

# Community Values Funds Proxy Voting Guidelines

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## Proxy Voting Guidelines

The Phillips, Hager & North Community Values Funds are a family of four funds that invest primarily in the securities of companies that conduct themselves in a socially responsible manner. The Community Values Investment Principles set out the screening criteria by which the social and environmental performance of companies is assessed. The Proxy Voting Guidelines summarize how the Community Values Funds will vote their shares on issues of concern to unitholders of the Funds.

These Guidelines are based on the Community Values Investment Principles and are intended to improve corporate accountability and encourage companies to improve performance and disclosure in core corporate social responsibility areas. To these ends, the Guidelines generally support shareholder resolutions that address social issues. In addition, the Guidelines encourage overall sound governance structures, transparency and disclosure.

Proxies received from companies held in the Community Values Funds will be voted according to these Guidelines. Because of the need to assess each proxy on its own merits, there could be instances when proxies may not be voted in strict adherence to these Guidelines. Variations may also occur to take into account differences in market norms among countries for certain governance issues and disclosure practices.

**These guidelines are not rigid policy positions. We will consider each matter on a case-by-case basis and may vote in a manner different from that contemplated by our general voting guidelines where we believe it is appropriate in the circumstances.**

In the event of a potential material conflict of interest with respect to proxies, the conflict will be reviewed and resolved in favour of our clients.

We may change our guidelines from time to time in response to governance practices, without providing notice of these changes. However, we commit to maintaining the most recent version of our proxy voting guidelines on our website [www.phn.com](http://www.phn.com).

Alternatively, you may contact us at 1-800-661-6141 to request a copy.

## **1. Board of Directors**

The Board represents shareholders and should place shareholder interests above all others. The Board will engage the services of a management team to ensure the corporation's long-term success. The Board's key functions are to approve direction of corporate strategy, supervise risk management, and evaluate the performance of the company and of management. Overall, the board is responsible for determining, implementing, and maintaining a culture of integrity and ethical behaviour.

### ***1.1 Independence of the Board of Directors***

#### ***Guideline***

Ideally, the board should be composed of a substantial majority of independent directors.

An independent director shall be independent of management and free from any interest or relationship that could interfere with the director's ability to act in the best interests of the corporation and its shareholders. A director who is not independent will be considered to be independent three years after the termination of the relationship or interest that caused the directors independence to be compromised.

With regard to directors who are also major shareholders (defined as a person who controls 5% or more of the equity or voting rights of the company), independence will be assessed on a case-by-case basis. However, if these directors hold stock that has disproportionate voting rights, they will not be deemed to be independent.

Further, we encourage companies to address the issue of board diversity.

#### ***Voting Policy***

We will generally not support directors who are not independent, where the proposed board is composed of less than a two-thirds majority of independent directors.

We will generally support proposals that limit employees of the company sitting on the board to the CEO only.

## **1.2 Independence of the Chair**

### **Guideline**

It is a matter of good governance practice that an independent director be appointed to the position of chair. An independent chair is one of the primary mechanisms by which board independence is maintained.

### **Voting Policy**

We will generally not support a non-independent director if they are also chair or will become chair upon becoming a director, unless an unrelated director is appointed as a lead director and an independent corporate governance committee exists.

We will generally not support the CEO of the company if they are also chair or will become chair upon becoming a director.

## **1.3 Board Size**

### **Guideline**

The number of directors on a board is important to board effectiveness. The board should be large enough to adequately perform its responsibilities without being so large that it becomes cumbersome. Boards should consist of between 5 and 16 directors; however, the appropriate number of directors will vary with the size and nature of the corporation.

### **Voting Policy**

We will review, on a case-by-case basis, when the number of directors is outside this guideline.

## **1.4 Committees of the Board**

### **Guideline**

Committees have become accepted mechanisms for corporate governance. Corporations of a sufficient size should, at a minimum, count the following among the Committees of the Board:

- **Audit Committee:** The audit committee will be responsible for ensuring the accurate accounting and reporting of the company's financial performance, ensuring that

adequate internal control measures exist, and overseeing the annual external audit of the corporation. Members should have relevant experience.

- **Corporate Governance Committee:** The corporate governance committee is responsible for the oversight of the governance of the corporation.
- **Compensation Committee:** This committee is responsible for the direction and oversight of the company's executive compensation program, and for regularly evaluating the performance of senior management.
- **Nominating Committee:** The nominating committee should identify the Board's need for new or additional directors and skill sets, and then recruit, nominate, and orientate new directors. The committee should also assess the need for certain skills on the Board that may be lacking.

The chair and committee members should all be independent directors.

### ***Voting Policy***

We will not support non-independent board members who sit on, or chair, any of the above committees.

We will generally support proposals to prohibit CEO's of other listed companies from sitting on the compensation committee.

For small companies we will not support non-independent board members who sit on, or chair the audit committee. For the compensation, nominating and corporate governance committees a majority of the members and the chair of these committees should be independent.

We will not necessarily vote against the board for failing to establish any or all of the above committees, but will actively encourage the board to do so. We will support proposals to establish any or all of the above committees.

## ***1.5 Cumulative Voting***

### ***Guideline***

There are valid arguments for and against cumulative voting. It can ensure an independent voice on an unresponsive board, or it can allow a small group of shareholders to promote their own agenda.

***Voting Policy***

We will generally vote against cumulative voting proposals, unless there is a clear and demonstrated need for them.

***1.6 Staggered Boards******Guideline***

The annual election of all directors is seen as an effective way to ensure that shareholders can make changes in the composition or control of the board, especially during periods of deteriorating corporate or board performance. We believe that the annual election of all directors' best serves the interest of shareholders.

***Voting Policy***

We will not support a proposal for the introduction of staggered terms.

We will not necessarily vote against a slate of directors simply because the board uses staggered terms.

We will support a proposal to eliminate staggered terms, or to introduce annual election of directors.

***1.7 Director Attendance******Guideline***

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

***Voting Policy***

We will generally not support existing directors if they have attended less than 75% of the board and committee meetings in aggregate, unless there are extenuating circumstances.

## **1.8 Overboarding**

### **Guideline**

Serving as a director of a public company requires a significant commitment in time and effort. If a director sits on an excessive number of boards it can compromise their ability to serve effectively.

### **Voting Policy**

We will review a directors other board commitments on a case-by-case basis, but will generally withhold votes from directors who sit on more than six boards, and in the case of current CEO's, more than two boards.

## **1.9 Audit Process**

### **Guideline**

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

The audit process should involve the establishment of an independent audit committee (see 1.4) and the appointment of an independent auditor by that committee. The auditor should report directly to the audit committee, and not to management.

Auditors and/or the audit partner should be rotated on a regular basis.

### **Voting Policy**

We will generally support the choice of auditors recommended by the audit committee.

Where auditors are being changed for reasons other than routine rotation, we will review the reasons on a case-by-case basis.

We will review on a case-by-case basis where the auditor has limited or capped their liability as it relates to the performance of the audit. Where the limits placed on the auditor's liability are unreasonable, we will not support the choice of auditor.

### **1.10 Audit Fees**

#### **Guideline**

The amount and composition of fees paid to an auditor can compromise an auditor's ability to act independently and perform an audit that is free from undue influence by management. Requiring that a substantial majority of the fees paid to the auditors be for audit and audit-related services will help to ensure auditor independence.

#### **Voting Policy**

We will generally support proposals that require the outside auditor to have no relationship with the company other than providing audit and audit-related services.

We will generally not support the choice of auditor if less than two-thirds of the total fees paid to the auditor over the previous year, were for audit and audit-related services.

### **1.11 Director Liability and Indemnification**

#### **Guideline**

We recognize that in order to build and maintain a qualified Board it may be necessary for the company to provide directors with limitations on their liability and an indemnification policy. However these policies should be limited to the director acting honestly and in good faith, and putting the interests of the company first. If the director acts dishonestly and with intent, the indemnification should be considered void.

#### **Voting Policy**

We will generally support proposals to limit the liability of directors, and to indemnify directors against legal costs provided they have acted honestly and in good faith.

### **1.12 Term Limits for Directors**

#### **Guideline**

In general, we do not favour term limits for directors, as they impose an arbitrary limit on directors' tenure regardless of a director's performance, and because they may foster a short-term view.

***Voting Policy***

In general, we will vote against proposals to introduce term limits for directors, but will review each proposal on a case-by-case basis.

We will assess the independence of all directors annually on a case-by-case basis regardless of length of service.

***1.13 Performance Evaluation of Directors and Board******Guideline***

A board must evaluate its own performance, which presents a conflict of interest. We feel that the best way to deal with this conflict is for the board to adopt their own statement of principles and guidelines for their own conduct and performance. The board should prepare annual evaluations based on these principles and guidelines, and should include a summary of the evaluations with the annual proxy circular.

***Voting Policy***

We will support proposals to institute and develop performance evaluations for a board of directors, and to include a summary of the evaluations in the annual proxy circular.

***1.14 Directors Proposed on a Single Ballot******Guideline***

We would prefer that directors be proposed individually on the annual ballot. When directors are proposed on a single ballot it removes the shareholders ability to withhold votes for individual directors, and effect selective change to the composition of the board. Boards may use this as a means of protecting individual board members, or preventing certain board practices from being changed. It is a sign of board confidence in governance practices that they are willing to propose directors individually.

***Voting Policy***

We will support proposals that directors be proposed individually.

We will withhold votes for a board proposed on a single ballot if we feel that the independence of the board or that the board committees have been compromised in any way, or that the board's actions have not been in the shareholders best interests.

### ***1.15 In-Camera Meetings***

#### ***Guideline***

In-camera board meetings of unrelated board members only, give an opportunity for more candid discussions than at formal board meetings. These meetings will help to facilitate and enhance overall board independence. It is also recommended that after these meetings, the chair of the in-camera meetings should meet with the chief executive officer to advise him or her of the topics that were discussed.

#### ***Voting Policy***

We will generally support proposals that would require regular in-camera board meetings of unrelated board members only.

### ***1.16 Voting for Directors***

#### ***Voting Policy***

In general, we will vote for the directors nominated by management unless these guidelines indicate otherwise, or the long-term performance of the corporation or the directors has been unsatisfactory.

## **2. Management and Director Compensation**

We believe that any compensation plan should attempt to align the long-term interests of shareholders with the interests of management and directors. The compensation plan should also be sufficiently generous to attract and retain the people and skills that will ensure the long-term success of the company. The compensation plan should be developed and maintained by the Compensation Committee (see 1.4).

### ***2.1 Stock Option and Incentive Compensation Plans***

#### ***Guideline***

In general, these plans should reward good performance, and not reward poor performance. The cost of the plan, either to the shareholders or the company, should be related to the benefits derived from it. The plan should be disclosed to the shareholders in detail, and be approved by them.

In general we would like to see the use of stock options as a form of compensation reduced. Our preference is for stock ownership rather than stock options.

#### ***Voting Policy***

We will review each compensation plan on a case-by-case basis.

We will generally support stock option plans that link the granting or vesting of options to specific performance targets.

We will generally support stock option plans where the underlying securities will be issued at market value or higher.

We will generally support plans that require that the stock or option be held for a period of three years or longer.

We will generally support plans where the stock options have a life of five years or less, and will generally not support plans that exceed five years. We will not support "evergreen" stock option plans.

We will not support plans or proposals that allow the repricing of stock options, or that reissue options with an exercise price higher than the current market price.

We will not support stock option plans that are 100% vested when granted.

We will not support stock option plan amendments if the total potential dilution exceeds 10%, or annual dilution exceeds 1%. Amendments where total potential dilution is between 5% and 10% will be reviewed on a case-by-case basis. We will generally approve stock option plan amendments where total potential dilution is below 5%, and annual dilution is below 1%.

We will not support stock option plans that authorize allocation of 25% or more of the available options to any one individual.

We feel it is generally not appropriate for directors to participate in the stock option plan, and would prefer directors own stock outright in the company. As such, we will generally not support proposals for director participation in stock option plans. However, for small companies we will review director options on a case-by-case basis, and where a company demonstrates a need for directors options we will support such a plan.

We will review all change in control provisions in stock option plans on a case-by-case basis, but will generally not support provisions that allow for stock option holders to receive more for their options than shareholders would receive for their shares, or provisions that allow for the granting of options or bonuses to outside directors "in the event" of a change of control.

We will not support plans that give the board broad discretion in setting the terms and conditions of programs.

We will not support omnibus stock option plans. Shareholders should have the opportunity to consider and vote on the separate components of such plans.

We will not support stock option plans that allow for the "reloading" of exercised or lapsed options.

## ***2.2 Expensing of Share Options***

### ***Guideline***

While options may not be an expense to the corporation, they are an expense to the existing shareholders due to the dilution effects. As such, we believe that share options should be expensed in the financial statements of a corporation.

***Voting Policy***

We will support any proposal that requires the expensing of stock options in the financial statements of a corporation in accordance with GAAP.

***2.3 Golden Parachutes******Guideline***

We recognize that ‘golden parachutes’ are a valid means to provide executives with the personal financial security and professional objectivity that is required to act in the best interests of shareholders. However, in some cases these provisions can be excessive.

***Voting Policy***

We will review severance compensation packages on a case-by-case basis.

***2.4 Employee Stock Purchase Plans******Guideline***

The interests of shareholders and employees are aligned if employees have the opportunity to become shareholders at a reasonable price. Employee stock purchase plans are an effective way of facilitating this. In general we will support employee stock purchase plans that align employee interests with creating value for shareholders.

***Voting Policy***

We will generally support employee stock purchase plans with a purchase price of not less than 85% of market value, potential dilution of less than 10%, and an appropriate mandatory hold period.

***2.5 Aggregate Dilution from all Stock Based Compensation Plans******Guideline***

There are many types of stock based compensation plans, and some of these types of plans can dilute the holding of current shareholders. It is easy to focus on the dilution from stock option plans, but ignore the dilution from other types of stock based plans. As such it is important to assess the dilution of these plans individually and in aggregate.

***Voting Policy***

We will generally vote against any individual stock based compensation plan if the resulting total potential dilution from all plans will exceed 10%.

***2.6 Director Compensation******Guideline***

We believe that director compensation should be appropriate for the time and effort that directors spend executing their duties. We also believe that directors who personally own a significant amount of the company's stock will be better motivated to act in the interests of all shareholders.

***Voting Policy***

We will review proposals regarding director compensation on a case-by-case basis. We will support a proposal that a proportion of the directors' remuneration be in the form of common stock.

***2.7 Director Retirement Benefits******Guideline***

We believe that retirement benefits should be restricted to the employees of a corporation. A director's independence could be compromised if they were to receive retirement benefits from the corporation.

***Voting Policy***

We will vote against proposals for retirement benefits for directors, unless it can be clearly shown that they will not impair a director's independence.

***2.8 Employee Loans******Guideline***

Loans to senior management or the guaranteeing of loans for the purpose of exercising options should be avoided. These types of arrangements expose the company to the risk of not being able to recover the loan if the borrower is terminated.

***Voting Policy***

We will review all loans to senior management on a case-by-case basis, but will generally support loans that are reasonable in amount, are charged a market rate of interest, are secured against shares in the company or some other real asset, and are unforgivable.

***2.9 Excessive Executive Compensation******Guideline***

In recent years, we have seen some executive compensation packages reach excessive levels, with no relation to individual or corporate performance. We believe that executive compensation should be performance based, and that it should align the interests of executives with the long-term interests of shareholders. We would like to see performance criteria clearly disclosed and defined, and also a discussion of if and how those criteria are met. The performance criteria and the degree to which these have been met should be determined by the compensation committee.

***Voting Policy***

We will review executive compensation plans on a case-by-case basis but will generally support plans that are fair, and oppose those that are excessive. We will review on a case-by-case basis proposals to enhance compensation disclosure, but will generally support proposals that require disclosure of performance criteria and if those criteria were met.

We will generally support proposals to disclose the differences between the highest and lowest paid employees, or similar proposals.

***2.10 Compensation Report******Guideline***

The compensation report in the proxy circular is the primary means by which shareholders obtain information to assess the compensation practices of the company. This report should be clear, concise, and fully disclose all methods of compensation and performance measures. Furthermore, this report should present the information in a format that will allow all shareholders to easily determine total compensation for an individual.

***Voting Policy***

We will generally support proposals that will require full or enhanced disclosure of compensation for senior executives.

We will support proposals requiring an advisory vote by shareholders to approve the annual compensation report (i.e. “say-on-pay”).

### **3. Takeover Protection**

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

#### **3.1 Shareholder Rights Plans (“Poison Pills”)**

##### ***Guideline***

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

The plan should allow a takeover offer to stand for no longer than 60 days before the board responds. This gives management and the board ample time to consider the bid, and assess alternatives.

In Canada, shareholder rights plans must be ratified by the shareholders at the first annual meeting following adoption of the plan. In the U.S., shareholder ratification is not required.

##### ***Voting Policy***

We will review each plan on a case-by-case basis, but will generally not support plans that are not subject to shareholder approval at least every three years.

#### **3.2 Other Takeover Protection Measures**

##### ***Guideline***

Other takeover protection measures may include, but are not limited to the following:

- Going private transactions
- Leveraged buyouts
- Lock-up arrangements

- Crown jewel defences
- Greenmail
- Fair price amendments
- Re-incorporation

When considering any takeover protection measure, we would be more likely to support a proposal if:

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

### ***Voting Policy***

We will review each takeover protection measure on a case-by-case basis.

We will generally vote for proposals that ask for management to consider the non-financial impact of mergers and restructurings.

## **4. Shareholder Rights**

Shareholder rights are an asset as they represent a share in the wealth of the corporation, and also allow the holder 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.

### **4.1 Confidential Voting**

#### ***Guideline***

As with other electoral systems, the voting of proxies should be confidential, thereby ensuring that the process is impartial and free from coercion.

#### ***Voting Policy***

We will support proposals to introduce confidential voting.

### **4.2 Majority Voting**

#### ***Guideline***

Shareholders should have an effective ability to vote directors both on and off the board as this offers shareholders input into board composition. Plurality voting gives shareholders no such input. Ideally board members should be elected to the board using a majority vote system where shareholders have the option of voting “for” and “against” individual directors, and directors must receive a majority of votes “for” to be elected to the board.

#### ***Voting Policy***

We will generally support proposals that call for the adoption of a majority vote system for the election of directors.

### **4.3 Dual Class Stock**

#### ***Guideline***

Dual class stock refers to unequal voting rights between classes of shares. This violates the principle of one share, one vote. This means that a minority of shareholders has the

ability to make decisions that may not be in the interests of all shareholders, or may not be supported by the majority of shareholders.

#### ***Voting Policy***

We will not support the creation or extension of a dual class stock structure.

We will support proposals to eliminate dual class stock structures.

### ***4.4 Supermajority Approval***

#### ***Guideline***

We believe that supermajority requirements do have a legitimate purpose, but can be subject to abuse. They should not be used for votes regarding takeovers or control of a company, and the approval proportion should not be set too high. A two-thirds majority is most common, and anything above this would be considered unreasonable.

#### ***Voting Policy***

We will review supermajority proposals on a case-by-case basis.

### ***4.5 Linked Proposals***

#### ***Guideline***

Linked proposals are used to pass proposals that would not be approved if they were proposed individually.

#### ***Voting Policy***

We will generally not support linked proposals.

### ***4.6 Increase in Authorized Shares***

#### ***Guideline***

We recognize that directors may need the flexibility to issue stock to meet changing financial conditions. This may include a stock split, to support an acquisition or restructuring plan, to use in a stock option plan, or to implement an anti-takeover plan. The authorization of additional stock should be approved by shareholders, and should meet a specific business need.

***Voting Policy***

We will review proposals to increase the authorized shares on a case-by-case basis. We will generally not support proposals for unlimited authorized shares.

***4.7 Disclosure of Voting Results******Guideline***

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

***Voting Policy***

We will support proposals to disclose the results of proxy voting, to eliminate the practice of voting by a show of hands, and to adopt independent verification of proxy voting.

***4.8 Blank-cheque Preferred Shares******Guideline***

There may be valid business reasons for the issuance of blank-cheque preferred shares, but we feel the potential for abuse outweighs the benefits. The authorization of these shares gives directors complete discretion over the conditions of the stock, and shareholders have no further power to determine how or when the shares will be allocated.

***Voting Policy***

We will generally not support the authorization of blank-cheque preferred shares.

***4.9 Shareholder Meeting Quorum******Guideline***

The quorum for shareholders' meetings should be high enough that individual shareholders or small groups of shareholders (for example the board or senior management) will not be able to act independently of other shareholders, but not so high as to make it difficult to achieve.

***Voting Policy***

We will generally support quorum amendment proposals that require a minimum of five shareholders representing 25% of outstanding shares to constitute a quorum.

***4.10 Equity Issues******Guideline***

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

***Voting Policy***

We will review all private placement and issuance of equity proposals on a case-by-case basis, but will vote against any proposal that will cause excessive dilution without a valid business need.

***4.11 Other Business******Guideline***

We believe that the inclusion of an “other business” proposal on a proxy ballot gives the Board broad discretion to act without specific shareholder approval.

***Voting Policy***

We will generally not support “other business” proposals.

***4.12 Implementing Shareholder Wishes******Guideline***

The board has a fiduciary responsibility to represent the interests of shareholders and to implement their wishes. When a resolution receives the support of a majority of shareholders, the board of directors should report back within a reasonable time, not later than the next annual shareholders’ meeting, on the action taken or explain why no action has been taken.

***Voting Policy***

When the board fails to implement a proposal that has received a majority of shareholder support, and does not demonstrate a valid reason for this action, we will withhold votes for all board members who served on the board during the period in question.

***4.13 Share Blocking******Guideline***

Some countries allow the practice of Share Blocking, where shareholders are “blocked” or prevented from trading their position from the time the proxy votes are submitted, to the day after the shareholders meeting. This practice has implications for the management of the portfolios in which these securities are held. We believe that this practice is not in the interests of shareholders, and we would like to see it discontinued.

***Voting Policy***

If we feel that our ability to manage a portfolio will be compromised as a result of share blocking restrictions, we may choose not to vote certain individual proxies. This will be assessed on a case-by-case basis as to what is in the client’s best interests.

## **5. Exclusionary Social Issues**

In accordance with the Community Values Investment Principles, the Funds do not typically hold companies involved in tobacco, alcohol, gaming, pornography and military weapons. As such, we seldom receive proxies related to these issues. Where we do, we will generally support proposals to increase the disclosure of a company's involvement to these activities and proposals that ask companies to examine whether it is economically viable to reduce their involvement.

## 6. Qualitative Social and Environmental Issues

Qualitative social issues cover a range of issues of concern to socially responsible investors. Most often, these proposals are put forward in the form of shareholder proposals and will be supported.

### 6.1 Community

#### *Guideline*

The word “community” refers primarily to the residents of local communities in which a company operates. In the case of resource companies, this often means First Nation (or indigenous) communities upon whose traditional land a company is operating. The word “community” may also refer to larger areas, such as a province, state or nation, to the extent that society in such larger areas is affected by a company’s operations. In general, we support proposals that ask companies to behave in a manner that respects the wishes of the communities they operate in.

#### *Voting Policy*

We will generally vote in support of:

- reporting on a company’s impact on indigenous communities, and adopt policies on the rights of indigenous peoples
- careful consideration that advertising does not promote racial stereotyping
- greater disclosure of plant closing criteria
- eliminating the use of predatory lending practices and “redlining”
- disclosure of lending practices in developing countries
- disclosure of political contributions
- prohibit reincorporation into a tax haven / require reincorporation from a tax haven
- support the Extractive Industry Transparency Initiative

We will generally oppose:

- asking banks to forgive loans outright
- requiring shareholder ratification of charitable grants

## **6.2 Employee Relations**

### **Guideline**

Employee relations refer to the treatment of employees by a company. We support proposals that promote diversity; dignity and safety in the workplace, and that protect collective bargaining rights.

### **Voting Policy**

We will generally vote in support of:

- legal and regulatory compliance and public reporting to non-discrimination, affirmative action, workplace health and safety, and labour policies and practices (including collective bargaining rights)
- non-discrimination in salaries, wages and all benefits, especially as they relate to gender, sexual orientation, race, age and religion
- reporting and initiatives on equal opportunity and diversity
- reporting and initiatives to create a workplace free of discrimination on the basis of gender, sexual orientation, race, age and religion
- reporting on the ratio between CEO (and other senior executive) pay and that provided to other employees
- adopt enhanced health and safety policies, report on the implementation of these policies, and disclose health and safety data to shareholders
- adopt guidelines and report on progress toward eliminating the “glass ceiling” for women and minorities

We will generally oppose:

- eliminating protection already afforded gay and lesbian employees

## **6.3 Environment**

### **Guideline**

All companies have an impact on the environment. We expect management to adopt policies and procedures to minimize a company’s impact on the environment. Proposals that seek to improve the environmental practices of a company will be supported.

### ***Voting Policy***

We will generally vote in support of:

- greater disclosure of a company's environmental practices and/or environmental risks and liabilities
- reporting on and initiatives to reduce toxic emissions
- reporting on emissions levels, and risk from climate change
- reporting on and initiatives to reduce "greenhouse" gas emissions
- reporting on and initiatives to reduce the use of chlorine bleaching
- reporting on and initiatives to promote recycling, including product life-cycle management
- adopting policies to abstain from operating in environmentally sensitive areas or using products produced from materials extracted from such areas
- consideration and adoption of the CERES Principles and Global Reporting Initiative reporting standards
- consideration and adoption of the Equator Principles
- consider investing in or development of renewable energy sources

## ***6.4 Human Rights***

### ***Guideline***

We live in an increasingly globalized world where companies located in one country operate in the borders of others. Frequently these operations occur in the developing world where basic human rights are not protected as vigorously as they are in the developed world. We support proposals that call on companies to meet the international codes of conduct that host countries have agreed to adhere to.

### ***Voting Policy***

We will generally vote in support of:

- adhering to policies that conform to the United Nation's Universal Declaration on Human Rights.
- adhering to policies that conform to the International Labour Organization's Core Conventions, and reporting on the progress toward implementing these standards.

- adopting codes of conduct in relation to company investments in countries with patterns of human rights abuses (e.g., China Business Principles, McBride Principles)
- greater disclosure of a company's activities in countries with patterns of human rights abuses
- companies operating in a conflict zone to adopt policies that would protect the rights of local communities and avoid exacerbating the conflict
- independent monitoring programs of company compliance with codes of conduct, and disclosure of their findings
- establishing and reporting on standards for foreign suppliers and licensees, especially as they relate to the use of forced labour and child labour
- reports on Burmese operations and the cost of continued involvement in the country
- evaluate and report on the feasibility of making pharmaceuticals available to developing countries at affordable prices
- evaluate and report on providing access to drugs for the under or uninsured
- adopt ethical standards for the marketing of drugs and breast milk supplements

We will generally consider on a case-by-case basis:

- calls for companies to cease operations entirely in countries with patterns of human rights abuses

## **6.5 Product Safety**

### **Guideline**

Companies owe a high degree of standard of care to the users of their products. We support proposals that hold companies to these standards.

### **Voting Policy**

We will generally vote in support of:

- reporting on the use of genetically modified organisms
- labelling products that contain genetically modified organisms

- adopt animal welfare standards and report on their implementation

### ***6.6 Other Shareholder Proposals on Social and Environmental Issues***

Each year there are an increasing number of shareholder proposals being put forward that address an ever-broadening range of issues. Each of these proposals is assessed on a case-by-case basis and will be voted in a manner consistent with these Guidelines and the Community Values Investment Principles.



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