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## Proxy Voting

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### **Purpose and Background**

In its trusteeship and management of mutual funds, Invesco Trimark acts as fiduciary to the unitholders and must act in their best interests.

### **Application**

Invesco Trimark will make every effort to exercise all voting rights with respect to securities held in the mutual funds that it manages in Canada or to which it provides sub-advisory services, including a Fund registered under and governed by the US Investment Company Act of 1940, as amended (the “US Funds”) (collectively, the “Funds”). Proxies for the funds distributed by Invesco Trimark and managed by an affiliate or a third party (a “Sub-Advisor”) will be voted in accordance with the Sub-Advisor’s policy, unless the sub-advisory agreement provides otherwise.

The portfolio managers have responsibility for exercising all proxy votes and in doing so, for acting in the best interest of the Fund. Portfolio managers must vote proxies in accordance with the Invesco Trimark Proxy Voting Guidelines (the Guidelines), as amended from time to time, a copy of which is attached to this policy.

When a proxy is voted against the recommendation of the publicly traded company’s Board, the portfolio manager will provide to the Chief Investment Officer (“CIO”) or designate the reasons in writing for any vote in opposition to management’s recommendation.

Invesco Trimark may delegate to a third party the responsibility to vote proxies on behalf of all or certain Funds, in accordance with the Guidelines.

### **Records Management**

The Invesco Trimark Investment Operations department will endeavour to ensure that all proxies and notices are received from all issuers on a timely basis, and will maintain for all Funds

- A record of all proxies received;
- a record of votes cast;
- a copy of the reasons for voting against management; and for the US Funds
- the documents mentioned above; and

- a copy of any document created by Invesco Trimark that was material to making a decision how to vote proxies on behalf of a U.S. Fund and that memorializes the basis of that decision.

Invesco Trimark has a dedicated person ( “Administrator”) who manages all proxy voting materials. Proxy voting circulars for all companies are received electronically through an external service provider. Circulars for North American companies and ADRs are generally also received in paper format.

Once a circular is received, the Administrator verifies that all shares and Funds affected are correctly listed. The Administrator then gives a copy of the proxy ballot to each affected portfolio manager and maintains a tracking list to ensure that all proxies are voted within the prescribed deadlines.

Once voting information has been received from the portfolio managers, voting instructions are sent electronically to the service provider who then forwards the instructions to the appropriate proxy voting agent or transfer agent. The external service provider retains on behalf of Invesco Trimark a record of the votes cast and agrees to provide Invesco Trimark with a copy of proxy records promptly upon request. The service provider must make all documents available to Invesco Trimark for a period of 7 years.

In the event that Invesco Trimark ceases to use an external service provider, all documents would be maintained and preserved in an easily accessible place i) for a period of 2 years where Invesco Trimark carries on business in Canada and ii) for a period of 5 years thereafter at the same location or at any other location.

### **Reporting**

The CIO will report on proxy voting to the Fund Boards on an annual basis with respect to all funds managed in Canada or distributed by Invesco Trimark and managed by a Sub-Advisor. The CIO will report on proxy voting to the Board of Directors of the US Funds as required from time to time.

In accordance with National Instrument 81-106 (NI 81-106), proxy voting records for all Canadian mutual funds for years ending June 30<sup>th</sup> are posted on Invesco Trimark’s website no later than August 31<sup>st</sup> of each year.

The Invesco Trimark Compliance department will review the proxy voting records held by Invesco Trimark on an annual basis to confirm that proxy voting records are posted by the August 31<sup>st</sup> deadline under NI 81-106. A summary of the review will be retained onsite for 2 years and thereafter offsite for 5 years with a designated records maintenance firm.

# **INVESCO TRIMARK**

## **PROXY VOTING GUIDELINES**

### **Purpose**

The purpose of this document is to describe Invesco Trimark's general guidelines for voting proxies received from companies held in Invesco Trimark's Toronto-based funds. Proxy voting for the funds managed on behalf of Invesco Trimark on a sub-advised basis (i.e. by other Invesco business units or on a third party basis) are subject to the proxy voting policies & procedures of those other entities. As part of its regular due diligence, Invesco Trimark will review the proxy voting policies & procedures of any new sub-advisors to ensure that they are appropriate in the circumstances.

### **Introduction**

Invesco Trimark has the fiduciary obligation to ensure that the long-term economic best interest of unitholders is the key consideration when voting proxies of portfolio companies.

The default is to vote with the recommendation of the publicly traded company's Board.

As a general rule, Invesco Trimark shall vote against any actions that would:

- reduce the rights or options of shareholders,
- reduce shareholder influence over the board of directors and management,
- reduce the alignment of interests between management and shareholders, or
- reduce the value of shareholders' investments.

At the same time, since Invesco Trimark's Toronto-based portfolio managers follow an investment discipline that includes investing in companies that are believed to have strong management teams, the portfolio managers will generally support the management of companies in which they invest, and will accord proper weight to the positions of a company's board of directors. Therefore, in most circumstances, votes will be cast in accordance with the recommendations of the company's board of directors.

While Invesco Trimark's proxy voting guidelines are stated below, the portfolio managers will take into consideration all relevant facts and circumstances (including country specific considerations), and retain the right to vote proxies as deemed appropriate.

These guidelines may be amended from time to time.

### **Conflicts of Interest**

When voting proxies, Invesco Trimark's portfolio managers assess whether there are material conflicts of interest between Invesco Trimark's interests and those of unitholders. A potential conflict of interest situation may include where Invesco Trimark

or an affiliate manages assets for, provides other financial services to, or otherwise has a material business relationship with, a company whose management is soliciting proxies, and failure to vote in favour of management of the company may harm Invesco Trimark's relationship with the company. In all situations, the portfolio managers will not take Invesco Trimark's relationship with the company into account, and will vote the proxies in the best interest of the unitholders. To the extent that a portfolio manager has any personal conflict of interest with respect to a company or an issue presented, that portfolio manager should abstain from voting on that company or issue. Portfolio managers are required to report to the CIO any such conflicts of interest and/or attempts by outside parties to improperly influence the voting process. The CIO will report any conflicts of interest to the Trading Committee and the Independent Review Committee on an annual basis.

## **I BOARDS OF DIRECTORS**

We believe that a board that has at least a majority of independent directors is integral to good corporate governance. Unless there are restrictions specific to a company's home jurisdiction, key board committees, including audit and compensation committees, should be completely independent.

### **Voting on Director Nominees in Uncontested Elections**

Votes in an uncontested election of directors are evaluated on a **case-by-case** basis, considering factors that may include:

- Long-term company performance relative to a market index,
- Composition of the board and key board committees,
- Nominee's attendance at board meetings,
- Nominee's time commitments as a result of serving on other company boards,
- Nominee's investments in the company,
- Whether the chairman is also serving as CEO, and
- Whether a retired CEO sits on the board.

### **Voting on Director Nominees in Contested Elections**

Votes in a contested election of directors are evaluated on a **case-by-case** basis, considering factors that may include:

- Long-term financial performance of the target company relative to its industry,
- Management's track record,
- Background to the proxy contest,
- Qualifications of director nominees (both slates),
- Evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met, and

- Stock ownership positions.

### **Majority Threshold Voting for Director Elections**

We will generally vote **for** proposals that require directors to be elected with an affirmative majority of votes cast unless the relevant portfolio manager believes that the company has adopted formal corporate governance principles that present a meaningful alternative to the majority voting standard and provide an adequate and timely response to both new nominees as well as incumbent nominees who fail to receive a majority of votes cast.

### **Reimbursement of Proxy Solicitation Expenses**

Decisions to provide reimbursement for dissidents waging a proxy contest are made on a **case-by-case** basis.

### **Separating Chairman and CEO**

Shareholder proposals to separate the chairman and CEO positions should be evaluated on a **case-by-case** basis.

While we generally support these proposals, some companies have governance structures in place that can satisfactorily counterbalance a combined position. Voting decisions will take into account factors such as:

- Designated lead director, appointed from the ranks of the independent board members with clearly delineated duties;
- Majority of independent directors;
- All-independent key committees;
- Committee chairpersons nominated by the independent directors;
- CEO performance is reviewed annually by a committee of outside directors; and
- Established governance guidelines.

### **Majority of Independent Directors**

While we generally support shareholder proposals asking that a majority of directors be independent, each proposal should be evaluated on a case-by-case basis.

We generally vote for shareholder proposals that request that the board's audit, compensation, and/or nominating committees be composed exclusively of independent directors.

### **Stock Ownership Requirements**

We believe that individual directors should be appropriately compensated and motivated to act in the best interests of shareholders. Share ownership by directors better aligns their interests with those of other shareholders. Therefore, we believe that meaningful share ownership by directors is in the best interest of the company.

We generally vote **for** proposals that require a certain percentage of a director's compensation to be in the form of common stock.

### **Size of Boards of Directors**

We believe that the number of directors is important to ensuring the board's effectiveness in maximizing long-term shareholder value. The board must be large enough to allow it to adequately discharge its responsibilities, without being so large that it becomes cumbersome.

While we will prefer a board of no fewer than 5 and no more than 16 members, each situation will be considered on a **case-by-case** basis taking into consideration the specific company circumstances.

### **Classified or Staggered Boards**

In a classified or staggered board, directors are typically elected in two or more "classes", serving terms greater than one year.

We prefer the annual election of all directors and will generally **not support** proposals that provide for staggered terms for board members. We recognize that there may be jurisdictions where staggered terms for board members is common practice and, in such situations, we will review the proposals on a **case-by-case** basis.

### **Director Indemnification and Liability Protection**

We recognize that many individuals may be reluctant to serve as corporate directors if they were to be personally liable for all lawsuits and legal costs. As a result, limitations on directors' liability can benefit the corporation and its shareholders by helping to attract and retain qualified directors while providing recourse to shareholders on areas of misconduct by directors.

We generally vote **for** proposals that limit directors' liability and provide indemnification as long as the arrangements are limited to the director acting honestly and in good faith with a view to the best interests of the corporation and, in criminal matters, are limited to the director having reasonable grounds for believing the conduct was lawful.

## **II AUDITORS**

A strong audit process is a requirement for good corporate governance. A significant aspect of the audit process is a strong relationship with a knowledgeable and independent set of auditors.

### **Ratification of Auditors**

We believe a company should limit its relationship with its auditors to the audit engagement, and certain closely related activities that do not, in the aggregate, raise an appearance of impaired independence.

We generally vote **for** the reappointment of the company's auditors unless:

- It is not clear that the auditors will be able to fulfill their function;
- There is reason to believe the auditors have rendered an opinion that is neither accurate nor indicative of the company's financial position; or
- The auditors have a significant professional or personal relationship with the issuer that compromises their independence.

### **Disclosure of Audit vs. Non-Audit Fees**

Understanding the fees earned by the auditors is important for assessing auditor independence. Our support for the re-appointment of the auditors will take into consideration whether the management information circular contains adequate disclosure about the amount and nature of audit vs. non-audit fees.

There may be certain jurisdictions that do not currently require disclosure of audit vs. non-audit fees. In these circumstances, we will generally **support** proposals that call for this disclosure.

### **III COMPENSATION PROGRAMS**

Appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of long-term shareholders and the interests of management, employees and directors. Plans should not substantially dilute shareholders' ownership interests in the company, provide participants with excessive awards or have objectionable structural features. We will consider each compensation plan in its entirety (including all incentives, awards and other compensation) to determine if the plan provides the right incentives to managers and directors and is reasonable on the whole.

While we generally encourage companies to provide more transparent disclosure related to their compensation programs, the following are specific guidelines dealing with some of the more common features of these programs (features not specifically itemized below will be considered on a **case-by-case** basis taking into consideration the general principles described above):

#### **Cash Compensation and Severance Packages**

We will generally **support** the board's discretion to determine and grant appropriate cash compensation and severance packages.

#### **Equity Based Plans - Dilution**

We will generally vote **against** equity-based plans where the total dilution (including all equity-based plans) is excessive. The CIO will require a written explanation any time a portfolio manager votes against an equity-based plans.

#### **Employee Stock Purchase Plans**

We will generally vote **for** the use of employee stock purchase plans to increase company stock ownership by employees, provided that shares purchased under the plan are acquired for no less than 85% of their market value. It is recognized that country specific circumstances may exist (e.g. tax issues) that require proposals to be reviewed on a **case-by-case** basis.

#### **Loans to Employees**

We will vote **against** the corporation making loans to employees to allow employees to pay for stock or stock options. It is recognized that country specific circumstances may exist that require proposals to be reviewed on a **case-by-case** basis.

### **Stock Option Plans – Board Discretion**

We will vote **against** stock option plans that give the board broad discretion in setting the terms and conditions of the programs. Such programs should be submitted with detail and be reasonable in the circumstances regarding their cost, scope, frequency and schedule for exercising the options.

### **Stock Option Plans – Inappropriate Features**

We will generally vote **against** plans that have any of the following structural features:

- ability to re-price “underwater” options without shareholder approval,
- ability to issue options with an exercise price below the stock’s current market price,
- ability to issue “reload” options, or
- automatic share replenishment (“evergreen”) features.

### **Stock Option Plans – Director Eligibility**

While we prefer stock ownership by directors, we will **support** stock option plans for directors as long as the terms and conditions of director options are clearly defined

### **Stock Option Plans - Repricing**

We will vote **for** proposals to re-price options if there is a value-for-value (rather than a share-for-share) exchange.

### **Stock Option Plans - Vesting**

We will vote **against** stock option plans that are 100% vested when granted.

### **Stock Option Plans – Authorized Allocations**

We will generally vote **against** stock option plans that authorize allocation of 25% or more of the available options to any one individual.

### **Stock Option Plans – Change in Control Provisions**

We will vote **against** stock option plans with change in control provisions that allow option holders to receive more for their options than shareholders would receive for their shares.

## **IV CORPORATE MATTERS**

We will review management proposals relating to changes to capital structure, reincorporation, restructuring and mergers & acquisitions on a case-by-case basis, taking into consideration the impact of the changes on corporate governance and shareholder rights, anticipated financial and operating benefits, portfolio manager views, level of dilution, and a company’s industry and performance in terms of shareholder returns.

### **Common Stock Authorization**

We will review proposals to increase the number of shares of common stock authorized for issue on a **case-by-case** basis.

### **Dual Class Share Structures**

Dual class share structures involve a second class of common stock with either superior or inferior voting rights to those of another class of stock.

We will generally vote **against** proposals to create or extend dual class share structures where certain stockholders have superior or inferior voting rights to another class of stock.

### **Stock Splits**

We will vote **for** proposals to increase common share authorization for a stock split, provided that the increase in authorized shares would not result in excessive dilution given a company's industry and performance in terms of shareholder returns.

### **Reverse Stock Splits**

We will vote **for** management proposals to implement a reverse stock split, provided that the reverse split does not result in an increase of authorized but unissued shares of more than 100% after giving effect to the shares needed for the reverse split.

### **Share Repurchase Programs**

We will vote **against** proposals to institute open-market share repurchase plans if all shareholders do not participate on an equal basis.

### **Reincorporation**

Reincorporation involves re-establishing the company in a different legal jurisdiction.

We will generally vote **for** proposals to reincorporate the company provided that the board and management have demonstrated sound financial or business reasons for the move. Proposals to reincorporate will **not be supported** if solely as part of an anti-takeover defense or as a way to limit directors' liability.

### **Mergers & Acquisitions**

We will vote **for** merger & acquisition proposals that the relevant portfolio managers believe, based on their review of the materials:

- will result in financial and operating benefits,
- have a fair offer price,
- have favourable prospects for the combined companies, and
- will not have a negative impact on corporate governance or shareholder rights.

## **V SOCIAL RESPONSIBILITY**

We recognize that to effectively manage a corporation, directors and management must consider not only the interests of shareholders, but the interests of employees, customers, suppliers, and creditors, among others.

We believe that companies and their boards must give careful consideration to social responsibility issues in order to enhance long-term shareholder value.

We **support** efforts by companies to develop policies and practices that consider social responsibility issues related to their businesses.

## **VI SHAREHOLDER PROPOSALS**

Shareholder proposals can be extremely complex, and the impact on the interests of all stakeholders can rarely be anticipated with a high degree of confidence. As a result, shareholder proposals will be reviewed on a **case-by-case** basis with consideration of factors such as:

- the proposal's impact on the company's short-term and long-term share value,
- its effect on the company's reputation,
- the economic effect of the proposal,
- industry and regional norms applicable to the company,
- the company's overall corporate governance provisions, and
- the reasonableness of the request.

We will generally **support** shareholder proposals that require additional disclosure regarding corporate responsibility issues where the relevant portfolio manager believes:

- the company has failed to adequately address these issues with shareholders,
- there is information to suggest that a company follows procedures that are not in compliance with applicable regulations, or
- the company fails to provide a level of disclosure that is comparable to industry peers or generally accepted standards.

We will generally **not support** shareholder proposals that place arbitrary or artificial constraints on the board, management or the company.

### **Ordinary Business Practices**

We will generally **support** the board's discretion regarding shareholder proposals that involve ordinary business practices.

### **Protection of Shareholder Rights**

We will generally vote **for** shareholder proposals that are designed to protect shareholder rights if the company's corporate governance standards indicate that such additional protections are warranted.

### **Barriers to Shareholder Action**

We will generally vote **for** proposals to lower barriers to shareholder action.

### **Shareholder Rights Plans**

We will generally vote **for** proposals to subject shareholder rights plans to a shareholder vote.

## **VII OTHER**

We will vote **against** any proposal where the proxy materials lack sufficient information upon which to base an informed decision.

We will vote **against** any proposals to authorize the company to conduct any other business that is not described in the proxy statement (including the authority to approve any further amendments to an otherwise approved resolution).