



**RBC Global
Asset Management**



RBC Global Asset Management Proxy Voting Guidelines

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Proxy Voting Policy

As a portfolio manager, RBC Global Asset Management Inc. has an obligation to act in the best interests of the accounts that it manages, including segregated client accounts and investment funds. This responsibility includes exercising the voting rights attached to securities in the portfolio of each account. It is our policy to exercise the voting rights of the accounts we manage in the best interests of the portfolio and with a view to enhancing the long-term value of the securities held.

Enhancing Governance

We are satisfied that investments in issuers that have more transparent disclosure and more effective governance generally yield better results. We believe that we can help to protect and enhance the long-term value of our clients' investments through our support of organizations that work to promote good governance, through direct or indirect engagement with issuers, and by communicating with an issuer's management through the exercise of voting rights.

Proxy Voting Issues

Issuers' proxies most frequently contain management proposals to elect directors, to appoint auditors, to adopt or amend compensation plans, and to amend the capitalization of the issuer. A securityholder's ability to clearly communicate with management of an issuer using these few tools is limited. We encourage issuers and their boards of directors to consider and adopt recognized best practices in governance and disclosure.

A decision to invest in an issuer is based in part on the quality of an issuer's disclosure, the performance of its management and the corporate governance of the issuer. Since a decision to invest is generally an endorsement of management of the issuer, we will usually vote with management on routine matters. When considering the election of directors, we will consider the board's past course of action and any plans to improve governance and disclosure. We will be particularly concerned about any management proposal having financial implications for the issuer or the potential to adversely impact investment value.

Proxies may also contain shareholder proposals requesting some change by management. Where those proposals align with our views and have not been adequately addressed by management, we will support them.

In order to discharge our obligations under this policy, we access and utilize research on management performance and corporate governance issues drawn from portfolio manager and analyst due diligence, we consider the detailed analysis and voting recommendations provided by leading independent research firms, and we participate as a member in organizations such as the Canadian Coalition for Good Governance.

Proxy Voting Guidelines

RBC Global Asset Management Inc. has retained Institutional Shareholder Services Inc. ("ISS"), a subsidiary of MSCI Inc. and a leading, independent firm with expertise in global proxy voting and corporate governance issues, to augment our internal processes. With the assistance of ISS, we have established our Proxy Voting Guidelines and the procedures to exercise voting rights in accordance with them. Our Guidelines reflect the principles of corporate governance that we support. We review and update our Guidelines on an ongoing basis as matters of corporate governance evolve.

Our Proxy Voting Guidelines are published for the information of our clients and to assist issuers in understanding the message we have sent or intend to send through the exercise of proxy voting rights.

While we will generally vote proxies in accordance with the Proxy Voting Guidelines, there may be circumstances where we believe it is in the best interests of a client for us to vote differently than the manner contemplated by the Guidelines, or to withhold a vote or abstain from voting.

In the event of a perceived or actual conflict of interest involving the exercise of proxy voting rights, we follow procedures to ensure that a proxy is exercised in accordance with our policy, uninfluenced by considerations other than the best interests of the client.

This document contains our Proxy Voting Guidelines.

1. Board of Directors

The board of directors of an issuer must act in the best interests of the issuer. 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.

In order to be effective in representing the interests of securityholders, the board should reflect the circumstances outlined below. If these characteristics exist, then we will generally vote in favour of the election of directors proposed by management. We will also support shareholder proposals seeking these characteristics.

1.1 Independence of the Board of Directors

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 director's independence to be compromised. However, a former CEO or CFO of the company will not be considered independent until five years after their employment with the company ends.

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

Voting Guideline

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

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 Guideline

We will generally not support a non-independent director if he or she is 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.

1.3 Executive Chair

In some instances a company may appoint an individual to be an “executive chair” of the board although another individual has been appointed board chair. An executive chair can present both corporate governance and compensation concerns for shareholders. To address the corporate governance concerns the company should disclose the role of the executive chair in detail and explain to shareholders why having an executive chair is an appropriate corporate governance practice.

Compensation arrangements for an executive chair are of particular concern and should be assessed in the context of director compensation rather than executive compensation practices. We are particularly concerned where the executive chair role is created to provide ongoing generous compensation to a retired CEO or founder of the company.

Voting Guideline

We will review all executive chair compensation arrangements on a case-by-case basis but may withhold/vote against the executive chair if the executive chair’s total compensation is more than two times that of the highest paid independent director sitting on the board.

We will generally support shareholder proposals that ask for enhanced disclosure of the responsibilities of the executive chair, and full disclosure of the compensation structure for the role.

1.4 Risk Management

One of the primary responsibilities of the board is to understand the risks facing the company and to ensure that management has put in place appropriate measures to identify, monitor and manage those risks. While initial responsibility for risk management may be delegated to a committee of the board, it is ultimately the responsibility of the entire board

Voting Guideline

Proposals to establish a risk committee of the board will be assessed on a case-by-case basis. These proposals will be assessed in the context of the risk profile of the company and how effectively those risks are being managed.

1.5 Board Size

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 Guideline

Where the number of directors is outside this range we will vote against approval of the number of directors on the board if it is felt that board effectiveness has been compromised.

1.6 Committees of the Board

Committees have become accepted mechanisms of 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 Guideline

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 CEOs 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 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.

1.7 Cumulative Voting

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 Guideline

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

1.8 Staggered Boards

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 Guideline

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.

1.9 Director Attendance

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 director performance, but poor attendance makes it difficult for directors to carry out their responsibilities effectively.

Voting Guideline

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.

1.10 Overboarding

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

Voting Guideline

We will generally withhold votes from directors who sit on more than six boards, and in the case of current CEOs, more than two boards.

1.11 Director Liability and Indemnification

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 Guideline

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

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 Guideline

In general, we will vote against proposals to introduce term limits for directors unless there is a clearly demonstrated need for them.

We will assess the independence of all directors annually regardless of length of service.

1.13 Performance Evaluation of Directors and Board

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 its own statement of principles and guidelines for the conduct and performance of directors and the effectiveness of the board. 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 Guideline

We will support proposals to develop and institute 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

We believe that directors should 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 Guideline

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 the board committees has been compromised in any way, or that the board's actions have not been in the shareholders' best interests.

1.15 In Camera Meetings

In camera meetings of independent board members create an opportunity for more candid discussions than may occur at formal board meetings. These meetings may help to facilitate and enhance overall board independence. It is recommended that after these meetings, the chair of the *in camera* sessions should meet with the chief executive officer to advise him or her of the topics that were discussed.

Voting Guideline

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

1.16 Voting for Directors

Voting Guideline

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.

1.17 Audit Process

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 Guideline

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.

Where the auditor has limited or capped their liability as it relates to the performance of the audit and the limits placed on the auditor's liability are unreasonable, we will not support the choice of auditor.

1.18 Audit Fees

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 Guideline

We will generally support proposals that prohibit the outside auditor from maintaining a 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.

1.19 Board Diversity

While the quality of individual directors is paramount, to enhance overall board effectiveness we expect that directors will have a diverse range of backgrounds and experience. To the extent practicable, directors should reflect the gender, ethnic, cultural and other personal characteristics of the communities in which the corporation operates and sells its goods or services.

Voting Guideline

We will generally support proposals that call for enhanced disclosure or reporting requirements regarding board diversity policies and procedures.

We will generally support proposals to adopt non-binding guidelines for female or other minority representation on the board.

We will review proposals to adopt binding quotas or targets for female or other minority representation on the board on a case by case basis.

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 individuals with the skill sets required to 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

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 a reduction in the use of stock options as a form of compensation. Our preference is for stock ownership rather than stock options.

Voting Guideline

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 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%.

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 stock option plans, 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 director options we may support such a plan (for example, where cash preservation is a priority for the company).

We will generally not support change in control 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 equity-based compensation programs.

We discourage the use of omnibus stock option plan proposals. Ideally, 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.

We will not support equity-based compensation plans that allow, or do not specifically prohibit, hedging. We will withhold/vote against the members of the compensation committee if any option exposure is hedged during the period.

2.2 Expensing of Share Options

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 Guideline

We will support proposals that require the expensing of stock options in the financial statements of a corporation in accordance with GAAP.

2.3 Golden Parachutes

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 Guideline

We will support proposals requiring that shareholders approve golden parachute arrangements.

We will review golden parachute arrangements on a case-by-case basis. However, we will generally vote against plans that use a single trigger for cash or other payments, and for the vesting of equity based compensation.

2.4 Employee Stock Purchase Plans

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 Guideline

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

There are many types of stock-based compensation plans, and some of these 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 Guideline

We will generally vote against any individual stock based compensation plans that can contribute to total potential dilution from all plans within a firm exceeding 10%.

2.6 Director Compensation

We believe that director compensation should be appropriate for the time and effort that directors spend executing their duties, but it should not be so generous that it may compromise the director's ability to act independently of the board or management. 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 Guideline

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

2.7 Director Retirement Benefits

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

Voting Guideline

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

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 Guideline

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 unforfeitable.

2.9 Excessive Executive Compensation

In recent years, we have seen some executive compensation packages reach excessive levels, with insufficient 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 Guideline

We will generally support executive compensation 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.

2.10 Compensation Report and Say-on-Pay

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 Guideline

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").

Where a say-on-pay proposal fails to obtain the support of at least 60% of its shareholders we will expect a substantive board response. Boards should engage with their significant shareholders to determine the nature of their concerns with the company's executive compensation practices. If those concerns are not adequately addressed in the next proxy circular we will generally withhold/vote against the members of the compensation committee of the board.

2.11 Compensation Consultants

Compensation consultants are increasingly being used by boards to provide advice and recommendations on the structure of executive compensation plans. The use of consultants can provide invaluable support to the compensation committee in designing the executive compensation plan. It is important that the independence of compensation consultants is not compromised and that the nature and the extent of the relationship be disclosed to shareholders. We prefer that no less than two-thirds of the total fees paid to the compensation consultant be for consulting services provided to the board. In addition we

prefer for the compensation consultants to be contracted by and report to the compensation committee.

Voting Guideline

We will generally support shareholder proposals requiring the full disclosure of all fees paid to a compensation consulting firm, distinguishing between fees paid for services to the board and for all other services provided to the company.

We will generally support shareholder proposals requiring compensation consultants to limit their overall relationship with a company to providing services to the board only.

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”)

There are two main purposes for a shareholder 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 Guideline

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

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 Guideline

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

3.3 Dissident Shareholders, Contested Elections, and Proxy Contests

Over recent years we have seen an increase in contested elections where a dissident shareholder is proposing its own slate of director nominees. In these situations it is important to understand what both sides are proposing and the implications this will have on governance and performance going forward.

Voting Guideline

We will review dissident shareholder proposals for director nominees on a case-by-case basis to determine which will result in the best governance and performance for the company over both the short and long-term. We will consider board performance and responsiveness to shareholder concerns, the performance of current management, the strategic plan of the dissident and incumbent slate, the relative qualifications of the nominees and, where relevant, the company's current executive and board compensation practices.

3.4 Dissident Director Nominee Compensation

In some contested director elections, dissident director nominees may have separate compensation agreements with the dissident shareholder. These agreements can be problematic, particularly if they extend beyond the election of the nominee directors, as they may compromise the independence of the nominee directors, motivate them to act in the best interests of the dissident shareholder rather than the best interests of the company, and create divisions within the board.

Voting Guideline

We will review nominee director compensation agreements with dissident shareholders on a case-by-case basis, but may vote against/withhold votes from nominee directors if we believe their independence has been or could be compromised.

We will generally support proposals to prohibit payments from a dissident shareholder to its nominee directors after those directors have been elected to the board.

We will generally vote against proposals that would prevent the election of nominee directors who have received compensation from a dissident shareholder during a proxy contest, prior to being elected to the board.

4. Shareholder Rights

Shareholder rights include rights to influence management of the issuer through voting, to receive information from the issuer, to sell or transfer shares, to receive a share of the income of the issuer and to share in the net proceeds on the sale or winding-up of the issuer. These 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

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

Voting Guideline

We will support proposals to introduce confidential voting.

4.2 Majority Voting

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 Guideline

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

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 Guideline

We will generally not support the creation or extension of a dual-class stock structure without substantial proof that such a plan is critical to the success of the firm as a result of specific and unique challenges. Any such plan must be subject to future approval by the holders of the subordinate voting shares at regular and pre-determined intervals.

We will support proposals to eliminate dual-class stock structures.

4.4 Supermajority Approval

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 Guideline

We will generally vote against any supermajority proposal that has more than a two-third majority requirement unless it can be clearly demonstrated that it is in the shareholders' best interests.

4.5 Linked Proposals

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

Voting Guideline

We will generally not support linked proposals.

4.6 Increase in Authorized Shares

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 Guideline

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

4.7 Disclosure of Voting Results

We believe that shareholders have the right to know not only that a proposal has been 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 Guideline

We will support proposals for the prompt disclosure of proxy voting results, 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

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 Guideline

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

4.9 Shareholder Meeting Quorum

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 Guideline

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

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 Guideline

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

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 Guideline

We will not support "other business" proposals.

4.12 Implementing Shareholder Views

When a resolution receives the support of a majority of shareholders, the board of directors should report back within a reasonable time, and not later than the next annual shareholders' meeting, on the action taken or explain why no action has been taken.

Voting Guideline

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 generally withhold votes for all board members who served on the board during the period in question.

4.13 Share Blocking

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 Guideline

In general we will not vote shares that are subject to blocking restrictions. However we may on occasion vote these shares if it is deemed to be in our clients' best interests to do so.

4.14 Income Trust Governance

Unit holders of income trusts should enjoy the equivalent rights and protection as the shareholders of a corporation. The trust and associated entities should take steps to ensure that appropriate governance practices are adopted to achieve this end.

Voting Guideline

We will generally support proposals that enhance governance practices of the trust.

We may withhold votes from trustees where they have failed to establish or protect the rights of unit holders.

4.15 Reincorporation

There can be valid business reasons for a company to reincorporate in a different jurisdiction. However a company may also be motivated to reincorporate for reasons that may be inconsistent with the interests of shareholders.

Voting Guidelines

We will review all reincorporation proposals on a case-by-case basis but will generally vote against any proposal that will result in unreasonable limits on director liability, diminished shareholder rights, or weaker corporate governance requirements.

5. Shareholder Proposals

5.1 General

Shareholders should have the right to bring relevant proposals to the annual general meeting. We believe that these proposals should be included on the proxy ballot for consideration by all shareholders as long as they deal with appropriate issues and are not used to air personal grievances or to obtain publicity.

We also believe that proposals should generally refrain from specifying how corporations should achieve the desired objectives, although we will evaluate on a case-by-case basis.

Certain proposals may diminish long-term shareholder value by imposing unreasonable constraints on the board and management.

Voting Guideline

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

5.2 Environmental and Social Shareholder Proposals

Environmental and social issues are increasingly acknowledged to be areas of real risk to the operations and value of a company. Proposals that address these issues should be assessed in terms of the risks they represent to the company, and whether that risk has been adequately disclosed to shareholders.

Voting Guideline

We will review environmentally and socially related shareholders' proposals on a case-by-case basis.

Where proposals relate to enhanced disclosure in an area that represents a real risk to the corporation we will generally support it.

Where the proposal mandates a specific course of action, we will generally oppose it, although we will evaluate on a case-by-case basis.

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