

MÉDAC

Mouvement d'éducation et de défense des actionnaires

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Ms. Mylène Dubé

Committee Assistant, Committees Directorate

House of Commons

131 Queen St., Room 6-25-03

Ottawa, Ontario K1A 0A6

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Dear Ms. Dubé:

For close to 15 years now, MÉDAC has put forward shareholder proposals to encourage sound management of our organizations, including issues such as excessive executive compensation, consultation of shareholders on compensation policies, tax evasion, financial ethics and social justice. A number of our recommendations are now a part of Quebec and Canadian companies' governance policies.

Following the publication of the notice of consultation for the 2012 pre-budget consultations, we expressed a strong interest in appearing before the Standing Committee on Finance to discuss the following issues: how to generate a sustained economic recovery in Canada; how to create high-quality, sustainable jobs; how to keep taxes at relatively low levels; and how to balance the budget.

More specifically, we are concerned about the growing divide between the richest and poorest Canadians, as explained in a Conference Board study published in July,¹ and suggest to the Committee options for reducing this gap. These solutions would also provide additional sources of revenue:

- Tax the portion of income exceeding acceptable levels through corporate income tax;
- Levy a 1% or 2% tax on income exceeding the acceptable level;
- Eliminate tax advantages for executive stock options, which are one of the major sources of increased executive compensation;
- Use a tax to slow layoffs and encourage wealth-sharing by protecting and/or creating jobs, and stimulate the economy by giving most people the means to spend more. In our view, employers should be at least partially responsible for the social costs of their cutting jobs solely with the goal of increasing profits for shareholders and ramping up executive pay. Moreover, liberalism functions best when consumption is strong and sustained. The unemployed do not contribute effectively to a strong economy because

¹ <http://www.conferenceboard.ca/hcp/hot-topics/caninequality.aspx>

employment insurance benefits allow for only minimal consumption spending. By keeping these workers in their jobs, they will be better consumers and help keep the economy going.

At these hearings, we would also like to discuss two other recommendations that unfortunately were not discussed in a presentation made to the Finance Committee regarding Canadians' foreign bank accounts and the measures Canada takes to fight international tax evasion.² These recommendations were:

- Make the advisory vote on executive compensation mandatory, allowing shareholders to play a role by comparing executive pay and the average employee pay, a ratio that we think is unacceptable and unethical;
- Require all corporations traded on stock exchanges to disclose the median salary of their employees and to hold the fairness ratio—the ratio of the top executive's pay to the average employee salary—to a maximum of 30.

We are available to answer the Finance Committee's questions at the hearings to be held in Montreal.

Yours sincerely,

[sgd]
Claude Béland
President

² http://medac.qc.ca/documentspdf/actionnariat/2011-03-03_memoire_paradis.pdf [in French only]