

Proxy Voting Policy

Natcan Investment Management Inc. (“Natcan”), as an investment adviser, has a fiduciary duty to act in the best interests of its clients.

Natcan has adopted these written policies and procedures (the “Proxy Voting Policy”) aimed at ensuring that all votes in respect to securities held by clients are exercised in accordance with the best interests of its clients. Natcan is required to follow the guidelines set forth in this Proxy Voting Policy.

Proxy Voting Guidelines

These guidelines have been designed to ensure that Natcan exercise the voting proxies in the best economic interest of shareholders.

Natcan has retained Fairvest Corporation, the Canadian subsidiary of Institutional Shareholder Services Inc. (“ISS”), to provide in-depth analysis and voting recommendations with respect to all proxy proposals. Fairvest Corporation is the leading authority on proxy voting and corporate governance issues in Canada and has been providing advisory and voting services to leading pension funds, investment managers and other institutional shareholders since 1987.

Natcan thoroughly reviews and considers the recommendations of ISS and generally votes as recommended by ISS, though in some cases Natcan may decide to vote differently in the best interests of shareholders.

Special Conflict of Interests Provisions

Natcan is a subsidiary of National Bank of Canada (“National Bank”). Some portfolios may hold common shares of National Bank. There is the potential for a conflict of interests between the interests of clients and the interests of Natcan or its employees in connection with the exercise of voting rights of National Bank shares. There is also the potential for a conflict of interests in connection with the exercise of voting rights attached to the shares of another issuer, where the outcome of the vote may directly impact the price of National Bank shares.

In order to balance the interests of clients in exercising proxies with a desire to avoid conflicts of interests or the perception of conflicts of interests, Natcan has adopted a Code of Ethics and Standards of Professional Conduct. These standards will allow the firm to respect its fiduciary duty as well as set guidelines for the voting of proxies in accordance with Natcan’s business judgement, uninfluenced by considerations other than the best interests of shareholders, free from any influence by National Bank and without taking into account any consideration relevant to National Bank or any of its associates or affiliates.

Guidelines for the Voting of Proxies

We utilize these guidelines to help determine when to support or oppose a proposal by a corporation or a shareholder. While Natcan will generally vote in accordance with the guidelines, there may be circumstances where it believes it is in the best interests of shareholders to vote differently. The ultimate direction in which proxies will be voted rests entirely with Natcan.

The following principles are to be used as general guidelines in determining how to vote with respect to a particular proposal. These guidelines may be occasionally updated to reflect current corporate governance principles and industry standards.

1. BOARD OF DIRECTORS

1.1. Independence of Directors

We *support* the election of directors as long as a substantial majority of the board consists of directors who are independent members. Directors with ties to management may be less willing and able to effectively evaluate and scrutinize company strategy and performance. Ordinarily, we will not vote against (or withhold votes) a slate of directors even if it fails to meet the independence standard, but we will vote against if the corporate performance or governance, over a reasonable period, is unsatisfactory.

Directors are considered to be independent if they have no connection to the company other than board members or a non-majority shareholders' relationship. Even if a director has served on the board for over 10 years, he is still considered to be independent. Directors are considered independent if they are not executives, officers, retired executives, retired executives of subsidiaries, or affiliated companies, relatives of executives, controlling shareholders, senior officers of subsidiaries and affiliated companies, founders of company but not currently an employee, consultants earning fees, underwriters, bankers, legal counsels, directors who provide substantial services to the corporation, directors who are material suppliers or purchasers of the corporation's goods or services, etc.

1.2. Nominating Process

We *prefer* that each board has an independent nominating committee. We will generally not vote against a slate of directors simply because the board lacks a properly constituted nominating committee. However, we will vote against if the corporate performance or governance, over a reasonable period, is unsatisfactory.

1.3. Separate Voting versus Slate Voting

We *support* proposals whereby directors are nominated individually because shareholders should have the opportunity to consider the qualifications, performance

and independence of each director separately, rather than simply responding to a recommended slate of directors.

1.4. Size of Board of Directors

The board should be large enough to ensure it has representations with a wide variety of qualifications and experience and to allow it to adequately discharge its responsibilities. However, the board should avoid being so large that it becomes cumbersome. We *support* a board size of 9 to 20 members for large and mature companies. For small-sized companies, we *support* a board size of 5 to 9 members. Usually, we will not vote against a slate of directors if the size of the board is outside of the guidelines, unless the corporate performance, over a reasonable period, is unsatisfactory.

1.5. Classified or Staggered Boards

We *support* resolutions proposing the annual election of all directors, yet assuring a degree of rotation that does not compromise board continuity. We do *not support* proposals that introduce staggered terms for board members.

A classified or staggered board is an arrangement whereby the board of directors is divided into two or more classes, serving terms greater than one year, with each separate class up for election in alternate years. Since the entire board of directors cannot be replaced in any single year, this arrangement acts to hinder changes in the control or management of the corporation.

1.6. Separation of Roles of Chairman and Chief Executive

We *support* the segregation of the Chairman of the Board and Chief Executive Officer. If the roles are combined, we will consider opposing the director's re-election unless there is a strong independent non-executive element to the board.

1.7. Cumulative Voting

We will review on a *case-by-case* basis the proposals related to cumulative voting. However, we will generally *not support* proposals which entitles stockholders to as many votes as the number of shares they own, multiplied by the number of directors to be elected and which can then be used to vote for a single candidate, or any or all candidates.

1.8. Director Liability and Indemnification

We will generally *support* proposals that limit directors' liability and provide indemnification.

1.9. Term of Office / Age Limits

We will *not support* specific terms for directors. We will *not support* mandatory retirement age for directors. The nominating process should focus on the skill quality of candidates, rather than on their age, or artificially limiting the years that a director can serve.

1.10. Boards Served on by the CEO or Directors

We *support* proposals that limit the number of boards of public companies a CEO may serve on at three. We *support* proposals that also limit the number of boards of public companies directors may serve on.

1.11. Response to Shareholder Proposals

We *favor* that management take action on all shareholder proposals supported by a majority vote within 12 months of the shareholders' meeting or provide an adequate explanation.

2. BOARD COMMITTEES

2.1. Independence of Board Committees

We *support* the election of directors of key board's committees as long as a substantial majority of directors are independent members and the committee chairman is an independent director. These include the committees who perform the following functions:

- Audit
- Nomination
- Corporate Governance

Ordinarily, we will not vote against (or withhold votes) a slate of directors even if it fails to meet the independence standard, but we will vote against if the corporate performance or governance, over a reasonable period, is unsatisfactory.

2.2. Independent Compensation Committee

We *support* the election of directors of the board's compensation committee as long as it is composed solely of independent directors. We may not vote against (or withhold votes) a slate of directors even if it fails to meet the independence standard, but we will vote against if the corporate performance or governance, over a reasonable period, is unsatisfactory.

3. AUDITOR

3.1. Appointment of Audit Firm

We *support* the choice of auditors recommended by the board of directors or more specifically, by the independent audit committee of the board.

3.2. Non-Audit Fees Compromise Independence

A significant majority of revenues generated by the accounting firm through its relationship with the company should come from the audit function proper. Where there is no disclosure, or a breakdown of the fees, or if the non-audit fee is greater than the audit fee without further clarification, we will *not support* the re-election of the auditor.

3.3. Change of Auditor

We will review on a *case-by-case* basis the proposals where auditors are being changed other than as a result of routine rotation.

4. MANAGEMENT AND DIRECTORS COMPENSATION

We believe that each compensation plan must be reviewed in its entirety to determine if the individual parts serve the purpose of providing the right incentives to managers and directors and if the plan is reasonable in its entirety.

Compensation and incentives to management and directors should be consistent with the long term interests of shareholders.

Stock-based incentive plans are among the most economically significant issues upon which shareholders are entitled to vote. Approval of these plans may result in large transfers of shareholder equity from the company to plan participants as awards vest and are exercised.

4.1. Shareholder Approval of Stock-Based Incentive Plans

We *support* proposals that require stock-based incentive plans to be approved by shareholders.

4.2. Independent Directors Compensation

In providing informed oversight of a company's management, independent directors should be fairly compensated for their knowledge, expertise and experience, and for time spent in preparing for and attending board and committee meetings. The

compensation should align the interests of directors with those of shareholders. We will review proposals on compensation plans for directors on a *case-by-case* basis.

4.2.1 Independent Director Share Ownership

We will generally *support* proposals that call for a portion of a director's annual compensation being in the form of shares, or deferred share units, priced at market value, in an effort at aligning the interests of management and shareholders. We will *recommend* that directors are required to hold a minimum share ownership and that such share grants be held for a mandatory period.

4.2.2 Independent Director Stock Options

We will generally *not support* stock option plans for directors.

4.3. CEO Compensation and Performance Review

We *support* proposals that introduce a formal process to review the CEO's past performance and future performance expectations as well as related incentive-based compensation by the board or its compensation committee.

4.4. Executive Compensation

Executive compensation should be reviewed in relation to long-term performance. We expect an independent committee to determine whether the compensation package is properly structured and optimally fashioned to enhance shareholder value. All companies are expected to exercise moderation and restraint in compensation practices, while maintaining the company's competitive position.

4.5. Executive Share Ownership

Executives should be required to own a minimum value of shares as a multiple of their base salary and to own that minimum amount throughout their tenure with the company.

4.6. Executive Grants of Stocks

We *support* stock grants at market value as part of the executive compensation package. We *prefer* stock plans that link the grants of stocks to specific corporate performance targets.

4.7. Stock Option Plans for Executives and Employees

We generally review proposals on stock option plans on a *case-by-case* basis. However, the following proposals will be treated in the following manner.

Price

We will ***not support*** plans whose underlying securities are not issued at current market value.

Dilution

We will generally ***not support*** stock option plans that result in a total potential dilution in excess of 10% of the outstanding shares. For large or mature companies, total dilution in excess of 5% will be given close scrutiny and ***may not be supported***.

Repricing

We will ***not support*** plans that allow the board of directors to lower the exercise price of options already granted. Exception will be made in the case of the issuance of special dividends for all shareholders in which case we will ***support*** a reduction in the strike price by the equivalent amount of the special dividend per share.

Expiry

We will ***not support*** plans whose options have a duration of more than five years.

Vesting

We will ***not support*** stock option plans that have a vesting period of less than three years.

Performance Vesting

We ***highly recommend*** stock option plans that link the granting of options, or the vesting of options previously granted, to specific performance targets which are aligned with the interests of shareholders.

Concentration

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

Board Discretion

We will ***not support*** stock option plans that give the board broad discretion in setting the terms and conditions.

Employee Loans

We will ***not support*** the corporation making loans to employees to pay for stock or options, unless lending is considered a regular part of the granting corporation's business.

Timing

We ***highly recommend*** that the granting of options occur at a pre-determined period annually. The timing of option grants should not be discretionary.

Change in control

We will ***not support*** stock option plans with change in control provisions if the provisions allow option holders to receive more for their options than shareholders would receive for their shares. We will ***not support*** changes in control arrangements proposed during a takeover defense which would have the effect of entrenching management. We will not support the granting of options or bonuses to outside directors "in the event" of a change of control.

4.8. Employee Share Ownership Plans

We will review proposals on employee share ownership plans on a ***case-by-case*** basis. However, we ***support*** employee share ownership plans which are not excessive and that are granted at reasonable discounts.

4.9. Golden Parachute

We ***highly recommend*** that companies submit severance compensation arrangements for shareholder approval. We will review severance compensation arrangements on a ***case-by-case*** basis. However, we will ***not support*** golden parachutes that we deem to be excessive.

5. CAPITAL STRUCTURE

5.1. Increase in Authorized Shares

We will generally *support* proposals for the authorization of additional common shares provided the amount requested is necessary for sound and rational business reasons.

5.2. Multiple-Class Common Share Structures

We *support* one class of common shares and we will *not support* the creation, or proposals that extend multiple-class common share structures.

5.3. Blank-Cheque Preferred Shares

We will generally *not support* either the authorization of, or an increase in, blank-cheque preferred shares. Generally this term refers to a proposal giving the board of directors very broad discretion to create an unlimited number of preferred shares and to establish their voting, conversion, dividend and other rights. These preferred shares are often better secured by company assets than are the common shares. In some instances, this can also be used to create takeover defenses.

6. TAKEOVER PROTECTION

For companies outside of Canada or the US, we will review country regulations that insulate companies from the forces of corporate control.

6.1. Shareholder Rights Plans (also known as “Poison Pills”)

We review shareholder rights plans on a *case-by-case* basis, but we will generally *not support* shareholder rights plans unless the plan *1*) ensures that all shareholders are treated equally in connection with a change of control of the company and *2*) allows the company sufficient time to consider alternatives to a bid.

6.2. Prevention of Greenmail Payments

We *support* proposals that seek to prevent the payment of greenmail to an unwanted purchaser of the corporation. We do *not support* the payment of greenmail.

Greenmail is a technique used by existing management to entrench themselves in the face of a hostile takeover attempt. Greenmail is essentially a ransom payment whereby management repurchases at a premium, out of corporate funds, shares already acquired by the potential acquirer or, without all shareholders being allowed to participate.

6.3. Fair Price Proposals

We will *support* proposals that require a bidder for a corporation to pay every shareholder a fair price. Fair price is defined as the highest price paid to any shareholder under the offer.

Fair price provisions were designed to help guard against two-tiered tender offers, in which a substantially higher cash bid is made for an initial and often controlling stake in the company followed by a subsequent lower price for the remaining shares. In Canada, two-tiered tender offers are effectively prohibited, making fair price provisions unnecessary, but the same protections do not exist in some other jurisdictions.

6.4. Going Private and Leverage Buyouts Transactions

We will evaluate going private transactions, leveraged buyouts and other purchase transactions on a *case-by-case* basis, but we will *not support* transactions that do not equally compensate or treat shareholders fairly.

6.5. Lock-Up Arrangements

We generally do *not support* “hard” lock-up arrangements.

7. SHAREHOLDERS’S RIGHTS ISSUES

7.1. Supermajority Approval for Business Transaction

We will generally *not support* proposals where management seeks to increase the number of votes required on an issue to more than two-thirds of the outstanding shares or above the level required for in local law.

7.2. Shareholder Proposals

We will review shareholder proposals on *case-by-case* basis. We will generally *not support* proposals that place arbitrary or artificial constraints on the company, its board or management.

7.3. Special Meetings

We *support* proposals that allow shareholders to be able to call special meetings. The percentage of shareholder votes required to force a company to call the meeting depends on the local regulation, as does the company’s ability to limit or deny shareholders’ right to call a special meeting.

7.4. Linked Proposals

We generally do *not support* proposals which seek to link two or more resolutions. We *support* proposals that allow shareholders to vote separately on each proposal without any link to other proposals.

8. DISCLOSURE

We *highly recommend* proposals that enhance the level of disclosure. These include:

- Board guidelines which document policy standards on significant corporate governance issues;
- Charters, or term of reference, responsibilities and guiding principles of board committees ;
- Other board directorships of directors;
- Audit policies and procedures and disclosure of audit fees and non-audit fees;
- Compensation, share ownership and severance package of the CEO;
- Compensation and share ownership of the president and senior officers;
- Compensation and share ownership of directors;
- Option plans;
- Expensing of foregone option premiums in a company's income statement and detailed footnote disclosure of option costs;
- Clauses relating to the conversion of shares into one class;
- Sustainability policy; and
- Contributions to political parties (not significant for Canadian companies).

9. CORPORATE SOCIAL RESPONSIBILITY

We will review resolutions on corporate social responsibility matters on a *case-by-case* basis and we will generally *support* proposals that have a positive financial impact on shareholder value.

Overseas Voting – Share Blocking

Where clients have delegated their voting rights to Natcan, we endeavour to vote all shares in all markets. However, it is difficult to vote in some overseas markets due to costly trading restrictions. For example, in the French and Italian markets, shares are blocked, which means that we are restricted from selling, should we so desire, from the time that we vote until the close of the annual company meeting. This is clearly a risk. We will therefore only vote in these markets where we consider the benefits for shareholders, such as voting on a merger or acquisition, exceed the risk involved with the restriction.

Proxy Voting Administration

Due to the volume and diversity of securities held by our clients, Natcan has retained ISS to provide administrative services as a proxy voting agent. Natcan has adopted proxy voting procedures to ensure that clients' proxies are voted by ISS in accordance with Natcan's decision.

The Compliance Manager of Natcan is responsible for overseeing the implementation of the proxy voting procedures and for annual testing of compliance with the guidelines.

ISS will maintain and provide a proxy voting record on behalf of Natcan. The following information shall be maintained in the proxy voting record: the name of the issuer; the exchange ticker symbol of the securities; the CUSIP number of the securities; the meeting date; a brief identification of the matters to be voted on at the meeting; whether the matters to be voted upon were proposed by the issuer, its management or another person or company; whether the client voted on the proposals; if voted, how the client voted; and whether the vote was for or against the recommendations of the management of the issuer. Additional information may be maintained at the request of Natcan.

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