

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

## **V\_6 BOARD OF DIRECTORS**

### V\_6-1 Independence of directors

The Caisse consequently requires that the board of each company be constituted of a majority of independent directors.<sup>1</sup>

However, in cases where a shareholder holds a large block of shares, as in the case of an entrepreneur-founder, the Caisse will require that a majority of members be independent at one and the same time of management of the company and of this shareholder.

The Caisse therefore requires that a company's board of directors discloses its links with each director and specifies the source of such links which might cast doubt on the independence of a director.

This approach assures the company of candidates who have experience and expertise to offer, in spite of some links.

### V\_6-2 Board Committees

The Caisse requires that nominating (or governance), compensation (or human resources) and audit committees be made up exclusively of independent members.

However, in cases where a shareholder holds a large block of shares, as in the case of an entrepreneur-founder, the Caisse will require that nominating (or governance) and compensation (or human resources) committees be made up exclusively of members independent of management and in majority of members independent of the shareholder who holds a large block of shares.

The Caisse requires that each of the committees adopt charters that define their mandate and responsibilities.

The Caisse requires that a report of the activities of these committees be published in the annual report of the company.

### V\_6-3 Nominating process

Each company should have a procedure for examining candidates that is adapted to its situation, and should inform shareholders of it.

The Caisse expects, among other things, that the nominating (or governance) committee establish expertise and experience profiles desirable for the Board and adopt a nomination procedure, taking into account the skills and competencies that the board, as a whole should possess, as well as the skills and competencies of the existing director, and of each new candidate.

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<sup>1</sup> For the definition of independence, please refer to Appendix 1.

#### V\_6-4 Separate voting

The Caisse favours the principle according to which each nominee for the position of director could be the object of a separate vote. In the event of the election of candidates submitted to vote by list, the Caisse will determine his or her position according to the context.

#### V\_6-5 Classified or staggered Boards

The Caisse supports resolutions proposing annual election of all directors. In the event of an election of candidates for terms of varying length, the Caisse will determine the positions according to the context.

#### V\_6-6 Separation of Board and Management roles

Although in theory it favours a division of the roles between the chair of the board and the chief executive officer, the Caisse considers that each case must be examined on its own merits, according to the context, and more particularly according to the division of responsibilities between the executive officers, the appraisal of the executive officers, the succession plans and other company's operating procedures, its size, and also the costs related to this division or other pertinent circumstances.

The Caisse considers that it is for the board of directors to review and evaluate on a regular basis the appropriateness of having one or two positions and to report thereon to the annual meeting of shareholders, which should be asked to vote on combining the positions when recommended by the board.

However, when there is combination of the roles, the Caisse deems it necessary to create the position of lead director, occupied by an independent director who, among other things, will oversee the effective conduct of the board's work.

#### V\_6-7 Board, its members and chief executive officer assessment

Each board of directors should have the means to assess its work, that of each of its committees as well as the personal contribution of each director, and the contribution of the chief executive officer to the company's results.

The evaluation should be periodic and be carried out, among other things, in accordance with the mandate of the board and the mandates of its committees, as well as the skills and competencies demonstrated by each of the directors.

#### V\_6-8 Confidential voting by shareholders

The Caisse supports the wishes of each shareholder with respect to the confidentiality of votes.

#### V\_6-9 Cumulative voting for directors

The Caisse generally supports the principle of representation proportional to investment, in particular through the practice of cumulative voting. All proposals put forward on this question will be evaluated on a case-by-case basis.

*This policy was adopted on September 23, 1994 and was amended on February 27, 1998 and on January 19, 2007.*