids or reorganizations, thereby deterring hostile takeover bids. However, these requirements can also block changes that are beneficial to the company, which explains the general opposition to their use.

VOTE AGAINST proposals to introduce or maintain a qualified majority requirement.

VOTE FOR proposals to remove the qualified majority requirement.

7.8. Adjournment of the Meeting to Solicit Proxies

A company may request permission to adjourn a meeting to solicit more proxies if it does not have enough votes to pass a proposal.

VOTE AGAINST adjournment proposals, unless they are justified by valid reasons.

7.9. Quorum

The quorum defines what proportion of shareholders must be present for a decision to be validly taken by a general meeting of shareholders. The size of the quorum may vary depending on the number of shareholders. However, a quorum should not be less than 25% of the voting shares.

VOTE AGAINST proposals to set a quorum below 25% of voting shares.

7.10. Linked Proposals

When several amendments are grouped together in a single proposal, shareholders lose the ability to approve some and reject others.

VOTE AGAINST proposals covering several topics if a vote against one of the topics would be recorded if the proposals were split.

7.11. Any Other Business

These proposals ask shareholders to approve in advance any proposal or topic that would arise during a shareholders' general meeting. It is not advisable to approve such a proposal without knowing the subject or purpose of such a proposal.

VOTE AGAINST proposals asking to approve "any other business".

8. Mergers/Acquisitions and Takeover Defences

8.1. Mergers and Acquisitions

Mergers and acquisitions are financial transactions that affect the control of a company. They are generally motivated by business objectives and are beneficial for shareholders, however they can also impact key stakeholders, such as employees, local communities and taxpayers. These transactions may also modify corporate governance practices, as well as environmental and social policies and practices. Therefore, voting on these proposals shall be evaluated on a case-by-case basis, prioritizing long-term value creation over short-term premiums.

We will consider the following factors when assessing these transactions.

Financial Assessment

- Fair valuation relative to market price and acquired assets
- Portfolio manager's opinion on transaction value
- Market reaction and sentiment
- Long-term strategic alignment with corporate objectives
- Fair pricing of new shares relative to current share price

Governance Considerations

- Impact on board independence and corporate governance structure
- Changes to capital structure and voting rights
- Executive compensation, including potentially excessive bonuses and severance payments
- Whether post-merger governance practices will be superior to either party's current practices

Process Integrity

- Quality of negotiations and whether conducted in shareholders' best interests
- Opportunity to solicit and evaluate multiple bids
- Existence and quality of fairness opinions
- Transparency and absence of conflicts of interest
- Limited transaction costs (break fees should not exceed 2.5% of purchase price)

Stakeholder Impact

- Effects on employees, including job security and adherence to International Labour Organization recommendations
- Impact on local communities and suppliers
- Environmental risks and responsibilities
- Broader effects on productivity and stakeholder relationships

Conflicts of Interest

- Disproportionate benefits to executives or majority shareholders at other shareholders' expense
- Same audit firm serving both parties to the transaction, particularly if the auditor is involved in the deal

When portfolio manager recommendations are available, they inform the financial assessment. Without such guidance, decisions rest primarily on governance and stakeholder criteria.

8.2. Takeover Defences

Hostile and friendly takeover attempts raise a central question: are management's actions driven by their own interests or by the best interests of the company and its shareholders? Because many takeover defences can entrench management or depress share value, they require careful, case-by-case evaluation.

Takeover Defence Mechanisms

Companies may adopt various tactics to deter hostile bids, including:

- **Poison pills / shareholder rights plans:** give existing shareholders the right to buy shares at discounted prices if an acquirer exceeds a set ownership threshold. This makes a takeover costly and pushes bidders to negotiate with the board. While such plans can secure better offers and equal treatment, they can also block value-enhancing bids and protect management more than shareholders.
- **Crown jewel defence:** selling the firm's most valuable assets to deter a bid. This is typically harmful, potentially destroying long-term value and requiring shareholder approval (e.g., in Canada).
- **Dilutive share issuances or private placements:** issuing discounted shares to friendly parties to raise acquisition costs or dilute the bidder.
- **Debt-loading strategies** (e.g., issuing bonds that become costly if a takeover occurs).
- **People pill:** management threatening to resign as a group.
- **Pac-Man defence:** the target attempts to acquire the bidder, often by selling assets or taking on debt.
- **Greenmail:** buying out a hostile bidder's stake at a premium in exchange for halting the takeover—illegal in Canada, permitted in the U.S., and generally harmful to shareholders.

Because these actions can materially change control or governance, they should almost always require shareholder approval.

Shareholder Rights Plans (Poison Pills) – Evaluation Criteria

These plans must ensure that shareholders will receive a fair price for their shares in a takeover and that the plan will not protect management or the board at the expense of the shareholders' interests. Therefore, they should be supported only if they meet the following conditions:

- A minimum trigger threshold of 20% of the company's shares.
- Shareholder approval at adoption and re-approval every 3 years.
- Definitions of "acquiring person" should exclude passive investors and rely on legal ownership, not voting agreements.
- The plan must allow permitted bids to go directly to shareholders, without triggering the pill.
- The bid must stand for a minimum of 105 days, unless the company voluntarily reduces the bid period or accepts an alternative transaction. If the bid period is

- reduced, it must not be shorter than 35 days and the company must make a public announcement.
- The bid period cannot exceed 150 days. At that time the board must either announce an alternative bid or allow the original bid to go to the shareholders.
 - Partial bids are allowed with a minimum deposit requirement or with a minimum bid that conforms to the rules of the Canadian Securities Administrators.
 - All competing bids must receive equal treatment (i.e. remain open for the same period).
 - Rights can only be redeemed or waived with shareholder approval, and amendments must also be approved by shareholders.
 - Insiders and private placements should not be exempted from the plan.
 - No “flip-over” provisions that allow discounted purchases of the acquirer’s shares after the takeover.
 - Soft lock-up agreements, allowing shareholders to break the agreement to sell their shares to a competing offer, are exempted from the plan.
 - The potential acquirer has the right to amend his offer during the bid period.
 - The offer will be considered approved if a majority of shareholders tender their shares in response to the offer or if a majority of the votes cast by independent shareholders are in favour.
 - The board wants to waive or redeem the plan to allow the company to be acquired by means other than a takeover bid, the shareholders’ prior approval is required.
 - The board can waive the plan, allowing a takeover bid to be made by sending a takeover bid circular to all shareholders, if this waiver is extended to any other contemporaneous bids. In this case, all takeover bids must be made by sending a takeover bid circular to all shareholders before the expiry of the initial bid.

VOTE AGAINST shareholder rights plans adopted without shareholder approval.

VOTE FOR proposals requiring shareholder approval for any future takeover defence.

Assess all defensive measures—including rights plans, private placements, and other poison pills—individually, focusing on long-term value for shareholders and stakeholders.

VOTE FOR anti-greenmail measures and **VOTE AGAINST** any greenmail payment.

9. Social Responsibility

9.1. General Information

9.1.1. Sustainability Reporting

Corporations must disclose operational risks to shareholders, including potential liabilities arising from social and environmental aspects of their business activities. This information can be communicated through sustainability reports that detail the company's social and environmental performance, with the Global Reporting Initiative guidelines serving as the recommended framework. Alternatively, companies may integrate this social and environmental performance data directly into their annual reports.

VOTE FOR proposals to provide shareholders with sustainability reports.

VOTE FOR proposals for companies to issue integrated sustainability and financial reports, as long as the integrated reports can be understood and provide as much information as separate sustainability and financial reports would provide.

VOTE FOR proposals that ask companies to report to shareholders using the Global Reporting Initiative Guidelines, the Sustainability Accounting Standards Board standards, or the International Financial Reporting Standards (IFRS) S1 and/or S2 Climate-related Disclosure.

Companies are often asked to report on specific environmental or social issues, including the risks associated with specific operations, conditions, or practices and/or plans to mitigate those risks.

VOTE FOR proposals to provide shareholders with reports related to specific social and environmental aspects of their operations, including related risks and efforts to mitigate those risks, provided the information is not already easily accessible to shareholders, does not require companies to disclose confidential or proprietary information, and can be provided at a reasonable cost.

VOTE FOR proposals that ask companies to report on how they will respond to the results of previous shareholders' votes, such as large percentages of votes against directors or executive compensation plans.

Financial Reports and Climate Change

Between 2015-2023, the Taskforce on Climate-Related Financial Disclosures (TCFD) provided recommendations for company disclosures about the value of climate-related costs, risks and opportunities in their annual financial reports. In 2023 TCFD was disbanded and its disclosure standard integrated into the International Financial Reporting Standards (IFRS) S1 and S2 Climate-related Disclosure.

VOTE FOR proposals asking companies to implement the TCFD's recommendations, the IFRS S2 Climate-related Disclosures or their equivalent in their annual financial reports.

9.1.2. Anti-ESG

Some organizations submit shareholder proposals aimed at limiting the application of international social, environmental, and governance standards to corporate practices or

restricting the disclosure of information on these topics. Sometimes, these organizations submit shareholder proposals in terms like those that support the adoption of ESG practices, accompanied by arguments that run counter to best corporate governance practices.

VOTE AGAINST proposals that would limit or restrict companies' practices or disclosures regarding ESG standards and norms.

VOTE ABSTAIN on proposals that are consistent with these guidelines but submitted by groups or individuals seeking to limit the application of ESG factors in investment decisions.

9.2. Climate change

Climate change has a direct impact on business activities. This impact affects their assets and financial capabilities. In addition, companies are under increasing pressure from investors to reduce their greenhouse gas (GHG) emissions to meet the targets set by the Paris Agreement, which aims to limit the temperature increase to 1.5°C or 2°C above pre-industrial levels.

VOTE FOR proposals encouraging boards and management to disclose steps they are taking to address climate-related risks.

9.2.1. Disclosure of Greenhouse Gas Emissions

Reducing GHGs starts with disclosing GHG emission levels.

VOTE FOR proposals asking companies to improve the monitoring, management, and reduction of greenhouse gas emissions. This includes setting clear performance targets aligned with the Paris Agreement goals.

9.2.2. Climate Transition Plans

Climate transition plans are an important tool to help shareholders analyze how well a company is managing climate risks and the economic transition accompanying the reduction of greenhouse gas emissions.

VOTE FOR proposals that request the board to develop and/or publish a climate transition plan

VOTE AGAINST climate transition plans that do not include the following criteria:

- Absolute targets for the next five years and a 5-10 year plan;
- Phasing out the use and production of fossil fuels; ceasing to finance new projects;
- Executive compensation, strategy, and lobbying must be aligned with the Paris Agreement targets;
- Capital expenditure commitments aligned with the Paris Agreement targets;
- Tackling deforestation by reducing exploitation and increasing reforestation;
- Independent emissions audit;

- Annual performance report to shareholders;
- Commitment to a just transition for workers and communities.

9.2.3 Say on Climate (advisory vote on climate action plans)

In some companies, shareholders can now express their views by an annual advisory vote on a company's climate action plan. These votes should not become an annual formality to be uncritically validated by shareholders. The long-term nature of transition plans make annual votes unnecessary.

VOTE ABSTAIN on proposals calling for an annual advisory vote on the company's climate/energy transition plans (Say on Climate).

9.3. Just Transition

The concept of just transition aims to ensure that the solutions put forward in response to the climate crisis do not create new problems that would primarily affect workers. Indeed, with the gradual phase-out of the carbon economy, skills requirements will evolve. Employees in the energy sector will be the first to have to adapt and learn a new trade. It is the responsibility of companies to support them in this transition.

VOTE FOR proposals asking companies to explain how they are addressing the impact of their climate change strategy on relevant stakeholders, including, but not limited to, their employees, workers in their supply chain, and the communities in which they operate.

9.4. Pollution

Business activities produce all kinds of negative externalities. Pollution of the natural environment is one such externality that affects the quality of the surrounding air, soil, and water. In addition, this pollution can have harmful effects on human health. Companies that fail to reduce their pollution may face regulatory sanctions, fines, and litigation, which can have a significant financial impact on their bottom line.

VOTE FOR proposals requiring companies to reduce the sources of pollution they cause (methane emissions, harmful discharges, single-use plastic production, etc.).

9.5. Aquatic and Marine Resources

Water scarcity is an increasingly serious problem affecting many economic sectors. Responsible water resource management begins with assessing the value of water in their activities rather than focusing solely on the price paid. As with other risks, companies must disclose to shareholders their exposure to water-related risks and their strategy for mitigating those risks. The CDP Water Security Questionnaire is an excellent tool for disclosing water resource use and associated risks.

VOTE FOR proposals calling for greater disclosure of risks related to water use, disposal, and impacts, and the strategy for managing these risks.

VOTE FOR proposals calling on companies to conserve water or improve their water management, provided that these proposals do not have adverse consequences for the company or its stakeholders in the long term.

9.6. Biodiversity and Ecosystems

Companies depend directly and indirectly on the natural environment and the goods and services it provides. Biodiversity loss, including deforestation, can cause significant damage to investors and the companies in which they invest.

VOTE FOR proposals requiring companies to disclose, monitor, and set targets for nature-related dependencies, impacts, and risks, as recommended by the Taskforce on Nature-related Financial Disclosures (TNFD).

9.7. Animal Welfare

Animal welfare has been the subject of proposals for several years. Animal rights groups campaign against companies accused of mistreating animals. These companies risk seeing their reputation tarnished and their products boycotted, at a time when more consumers are concerned about the treatment of animals. Shareholders are calling on companies to stop or limit animal testing if it is not essential or required by law, or if viable alternatives exist. In addition, some proposals call for the adoption of animal welfare standards and an end to certain farming and slaughter practices deemed cruel.

VOTE FOR proposals asking companies to adopt animal welfare standards, source from suppliers that use the best farming and slaughter methods, or report on progress in implementing these standards.

Proposals calling for an end to or limitation of animal testing will be considered on a case-by-case basis, considering the industry, the purpose of the testing, existing laws, viable alternatives, and in particular the costs and benefits of making the change and the effect the proposed change will have on the company and its stakeholders in the long term.

9.8. Resource Use and Circular Economy

The degradation of natural environments and the declining availability of certain natural resources require action to curb these phenomena. Companies could benefit from new ways of using natural resources, as their rising prices are putting pressure on corporate spending.

VOTE FOR proposals calling for improved disclosure and management of natural resources.

VOTE FOR proposals calling for a report on the circularity of the company's production processes.

9.9. Human Rights

Companies face legal liability for human rights violations within their operations and supply chains, regardless of attempts to distance themselves from such abuses. In certain jurisdictions, organizations are held legally accountable for violations occurring throughout their supply networks.

To mitigate association with human rights abuses, companies should adopt and implement established frameworks including the UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and comprehensive supplier codes of conduct.

VOTE FOR proposals requiring companies to adopt and/or comply with international human rights standards, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles.

VOTE FOR proposals asking companies to consult with stakeholders on the effects of their operations on human rights, including organizations with expertise in human rights.

Assess proposals that ask companies to cease operations in countries with human rights abuses case by case, considering the potential for harm or benefit to the people of the country in question and the effects on the company in the long term.

Companies operating in conflict-affected and high conflict areas or areas with weak protections for human rights face serious risks, including harm to their personnel, the appearance of being aligned with parties to conflicts, damage to their reputations, regulatory sanctions in other jurisdictions, and possible litigation. They should adopt and implement policies, including the UN Guiding Principles cited in previous sections, and enhanced due diligence to ensure they are not contributing to violations of human rights, or international humanitarian law.

VOTE FOR proposals asking companies to establish and implement policies to protect human rights and to ensure its efficiency.

VOTE FOR proposals asking companies to undertake enhanced human rights due diligence and report to shareholders on financial and reputational risks and impacts related to business activities in conflict-affected areas.

VOTE FOR proposals asking companies to monitor compliance with those policies and to provide shareholders with independently verified reports on their adherence to those policies, provided these reports are not already easily available to shareholders.

9.10. Company Workforce and Value Chain Workers

9.10.1. Human Capital Management

Employees are key to a company's success. However, some companies may fail to invest in their employees and neglect their working conditions, which affects their morale, productivity, and the quality of their work.

VOTE FOR proposals requesting disclosure of workplace practices, workforce characteristics, and efforts to improve workplace quality, including statistics on supply chains.

9.10.2. Diversity, Equity, and Inclusion (DEI)

The number of studies showing the benefits of increasing diversity on boards of directors reflects a consensus in the marketplace. Diversity does not stop at gender but must include age, professional experience, race, Indigenous background, cultural and linguistic background, sexual orientation and gender identity, and physical disability. At a minimum, companies should adopt a diversity policy.

VOTE FOR proposals to encourage greater diversity on boards of directors and executive management.

VOTE FOR proposals to improve diversity, equity, and inclusion in the workplace, unless this serves to promote individuals who are unqualified for their positions.

(See also the section on the nominating committee.)

9.10.3. Racial Equity

Racial disparities in income, wealth, and housing have significant negative effects on individuals and communities and can have considerable negative economic repercussions that increase risks and decrease returns for investors. Addressing persistent gaps in racial economic equity, including in employment practices and the goods and services provided by companies, helps establish a strong foundation for sustainable investment returns.

VOTE FOR proposals that require companies to conduct comprehensive racial equity audits by independent third parties, unless the company has already commissioned such an audit within the last three years and has adopted a governance mechanism to monitor ongoing racial equity issues in its practices.

9.10.4. Discrimination in the Workplace

Although many countries have adopted laws prohibiting discrimination in the workplace, numerous cases of discrimination are still reported based on race, religion, birth, ancestry, gender, age, physical disability, or sexual orientation and gender identity.

VOTE FOR proposals that ban discrimination in the workplace, including proposals to expand or clarify anti-discrimination or sexual harassment policies and to report on the effects of policies that limit employees' rights to seek redress.

VOTE FOR proposals requiring companies to report on pay equity, such as pay differences based on the gender, race, or ethnicity of their workforce, and to eliminate pay gaps between men and women and between races.

9.10.5. Freedom of Association and Collective Bargaining

According to the International Labor Organization (ILO), “freedom of association refers to the right of workers [...] to form organizations of their choice and to join them freely and without fear of reprisals or interference,” and collective bargaining “enables workers to freely negotiate their working conditions with their employers”.

VOTE FOR proposals calling for an independent assessment of compliance with freedom of association and collective bargaining, to verify that management does not interfere when employees exercise their right to form or join a union, and that no practices are inconsistent with stated commitments.

9.10.6. Health and Safety

Workplace accidents and occupational illnesses are easily avoidable costs for companies. Healthy and safe working conditions improve employee morale and engagement, as well as giving companies a competitive advantage.

VOTE FOR proposals calling for measures to reduce the risk of illness and accidents in the workplace, including appointing a health and safety committee, adopting paid sick leave, and whistleblower policies.

VOTE FOR proposals that ask companies to take steps to reduce risks of workplace illness and accidents, including appointing a committee responsible for health and safety, adopting paid sick leave and whistleblower policies.

VOTE FOR proposals to include well-considered health and safety performance criteria in setting executive compensation.

Poorly constructed and maintained mine tailings dam structures are a significant threat to human safety and the environment, as well as to shareholders. Following the failure of a tailings dam at a Vale mine in Brumadinho, Brazil in 2019 that led to the deaths of 270 people, a coalition of institutional investors created an initiative to address tailings dam risks. One outcome of the initiative is the creation of the Global Industry Standard of Tailings Management. Some mining companies with significant tailings dam structures have not yet committed to the Standard. Failure to make this commitment signifies a governance gap.

VOTE AGAINST the chair of the board at relevant companies that fail to confirm their intention to meet the Global Industry Standard of Tailings Management.

9.10.7. Harassment

VOTE FOR proposals asking the company to assess the effectiveness of its policies on sexual harassment in the workplace.

9.10.8. Social Impact of Digital Transition

As technology evolves and transforms both economic and social life, companies need to assess and mitigate the consequences on their workforce and on their activities.

VOTE FOR proposals requiring companies to consider the effect of the digital transition on their workforce and activities, including but not limited to assessing retraining opportunities for employees impacted by the digital transition and establishing programs to retrain and educate affected workers.

9.11. Affected Communities

9.11.1. Relations with Indigenous Peoples

Although the United Nations Declaration on the Rights of Indigenous Peoples and International Labor Organization Convention 169 concerning Indigenous and Tribal Peoples in Independent Countries are internationally recognized standards for the rights of indigenous peoples, it is not uncommon for these rights to be violated by certain companies. Violating these rights presents risks that can negatively impact shareholder value, including reputational damage and civil and criminal liability.

VOTE FOR proposals that call on companies to respect the rights of indigenous peoples, including by acting in a manner consistent with the UN Declaration on the Rights of Indigenous Peoples.

VOTE FOR proposals asking or requiring companies to obtain free, prior and informed consent (FPIC) from Indigenous communities before proceeding with any operations on their territories.

VOTE FOR proposals that ask or require companies to provide tangible benefits to Indigenous communities on whose territories those companies wish to operate or have operations.

9.11.2. Justice and Environmental Racism

In addition, some companies may contribute to exacerbating environmental injustices or neglecting environmental justice in their activities through policies and practices that fuel the climate crisis and degrade the environment.

VOTE FOR proposals that call for the location of hazardous facilities to be disclosed, along with the impacts of pollution and commitments to communities.

9.11.3. Obtaining Approval from Local Communities – Social License to Operate

Companies that proceed with projects without obtaining and maintaining local support may face protests, sabotage, boycotts, and negative publicity.

VOTE FOR proposals that ask companies to commit to meaningful and ongoing consultation with local communities affected by their operations.

VOTE FOR proposals that ask companies to seek the consent of local communities.

9.12. Freedom of Expression and Electronic Censorship

Certain governments use software, telecommunications records, and internet service provider data to conduct citizen surveillance, enforce censorship, and suppress dissent. While freedom of expression lacks universal acceptance, protecting fundamental human rights—including free expression—is essential for sustainable, long-term investment.

Companies allowing their products or data to be used for censorship or surveillance purposes, or ignoring how their technology and information are deployed, risk multiple consequences: enabling human rights violations, facing legal liability for such abuses, and eroding investor confidence.

VOTE FOR proposals asking companies to adopt codes of conduct that include obligations to uphold freedom of expression and to prevent the companies' products or services from being used to violate the freedom of expression.

VOTE FOR proposals asking companies to report to shareholders on their progress in implementing these codes of conduct or in achieving compliance from their contractors, provided these reports are not already easily available to shareholders. This includes proposals asking companies to establish board committees to examine and report on their practices and codes of conduct related to the protection of freedom of expression.

9.13. Consumers and End Users

9.13.1. Product and Service Safety

Some products are clearly or potentially dangerous. If companies use processes or substances that have been designated as dangerous, they should develop and implement strategies to phase out their use.

VOTE FOR proposals asking boards for more transparency about product safety.

VOTE ON A CASE-BY-CASE BASIS on proposals to eliminate a manufacturing process or the production or sale of a product or substance. This assessment will consider the dangers and responsibilities related to existing or future regulations for the product, substance, or process and the cost of eliminating it.

9.13.2. Artificial Intelligence

According to the OECD definition, an artificial intelligence (AI) system is a program that provides “predictions, content, recommendations, or decisions” based on a given input. AI applications differ from the use of algorithms in their ability to learn.

Companies should not build or operate AI systems that pose unacceptable risks to society, including subliminal manipulation, exploitation of children or mentally disabled persons, social scoring, or remote biometric identification for law enforcement.

For high-risk AI systems, companies must disclose the nature of these risks and the measures taken to control and mitigate them. High-risk AI systems are those used in sensitive areas or that have a major impact on people's lives (healthcare, education, recruitment, law enforcement, and justice). These systems must be subject to strict requirements in terms of quality, transparency, human oversight, and security.

VOTE FOR proposals requiring companies to report on the risks and ethical considerations associated with the creation, sale, or use of AI systems that could expose the company, employees, customers, or the general public to security risks or threaten fundamental human rights.

VOTE FOR proposals to amend board or committee charters to include effective oversight of AI risks and opportunities, or to disclose skills and education of board members related to AI risks.

9.13.3. Predatory Lending

Predatory lending is the practice of making loans at high interest rates or with very high fees, and/or advertising and making loans in ways that obscure the full cost of borrowing.

Predatory lending exposes corporations to uncollectible debt, litigation, and penalties from regulatory agencies. These practices pose a significant risk to the lender, the borrower, and entire economies.

VOTE FOR proposals requiring companies to develop and enforce policies barring predatory lending practices, and to report to shareholders on the implementation of those policies, unless such reports are already easily available to shareholders.

9.14. Conduct of Business

9.14.1. Lobbying and Political Contributions

Companies may be required to commit significant sums of money to promote their interests with politicians or professional associations.

VOTE FOR proposals requesting disclosure of the company's lobbying activities and expenses.

VOTE FOR proposals asking for a review of trade association lobbying expenditures for alignment with company policies and priorities.

VOTE AGAINST proposals requesting authorization to incur such expenses or make donations to political parties.

9.14.2. Tax Transparency

Although legal, tax avoidance costs national economies billions of dollars. In addition, these undistributed funds do not go to communities, which affects the quality of public services provided. Despite the global tax agreement signed by 138 OECD countries to end tax optimization, companies hire tax experts to find loopholes and partially evade their obligation to pay their fair share of taxes.

VOTE FOR proposals requiring the submission of a tax transparency report.