

CCGG Policy

MODEL SHAREHOLDER ENGAGEMENT AND "SAY ON PAY" POLICY FOR BOARDS OF DIRECTORS

Canadian Coalition for
GOOD GOVERNANCE

January 2010

ENGAGEMENT BY DIRECTORS WITH SHAREHOLDERS

In our *Board Engagement and "Say on Pay" Policy* dated April, 2009 (available at www.ccg.ca), CCGG indicated that its members believe that institutional shareholders should have regular, constructive engagement with the boards and board compensation committees of public companies to explain their perspectives on governance, compensation and disclosure practices, and to provide detailed comments on the company's practices to the board.

CCGG believes that boards will welcome this direct, constructive interaction with large shareholders and that it will lead to a better alignment of the interests of shareholders with the interests of the board and management. Where engagement meetings focus on executive compensation or other matters directly relating to management, CCGG expects that these meetings will normally be held without management present.

CCGG has also issued its policy on how it will choose issuers to engage with and how these meetings will be conducted. This policy is available on our website www.ccg.ca.

"SAY ON PAY" ADVISORY VOTE

CCGG regards annual "Say on Pay" shareholder advisory votes as an important part of this ongoing integrated engagement process between shareholders and a board, giving shareholders an opportunity to express their satisfaction with the board's approach to executive compensation in the year as well as over a longer period of time. The company's approach to compensation should reflect the links between its strategic objectives and compensation, measured using financial and non-financial measures over a number of years.

CCGG recommends that boards voluntarily add to each annual meeting agenda a shareholder advisory vote on the board's and company's reports on executive compensation. CCGG recognizes that this may be difficult for smaller companies to adopt immediately due to a lack of internal or external resources or until common industry practices have developed.

CCGG also recognizes that some issuers may prefer to hold "Say on Pay" votes every two or three years on the basis that compensation plans are designed to reward performance over a multi-year time frame and should be considered by shareholders on a similar basis. However, CCGG believes that annual votes are the best practice as compensation decisions are made annually by most boards. Annual votes will also ensure a focus by investors on executive

2009-2010 CCGG BOARD OF DIRECTORS

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ABOUT CCGG

Representing the interests of institutional investors, the Canadian Coalition for Good Governance promotes good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders, and to promote the efficiency and effectiveness of the Canadian capital markets.

compensation programs as a part of their annual proxy voting processes, rather than every few years. In addition, annual votes are consistent with the voting provisions in most other jurisdictions where "Say on Pay" votes have been or are to be mandated.

"Say on Pay" votes impose new obligations and responsibilities on shareholders. CCGG urges its members and all other shareholders to carefully consider each "Say on Pay" vote on a company by company basis, avoiding a "check the box" approach, and to discuss their concerns, if any, with the company in advance of the shareholders' meeting.

SUGGESTED MODEL BOARD POLICY ON ENGAGEMENT AND SAY ON PAY

CCGG has prepared the following model policy in order to provide guidance to boards on their engagement with shareholders, expected disclosure on their approach to executive compensation, a recommended form of the advisory resolution and what could be done by the board with the results of the vote.

CCGG understands that some companies will customize their board policy on engagement to reflect their specific circumstances or regulatory environment, or may already have in place formal or informal policies that have the same effect as this model policy. CCGG recommends that boards either adopt the substance of our model policy (recognizing any adaptations that may be needed for their company) or confirm to investors that the company has in place practices that achieve substantially the same results.

However, CCGG urges companies to use the recommended form of "Say on Pay" resolution as closely as possible so that there is consistency among issuers on the question put to shareholders.

DIRECTOR COMPENSATION TO BE REVIEWED

At this time, CCGG has not reviewed director compensation as a policy matter and, as a result, has not included it in this policy, but may do so in the future. CCGG recognizes that issuers subject to the *Bank Act* (Canada) are already required to submit to shareholders the approval of a bylaw providing for aggregate director compensation, and that it may be appropriate for the shareholders of other issuers to also have the right to approve director compensation.

BEST PRACTICES SUMMARIES

CCGG intends to periodically issue a summary of the best practices adopted by issuers on engagement, say on pay and other governance matters in order to provide practical guidance to all issuers on how to best implement these important board policies.

ISSUERS ARE INVITED TO CONTACT STEPHEN GRIGGS, EXECUTIVE DIRECTOR OF CCGG, AT 416 868 3585 OR SGRIGGS@CCGG.CA WITH QUESTIONS OR COMMENTS.

CCGG wishes to thank Carol Hansell, senior partner in the Corporate Finance & Securities, Corporate Governance and Mergers & Acquisitions practices of Davies Ward Phillips & Vineberg LLP, for her assistance and guidance in the development of this policy.

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Canadian Coalition for
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[Name of Company]

POLICY OF THE BOARD OF DIRECTORS

The board adopts this policy relating to shareholder engagement and an annual shareholder advisory vote on executive compensation, commonly known as "Say on Pay".

ENGAGEMENT WITH SHAREHOLDERS ON GOVERNANCE MATTERS

The board of directors believes that it is important to have regular and constructive engagement directly with its shareholders to discuss governance issues of importance to shareholders and to allow and encourage shareholders to express their views on governance matters directly to the board outside of the annual meeting. These discussions are intended for the board to be able to listen to its shareholders and to explain to them otherwise publicly available material information, and will be subject to the company complying with its obligation not to make selective disclosure of a material fact or material change.

In order to allow shareholders to provide timely and meaningful feedback to the board, the board will develop practices to increase engagement with all of its shareholders as is appropriate for its shareholder base and size. Examples of engagement include meeting with the company's larger shareholders and organizations representing a number of shareholders and establishing methods of hearing from smaller shareholders on an ongoing basis. The board will also consider emerging shareholder engagement practices in other jurisdictions as they develop, such as asking specific questions as a part of the proxy process, holding "town hall" meetings, undertaking investor surveys and using web-based tools that allow shareholders to provide feedback and/or ask questions of the board.

COMPENSATION DISCLOSURE TO SHAREHOLDERS BY THE BOARD

The company is required by s. 9.3.1 of National Instrument 51-102 Continuous Disclosure Obligations to provide shareholders with the information stipulated in Form 51-102F6 on executive compensation.

It is the policy of the board that the executive compensation information will be in two parts. First, the information required to be disclosed by Form 51-102F6 will be contained in the management information circular of the company for its annual meeting as a report to shareholders from the issuer.

Second, the [Human Resources] Committee of the board, on behalf of the entire board of directors (as compensation is ultimately a core responsibility of the entire board), will in its report to shareholders discuss the key strategic objectives of the company and how the executive compensation plan is designed to motivate management to achieve

them. While the CD&A disclosure primarily provides information relating to the most recently completed financial year, the Committee's report will also describe the approach to compensation for subsequent financial year(s), highlighting any changes made to the prior year's compensation plan and instances where and why discretion was exercised by the board in the prior year, along with explanations for these decisions.

The Committee's report, together with the CD&A, is intended to provide shareholders with the information needed to understand the goals the board is trying to achieve with its compensation policies and to understand the rationale for the compensation awards and arrangements. The compensation disclosure provided to shareholders should be complete, clear and understandable and sufficient detail will be given to shareholders to assist them in forming a reasoned judgment about the company's approach to compensation.

ADVISORY "SAY ON PAY" VOTE

The board believes that shareholders should have the opportunity to fully understand the objectives, philosophy and principles the board has used in its approach to executive compensation decisions and to have an advisory vote on the board's approach to executive compensation.

PURPOSE OF "SAY ON PAY" ADVISORY VOTE

The purpose of the "Say on Pay" advisory vote is to provide appropriate director accountability to the shareholders of the company for the board's compensation decisions by giving shareholders a formal opportunity to provide their views on the disclosed objectives of the executive compensation plans, and on the plans themselves, for the past, current and future fiscal years.

While shareholders will provide their collective advisory vote, the directors of the company remain fully responsible for their compensation decisions and are not relieved of these responsibilities by a positive advisory vote by shareholders.

FORM OF RESOLUTION

The management information circular distributed in advance of each annual meeting of shareholders will ask shareholders to consider an annual non-binding advisory resolution substantially in the following form:

Resolved, on an advisory basis and not to diminish the role and responsibilities of the board of directors, that the shareholders accept the approach to executive compensation disclosed in the Company's information circular delivered in advance of the [insert year] annual meeting of shareholders.

Il est résolu, à titre consultatif et sans que soient diminués le rôle et les responsabilités du conseil d'administration, que les actionnaires acceptent l'approche en matière de rémunération de la haute direction divulguée dans la circulaire de sollicitation de

procurations de la Société transmise en vue de l'assemblée annuelle [année] des actionnaires.

Approval of the above resolution will require an affirmative vote of a majority of the votes cast at the annual meeting of shareholders.

RESULTS OF ADVISORY "SAY ON PAY" VOTE

As this is an advisory vote, the results will not be binding upon the board. However, the board will take the results of the vote into account, as appropriate, when considering future compensation policies, procedures and decisions and in determining whether there is a need to significantly increase their engagement with shareholders on compensation and related matters.

The company will disclose the results of the shareholder advisory vote as a part of its report on voting results for the meeting.

In the event that a significant number of shareholders oppose the resolution, the board will consult with its shareholders (particularly those who are known to have voted against it) to understand their concerns and will review the company's approach to compensation in the context of those concerns. Shareholders who have voted against the resolution will be encouraged to contact the board to discuss their specific concerns.

The board will disclose to shareholders as soon as is practicable (ideally within 6 months), and no later than in the management proxy circular for its next annual meeting, a summary of the comments received from shareholders in the engagement process and the changes to the compensation plans made or to be made by the board (or why no changes will be made).

ANNUAL REVIEW OF THIS POLICY

The board recognizes that shareholder engagement and "Say on Pay" are evolving areas in Canada and globally, and will review this policy annually to ensure that it is effective in achieving its objectives.