

Ontario Teachers' 2021 Corporate Governance Principles & Proxy Voting Guidelines updates



Each year we review our proxy voting practices as well as new thinking in corporate governance, market developments and other significant events to uncover emerging corporate governance trends and issues. We incorporate the results of this review into our Corporate Governance Principles and Proxy Voting Guidelines (Good Governance is Good Business document), ensuring that Ontario Teachers' practices remain current and consistent with evolving international standards.

Below are the four most significant changes being made for 2021. A full list of revisions to our Good Governance is Good Business can be found starting on page 26 of the [2021 edition](#).



Inclusion and Diversity: The most significant change we have made for 2021 concerns inclusion and diversity. We continue to raise expectations of boards and management on their approach to gender diversity, clarifying our expectation that boards set and disclose a policy and timebound goal to achieve at least 30% women on the board. It is no longer acceptable to have no gender diversity on a board and boards with no women will be subject to, at least, a vote against the chair of the committee or, depending on the market, the individual we deem responsible for board composition.

Events of 2020 have also turned our focus to diversity beyond gender. For 2021 we are looking for boards and companies to start thinking about and communicating how they are going to address diversity among other underrepresented groups. Similar to our approach to gender diversity, we are encouraging the setting and disclosure of timebound targets to increase the number of individuals from other underrepresented groups both on the board and within the company.



Climate Change: We continue to expect boards and management to understand and address material and relevant climate change issues and risks, that climate risk is a board responsibility, and encourage the adoption of TCFD and SASB standards in reporting. Disclosures remain the best way for us to evaluate a company's practices and resiliency of their business model. When assessing scenario analyses, we look for credible scenario sources, the assumptions used, and the range of scenarios presented, which include a net-zero scenario. We will consider all the above when we are assessing a company's approach to climate change and/or whether to support a climate-related shareholder proposal.



Human Capital Management: We encourage companies to demonstrate leading practices in human capital management to support a healthy work environment and culture. To that end we identify a number of common shareholder proposals that we may support including those related to the improvement of governance and board oversight of human capital management, the development of policies towards anti-discrimination, freedom of association, diversity and inclusion, pay practices, supplier codes of conduct, employee health and safety, and the improvement of disclosure related to human capital management metrics.



Political Activities: We believe the onus is on a company to demonstrate that its public position is aligned with its political activities and actions. Incongruencies should be explained and remedied. We will typically support shareholder proposals related to political activities and expenditures that improve board oversight and expect companies to provide regular reporting on their political expenditures and activities.