Caisse de dépôt et placement du Québec

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

Objectives

- The objective of this policy is to advise companies of the governance and corporate responsibility practices we expect of them.
- As a long-term institutional investor, we wish to actively participate through both our proxy vote and our involvement in these companies.
- We believe that our participation contributes not only to the profitability of these companies, but also to improved communications with their shareholders.

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1. PREAMBLE

To carry out its mandate, la Caisse de dépôt et placement du Québec (“la Caisse”) must have the tools and means essential to its role as a professional manager. A policy governing the exercise of voting rights is an excellent communication vehicle. It enables la Caisse to take into account its responsibilities with regard to the assets it manages. It also serves to add value to the capital stock of the companies in question and make a lasting contribution to their growth for the benefit of all of their shareholders and the communities in which they operate.

As a long-term investor, la Caisse wishes to act as a builder and owner. It develops a full understanding of all of the financial and operational aspects of its investments.

Since the development of the first policy in 1994, amendments have been made on a regular basis to take into account the evolution of the market as well as changes to governance and responsible investment.

This policy is intended as a guide for the exercise of proxy voting rights. Voting criteria with respect to various specific situations deriving from the general principles herein are also presented. The resolutions submitted at shareholder meetings are analyzed on a case-by-case basis. La Caisse seeks to remain flexible in how it applies these principles and criteria in order to take into account the business environment in which the companies and la Caisse itself operate.

2. OBJECTIVES

- The objective of this policy is to advise companies of the governance and corporate responsibility practices we expect of them.

- As a long-term institutional investor, we wish to actively participate through both our proxy vote and our involvement in these companies.

- We believe that our participation contributes not only to the profitability of these companies, but also to improved communications with their shareholders.

3. GENERAL PRINCIPLES

- La Caisse expects these companies to be managed by persons of the highest calibre, supported by a board of directors who are equally competent, who are mindful of the interests of the company and its shareholders and who are sufficiently independent. As such, the directors must be free of any ties that might prevent them from exercising objective judgment in evaluating management or transactions.

- La Caisse respects the division of roles and responsibilities among the shareholders, board of directors and management of these companies. Within this framework, it strives to support the efforts made by the directors and management to improve the company's profitability over the medium and long term.

- As a shareholder, la Caisse must play its role and manage its investments with care, diligence and discernment. La Caisse consequently establishes a dialogue with the executive officers of the companies in order to make known its own expectations in terms of corporate governance and social responsibility.

- La Caisse intends to support all efforts by the financial market authorities to create a regulatory and legislative environment that promotes the full exercise of its shareholder rights and responsibilities.

4. VOTING PRINCIPLES

This policy sets out the voting principles according to which the proposals submitted at shareholder meetings of public companies (publicly-traded companies) are analyzed. To the extent possible and with any required adjustments, these principles are also applied to privately owned businesses.

4.1 Proxy voting process

In order to analyze the proposals submitted to shareholder meetings, la Caisse examines proxy documents, the circular and any documents provided by research suppliers.

La Caisse may contact the companies before the shareholder meeting to discuss any issues or concerns about the subjects being submitted to shareholders.

5. BOARD OF DIRECTORS

5.1 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.

5.2 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.

5.3 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.

5.4 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.

5.5 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.

5.6 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.

5.7 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.

5.8 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.

5.9 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.

5.10 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.

5.11 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.

5.12 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.

5.13 Meetings of independent directors

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

5.14 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.

5.15 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.

5.16 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.

6. RATIFICATION OF AUDITORS’ MANDATE

We generally vote in favour of the ratification of the auditors’ mandate.

We support resolutions that propose the disclosure of auditors’ costs and fees, both for audits and other services they may provide. We do not support appointing auditors in cases where their independence may be compromised, such as when fees unrelated to the audit, collected during the previous fiscal year, are deemed excessive.

7. EXECUTIVE COMPENSATION

7.1 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.

7.2 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.

7.3 Pension plans

We favour complete and transparent disclosure of the terms and conditions of pension plans and other employee benefits.

We support the principle by which pension benefits should be based on the executive officer's base salary and not on the variable portion of the officer's compensation.

7.4 Share ownership

We expect executives to be required to hold a minimum number of the company's shares in order to better align their interests with the long-term interests of shareholders. Executives should hold shares equivalent to a multiple of their salary as long as they are employed by the company and during a reasonable period of time after their departure.

7.5 Recovery

The board of directors should adopt a policy or any measure that will allow for the recovery of incentive compensation paid to executive officers in cases of accounting restatements, fraudulent acts, negligence or wilful misconduct. Following the issuance of misstated financial results, the executive officers should be required to reimburse any compensation related to performance objectives that were not actually attained. The company should disclose these aspects.

7.6 Advisory vote

We support resolutions to have companies adopt a vote on non-binding ratification of executive compensation policies and programs. This practice to consult shareholders enables them to have a say about these issues without involving them in the decisional process and the discretion exercised by the board of directors.

When we are asked to vote on executive compensation policies and programs as part of non-binding ratification, we analyze the entire structure of the compensation program on a case-by-case basis and the total amount of compensation in order to ensure it is not excessive.

We generally favour holding such a vote on an annual basis.

7.7 Omnibus plans

We generally do not support omnibus plans. These plans combine more than three types of securities-based compensation and do not permit shareholders to vote on each plan component separately. If such as plan is in force, we decide whether to support the plan submitted to a vote on a case-by-case basis.

7.8 Golden parachutes

We are opposed to excessive departure bonuses paid to a director or executive in the event of a merger, acquisition or similar financial transaction that results in a change in control of the company.

We are also opposed to departure bonuses or the acceleration of securities held when these incentives are triggered by a single event. We favour provisions calling for two triggering events, i.e. a change of control and an employment termination or major change in the person’s functions.

Recruitment premiums are evaluated on a case-by-case basis. We notably take into consideration the performance of the company, internal vs. external recruitment, the other compensation components, and industry practices. If external recruitment is involved, we take into account any loss incurred by an individual who had to leave a job for the new position.

7.9 Pledging and hedging policy

We favour compensation plans that prohibit executive officers from making financial transactions that aim to hedge or monetize the value of their shares or their unvested securities or pledge their equity ownership. These practices erode the relationship between the company's performance and the compensation granted via these securities.

However, we evaluate the companies that allow their executives to pledge a portion of their holdings on a case-by-case basis.

8. 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.

9. STOCK OPTION PROGRAMS OR EMPLOYEE STOCK PURCHASE PLANS

Generally speaking, we support stock option programs, employee stock purchase plans, and resolutions that aim to increase the number of shares reserved for an existing plan, in consideration of the alignment of employee interests with those of shareholders. However, our support is contingent on the following conditions: the purchase price must be at least 85% of the fair market value of the stock, and the dilution potential must be 10% or less.

10. TAKEOVER BIDS AND PROTECTION

The issue of takeover bids is a crucial one, as public companies worry that the first priority of shareholders is a very quick return. We believe it is important to examine such offers from the perspective of the company's long-term sustainability rather than a short-term payoff.

We believe that the announcement of a bid made for a public company should not lead to a change in the directors' fiduciary obligations, nor should it automatically put the company at stake, as a change in control is not always the best option for the company, its shareholders or stakeholders. Despite the fact that shareholders must be free to sell their shares, the board of directors has a role to play in transactions as important as takeover bids.

It is within such a context that we evaluate takeover proposals, policies and protection plans. Generally speaking, we support the protection measures submitted to shareholders if these measures assure the fair treatment of shareholders in case of a takeover bid, if the company has sufficient time to consider alternative solutions to increase shareholder value, and if it is in the best overall interests of the company based on its situation.

10.1 Poison pills

Even though we are generally favourable to providing the board of directors the time to seek more suitable potential purchasers in the event of a takeover bid, we only accept shareholder rights plans (poison pills) containing terms and conditions that are in the best interests of shareholders.

We favour the inclusion of clauses that stipulate that the trigger point of a poison pill will not be below 20%, that there is no limitation of the board's future ability to withdraw the protection plan, and that shareholders have the right of withdrawal.

10.2 Crown jewel defence

We are opposed to anti-takeover measures such as the sale of valuable assets, unless it is clear that shareholders' interests will be served by these measures.

11. SHAREHOLDER RIGHTS

11.1 Unequal or subordinate voting shares

We generally favour the issuance of single voting shares. However, in certain circumstances, a company benefits from or is justified in using a capital structure with unequal voting shares, such as when it is in the interests of a majority of the shareholders that the holder of a large block of shares retain effective control of the company. An adequate framework to protect against the impacts of such a structure should be implemented.[1]

11.2 Super-majority approval of business transactions

We are opposed to any proposal to increase to more than 66.6% the number of shares outstanding required to approve the company's transactions.

[1] See Appendix 1 for conditions where la Caisse may favour unequal voting shares.

11.3 Simple majority

Subject to applicable legal provisions, we favour the adoption of resolutions by a simple majority vote.

11.4 Resolutions approved by a majority of shareholders

We favour the board of directors taking measures to follow up on any resolution supported by a majority of shareholders and reporting back on these measures within a reasonable period of time. Should no follow up on such a resolution be conducted, the board must provide explanations to shareholders within a reasonable period of time. Should inaction by the company not be justified, we may vote against members of the governance committee.

11.5 Linked proposals

We support resolutions that include multiple items, provided that the overall resolution is in the interests of shareholders.

We do not support linked proposals whose objective is to make one element of the proposal more acceptable.

12. SHAREHOLDER PROPOSALS

We support measures enabling minority shareholders to propose certain resolutions at the shareholder meeting (right of initiative). We also support measures to prevent any abuse that may stem from this right of initiative.

A review of the content of shareholders' proposals is conducted on a case-by-case basis. During the review, we take into account the variety of subjects covered and the fact that such subjects constantly change. The review is also conducted keeping in mind the principles set forth in this policy as well as those contained in the policy on socially responsible investment.

In addition, we are opposed to shareholder proposals that impose arbitrary and undue monetary constraints on management or the board of directors or are more targeted to the company's operations, which are the responsibility of management.

13. DISCLOSURE OF ACTIVITIES

13.1 Social responsibility

We attach particular importance to the social responsibility of companies. This issue is a core consideration in all investment decisions, and it is why we have adopted a specific policy outlining our position on socially responsible investment.

This policy identifies the exercise of voting rights as the primary way a shareholder can have a say in the environmental, social and governance conduct of a company.

We always take into consideration the principles set forth in our policy on socially responsible investment when dealing with issues related to the companies.

13.2 Policies and other frameworks

We encourage companies to adopt policies and deployment measures on environmental, social and governance (ESG) aspects, notably as they pertain to workers' rights and conditions, standards of ethical conduct, outsourcing of activities, sustainable development, and political contributions.

We also favour the disclosure to shareholders of these policies and their application. This must not, however, entail unreasonable costs or effort on the part of companies.

13.3 Contributions to political parties – Disclosure of activities

In a democracy, exercising the right to vote belongs to citizens, not to companies, and the latter must not financially influence the democratic process. Subject to applicable laws that permit it, we are therefore opposed to any kind of contribution by companies to political parties or similar actions. Should a company make such contributions, acting contrary to this principle but not to the applicable legislation, it must disclose the contributions it has made as well as the policies and processes governing its action.

14. OTHER

We exercise our voting rights according to the principles put forth in this policy. However, we reserve the right to disregard these principles when we deem it appropriate to do so in the context of business decisions we must make or where applicable laws permit.

In keeping with these voting principles, we will examine any other subject submitted by resolution to shareholder meetings.

15. RESPONSIBILITIES

The Senior Vice-President, Compliance and Responsible Investment, is responsible for the application of this policy, and as such proposes all updates and modifications to the Governance and Ethics Committee. The Governance and Ethics Committee recommends approval of this policy to the board of directors.

APPENDIX I – COMPANIES WITH MORE THAN ONE CLASS OF PARTICIPATING SHARES[1]

Statement of principle

La Caisse is of the opinion that the right to vote is an important attribute of common shares. It considers that when common shares involve the same level of risk, they must offer the same advantages and confer the same rights on their holders. For this reason, la Caisse prefers companies with a single class of voting shares.

This principle is a key foundation of corporate democracy to ensure that all shareholders have an influence proportionate to the weight of their interest. This proportionality is paramount when decisions are likely to influence shareholders' investments.

La Caisse notes, however, that capital structures with subalternate voting shares are common in certain industries and in certain countries, particularly Canada.

La Caisse invests in such companies when they excel over the long term and are concerned about treating holders of subalternate voting shares fairly.

In all circumstances, companies' long-term performance is what guides la Caisse's investment decisions and discussions with their management.

La Caisse's position

La Caisse generally prefers a one-vote-per-share capital structure. It does not systematically object, however, to a capital structure of subalternate voting shares. It assesses each case individually.

La Caisse may consider it appropriate to allow an entrepreneur-founder to continue to manage his company during an expansion phase and to finance this growth with his own equity, even if resources are insufficient to maintain a position of control.

La Caisse may therefore encourage a company with an interesting expansion project to access capital markets without the entrepreneur-founder being forced to lose his position of control over the short or medium term. At the same time, it participates in the creation of economic leaders of national, even international scope.

On the other hand, however, la Caisse deems that companies with subalternate voting rights must be overseen closely to provide the subalternate shareholders with the assurance of sound governance. These companies must demonstrate best practices in corporate governance and transparency, particularly concerning disclosure of information to subalternate shareholders.

When considering an investment, la Caisse will pay special attention to the following two factors:

1. Alignment of interests

   For there to be an alignment of interests between the controlling shareholder and the subalternate voting shareholders, it is important for an entrepreneur-founder to have a significant interest in the company. He will therefore be particularly inclined to introduce tight controls on capital investments and operations management. He will also tend to focus on strategies to generate long-term value.

   There is no objective criterion to determine what represents significant interest, but la Caisse considers it reasonable to expect a controlling shareholder to maintain over the long term an interest of at least 15% in its company's equity. In other words, this is equivalent to a maximum of six votes per multiple voting share.

2. Performance

   La Caisse will closely monitor the execution of the business plans of companies with subalternate voting rights. These companies must report solid returns over the long term. If the company fails to achieve its financial and operational targets, la Caisse may request a change in management or a possible conversion of a certain number of multiple voting shares to reduce their influence.

When la Caisse considers an investment in a company that creates or maintains a subalternate voting share structure, it could also request that certain measures be taken to protect the interests of all shareholders. These measures include, in particular:

- In the context of an initial public offering, provide that the controlling shareholder retain at least 15% of the capital over the long term;
- For subalternate voting shareholders, reserve the right to elect a minimum number of board members, 1/3 for example;
- If a member of the controlling shareholder's family or the holder of a significant block of shares applies for the position of chief executive officer, assign independent directors the task of defining the personal characteristics, experience and skills required for the position and of discussing each candidate's qualifications with the board and controlling shareholders;
- If the controlling shareholder has no descendants likely to play an important role in management or as a member of the board, plan the transition to a one-vote-per-share structure;
- Present the same terms and conditions of any takeover bid to all shareholders.

A certain type of preferred shares

La Caisse takes the same position, with the necessary adjustments, in the creation or perpetuation of classes of shares that may, at the discretion of the board of directors, involve one or more voting rights or that may be convertible into shares with voting rights.