



POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

PC-6 EXECUTIVE COMPENSATION

PC-6.2 Incentive compensation plans

The use of the term “securities” in the following section refers to any securities, mechanisms or other type of vehicle mentioned in incentive compensation plans.

For the purposes of this policy, compensation plans include the following:

- Stock options;
- Stock appreciation rights;
- Any other compensation mechanism involving the issuance or possible issuance of the issuer’s shares;
- Any other compensation mechanism that provides the right to the monetary equivalent of the value of a stipulated number of shares without requiring the issuance, purchase or sale of shares.

We expect the majority of incentive compensation to be based on performance rather than simply the passing of time. Incentive compensation plans must also be established based on certain principles, as listed below.

Price — Securities should be issued at no less than 100% of the current fair market value.

Vesting period — The overall vesting period should be between three (3) and five (5) years.

Expiration — Stock options should carry an expiration period of no more than ten (10) years.

Dilution — The dilution implied by all stock-based compensation plans must reflect acceptable industry standards.

As a rule, we do not support stock-based incentive compensation plans that represent more than 5% of all shares outstanding and an absorption rate higher than 1% annually.

However, we can accept certain plans that represent up to 10% of the shares outstanding and an absorption rate of 2% if they meet one or more of the following criteria:

- The plan is open to a broad number of managers or to all employees;
- The company is in start-up or growth phase and needs liquidity for its development;
- The company does not have significant earnings or is facing a lack of liquidity;
- The company is the result of a merger in which a number of programs have to be combined, requiring a period of adjustment;
- The company has a compensation policy significantly below that of the market and favours this plan as a performance incentive.



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Change in the exercise price of securities — We are opposed to reductions in the exercise price of securities, once it has been set.

Change in control — We may support stock-based incentive compensation plans that include clauses regarding a change in control, provided such clauses do not allow securities holders to receive more for their securities than shareholders receive for their shares. We are opposed to clauses in stock-based compensation plans relating to a change in control that are adopted in connection with a takeover bid.

Discretionary power of the board — We do not support stock-based incentive compensation plans that give the board complete discretion to set the terms and conditions of the plans, whether the issue is the price of securities, type of vehicle, eligibility criteria or the replacement of securities. Such plans must be submitted to the shareholders with sufficiently detailed information about their scope, frequency and exercisable time frame.

Concentration — We are generally opposed to stock-based incentive compensation plans that authorize the issuance of 20% or more of available securities to a single individual over the course of the same year.

Vesting of securities — We are opposed to stock-based incentive compensation plans in the form of shares that are 100% vested and monetized at the time of attribution.

Method of payment — We are opposed to low-interest or interest-free loans used to purchase shares or exercise stock options.