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

PR–A-01 APPENDIX I - UNEQUAL VOTING SHARES[1]

Statement of principle

La Caisse is of the opinion that the right to vote is an important attribute of common shares, since the shareholder assumes the ultimate risk of ownership of the company. It considers that when common shares involve the same level of risk, they must offer the same advantages to and confer the same rights on their holders. These principles are fundamental in at least three respects. First, they represent one of the foundations of corporate democracy, ensuring that owners have a decision-making right in proportion to their equity interest. Second, they ensure that the owners have similar rights and gains in the event of decisions likely to affect the very existence of their investment and its profitability, in particular in the event of a takeover bid. Finally, respect for these principles is a major overall component of the quality of capital markets.

That said, la Caisse notes that in some situations or even in some countries, a capital structure with unequal voting shares is often used and can be beneficial. In Canada, several public corporations differ from the norm in the North American market by using this share structure. La Caisse therefore considers it inappropriate to immediately rule out this type of share capital structure and risk depriving la Caisse of investments that are consistent with its legislated function. This structure can be favourable, in certain circumstances, to both the company and all shareholders, who will benefit from the corresponding positive returns for the company or from the risk premium (or control premium) associated with this type of capital structure.

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 unequal voting shares. It assesses each case individually and according to the corporation's particular situation and the potential benefits. It pays particular attention to the company's transparency and what information the company discloses to shareholders.

The principles of corporate governance in this matter call for fine tuning to take into account the company's circumstances and what, considering the situation as a whole, is the best course of action for all parties concerned. For example, la Caisse often considers it appropriate for entrepreneur-founder-owners to continue to manage their company during the interim growth phase. In such cases, it may be appropriate to allow them the possibility of financing this growth with their own equity, even if their resources are insufficient for them to inject enough new money to maintain a position of control. As such, when a significant block of shares is held by

[1] Unequal voting shares: common shares with multiple or limited voting rights, common shares with no voting rights, subordinate voting shares, "controlling" shares, and generally all shares of a company in which there are various classes of common shares.

the entrepreneur-founder or his or her family members, unequal voting shares are often advantageous to all shareholders, given the resulting alignment of interests. Such shareholders will be particularly inclined to introduce tight controls on capital investments and operations management and will support long-term wealth strategies.

However, when deeming it appropriate for a company to create or maintain unequal voting shares, la Caisse expects that certain measures will be taken to monitor the level of “control” given and assure the other shareholders of good governance. Thus, the following compensatory measures should be taken:

- For companies wanting to create an unequal voting structure, for example in the context of a first public issue, limit multiple voting shares to a 6:1 ratio and eliminate non-voting shares;

- For the election of directors, limit the voting power of control shareholders to the percentage of their voting rights, for a maximum of 2/3 of the board members (minority shareholders elect at least 1/3 of board members in all cases);

- If a member of the control 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 control shareholders;

- If the control shareholder has no descendants likely to play an important role in management or as a member 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 categories 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.