



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

## **PR-08      COMPENSATION OF DIRECTORS**

We are generally in favour of fair compensation for directors, but on the condition that such compensation is aligned with the interests of shareholders. We support proposals that provide for paying a certain percentage of the compensation in the form of shares or deferred share units. However, we generally oppose the participation of external directors in a stock option plan, as we feel that this type of compensation is less aligned to the long-term interests of shareholders and may result in a conflict of interest for the directors with respect to managing such plans. Within this context, we favour a compensation plan separate from that offered to managers and employees.

We believe that the requirement for minimum shareholdings by directors helps align their interests with the long-term interests of shareholders. Directors should be given sufficient time to meet these requirements.

Furthermore, external directors should not have the same benefits as those offered to managers and employees, such as retirement benefits and other indirect benefits.

Finally, given the fiduciary obligations of the directors, we oppose the awarding of stock options, incentive share units or bonuses to external directors in cases involving a change in control.