

PROXY VOTING PRINCIPLES

Laurus Investment Counsel Inc. (“Laurus”) believes that corporate governance is an important aspect of issuer responsibility and that issuers that are candidates to be held in Laurus Investment Counsel's client accounts should follow corporate governance policies that provide transparency and fairness to shareholders. For this purpose, Laurus has chosen to receive and vote proxies on behalf of its clients. This proxy voting system supports corporate governance policies that ensure neither management nor shareholders are able to dominate or exercise undue influence that could adversely impact shareholder value.

Responsibility

Laurus has enacted procedures to ensure all proxies are reviewed, voted and saved. The President and CCO ultimately have oversight over this process and are notified when contentious issues arise. In choosing to vote proxies on behalf of its clients, Laurus continues to be guided by the following principles of good corporate governance.

Obligations of the Board of Directors

The board acts on behalf of shareholders and is responsible for adopting governance policies and procedures that maximize shareholder value. The board should appoint the corporate management and appropriately define the separate roles of board members and management with the following principles noted as reflecting good corporate governance:

- Gender and ethnic diversity is additive to the board.
- At least 50% of a board should be independent directors.
- The position of board chair and CEO should be separate.
- Boards should not be structured for staggered elections.
- A system for evaluation of board members' performance should be in place.
- The audit and compensation committees should consist of independent directors, and a majority of the audit committee members should have financial expertise.

Executive Compensation

The executive compensation plan should be designed to motivate management to achieve its goal of increasing shareholder value. Shareholders should be informed on a regular basis about the principles and structure of the company's executive compensation system and executive compensation should meet the following guidelines:

- Incentive compensation based on long term results is helpful in aligning management and shareholder interests.
- Stock ownership rather than stock options is preferable.
- If stock options are used,
 - potential dilution should not exceed 10% of outstanding shares

- they should be expensed and reported clearly
- they should never be re-priced
- Golden parachutes should be reasonable in magnitude.
- Loans to executives by the company should not be allowed.

Takeover Protection

Shareholders should have the right to determine the future course of the company that best maximizes their shares' value. The principle of transparency should be employed to ensure shareholder democracy and the maximization of shareholder value. The board of directors should submit major proposed corporate changes to either a committee of independent directors or a vote of shareholders (not controlled by management) for review and approval. The following principles should apply to takeover protection measures:

- Shareholders' rights plans (poison pills), if used, must be ratified by shareholders, should treat all shareholders equally, and be used primarily to give shareholders and the board sufficient time (e.g., 60 days) to consider alternative structuring.
- Poison pills or other takeover protection measures should have a limited life (e.g., 3 years) and should be re-instituted only with shareholder approval.

Shareholder Rights

All shareholders in the same class should be treated equally and have the same rights per share. The proxy voting system must ensure that neither management nor shareholders, in general or specifically, are able to dominate the system or exercise undue influence that will adversely impact shareholder value. The following shareholder rights offer reasonable protection for shareholders:

- Voting should be confidential.
- Results of voting (votes for and against) should be disclosed.
- Increases in shares outstanding create opportunities for unnecessary dilution and should only be undertaken when absolutely necessary to benefit shareholder value.
- Shareholder proposals, when reasonable, should be taken to a vote.
- Shareholder proposals that request reasonable disclosure of information related to ESG factors should be favoured.

Foreign Securities

Proxy voting outside the U.S. and Canada are sometimes complicated by additional administrative rules or standards that can affect how and when we vote. We may elect to abstain from voting in certain circumstances where the proxy information received is insufficient in detail or received after the cut-off deadline. Additionally, we may also abstain from voting in jurisdictions where the obligations to vote are too onerous or where other such factors make it uneconomical to vote such proxies.

Environmental, Social & Governance (ESG)

Laurus has long been a proponent for high standards of corporate governance, both internally and through the companies we invest. Governance is a key element that is incorporated into our investment strategy and a feature that we believe results in more predictable value creation. We believe that companies who value and practice sound corporate governance measures are better positioned to reduce unsystematic risk. We believe that engagement with companies on governance issues, if successful, will result in an increase in shareholder value and thus better returns for investors. As investors in high-quality, small cap equity strategies, we overemphasize reliance on ‘governance’ in the environmental, social and governance relationship.

We believe that there is a direct correlation between management teams that excel in corporate governance and companies that demonstrate high standards of integrity, fairness, accountability, and transparency – all characteristics that bode well for social and environmental factors. In addition, as small cap investors, these traits play an important role in our approach to quality investing. We believe the ‘governance’ provides us with more clarity and insight on how management thinks and operates, and that there is a compounding effect, not only as it relates to ESG factors, but also to the long-term performance of the company itself.

Environmental & Social

Apart from our preference to focus on governance, the other two factors – social and environmental – are typically not reported by small-cap companies. Put simply, these enterprises are at a competitive disadvantage when it comes to ESG as they have fewer financial resources to meet reporting and measurement standards that larger and more established companies have implemented. Although we can’t comment on the value produced by the large international companies as it relates to ESG reporting exercises, we firmly believe that many of our small-cap investments live up to the “spirit” of ESG. We do not associate a lack of ESG reporting with lack of effort or importance placed on ESG by management and we think it would be a mistake to discount these companies for not implementing and reporting on ESG.

In our opinion, these smaller companies are more nimble and able to act quickly and decisively as it relates to social and environmental matters. We believe competent management teams are more in tune with the vested interests of various stakeholders including shareholders, employees, customers, suppliers and the communities in which they operate. Ultimately, the ability to adapt is what we believe to be one of the greatest strengths for “quality” small cap enterprises.

As highlighted above, Laurus places a high degree of reliance on the management teams of the companies in which we invest and we trust these companies to act responsibly as it relates to social matters and the environment. If this was not the case, we simply would not hold any of these companies in our portfolios.

We consider ESG factors in our ongoing dialog with management teams and we actively engage with them on material concerns. We are proponents of fiduciary responsibilities at the corporate level and we genuinely believe that bad practices can lead to negative financial consequences. As such, we will continue to incorporate these factors into all investment decisions made by the firm.