



POLICY ON THE PRINCIPLES GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

PR-07 EXECUTIVE COMPENSATION

PR-07-01 Compensation conditions and disclosure

The compensation of a company's executives should be examined within the framework of its shareholder meetings. While keeping the company competitive, we expect the board of directors to demonstrate moderation when determining the level of compensation for executive officers. Compensation should therefore be structured so as to increase shareholder value while recognizing executives whose performance meets or exceeds the set objectives.

We favour a compensation policy in which a variable portion of compensation is linked to the company's results or the extent to which short and long-term objectives are met.

We expect the board of directors to take into account the consequences of the risks associated with the company's compensation policies and practices. The board of directors must therefore make complete disclosure of the measures taken to ensure that these policies and practices are aligned to long-term performance objectives and do not serve as incentives for members of management to take excessive risks.

The compensation plans must be subject to complete disclosure. All direct and indirect benefits, including pension plans and severance pay, must be transparently disclosed. Compensation plans must also take into consideration programs such as those for loans at preferred interest rates. Such programs constitute a different form of compensation that is integrated into total compensation.

The shareholders must be able to determine the extent to which executive compensation is justified by the company's results. The information published by the company must therefore be sufficiently complete and transparent to permit this comparison for all members of the company's senior management over a reasonable period of time. This data must allow for comparisons between management compensation and that of an appropriate reference group.

If the compensation committee uses the services of a specialized compensation firm, we encourage the company to disclose the name of this firm and provide a breakdown of the fees paid to it.

In addition to the general principles noted above, we particularly take into account the following aspects when examining a compensation plan:

- The explicit declaration by the board of directors of the compensation policy and program in effect, the principles followed with respect to executive compensation, the relationship between these principles and the company's strategic objectives, performance objectives, and any changes thereto;

- The description of the process followed in establishing the structure of the incentive compensation program and its various components;
- The complete disclosure of all benefits, including pension plans and severance agreements;
- The performance criteria applied, notably for the attribution and acquisition of securities within an incentive compensation plan over the short and long term;
- The number of shares that may be acquired or the number of options that may become exercisable based on the achievement of performance objectives;
- The requirements established for executives and senior managers in terms of share ownership.

We may oppose the election of members of the compensation committee if compensation is not aligned to performance.