



INTACT INVESTMENT MANAGEMENT INC.

13. STATEMENT OF POLICY ON PROXY VOTING, CORPORATE ACTIONS & CLASS ACTIONS

13.1 General Policy

Intact Investment Management Inc. (“IIM”) has the responsibility for making investment decisions which are in the best interest of its clients. As part of the investment management services it provides to clients, IIM may be instructed by clients to vote proxies appurtenant to the shares for which the clients are beneficial owners.

IIM believes that it has a duty to manage clients’ assets solely in the best interest of the clients and that the ability to vote by proxy is a client privilege. Accordingly, IIM has a duty to vote proxies on behalf of both mutual fund and non-mutual fund related client accounts in a manner in which it believes will add value to the client’s investment. IIM may amend its proxy policies and procedures from time to time.

13.2 Proxy Voting Procedures

The proxy voting procedures below explain the role of IIM’s Proxy Committee, and the Proxy Administrator, as well as how the process will work when a proxy question needs to be handled on a case-by-case basis, or when there may be a conflict of interest.

13.3 The Role of the Proxy Committee

The Committee is comprised of IIM’s Senior Vice President & Managing Director, the Chief Investment Officer, and the Compliance Officer. The Committee exercises control of the voting of proxies by establishing written guidelines and participates, as needed, in the resolution of issues or conflicts of interest that need to be handled on a case-by-case basis. The Committee annually reviews guidelines governing proxy votes. The Committee is assisted in its duties by IIM’s Compliance and Intact Financial Corporation’s Legal Departments, the Proxy Administrator and the portfolio managers in whose accounts the securities subject to the proxy are held.

13.4 The Role of the Proxy Administrator

The Proxy Administrator deals directly with the client’s custodian to ensure proxies and related materials are properly forwarded to IIM. Thereafter, the Proxy Administrator applies IIM’s

proxy voting guidelines, cast votes, resolves issues with the Committee, and compiles proxy voting reports as requested.

13.5 Procedures for Voting Client Proxies

The Proxy Administrator is responsible for giving the proxy info and ballot to the primary portfolio manager (“PM”) responsible for the portfolio holding the security for review and proxy vote instruction. The primary portfolio manager marks his/her vote decision on the proxy vote document, signs it to record his/her decision, and returns it to the Proxy Administrator. The Proxy Administrator votes each proxy according to the PM’s direction and IIM’s proxy voting guidelines and obtains electronic confirmation of receipt of the voting instructions submitted. If the application of the proxy voting guidelines is unclear, or if a particular proxy question is not covered by the guidelines, the Proxy Administrator will elevate the issue to the Committee, which would then determine how to resolve the issue.

13.6 Conflicts of Interest

Occasions may arise where a person or organization involved in the proxy voting process may have a conflict of interest. A conflict of interest may exist, for example, if IIM has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a shareholder proponent of a proxy proposal. If IIM determines that a conflict of interest exists, the Proxy Administrator will consult the Proxy Committee to resolve the conflict.

13.7 Corporate Actions & Related Issues

The corporate actions procedure below explains the role of IIM Operations, the Portfolio Manager(s), and IIM’s Proxy Committee, as well as how the process will work when there may be a conflict of interest.

From time to time, IIM may need to make decisions with respect to various types of corporate actions (e.g., tender offers, restructurings, waivers of covenants, etc.) on behalf of both mutual fund and non-mutual fund related client accounts. These situations are often highly fact-specific and can occur in all types of portfolios, including fixed income strategies. IIM Operations will deal directly with the client’s custodian to ensure corporate action notices are properly forwarded to IIM. Thereafter, IIM Operations will refer notices of corporate actions and related issues to the Portfolio Manager(s) responsible for the mandate(s) holding the security to which the action(s) pertain, and the Portfolio Manager(s) will decide. IIM Operations is responsible for giving the corporate action info to the primary portfolio manager responsible for the portfolio holding the security for review and instruction. In the event there is a conflict of interest, the matter will be referred to the Proxy Committee by the Portfolio Manager, and the Committee will make the ultimate decision. Emails are sent by IIM Operations and responses are printed and filed with the notice.

IIM Operations submits the instructions that it receives as per the requirements of the corporate action notice.

IIM Operations maintains a file of Corporate Actions, listing the event type, date and company/security name and files the corporate action documentation and the e-mail or physical instructions from the PM by date. IIM Operations will take necessary steps to retain, or arrange for retention of, records of corporate actions and related issues for seven years or such other period as may be required by applicable law or regulation.

13.8 Class Actions & Related Issues

From time to time, IIM may be required to respond to requests for it to participate/take action regarding class actions. Any class action notices received by IIM for mutual fund related portfolio holding will be sent by IIM Operations to the mutual fund manager's operation group for action. For non-mutual fund related portfolio holdings, IIM Operations will deal directly with the client's custodian to ensure class actions and related materials are properly forwarded to IIM. Thereafter, IIM Operations will determine if IIM will participate in such class action, and it will ensure proper filing of any standard proof of claim as required according to the class action notice. For matters requiring legal assistance, IIM Operations will enlist the aid of Intact Financial Corporation's Legal Department.

IIM Operations files the class action documentation in alphabetical order by date within the alpha filing. IIM Operations will take necessary steps to retain, or arrange for retention of, records of class actions and related issues for seven years or such other period as may be required by applicable law or regulation.

13.9 Obtaining Voting Records

IIM will provide its standard proxy voting guidelines to clients upon request. Clients can obtain records on how IIM voted their shares for a specified period of time by contacting IIM Compliance department.

13.10 Records

The Proxy Administrator files the proxy documentation, the instructions from the PM bearing his/her signature, and the electronic confirmation of receipt of voting instructions. Proxy voting related documents will be retained for seven years or such other period as may be required by applicable law or regulation. A record of each proxy related action will also be kept by client. The report will chronologically record the proxy action by date and contain information as follows:

- The name of the issuer;
- The exchange ticker symbol of the security;
- The CUSIP number of the security;
- The meeting date;
- A brief identification of the matter or matters to be voted on at the meeting;
- Whether the matter or matters voted on were proposed by the issuer, its management or another person or company;

- Whether IIM voted or abstained on the matter;
- How IIM voted on the matter or matters (pro/con);
- Whether IIM voted for or against issuer management recommendations.

13.11 Corporate Governance

IIM will evaluate each proposal separately. However, IIM will generally vote FOR a management-sponsored proposal unless it believes that adoption of the proposal may have a negative impact on the economic interests of shareholders.

IIM will generally vote FOR

- annual election of directors;
- appointment of auditors;
- indemnification of management or directors or both against negligent or unreasonable action;
- confidentiality of voting;
- equal access to proxy statements;
- cumulative voting;
- declassification of Boards;
- majority of Independent Directors.

IIM will generally vote AGAINST

- proposals to remove directors from office only for cause or by a supermajority vote;
- “Sweeteners” to attract support for proposals;
- unequal voting rights proposals (“superstock”);
- staggered or classified election of directors;
- limitation of shareholder rights to remove directors, amend by-laws, call special meetings, nominate directors, or other actions to limit or abolish shareholder rights to act independently such as acting by written consent;
- proposals to vote unmarked proxies in favour of management;
- proposals to eliminate existing pre-emptive rights.

13.12 Takeover Defence & Related Actions

IIM will evaluate each proposal separately. Generally, IIM will vote FOR a management sponsored anti-takeover proposal that (1) enhances management’s bargaining position and (2) when combined with other anti-takeover provisions, does not discourage serious offers. IIM believes that generally four or more anti-takeover measures, which can only be repealed by a super-majority vote, are considered sufficient to discourage serious offers and therefore should be voted AGAINST.

IIM will generally vote FOR

- fair price provisions;

- certain increases in authorized shares and/or creation of new classes of common or preferred stock;
- proposals to eliminate greenmail (preferential offerings to selected shareholders) provisions;
- proposals to eliminate poison pill provisions;
- proposals to re-evaluate or eliminate in-place "shark repellents".

IIM will generally vote AGAINST

- proposals authorizing the company's board of directors to adopt, amend or repeal by-laws without shareholders' approval;
- proposals authorizing the company's management or board of directors to buy back shares at premium prices without shareholders' approval.

13.13 Compensation Plans

IIM will evaluate each proposal separately. IIM believes that in order for companies to recruit, promote and retain competent personnel, companies must provide appropriate and competitive compensation plans. IIM will generally vote FOR management-sponsored compensation plans, which are reasonable, industry competitive and not unduly burdensome to the company in order for the company to recruit, promote and retain competent personnel.

IIM will generally vote FOR

- stock option plans and/or stock appreciation right plans;
- profit incentive plans provided the option is priced at 100% fair market value;
- extension of stock option grants to non-employee directors in lieu of their cash compensation, provided the option is priced at or about the then fair market value;
- profit sharing, thrift or similar savings plans.

IIM will generally vote AGAINST

- stock option plans that permit issuance of loans to management or selected employees with authority to sell stock purchased by the loan without immediate repayment, or that are overly generous (below market price or with appreciation rights paying the difference between option price and the stock, or permit pyramiding or the directors to lower the purchase price of outstanding options without a simultaneous and proportionate reduction in the number of shares available);
- incentive plans that become effective in the event of hostile takeovers or mergers (golden and tin parachutes);
- proposals creating an unusually favourable compensation structure in advance of a sale of the company;
- proposals that fail to link executive compensation to management performance;
- acceleration of stock options/awards if the majority of the board of directors changes within a two- year period;
- grant of stock options to non-employee directors in lieu of their cash compensation at a price below 100% fair market value;
- adoption of a stock purchase plan at less than 85% of fair market value.

13.14 Capital Structure, Classes of Stock & Recapitalization

IIM will evaluate each proposal separately. IIM recognizes that from time to time companies must reorganize their capital structure in order to avail themselves of access to the capital markets and in order to restructure their financial position in order to raise capital and to be better capitalized. Generally, IIM will vote FOR such management-sponsored reorganization proposals if such proposals will help the company gain better access to the capital markets and to attain a better financial position. IIM will generally vote AGAINST such proposals that appear to entrench management and do not provide shareholders with economic value.

IIM will generally vote FOR

- proposals to reincorporate or reorganize into a holding company;
- authorization of additional common or preferred shares to accommodate a stock split or other business purposes not related to anti-takeover measures as long as the increase is not excessive and a valid need has been proven.

IIM will generally vote AGAINST

- proposals designed to discourage mergers and acquisitions in advance;
- proposals to change jurisdiction of incorporation to a jurisdiction less favourable to shareholders' interests;
- reincorporating in another jurisdiction to implement anti-takeover measures.

13.15 Social Responsibility

IIM will evaluate each proposal separately. IIM believes that a corporation, if it is in a solid financial position and can afford to do so, has an obligation to return certain largesse to the communities in which it operates. IIM believes that the primary mission of a company is to be profitable. However, when a company has proven that it is able to sustain a level of profitability and the market price of the company's shares reflect an appropriate economic value for such shares, IIM will generally vote FOR certain social responsibility initiatives. IIM will generally vote AGAINST proposed social responsibility initiatives if it believes that the company already has adequate policies and procedures in place and it should focus its efforts on enhancing shareholder value when the assets and resources involved could be put to better use in obtaining profits.

IIM will generally vote FOR

- international labour organization principles;
- resolutions seeking basic labour protections and equal employment opportunity;
- expanding equal employment opportunity/social responsibility reporting.