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

PR–07 EXECUTIVE COMPENSATION

PR–07-02 Incentive compensation plans

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

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

i. Stock option plans;

ii. Stock appreciation rights that include the issuance of shares;

iii. Any other compensation or profit-sharing mechanism that involves the issuance or possible issuance of the issuer’s shares;

iv. Any other compensation or profit-sharing mechanism that provides the right to the monetary equivalent of the value of a stipulated number of shares over a given time period without requiring the issuance, purchase or sale of shares.

We expect that the majority of incentive compensation will be based on performance programs rather than simply on the passage 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 and should have a vesting period that extends between three to five years.

  Stock options should carry an expiration period of no more than ten 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 a burn rate higher than 1% annually.

  However, we can accept certain plans that represent up to 10% of the shares outstanding and a burn 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 a competitive situation and must meet certain industry standards;
  – The company is in a difficult financial situation;

- 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.

- **Changes to the exercise price of securities** — We are opposed to reductions in the exercise price of securities.

- **Change in control** — We may support stock-based incentive compensation plans that include clauses regarding a change in control, provided that 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 as part of a takeover bid.

- **Discretionary powers 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 timeframe.

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

- **Acquisition of securities** — We are opposed to stock-based incentive compensation plans acquired at 100% at the time they are granted.

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