



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

PR-05 BOARD OF DIRECTORS

PR-05-01 Independence of directors

The majority of directors who sit on the board of each company should be independent.

However, in cases where a shareholder holds a large block of shares, as in the case of an entrepreneur-founder, we require that the majority of members be independent of both the management of the company and this shareholder.

We therefore require that the ties with each director be disclosed and that the board of directors specify the source of any ties that may cast doubt on the independence of a director.

This approach ensures that the company retains candidates whose experience and expertise are assets, notwithstanding certain ties.

Board members are considered independent when they have no direct or indirect personal or professional ties with the company or its managers that risk influencing their judgment and leading to decisions that are not in the best interests of the company. To determine the level of independence according to this criterion, we take into account such aspects as securities laws and regulations and stock exchange listing requirements as they pertain to governance.

In evaluating the degree of independence of a member, we also consider the appointment date of the board member deemed independent by the company. If a member has been on the board for more than 12 years, we consider that the independence of this member may be called into question. We therefore ask that the companies justify and explain why they believe this board member should continue to be considered as independent. Following our examination of these explanations, we determine whether the member qualifies as independent.

PR-05-02 Board committees

The nominating (or governance), compensation (or human resources) and audit committees must be made up entirely of independent members.

However, when a shareholder holds a large block of shares, the nomination (or governance) and compensation (or human resources) committees must be made up entirely of members who are independent of the company, with the majority of these members also independent of the shareholder who holds a large block of shares.

For each committee, mandates must be adopted and an account of their activities published in the annual proxy circular.

PR-05-03 Size of the board

A company's board of directors must have enough members to comprise the diversity of experience and skills needed for the proper functioning of the board and its committees. The number of directors must, however, remain reasonable in order for the board to be effective and all of its members to actively participate.

PR-05-04 Nomination process

Each company must have a candidate evaluation procedure suitable to its situation, and the company must inform shareholders of this procedure.

The nomination or governance committees must establish expertise and experience profiles desirable for the board and adopt a nomination procedure. This procedure must take into account the skills and competencies that the board as a whole should possess as well as the skills and competencies of each candidate.

The various recommendations submitted at shareholder meetings associated with the candidate nomination process are examined on a case-by-case basis. These processes must, however, promote shareholder democracy and may not impose unjustified or abusive demands.

We support allowing shareholders to recommend board member candidates, provided these candidates are well qualified and ready to act in the best interests of the company and all of its shareholders. The shareholder or group of shareholders should be required to hold at least 3% of shares in the company for a continuous period of at least one year before being permitted to recommend board member candidates.

PR-05-05 Diversity

Diversity on the board of directors allows for a variety of points of view to be heard and integrated into the decision-making process. All measures that foster diversity on the board of directors and widen the pool of qualified candidates for directorships are supported.

More specifically, with respect to gender diversity, the companies must adopt policies on targeted diversity objectives. We also expect the companies to disclose information about their objectives in this regard.

PR-05-06 Separate voting

Shareholders must be able to have a separate vote for each nominee for the position of director. In the event the election of candidates is subject to a vote by slate, we will determine our position according to the context.

PR-05-07 Majority vote

The companies must adopt the use of a majority vote to elect board members.

Board members who do not receive a majority of votes must submit their resignation to the board, which must decide within 90 days whether or not to accept the resignation. Refusal of a resignation would only be conceivable under exceptional circumstances.

In cases where a cumulative vote is in effect, each situation will be evaluated on its own merit.

PR-05-08 Classified or staggered terms

The annual election of all board members is preferred. In the event of an election of candidates for terms of varying lengths, we will determine our position according to the circumstances.

PR-05-09 Renewal of terms

We do not set a fixed limit on the number of times a board member's term may be renewed, as we recognize the invaluable contribution of certain board members and the fact that their involvement enables a high level of knowledge and expertise to be maintained within the board of directors.

However, we encourage the chair of the board of directors and nomination committees to ensure that new board members are introduced regularly to maintain a healthy balance between the long-term contributions made and a new vision of the company. This balance must allow for a critical review of the company's methods and act as a counterweight to the management team.

PR-05-10 Time allotted by board members to their functions

We recognize the benefits of having board members who sit on more than one board. However, board members must ensure that they manage their commitments so as to ensure no compromise is made to their obligations and responsibilities.

If we feel the number of boards on which members sit limits their ability to effectively fulfill their obligations, we may oppose their election.

PR-05-11 Attendance

Given the importance of a director's contribution to a board and the associated responsibilities, the director's attendance is required at meetings of both the board and the committees on which the individual sits.

We may vote against or abstain from votes concerning a board member who has attended less than 75% of regular meetings of the board or committees on which this person sits, unless a valid reason has been provided.

PR-05-12 Chair of the board of directors

The appointment of a chair of the board of directors who is independent of management is preferred. If such is not the case, the recommendation will be examined based on the circumstances.

Should the functions of the chair of the board of directors and chief executive officer be combined, or should the chair of the board of directors not be independent of management, a lead director position must be created and filled by an independent board member who will notably oversee the effective execution of work by the board and will ensure that meetings with the independent board members can be convened any time. This lead director must be independent of any shareholder who holds a large block of shares, should such be the case.

PR-05-13 Meetings of independent directors

Periodic meetings of independent directors must be held without non-independent directors in attendance.

PR-05-14 Evaluations of the board, its members and the chief executive officer

Each board of directors should have the means to evaluate its work, the work 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 evaluations should be periodic and based, among others, on the mandate of the board and the mandates of its committees, as well as on the skills and competencies demonstrated by each of the directors.

We encourage disclosure of the evaluation process.

PR-05-15 CEO succession planning

The board of directors of a company must plan for CEO succession. We support resolutions requiring the adoption of a CEO succession plan, and we encourage the disclosure of this plan.

PR-05-16 Risk management

The board of directors must identify the company's main business risks and ensure that appropriate systems are implemented to manage these risks. We support resolutions requiring the adoption of a risk management policy.