

# PROXY VOTING POLICY AND GUIDELINES

## PROXY VOTING POLICY

### Introduction

Van Berkom Global Asset Management ("Van Berkom") is a specialized Portfolio Manager focused on small and mid-cap investing based in Montreal. On behalf of leading Canadian and U.S. pension funds, corporations, and foundations, Van Berkom invests in high quality North American and global small and mid-capitalization equities. Van Berkom is fundamentally a long-term investor, and its objective is to achieve significant value-added versus benchmarks and to rank within the first quartile relative to peers over full economic cycles.

Van Berkom's Proxy Voting Policy (the "Policy") applies to all Van Berkom's investment strategies. The policy aims to provide a transparent framework enabling investors to gain clarity into its voting strategy and underlying principles.

The Policy is reviewed regularly, at least annually, to ensure alignment with current processes and procedures and to ensure currency with emerging topics and evolving best practices. Responsibility for the alignment of Van Berkom's practices according to the Policy sits with the ESG Committee, and any changes must be approved by its members, which include the President, the Chief Operating Officer and the Senior Director, Institutional Markets. The Policy is a complement to and may be viewed in conjunction with Van Berkom's Responsible Investment Policy, which provides a framework for Van Berkom's responsible investment approach and the integration of financially material ESG factors throughout the investment process and the firm's stewardship activities.

### Responsible Investment Beliefs

Van Berkom believes that supporting and enabling strong corporate governance standards are integral to generating value for the shareholders. Well-managed companies, with strong and focused governance processes, including around the functioning and management of the board, supervision and control mechanisms, relationships with stakeholders, and transparency

produce better long-term investment returns for all investors. Therefore, Van Berkom not only evaluates management on its ability to execute its business plan successfully, but also the company's corporate governance practices to ensure that the corporation is managed for the benefit of stakeholders over the long term.

Similarly, Van Berkom believes that the inclusion of material ESG considerations in the investment process is part of its fiduciary duty and integral to mitigating financially material risks and identifying opportunities. Van Berkom's ESG committee, with the support of the investment team, has identified three core systemic sustainability risks: i) climate change; ii) diversity, equity, and inclusion; and iii) cybersecurity; that, if left unchecked, have the potential to destabilize capital markets and have a sector agnostic and detrimental impact on the global economy. Hence, these issues are core to Van Berkom's ESG risk mitigation strategy and proxy voting approach. For more detailed information on Van Berkom's approach and beliefs regarding responsible investment, please refer to Van Berkom's Responsible Investment Policy.

### **Proxy Voting Approach**

The goal of Van Berkom's proxy voting approach is to act in the best interests of its clients and to enhance the long-term value of its investments. Exercising these rights is an essential part of Van Berkom's fiduciary and stewardship responsibilities. Van Berkom manages various strategies for its clients and receives and votes proxies for each of the companies included in all strategies. In cases where Van Berkom's clients delegate their proxy votes, Van Berkom aims to ensure that all proxies are voted in alignment with the client's long-term interests, in part, by factoring material ESG issues into voting decisions.

Van Berkom believes in a bottom-up approach to proxy voting decision making. In Van Berkom's view, each company and vote are different and as such, the nuance involved in each vote precludes the application of stringent rules-based voting guidelines. As such, whilst Van Berkom will attempt to apply this policy consistently, it will always consider company and vote-specific circumstances. The guidelines in the latter section of this Policy represent general principles of what Van Berkom considers good practice. For each vote, the proxy statement is reviewed by members of the investment team. Van Berkom has subscribed to an independent proxy advisory services to facilitate the proxy voting analysis process; however, each member of the investment team is responsible for their own voting decision. Van Berkom commits to

discharging its stewardship responsibilities internally with no outsourcing and endeavours to vote 100% of resolutions that Van Berkomp is delegated.

Van Berkomp views the consideration of shareholder proposals as part of its stewardship obligations and conduct the appropriate due diligence ahead of casting a vote. This includes assessing the proposal's capacity to generate long-term value for Van Berkomp's clients, factoring in any associated operational risks or opportunities.

### **Engagement and Votes Against Management / Board Members**

Van Berkomp will not hesitate to abstain or oppose management proposals that run counter to this Policy, or to support shareholder proposals that are consistent with this policy, which is designed to advance the long-term interests of its clients. In practice, Van Berkomp rarely votes against management on delegated proxy votes due to several factors:

- a) Van Berkomp invests in outstanding, well-managed companies that are generally less subject to contentious votes.
- b) Van Berkomp develops a constructive and positive relationship with the companies that it invests in and clearly sets out its expectations as a diligent steward of its assets.
- c) In a case where Van Berkomp is planning to vote against the management, Van Berkomp may contact the management to discuss the issues before the vote.

Van Berkomp's approach to proxy voting feeds directly from its active corporate engagement program and believes that a vote against management is a powerful tool for promoting initiatives and practices that Van Berkomp believes enhances the long-term value of its holdings.

### **Conflicts of Interest**

If a proxy vote suggests a potential or perceived conflict of interest, Van Berkomp will endeavour to always act in the best interest of its clients. All proxy votes are made internally, and Van Berkomp keeps all proxy vote documents and records for further reference.

### **Transparency & Reporting**

Van Berkomp is committed to transparency in its proxy voting strategy and delivery. Van Berkomp makes a copy of this policy available online and provides clients with reports on Van Berkomp's voting record for the applicable strategies upon request.

## PROXY VOTING GUIDELINES

These Guidelines provide information on Van Beroom's preferences regarding company practices on common proxy voting items. As mentioned previously, Van Beroom employs a bottom-up approach to proxy voting, and as such, the final decision on the proxy vote rests with the voting analyst who will take these guidelines into account before making a voting decision. The guidelines are grouped into the following key areas:

1. Board Structure
2. Executive Compensation
3. Shareholder Rights
4. Mergers & Acquisitions
5. Reporting, audit, and approval of accounts
6. Capital Structuring
7. Environmental and Social Factors

Van Beroom will carefully consider other issues as they arise and will vote on such issues according to the general principles outlined above, and in the best interest of its beneficiaries.

### 1. Board Structure

The composition of boards and committees, background of the individual directors, diversity, independence, and terms of office are central governance concerns to Van Beroom. We prefer the following board characteristics of companies under our stewardship:

- The Board of Directors or Supervisory Board is majority independent from management and represents the interests of majority and minority shareholders.
- The Board of Directors or Supervisory Board is well balanced in terms of its diversity of thought, background, gender, and ethnicity.
- Specialized committees (such as audit, compensation, nominating and governance) are majority independent with an independent Chair.
- The Executive Director is excluded from the audit and remuneration committees.
- The board is not abnormally large or small relative to the industry.
- Board meetings and committee meetings (if applicable) are regularly attended by directors.
- The board is accessible and there is an open dialogue between the board and the investors.
- One of the board members has relevant climate-related expertise or the board is trained on identifying and overseeing the management of climate-related risks and opportunities.

- Shareholders can vote separately on the election of individual directors. A majority independent nomination committee proposes candidates annually, rather than on staggered terms.
- The board is aligned with corporate governance guidelines issued by organizations such as the Toronto Stock Exchange, the Pension Investment Association of Canada (“PIAC”), the Canadian Coalition for Good Governance (“CCGG”), the Institute for Good Corporate Governance for Private and Public Organizations (“IGOPP”) as well as other relevant governance guidelines issued by their country of incorporation.

## 2. Executive Compensation

Van Berkom regards remuneration as fundamental to delivering value for shareholders over the long term.

Van Berkom prefers and supports the following remuneration practices of companies under its stewardship:

- Remuneration is determined by a compensation committee or sub-committee composed of majority independent directors.
- Executive compensation (including stock option plans) is reviewed in relation to long-term performance and its ability to enhance shareholder value.
- The company presents a transparent, exhaustive, and clear overview of its compensation practices.
- The company has a long-term remuneration policy in place linked to the long-term stock price, executive stock ownership, and clawback guidelines for executives.
- The exercise price or the vesting schedule of the equity incentive is linked to the achievement of challenging, company-specific performance and profit thresholds.
- The company uses key ESG considerations in the composition of either annual cash bonuses or as part of management's long-term compensation plans.
- Equity incentive plan amendments if the total potential dilution is low and the “burn rate” is not excessive on an annual basis.

Van Berkom generally does not support:

- Plans that allow the Board of Directors to lower the exercise price of equity incentives already granted.
- Plans with “evergreen” provisions nor proposals whose equity incentives with a duration that goes against the shareholder’s interests.
- Plans that are 100% vested when granted.
- Golden parachutes deemed to be excessive or that are single trigger arrangements.

### 3. Sharehold Rights

Van Berkom supports shareholder rights and believes that voting rights should be proportional to shareholder economic interest. Van Berkom has a fiduciary duty to preserve the full integrity and value of the ownership characteristics of the common stock.

Van Berkom favours the following practices that protect and promote shareholder rights:

- The "One share, one vote" share class structure, although in some cases, different share class structures can also create a lot of meaningful shareholder value if the management team has a proven track record of exceptional business performance and strong governance.
- Practices that promote rather than frustrate shareholders' right to vote.
- Shareholders having the ability to call special meetings and submit shareholder proposals for assessment.

Van Berkom opposes to the following practices that go against the shareholder's interests:

- Super-majority voting requirements, linked proposals, quorum requirements, or "Greenmail" payments that terminate a takeover before it goes to shareholders.
- Votes giving Boards of Directors discretion to issue additional stock at any time or to authorize the issuance of an unlimited number of shares, regardless of the dilution of the interests of the existing shareholders at the time of issue.

### 4. Mergers & Acquisitions

When improperly used, certain takeover protection measures have the potential to be destructive to shareholder democracy and the growth of long-term shareholder value. To maximize shareholder value, takeover protections must not unduly deter unsolicited bids or follow-on offers. Van Berkom will carefully review measures employed to ensure that shareholder rights have not been undermined and shareholder value is maximized.

- Van Berkom will evaluate all mergers, acquisitions, and corporate restructurings based on their capacity to maximise shareholder value.
- Takeover protections include, but are not limited to, poison pills, crown jewels defense, private transactions, leveraged buyouts and/or lock-up arrangements. The implementation of takeover protection measures will be reviewed on a case-by-case basis. Van Berkom will generally vote against such proposals unless there is evidence that shareholder interests are protected.

- Van Berkom will generally not support shareholder rights plans that go beyond ensuring equal treatment of shareholders in the event of a bid and that do not allow the company sufficient time to consider alternatives to a bid.
- When applicable, Van Berkom prefers a “soft lock-up”, where a shareholder has the opportunity to exit the agreement should a more attractive bid materialize.

## 5. Reporting, Audit, and Approval of Accounts

Reports and financial statements are vital to allow scrutiny of company performance. Ensuring these are delivered in a timely manner, without material misstatements, with fair presentation and free of conflicts of interest is a fundamental shareholder right that Van Berkom will protect through voting its proxies. Van Berkom expects that:

- Information provided by the Board presents a full and fair view of company affairs and financial situation, at least 21 days before the AGM.
- Company accounts and the designated auditor have been recommended by a majority independent and financially literate audit committee.
- Auditors should be free from conflicts of interest and act with integrity, objectivity, and professionalism.
- Auditors’ remuneration for any additional advisory services does not cast doubt on auditor independence.
- *Companies disclose all material relationships with auditors and fees paid to auditors.*

## 6. Capital Structuring

Companies should have an efficient capital structure that fosters growth, minimises the cost of capital and supports increases in shareholder value. Any changes to capital structure, including share buy-backs, share issuance, or share issuance under private placements should be implemented with these or other sound business objectives in mind. Van Berkom takes the following view of votes on capital structure:

- Van Berkom is supportive of the board of directors issuing shares to address the company’s financial needs as long as the amount requested is necessary and justifiable, for sound business reasons, and does not breach the “one share, one vote” principle.
- Transactions, such as private placements, are reviewed on a case-by-case basis, relative to market price, use of proceeds, and participation of insiders among other factors.
- Share buybacks or repurchases could represent an effective use of company resources, especially when the market value is seemingly below its intrinsic value. As a result, Van

Berkom favours such transactions, but remains careful when evaluating to make sure the impact benefits the shareholders in the long term.

## 7. Environmental and Social Factors

Companies' environmental and social performance may have a material influence on investment risks and returns. Van Berkom believes that companies that are able to identify, integrate, and perform well on environmental and social factors as part of their corporate strategy, such as those related to climate change, diversity, equity & inclusion, and cybersecurity, are more resilient and able to generate both stakeholder and shareholder value over the long term versus those that do not. Van Berkom is supportive of companies that display the following characteristics:

### 7.1 Environmental Factors

Regular disclosures of material environmental information related to the company's impact on environmental factors, how the company mitigates its impact, and the impact of the environment and/or stakeholders on its operations. Van Berkom strongly encourages and values disclosures in line with commonly adopted reporting frameworks such as the IFRS S1 and IFRS S2, established by ISSB<sup>1</sup>, or GRI<sup>2</sup>. These disclosures should flow from robust governance structures that include accountability and oversight for identifying and managing environmental issues and risks, as well as detailed strategies to address the company's material environmental impacts that have been externally verified where feasible.

### 7.2 Climate Change

As climate change (including transition and physical risks) is a systemic risk impacting most sectors and industries, Van Berkom encourages boards to provide oversight and integrate climate-related risks and opportunities into company strategy and operations. Companies should be transparent regarding their climate change strategy and ultimately provide material disclosures in a timely manner to shareholders around both physical and

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<sup>1</sup> [International Sustainability Standards Board](#)

<sup>2</sup> [Global Reporting Initiative](#)



transition risks aligned with frameworks such as the TCFD<sup>3</sup>. Van Berkom also encourages companies to describe management's role in assessing and managing risks and opportunities. For companies where carbon emissions are a material issue, Van Berkom will support the adoption of credible emissions reduction targets that can be independently verified and approved by organisations like the Science Based Targets initiative (SBTi)<sup>4</sup>.

### 7.3 Social Factors

Van Berkom supports and encourages the adoption of responsible and ethical business conduct to support labour standards and human rights, such as those laid out in the OECD Guidelines for Multinational Enterprises<sup>5</sup> or the UN Global Compact<sup>6</sup> in operations and in supply chains. Companies should work to maintain their "social license to operate" by being cognisant and supportive of communities who may be affected by their activities. This may include, where appropriate, seeking the free, prior, and informed consent of Indigenous peoples.

### 7.4 Diversity, Equity & Inclusion

Van Berkom is also supportive of companies that show diversity of thought on boards and senior management. Van Berkom views diversity through a broad lens, including gender, ethnicity, nationality, skills, and experience. Inclusive and diverse boards are more likely to be effective boards, better able to understand their customers and stakeholders, and benefit from fresh perspectives, innovative ideas, vigorous challenges, and broad experience. This, in turn, leads to better decision making. Van Berkom is supportive of companies that are taking proactive steps to improve gender and ethnic diversity and inclusion in leadership positions.

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<sup>3</sup> [Task Force on Climate-related Financial Disclosures](#)

<sup>4</sup> [Science Based Targets initiative](#)

<sup>5</sup> [Organisation for Economic Co-operation and Development \(OECD\) Guidelines for Multinational Enterprises](#)

<sup>6</sup> [United Nations Global Compact](#)

### 7.5 Cybersecurity

Van Berkom is supportive of companies that describe the extent to which they provide oversight of cybersecurity risks and the control mechanisms in place. This should include a clear understanding of vulnerabilities, levels of investment in technology, people and processes, and implementation of crisis management protocols. Boards should be able to demonstrate the existence of appropriate skills and experience amongst directors that will enable the appropriate level of oversight of cybersecurity risks. Van Berkom expects boards to assess the business impacts of regulations or voluntary improvements to data protection to ensure operational readiness, update compliance frameworks, crisis management protocols, and provide appropriate levels of disclosure.

## 8. Environmental and Social Factors

Van Berkom manages different strategies which, by nature, requires investing in companies located in foreign countries or regions, each having its own set of rules and regulations, as well as its own culture, manners, and best practices that Van Berkom may consider when applying this current proxy voting.