



# 2025 Proxy Voting Guidelines

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# 2025 Proxy Voting Guidelines

# About These Proxy Voting Guidelines

We are obligated by law to set out our policies and procedures with respect to voting rights and by our own Statement of Investment Policies and Procedures to exercise our right to vote.

Our Proxy Voting Guidelines (the Guidelines) support the adoption of the corporate governance principles found in our [4 Pillars of Board Effectiveness](#) (4 Pillars framework) and encourage public company boards act in what we believe are in the best long-term economic interest of shareholders. Each Guideline encourages the board of directors to discharge its responsibilities efficiently and objectively without placing unreasonable or arbitrary burdens on the company or the board while supporting the corporate governance principles found in the 4 Pillars framework.

These Guidelines have been developed over several years and articulate how we intend to vote on commonly raised or potentially contentious issues presented for a shareholder vote. We review and update the Guidelines bi-annually.

The Guidelines are not regulations and will evolve as circumstances change. We commit to taking a case-by-case approach when applying the Guidelines, being open-minded and pragmatic, and considering the individual circumstances of companies all within the context of our 4 Pillars framework.

Since we vote in several global markets, we encounter a variety of cultures and regulatory jurisdictions within which companies operate. We also recognize that public companies may be at different places with respect to the maturity of their corporate governance practices. We drafted these Guidelines as principles-based and to cover a broad range of corporate governance matters, providing us with flexibility to tailor our approach to reflect these market and company-specific maturity nuances, without comprising our goal to create effective boards and governance.

We welcome comments or feedback on our guidelines and encourage you to contact us at [cgteam@otpp.com](mailto:cgteam@otpp.com).

# Our Approach to Proxy Voting

## Integrated Assessment Process

Our voting decisions look to enhance the long-term value of our investments. We will consult a variety of sources, including all relevant company filings, proxy research reports and the products and services of third-party research providers to arrive at a vote decision. We may contact the company for more information or clarification.

Where appropriate, each portfolio manager with an interest in the company is consulted, ensuring their perspective is reflected in the vote. Contentious issues or positions are regularly discussed with senior management in the Investment Division as well as the President and CEO. We work closely with our colleagues in across the Fund when assessing shareholder proposals on potentially contentious material, environmental, or social issues for a company.

## Vote at Every Meeting

We take voting very seriously. Our goal is to vote every share of every company we own at every meeting of that company's shareholders. All issues, routine, or non-routine are reviewed in detail within the context of these Guidelines.

## Vote on All Ballot Items

We believe we have a responsibility to cast a definitive vote for or against each ballot item and will generally avoid using an "abstain" vote on a proposal as we believe that choosing to abstain is choosing to not vote. Therefore, we make every effort to ensure our vote is an informed vote. There are, however, circumstances in which an abstain vote may be appropriate such as when a director withdraws their name from the ballot or when we do not have sufficient information to cast an informed vote.

## Use of a Universal Proxy in Contested Elections

In a contested election, we prefer the use of universal proxy ballots in place of separate dissident and management proxy cards. A universal ballot lists all management and dissident nominees on a single proxy card, ensuring equal representation of all nominees to be voted upon by shareholders. We believe that a universal ballot provides shareholders is less confusing and cumbersome and provides a method to select the most optimal combination of director nominees from all listed candidates, regardless of who nominated the candidates.

## Virtual Shareholder Meetings

We recognize that virtual meetings not only provide a safe way to hold a meeting, but also allow for greater inclusion and increased participation by shareholders. We further acknowledge that virtual meetings have become part of the annual meeting cycle. We have set out the following expectations when issuers adopt a virtual meeting format:

1. Shareholder meetings should be a hybrid meeting – a combination of virtual and in-person.
2. Meetings should allow for maximum shareholder inclusion and participation. Virtual

attendees should have the same opportunity to vote, speak, and ask questions as if they are participating in-person.

3. At the very least, the CEO, Board Chair, Lead Director (if applicable), and Committee Chairs should be in attendance and visible to all virtual attendees.
4. There should be a Q&A tool where virtual attendees can ask questions without having to submit them in advance.
5. All questions should be answered. Should there be insufficient time during the meeting to address questions, there should be instructions to access or a link to unanswered questions posted within 72 hours of the meeting.
6. Speakers, whether directors or shareholders, should be on camera so all virtual attendees can see them.

## **Disclosure of Votes**

We provide a rationale for our voting decisions when voting against a management recommendation, voting on a shareholder proposal, or when a proposal is non-routine in nature. Explanations of our voting decisions are disclosed on our website in advance of the meeting date.<sup>1</sup>

We also support issuers supplying prompt public disclosure of the voting results of each proposal voted on at a meeting of shareholders. In situations where a company maintains a dual class share structure, we expect the timely disclosure of voting results to be broken down by each class of share, as this provides greater transparency to minority shareholders on how the different classes of shareholders' votes were cast. If voting results are not published, the company should provide a cogent rationale.

## **Voting when a Company is Controlled**

### **Equity Controlled Companies**

We recognize that a shareholder controlling a company by owning a significant amount of a company's outstanding equity can create alignment between our interests and those of the controlling shareholder. As such, we acknowledge that divergences in governance practices from expected best practice may be appropriate in these instances.

### **Multiple Vote Controlled Companies**

When a shareholder controls a company through ownership in multiple vote shares that provides voting control with a disproportionate (and usually small) equity interest in a company we expect that the share provisions allow for fair and equitable treatment of all classes of shareholders. We will hold the owner of the multiple voting shares accountable for this equitable treatment and may take voting action against the multiple vote shareholder if we determine subordinated shareholders are being seriously disadvantaged.

## **Discourage Bundled Proposals**

We expect to have the opportunity to review and vote on resolutions separately. However, companies occasionally “bundle” proposals – combining two or more related and/or unrelated items into one resolution. Bundled proposals can present a dilemma for shareholders as they can often contain matters that shareholders would support and those they would oppose if voted on separately. We discourage bundling proposals as we believe the voting dilemma they can pose undermines the shareholder democratic process. If presented with a bundled proposal, we will evaluate each individual item on its own merit and will not vote in support of a bundled resolution if we hold significant reservations about any individual item, even if the bundle contains supportable elements.

## **Resolutions Pass with a Simple Majority**

A simple majority requires more than half of the votes to be cast in favour for a resolution to pass. Ontario Teachers' supports simple majority voting, except in situations where a higher majority is required by statute.

## **Shareholders Vote Confidentially**

Confidential voting supports the integrity of the voting process by giving shareholders the ability to vote without fear of coercion or retribution. Therefore, we encourage companies to undertake confidential voting rather than by show of hands or voting by poll.

## **Voting by Poll/Show of Hands**

When companies conduct a vote by poll or show of hands at a shareholder meeting, they are in effect supporting a one-hand, one-vote standard, where each “hand” present at the meeting receives an equal vote, regardless of the number of voting shares they hold. Voting by poll disenfranchises shareholders as it ignores equity investment and the voting influence that investment should carry as well as penalizing those shareholders who are unable to attend the meeting in person.



# Expectations on Future Directions

Our Proxy Voting Guidelines describe how we assess, through our vote, corporate governance practices and board decisions fundamental to creating effective boards and governance. In essence, these Proxy Voting Guidelines represent our minimum standards of corporate governance for public companies.

We recognize that the evolution of corporate governance is ongoing as new issues continue to surface. Also, we understand that it may not always be practical for our Proxy Voting Guidelines to evolve at the same pace of change. As a result, in this section we provide insight and direction into leading practices boards can adopt to create a corporate governance system that provides effective board oversight over these new and emerging issues.

Over time, we expect these leading practices to be incorporated into our proxy voting guidelines. In the interim, how boards should be encouraged to adopt these leading practices will be a topic of discussion in our corporate engagement program.

## Diversity, Equity and inclusion (DE&I)

Ontario Teachers' believes diversity – defined as the full spectrum of human attributes, perspectives, identities, and backgrounds – has positive impacts on the effectiveness of a board of directors and on the performance of an organization.

The diversity discussion on representation is evolving to include diversity beyond gender, including (but not limited to) race, age, ethnicity, sexual orientation, gender identity, abilities, diversity of thought, experience and other “non visible” qualities. Discourse around DE&I also includes promoting more diverse, equitable and inclusive cultures across organizations.

We believe companies that embrace diversity in all its forms and focus on fairness of access, opportunity and advancement for all within an organization create an inclusive culture that is beneficial to the overall success and performance of the organization. Creating this inclusive culture requires eliminating barriers and root causes that have prevented underrepresented groups from full participation within the workplace.

Our home market, Canada, has initiatives and disclosure requirements<sup>2</sup> that endeavor to improve diversity, equity and inclusion, as well as to alleviate anti-Black and Indigenous systemic barriers at publicly listed companies. Our commitments to these initiatives inform and contribute to our position and expectations of companies in this regard.

- We are members of the Canadian Chapter of the 30% Club<sup>1</sup> and regularly communicate this view and engage with companies on the topic.
- Ontario Teachers' is also committed to the alleviation of anti-Black systemic barriers and have signed the CEO Pledge to the BlackNorth Initiative<sup>2</sup>. Among the efforts therein, is the goal of building more robust pipelines of diverse individuals with at least 3.5% representation from the Black leaders in corporate Canada to executive and board roles by 2025.
- We are founding members of the Investor Leadership Network<sup>3</sup> to facilitate and

1 Visit the [30% Club website](#) for more detail.

2 Visit the [BlackNorth Initiative website](#) for more detail.

3 Visit the [ILN website](#) for more detail.

accelerate collaboration by leading global investors on key issues related to sustainability and long-term growth including to develop, promote and deliver action-based and scalable initiatives around diversity, equity and inclusion, climate change and sustainable infrastructure.

We support, encourage, and expect greater diversity on boards, in management, and across organizations because we believe in the benefits of more diverse, equitable and inclusive organizations.

### **Expectations of Public Companies on DE&I**

Companies should develop an approach to diversity, equity and inclusion across the dimensions highlighted that includes an explanation, either through the development of a policy or statement, of a plan with timebound goals towards increasing the participation of underrepresented groups on the board and within senior management aligned to labour pool availability. Furthermore, companies should provide clear and timely disclosures of their DE&I efforts, including the achievement against the targets they have set for themselves.

In order for investors to understand a board's progress on its diversity, reporting should be separated between gender diversity on one hand and other forms of diversity on the other.

Recent data shows that boards of companies on major developed public market indices are, on average, achieving gender diversity above 30% women. A 30% gender diverse board was never intended to be the end point but rather a step towards greater gender parity on a board. Given the desire for continued progress on gender diversity, we are looking to large cap public issuers on developed market indices to continue enhancing the gender diversity of their board to a point where there is a minimum 40% of both men and women represented.

With respect to other dimensions of diversity, boards should set and disclose timebound targets to increase the number of directors identifying as a member of an underrepresented group and to report on the achievement against those targets. We further encourage boards to use self-disclosure as a means to demonstrate commitment and progress on creating a board that is diverse beyond gender.

Boards should think holistically about diversity, equity and inclusion, seeking to enhance diversity across all spectrums by considering other factors such as tenure and ongoing board evaluation as tools to facilitate board refreshment.

Among senior management, DE&I initiatives and succession planning, both undertaken by the board and management, should incorporate building a pipeline within the business that supports the upward mobility of individuals from underrepresented groups to ensure a workforce and that is representative of labour pool availability and demonstrates year-over-year progress towards the creation of a more diverse, equitable and inclusive workplace.

Across the organization, management should leverage self-identification data to inform DE&I strategies and develop plans to reduce bias in talent decisions as well as create an inclusive culture through recruitment efforts and internal programs such as employee resource groups (ERGs) that connect and celebrate intersectional identities and diversity of thought and experience.

## Expectations of Public Company DE&I Disclosures

To be able to achieve progress on diversity, equity and inclusion, we rely on publicly available information which is ultimately best informed by self-identification and related disclosures. We strongly encourage boards to be thoughtful about conveying this information in a timely way to investors as it informs decision making on our investment and stewardship activities.

We expect boards to provide shareholders with a complete explanation, which ideally includes a policy or a statement within the board mandate, of how the board is addressing its diversity in its director recruitment process and the DE&I goals the board has set out for itself.

Disclosure is the key to better understanding workforce diversity. We point to the Equal Employment Opportunity (EEO-1) disclosure prescribed by the US Department of Labor as a reporting template companies can adopt or adapt. For US-based companies required to make EEO-1 disclosures, we encourage the publication of the report.

## Climate Change

Ontario Teachers' believes the entire board has ultimate accountability for climate risk oversight, although, similar to other key board responsibilities for audit, compensation, and nomination/governance, we encourage boards to establish climate change responsibility at the committee level. In addition, we expect companies to understand and disclose how climate change materially impacts their current and long-term business and their role in the transition to a low-carbon economy. The board's role in oversight of climate risk should be readily evident and easily understood.

In our assessment of a company's climate-related efforts, we rely on clear, relevant and complete disclosure to understand the risk profile and opportunity set. As such, we expect companies to report based on the International Sustainability Standards Board's (ISSB's) SASB Standards<sup>4</sup> and the recommendations made by the Financial Stability Board's Task Force on Climate-related Financial Disclosures<sup>5</sup> (TCFD).

When reporting on how a company is managing its climate change risk, it is necessary that the disclosures include the metrics being tracked, targets associated with those metrics and the performance against those targets. Furthermore, companies should disclose their carbon footprint and explain how they are calculating their footprint. IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 IFRS Sustainability Disclosure Standard) provide guidance on climate-related disclosures.

## Scenario Analysis

When assessing climate risk oversight, we rely on assumptions made by the company in their scenario analysis. Without credible scenario sources, assumptions used and how they were determined, and the range of scenarios used that include a net-zero scenario, it is very difficult to understand the rigor of the analysis and have confidence in the resiliency of companies' business models, and therefore the company's climate risk position. For guidance, we will refer to the Investor Leadership Network's Climate Change Mitigation and Your Portfolio: Practical Tools for Investors<sup>9</sup>.

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<sup>4</sup> See the [SASB standards](#) on the International Financial Reporting Standards website for more detail.

<sup>5</sup> See the [Final Recommendations of the TCFD](#) on the Financial Stability Board website for more detail.

## **Emissions Reduction and Net Zero Targets**

Companies should demonstrate an understanding of their material emissions and their contribution to climate change. They should provide short-, medium-, and long-term carbon/greenhouse gas emissions reduction targets and their progress towards those targets. Targets should be scaled (i.e., interim target setting) and with an aim towards net zero emissions by the year 2050 (or earlier). We expect a cogent explanation in instances where there is no net zero by 2050 target, or if the target for net zero is beyond 2050.

## **Audit Committees**

Integrating climate considerations and related commitments into company strategy may lead to changes in operations, control processes, metrics, and reporting. Shareholders expect companies to clearly communicate and measure their climate commitments and as a result, audit committees and audit committee members are under increasing scrutiny regarding climate-related matters.

We expect directors on audit committees to evaluate the impact of climate when reviewing budgets, performance and M&A activity. Audit committee members need to be climate-competent and understand where knowledge gaps exist, taking appropriate steps to gain climate literacy. It is incumbent upon the Audit Committee to understand the company's environmental impact and related reporting requirements. Audit committees also need to adapt their responsibilities for risk management, internal controls and assurance to account for climate considerations. This requires a time investment from directors, ensuring there are reliable information flows from management and educating themselves on leading practices in the market as well as developing a good working relationship with their external auditor.

# **2025 Proxy Voting Guideline Changes**

We have made changes to our 2025 Proxy Voting Guidelines to provide clarity on our approach including:

## **Vote Results Disclosure**

Within the Disclosure of Votes section in Our Approach to Proxy Voting we have updated our expectations of companies that do not publish voting results. In the absence of the publication of a year's voting results, we expect a company to provide a cogent rationale.

## **Frequency of Proxy Voting Guideline Review**

Over the years we have had the opportunity to develop our Proxy Voting Guidelines, implementing major and minor changes to capture the breadth of our portfolio activity as well as best practices in each area. Given the maturity of our Guideline, we will be transitioning to a bi-annual review of these Guidelines.

# **Guideline 1 – Board Composition**

## **1.1 Independent Board of Directors**

### 1.1.1 Individual Directors

We **support** an independent<sup>6</sup> board of directors. Ordinarily, we will not vote against a corporation's director candidates simply because they fail to meet the independence standard. However, we will consider **not supporting** a director's election to the board if in our view:

- decisions taken by a director (or directors) can be linked to unsatisfactory corporate performance over a reasonable period of time and/or demonstrate a lack of independence from management;
- a director has (or directors have) demonstrated behaviour that could negatively affect the long-term performance of the corporation;
- a director's (or directors') business relationship, whether:
  - direct, such as when a director provides consulting services to the company, or an entity owned by the director sells goods or services to the company, or
  - indirect, when a director's employer provides goods or services to the company (e.g., the director is employed by the company's financial services provider) with the company may compromise their independence; and/or
- a pattern of director behaviour has led to a loss of confidence in their ability to act in the best long-term interests of the corporation. In this case, we may consider **not supporting** that director's election to any other board for which they are a nominee.

#### ***Additional Considerations when determining Director Votes***

##### *Environmental and Social (E&S) Risk Management*

In cases where a company and/or board has failed to adequately address material or egregious risks stemming from poor management and oversight of environmental or social issues, we may choose to **not support** individual director(s), chair(s), or committee(s) of the board.

##### *Climate Change Oversight*

We view climate change related risks as a set of risks that intersect with, and integrate into, board responsibilities, processes, and practices. As a result, the entire board is ultimately responsible for oversight of these risks. However, we do encourage boards to establish climate change responsibility at the committee level. We will take a case-by-case approach when assessing a board's approach to overseeing climate change risk and, depending on circumstances, will consider **not supporting** individual director(s), chair(s), or committee(s) when we determine that a board has not taken appropriate action to effectively oversee a company's relevant climate change related risks.

##### *Attendance*

We believe attendance at board meetings is a fundamental responsibility of board members. Where a director's attendance falls below 75% per annum without a reasonable explanation provided in proxy materials, we may choose to **not support** those directors.

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<sup>6</sup> We look to the standards in National Instrument 58-101 of the Canadian Securities Administrators, Disclosure of Corporate Governance Practices, and the corporate governance listing standards of the New York Stock Exchange when determining director independence.

### *Tenure*

In situations where we conclude that tenure has had a negative impact on the board's effectiveness, we will take the appropriate action to encourage board refreshment. Depending on the circumstances, such action could be to a **not support** the long-tenured director(s), the Chair of the Nomination Committee (or equivalent) or the entire Nomination Committee.

### *Former CEO Resignation*

A CEO who has announced retirement from their role should also resign from the board upon such retirement date. Should a retired CEO continue to serve as a director past their retirement date without a compelling rationale to support remaining on the board, we will determine the appropriate course of action which, depending on the circumstances, could be to **not support** the former CEO, the Chair of the Nomination Committee (or equivalent) or the entire Nomination Committee, or any combination thereof. Where warranted, we will typically accept the CEO remaining on the board to facilitate the transition from one CEO to another.

### *Overboarding of CEO*

We believe that given the time commitment required to be both a CEO and a director, it is appropriate to limit a sitting CEO to one public company board outside of their own company board. An overboarded CEO is an active CEO who serves more than one public company board, not including the board of the company for which they are the CEO. We will typically **not support** the re-election of the director if they are an overboarded CEO.

### *Director Representation in Proportion to Equity Ownership*

In circumstances where an investor has a significant ownership stake in a corporation, we **support** director representation on the board that is proportional to the investor's economic interest.

### *Board Size*

We believe a board size ranging from five to 16 members reflecting the size and complexity of the business is appropriate. We will typically **not support** amendments to by-laws which seek to change the size outside of this range or where we do not believe the by-law change supports an effective board structure. Where the addition of a director up for election changes the board size outside of this range, we may choose to **not support** certain directors if there are other governance concerns that, taken together, are a cause for concern or we may choose not to support the chair of the governance committee given their leadership role in structuring the board. Boards outside our preferred size range do not necessarily result in us taking voting action against any of the directors up for election, unless we determine the size is inhibiting the board's effectiveness.

A vote against director candidates may not be based solely on a single factor such as a lack of independence or unsatisfactory corporate performance but considered in combination with other factors.

## *Interlocks*

An interlocking director relationship occurs when two or more directors serve together on one or more other boards. Depending on the relationship between the interlocked individuals, the impact can range from being benign to creating a real or perceived reciprocal relationship leading to a material and unacceptable conflict of interest. We will review interlocks on a case-by-case basis and **not support** directors when we determine the interlock creates or has the potential to create a material conflict of interest that cannot be appropriately managed.

Some interlocks should always be avoided as the conflict of interest they present is too significant and, in our view, unreconcilable. An example of one such interlock would be where two CEOs sit on each other's board and are members of each other's compensation committees.

## **1.2 Key Committees**

### **1.2.1 Governance and/or Nominating Committee**

We **support** the establishment of a fully independent governance and/or nominating committee. We will consider **not supporting** directors if we believe that the absence of or lack of independence in a governance and/or nominating committee, its operations, or its decision making have adversely affected the composition of the board and the governance of the corporation. We generally demonstrate our concerns by first voting against the committee chair. If concerns are not addressed, or in extraordinary situations, we will escalate to a vote against the entire committee.

### ***Additional Considerations when determining Governance and/or Nominating Committee Votes***

#### *Director Nomination and Evaluation Process*

In situations where the board fails to publicly disclose its nomination and evaluation processes, we will consider **not supporting** the chair of the nominating/governance committee, depending on a number of factors, notably our assessment of the overall composition of the board, and if we believe that the absence of such disclosure has adversely affected the transparency of the board's commitment to director succession planning and evaluation.

#### *Creation and Publication of a Skills Matrix*

We encourage and **support** proposals requesting the adoption and disclosure of a board skills matrix – which should highlight skills and areas of expertise that are relevant in the context of the company's strategy and material risks to the company as a best practice tool to achieve this. We discourage the practice of disclosing a “laundry list” of skills.



## *Board Gender Diversity*

We will consider **not supporting** the chair of the governance and/or nomination committee or other members of the committee where less than 3 or 30%<sup>7</sup> of directors identify as a woman<sup>8</sup> and/or the board does not describe its approach to achieving a 3 or 30% goal and/or maintaining its gender diversity. For boards below the 3 or 30% goal, we may decide to engage with a company on the issue, and/or escalate voting action to include the Board Chair (or equivalent) or the entire board where no progress is evident.

## *Implementation of Shareholder Proposals*

We expect boards to respect the shareholder democratic process. We hold the chair of the governance committee (or equivalent) responsible for ensuring that all proposals put to a shareholder vote receiving majority support are implemented in accordance with the terms of the shareholder proposal or provide a convincing rationale as to why it is in the best interests of the corporation that the board decided to not take action. In situations where a shareholder proposal receives meaningful<sup>9</sup>, but not majority, support, we expect the company to address shareholder concerns. If we decide that the lack of respect for the shareholder democratic process is frequent or serious, we will consider **not supporting** members of the governance committee or the entire board.

## *Adopting Bylaws*

We expect boards will not enact bylaws or policies that impact shareholder rights without first putting the issue to a shareholder vote. In situations where such a bylaw or policy has been adopted without a shareholder vote, we will, depending on the circumstance, hold the chair or members of the corporate governance committee (or equivalent) responsible and **not support** their re-election to the board.

### **1.2.2 Compensation Committee**

We **support** the establishment of a fully independent compensation committee. We will consider **not supporting** individual members of the compensation committee if we believe there is evidence of recurring failures of the compensation committee to link pay with performance or if there are extraordinary and unjustified decisions on the part of the committee. We generally escalate our concerns by first **not supporting** the chair of the committee, if we are not satisfied with the changes implemented, or in extreme cases, we may consider voting against the entire committee.

In the case where a compensation committee is not fully independent and we determine the lack of independence negatively impacts the ability of the committee to effectively discharge their responsibilities, we will **not support** the non-independent director(s) on the committee.

If there are members of the executive on the compensation committee, we will consider **not supporting** the executive and the chair of the governance and/or nominating committee.

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<sup>7</sup> For clarity, we will apply a minimum 30% gender diversity standard for boards with 12 directors or more.

<sup>8</sup> The 30% calculation only includes individuals who identify as a woman (individuals who identify as non-binary will not be captured in the calculation of the 30% to ensure the promotion of even greater gender diversity on the board).

<sup>9</sup> Based on experience, support above 30% would be considered meaningful.



### 1.2.3 Audit Committee

We **support** the establishment of a fully independent audit committee. We will consider **not supporting** individual members of the audit committee if we believe there is evidence of recurring financial misstatements or other audit failures. We generally escalate our concerns by first **not supporting** the chair of the committee, if we are not satisfied with the changes implemented, or in extreme cases, we may consider **not supporting** the entire committee. We will **not support** members of the audit committee we do not consider independent.

#### ***Additional Considerations when deciding Audit Committee Votes***

##### *Auditor Appointment*

We will generally **support** the choice of auditors recommended by the corporation's directors. The instances of auditors being changed other than as a result of routine rotation will be reviewed on a case-by-case basis. We would be concerned if the same partner of any firm has audited a company for extended periods or if there have been material restatements to the financial statements. In these circumstances, we may **not support** the auditor, and/or members of the audit committee.

##### *Existence of Alternative Dispute Mechanisms*

We will generally **not support** the reappointment of the auditor if efforts have been made to use binding arbitration between management and the auditors as a means of dispute resolution to limit or reduce an audit firm's liability.

In some jurisdictions it has become common for an audit engagement letter to include binding arbitration. The terms of these provisions may limit the amount of information that can be presented in relevant proceedings and may not allow decisions to be appealed. This restricts the company's ability to seek relief for damages (monetary or otherwise) and, in our view is not conducive to a strong audit process. We will therefore **not support** the appointment of the auditor if the audit engagement letter includes such provisions.

### 1.2.4 Audit Fees

A significant majority of revenues generated by the accounting firm through its relationship with the company should come from the audit function proper. Where there is no disclosure or a breakdown of the fees shows the non-audit fee is greater than one third of the total fees without further clarification, we will **not support** the re-election of the outside auditor.

Where non-audit fees have been detailed, we will consider each fee on a case-by-case basis in determining auditor independence, but we will **not support** the reappointment of the auditor where in our view it appears that its independence has been compromised.

## 1.3 Election of Directors

### 1.3.1 Annual Election

We prefer the annual election of all directors. We will generally not support proposals that create a staggered or classified board<sup>10</sup>. However, we note that a number of companies in jurisdictions around the world have long-standing processes which elect directors to staggered terms. In such cases, we do not believe it is appropriate to vote against directors simply as an indication of disagreement with the manner in which they are elected.

### 1.3.2 Majority-vote Standard

We support the establishment of a majority-vote standard<sup>11</sup> for the election of directors. In the absence of a majority-vote standard we expect issuers to adopt a majority-vote policy<sup>12</sup>. We typically hold the Chair of the Nomination Committee (or equivalent) responsible to ensure the majority vote policy is implemented in a manner consistent with its objective to hold directors accountable.

### 1.3.3 Individual versus Slate Election

We also support the election of directors individually rather than as a slate. We will not ordinarily vote against the board candidates proposed by a corporation simply because the corporation fails to meet these standards.

### 1.3.4 Cumulative Voting

In situations where cumulative voting is in place, we will allocate our votes for each director in a manner that we believe will best promote good corporate governance over the long-term.

### 1.3.5 Contested Elections

If a board is subject to a contested election, we will evaluate the dissident's argument and proposed plan of action, and assess the qualifications, independence, experience, and track record of the alternate slate of nominees relative to that of the incumbent board. We will support the slate of nominees we believe is best positioned to increase shareholder value over the long term.

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<sup>10</sup> In a staggered or classified board, directors are typically elected in two or more classes, serving terms greater than one year. Using an example of a three-year staggered board, at each annual meeting, one third of the board members or nominees would be eligible for shareholder ratification for a three-year period.

<sup>11</sup> Under a majority-vote standard shareholders vote "For" or "Against" directors and only those directors receiving a majority of votes cast are elected.

<sup>12</sup> Issuers not employing a majority-vote standard will elect directors using plurality voting. In plurality voting shareholders vote "For" or "Withhold" for directors and there is no ability to vote "Against" a director, allowing directors to be elected with a single vote. Under a majority-vote policy, "Withhold" votes are considered "Against" votes and should a director receive a majority of "Withhold" votes, they would be required to submit their resignation to the board. The board would then be required to either accept or reject the resignation and publicly disclose their decision, preferably within 90 days of the shareholder vote.

## 1.4 Separation of Board and Management Roles

### 1.4.1 Separation of Chair and CEO Roles

We **support** the separation of board and management roles. We will not ordinarily vote against a corporation's director candidates where a separation of board and management roles does not exist. We will do so if we determine that the combination of roles is negatively affecting the effectiveness of the board and/or corporate performance over a suitable time frame is unsatisfactory.

### 1.4.2 Recombination of Chair and CEO Roles

We have significant concerns when a board that previously split the roles of Chair and CEO decides to revert to a combined Chair/CEO structure. In the absence of a persuasive explanation as to how the recombination of the roles is in the best interests of shareholders, we will consider **not supporting** the chair of the governance committee (or equivalent) and/or its members responsible for this decision.

### 1.4.3 Executive Chair

We generally do **not support** the role of Executive Chair because we believe the Chair should be independent of management and not be identified with management. Furthermore, we have significant concerns if the role appears to be a reward for past services, such as situations where former CEOs or Chairs remain on the board and are given the "Executive Chair" title. In these situations, there is a risk of former CEOs and Chairs inhibiting the new leadership from executing their duties as they see fit. Depending on our degree of concern, we will **not support** one or more of the Executive Chair, the chair of the governance committee (or equivalent) and the committee members. We will maintain these votes if we do not see a change until the standard cooling-off period of three years is reached.

### 1.4.4 Director Liability and Indemnification

We will generally **support** proposals that reasonably limit directors' liability and provide indemnification.

# Guideline 2 - Compensation

## 2.1 Effective Equity Compensation

We assess proposed equity compensation on a case-by-case basis. We review the features of each plan together with the other aspects of total compensation and, after considering each of the issues, determine the reasonableness of the plan.

Equity compensation plans can increase the number of shares of a company and therefore dilute the value of existing shares. While such plans can be an effective compensation tool in moderation, they can be a concern to shareholders and their cost needs to be closely watched. We consider factors related to issuing, vesting and exercising, as well as others, when analyzing equity compensation plans.

### 2.1.1 Issuing

#### *Concentration*

We will generally **not support** plans that authorize allocation of 25% or more of the available equity incentives to any one individual.

#### *Cost*

We will **support** plans whose costs are reasonable in the context of compensation as a whole and relative to industry practice. We consider grant date fair value to be the most appropriate cost to use as it reflects the value directors placed on the executives at the time of the granting of the award.

#### *Dilution and Burn*

We will generally **support** equity incentive plan amendments if the total potential dilution<sup>13</sup> does not exceed 5%, and the burn rate<sup>14</sup> is less than 1% per annum. We will review, on a case-by-case basis, equity incentive plans that provide for total potential dilution exceeding 5% but less than 10%, or where the burn rate exceeds 1% per annum. Where warranted and in limited circumstances, we will **consider supporting** equity incentive plan amendments with potential dilution rates exceeding 10%, or where the burn rate exceeds 2% per annum.

#### *Fixed Number of Shares*

We will generally **not support** plans that have a rolling maximum of shares available as options or other forms of equity compensation. We believe plans having a fixed number of shares available for grant place a discipline upon the board when awarding equity compensation.

#### *Price*

We will generally **support** plans whose underlying securities are to be issued at a value that is no less than 100% of the current market value.

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<sup>13</sup> For our purposes, total potential dilution is the total number of shares available for grant (equity pool) plus unexercised shares that have been previously granted divided by the total shares outstanding.

<sup>14</sup> The burn rate is defined as the annual equity grant divided by the total outstanding shares and provides us with a measure of how fast the company is using the equity pool and diluting its shareholders.

## 2.1.2 Vesting

### *Automatic Vesting*

We will generally **not support** plans that are 100% vested when granted.

### *Change of Control*

We will generally **not support** plans with change of control provisions that allow all equity compensation to automatically vest upon a change of control. We will **not support** change of control arrangements developed in the midst of a takeover fight specifically to entrench management. We will **not support** the granting of equity incentives or bonuses to outside directors “in the event” of a change of control, as the independence of outside directors will be compromised if they are eligible for additional benefits in the event of a change of control.

### *Performance Vesting*

We will generally **support** plans that link the granting of equity incentives, or the vesting of equity incentives previously granted, to specific performance targets.

### *Retesting*

We generally do **not support** retesting, a practice which occurs when a performance condition that is not met in the current period is deferred to a future period. We believe that for targets to be meaningful under pay-for-performance, they need to be strictly adhered to and not deferrable.

### *Vesting Provisions*

We will review on a case-by-case basis the terms of the vesting of equity awards, paying particular attention to vesting conditions, **not supporting** those that are considered lacking a pay-for-performance link, such as performance targets set below the median of the company's comparative group. We are also generally skeptical of dividends paid and/or accrued on unvested equity. We are **not supportive** of this practice as it undermines the principle of granted but unvested compensation.

## 2.1.3 Exercising

### *Employee Loans*

We will generally **not support** the corporation making loans to employees to allow employees to pay for equity compensation. Furthermore, when loans become excessive they expose the company to risk as a result of potentially uncollectable debts and may inhibit the termination of employees who owe the company. Executives seeking to borrow to buy equities under equity compensation plans should be required to obtain credit from conventional, market-rate sources, such as banks or credit unions.

### *Expiry*

We will generally **support** plans whose equity incentives have a life of no more than five years. We will review on a case-by-case basis those plans whose equity incentives have a life of more than five years, but we will generally **not support** plans with “evergreen” provisions<sup>15</sup>.

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<sup>15</sup> Evergreen provisions are features in a plan which allow for equity plans to automatically renew and/or have an indefinite life.

### *Re-pricing*

We will **not support** plans that allow the board of directors to lower the exercise price of equity incentives already granted. We will **not support** proposals that, directly or indirectly, would reduce the exercise price of incentives already granted.

### **2.1.4 Other**

#### *Board Discretion*

We will **not support** plans that give the board broad or unlimited discretion in setting the terms and conditions of programs. Such programs must be submitted for shareholder approval with adequate detail regarding their cost, scope, frequency and schedules for exercising the equity incentives.

#### *Disclosure*

We strongly **support** the disclosure of all significant aspects of the equity compensation plan including full transparency of performance goals and vesting conditions.

#### *Director Eligibility*

We will generally **support** equity incentive plans for directors where the terms and conditions of director incentives are clearly defined and reasonable. In particular, we look for a specific and objective formula for the award of director equity incentives. We will generally **not support** those plans that provide for discretionary director participation.

#### *Omnibus Plans*

We will review omnibus plans (three or more types of awards in one plan) on a case-by-case basis. Generally, we believe that shareholders should vote on the separate components of such plans rather than be forced to consider the “take-all” approach of an omnibus collection. Although we are generally opposed to the concept of omnibus plans, we will review each element to determine whether the specific benefits being offered adhere to our other guidelines in this category.

#### *Pledging and Hedging*

We generally do **not support** arrangements made on the part of executives or directors to pledge as collateral or hedge their equity ownership.

#### *Severance Compensation*

We will review severance compensation arrangements on a case-by-case basis. We will **not support** severance payments or “golden parachutes” that we deem to be excessive or that are “single-trigger” arrangements.

## 2.2 Advisory Vote on Compensation (“Say-on-Pay”)

Say-on-pay votes are an important tool to facilitate compensation-related dialogue between directors and shareholders. Where we are required to vote with respect to management compensation proposals in an advisory or legally binding capacity, we will review compensation on a case-by-case basis to ensure that it meets our criteria and assess the plan based on features discussed below in Guideline 2.3 Management Compensation. We will generally vote in **support** of advisory votes on compensation if we believe that the compensation plan has met our guidelines and is adequately designed to align pay with performance.

We have identified certain trigger points that, depending on their severity, could result in our **not supporting** say-on-pay resolution. This list is not exhaustive, and includes:

- an evident disconnect between pay and performance, or the strategic objectives of the company;
- issues around the vesting of equity (length of vesting inconsistent with the type of compensation, such as long-term compensation with a short vesting period; lack of performance vesting for equity);
- poor structure or lack of a long-term plan;
- similar metrics to award both short- and long-term compensation without a compelling rationale as to why this is appropriate;
- unchallenging or inappropriate performance criteria used to award compensation or to determine the vesting of equity;
- disproportionate compensation paid to the CEO relative to other senior executives;
- a poorly constructed or inappropriate application of peer groups; and
- discretionary payments without sufficient justification, and/or discretionary awards that become habitual; and
- unlimited discretion or discretion applied without a convincing reason.

Whenever we have issues with a compensation program and irrespective of our voting decision, we will outline our concerns to the company directly. In situations where either the committee has failed to respond to our concern(s) or has made decisions that in our view represent a significant disconnect between pay and performance, we will consider voting against members of the compensation committee in addition to not supporting the say-on-pay resolution.

We expect boards to respect the shareholder democratic process with respect to say-on-pay resolutions. If a say-on-pay proposal receives meaningful voting opposition from shareholders in any given year, we will generally hold the chair of the compensation committee responsible to ensure that significant improvements are subsequently made to the compensation plan.

### 2.2.1 Frequency of the Say-on-Pay Vote

We **support** annual say-on-pay votes.

### 2.2.2 Discretionary Awards

We review discretionary payments on a case-by-case basis and generally do **not support** these awards when the company has not provided a compelling reason for the award. We believe that awards outside the normal compensation plan can bring the design of current arrangements into question and, particularly when used for retention purposes, they can be a sign of weak succession planning.

We have significant concerns when we see the regular awarding of discretionary compensation year after year. Habitual use of discretionary awards without sufficient rationales may result in votes **against** an advisory vote on compensation and we may choose to escalate our votes against the Chair of the compensation committee, committee members, and/or board members where use persists and/or our engagements are unsuccessful.

## 2.3 Management Compensation

We will review management compensation plans on a case-by-case basis. We review the features of each plan and determine the reasonableness of the plan.

We are likely to **support** compensation plans that have the following features. We may **not support** plans that deviate from or exclude these features:

- a clear statement by the board of directors of its executive compensation philosophy and how this philosophy is related to the company's strategic objectives;
- increases to salary that move with inflation, and all other increases to the base are accompanied by a sound rationale;
- incentives for performance that address both short- and long-term corporate objectives that we believe will be stable and not require alteration through the company's business cycle;
- a minimum one-year post-retirement hold period of equity awards, although we prefer a period of two years;
- minimum share ownership requirements for executives;
- meaningful industry and company performance metrics either financial or qualitative for the awarding and/or vesting of incentives;
- full disclosure of all benefits including the present value of pension benefits and supplemental executive retirement plans in the compensation table in the meeting materials;
- identification of changes in philosophy or performance targets;
- a relatively simple methodology that is easy to understand;



- clawback provisions allowing the company to recoup compensation already paid in the event of financial restatement, misconduct, or negligence that contributed to the payment of unearned compensation, and clear disclosure to shareholders in the event the clawback is used;
- non-GAAP metrics only when appropriately used and accompanied by a clear explanation on how the calculation of the metric was achieved and the impact to the incentive as a result; and
- sustainability metrics when the issue is relevant and material and the metric is carefully selected for performance measurement accompanied by a clear explanation on alignment to strategy and provided that thresholds and targets are appropriate and adequately disclosed.

## 2.4 Director Compensation

We will generally **support** proposals that call for a certain percentage of directors' compensation to be in the form of common stock (including deferred or restricted share units). We will not ordinarily vote against directors where there is no practice of paying some percentage of director compensation in common stock. We will do so if corporate performance, over a suitable time frame, is unsatisfactory.

We typically do **not support** director equity compensation that is performance based or linked to the company share price (i.e., options).

We do **not support** retirement plans for directors.

We will review total compensation paid to directors on a case-by-case basis to ensure that the director compensation program provides appropriate compensation without compromising the director's ability to be independent. As such, we will evaluate director compensation structures on a case-by-case basis, with a preference that director compensation is not dependent on management and company performance.

We do **not support** arrangements made on the part of directors to pledge as collateral or hedge their equity ownership.

## 2.5 Employee Compensation

While we typically leave employee compensation matters outside of Named Executive Officers to the judgement of the Company, we expect employee compensation to be aligned with the best interests of shareholders.

We believe employee equity incentive plans can be effective forms of employee compensation. We will typically **support** plans that do not exceed a discount greater than 15% of the Company's share price, does not contribute to excessive dilution to shareholders, and carries a reasonable time period of issuance authority.

# Guideline 3 – Corporate Structure and Capital Management

## 3.1 Reincorporation

Reincorporation involves a proposal to re-establish the company in a different legal jurisdiction. While there are legitimate reasons why a company may want to reincorporate, it may also be used as a tactic by management to frustrate a potential takeover, or to limit director liability or other shareholder rights.

We will **support** reincorporation proposals when management and the board can demonstrate sound financial or business reasons for the move. However, we will generally **not support** reincorporation proposals that are made as part of an anti-takeover defense or solely to limit directors' liability.

## 3.2 Increase in Authorized or Issued Shares

An increase in the number of authorized or issued shares provides a company's board of directors with flexibility to meet changing financial conditions. Additional shares may be needed to:

- implement a stock split, which can expand and improve the market for the company's securities;
- aid in a restructuring or acquisition, which can improve the company's competitive position;
- provide sufficient shares for use in stock option or other executive compensation plans; or
- implement a shareholder rights plan or other takeover defense.

We believe that shareholders should have input on major decisions on authorized shares and share issuance given the potential dilution risk they pose.

We will generally do **not support** proposals that seek to increase the authorized or issued shares by 10% or more when management does not demonstrate a specific need. For requests in excess of 10% that have a specific need, we will also assess the validity of the need and will **support** those requests where we determine the need to be valid.

### *Authorization without Pre-emptive Rights<sup>16</sup>*

We will generally **not support** proposals where the increase in authorized or issued shares does not contain pre-emptive rights, other than in the case of an all-stock takeover bid or merger.

## 3.3 “Blank-cheque” Preferred Shares

Blank-cheque preferred shares usually carry a preference as to dividends, rank ahead of

<sup>16</sup> Attaching pre-emptive rights to a share issuance provides shareholders the option of participating in the offering at the same rate as their current ownership percentage, avoiding being diluted post-issuance.

common shares upon liquidation, and give a board broad discretion (a blank cheque) to establish voting, dividend, conversion, and other rights in respect of these shares.

While they might provide corporations with the flexibility needed to meet changing financial conditions, they may also be used as a vehicle for a defence against hostile suitors or may be placed in friendly hands to help block a potential takeover bid. A concern for many shareholders is that once these shares have been authorized, shareholders have no further power to determine how or when these shares will be designed and allocated.

We will generally **not support** either the authorization of, or an increase in, blank-cheque preferred shares.

# Guideline 4 – Takeover Protections

We assess takeover protection measures on a case-by-case basis, considering the extent to which the measure enhances the long-term value of our investments.

## 4.1 Shareholder Rights' Plans (“Poison Pills”)

A shareholder rights plan provides the shareholders of a target company with rights to purchase additional shares or to sell shares at very attractive prices in the event of an unwanted offer for the company. These rights, when triggered, impose significant economic penalties on a hostile acquirer.

In our view, there are limited legitimate purposes of a shareholder rights plan: 1) ensuring that all shareholders are treated equally in connection with a change of control of the company; 2) allowing the board of the target company sufficient time to determine whether there is a better alternative to the offer; and 3) permitting shareholders to make an informed decision about the bid and available alternatives.

Many shareholder rights plans go much further than these legitimate aims. In such circumstances, they may be used to discourage a takeover bid, or to prevent shareholders from responding to a bid or from determining the best course of action for the company. We believe it is appropriate for shareowners to determine if a rights plan should be implemented and subsequently remain in effect, whether within the context of a bid or otherwise. As owners, they are less likely to be subject to the conflicts of interest that could influence the judgment of the board and management.

We will review shareholder rights plans on a case-by-case basis. We will generally **not support** shareholder rights plans that go beyond ensuring equal treatment of shareholders in the event of a bid, allowing the company sufficient time to consider alternatives to a bid and permitting shareholders to make an informed decision about the bid and available alternatives.

In situations where a shareholder rights' plan is adopted without first going to a shareholder vote, we will, depending on the circumstance, hold the chair or members of the corporate governance committee (or equivalent) responsible and **not support** their re-election to the board.

## 4.2 Advance Notice Requirement

We will evaluate advance notice requirement by-law amendments on a case-by-case basis and will **not support** by-law amendments that place unreasonable burdens on shareholders wishing to nominate directors.

## 4.3 Supermajority Approval of Business Transactions

Supermajority amendments are generally designed to deter hostile takeovers by imposing artificially high voting barriers. They typically require the approval of three-quarters (75%) or more of shareholders for a particular transaction.

We agree that in some circumstances a supermajority approval is appropriate; however, we feel that in these circumstances a two-thirds (66.7%) approval level is sufficient. Such a vote requirement is reasonable and provides sufficient protection against unwarranted invasions on the corporation. A two-thirds threshold also has some support using corporate law as a precedent.

We will review supermajority proposals on a case-by-case basis; we will generally **not support** proposals in which management seeks to increase the number of votes required on an issue above two-thirds (66.7%) of the outstanding shares.

## 4.4 Going Private Transactions, Leveraged Buyouts and Other Purchase Transactions

We will evaluate going-private transactions, leveraged buyouts and other purchase transactions on a case-by-case basis, but we will **not support** transactions that do not adequately compensate minority shareholders.

### 4.4.1 Going-Private Transactions/Leveraged Buyouts

When a publicly traded corporation seeks to go private via a going-private transaction or a leveraged buyout, we will evaluate the proposal against the best long-term economic interests of shareholders and if the transaction furthers the interests of one group of stakeholders over another.

In addition to this economic analysis, we will review the process by which the proposal was received and consider whether:

- in the case of related-party transactions, a proper review was undertaken by an independent committee of the board;
- other potential bidders have had an opportunity to investigate the company and make competing bids;
- a valuation and/or “fairness opinion” has been obtained from a qualified and independent third party, and the analysis and recommendations contained in that valuation or opinion support the proposal; and
- in the case of related-party transactions, minority shareholders will be given the opportunity to vote the proposal separately from those shareholders who may be related parties.

### 4.4.2 Other Purchase Transactions

We review all transactions on a case-by-case basis and will support those which we believe are clearly in the best interests of shareholders.

# Guideline 5 – Shareholder Rights and Shareholder Proposals

## 5.1 Action by Written Consent

Ontario Teachers' believes that holding meetings and requiring a shareholder vote is a good forum for engaging all shareholders in important decisions affecting their investment. In our view, there are too many unknowns associated with allowing shareholders to act by written consent that have the potential to disenfranchise some shareholders to outweigh the benefits of holding meetings. As such, we will **not support** proposals related to action by written consent.

## 5.2 Right to call a Special Meeting

We typically **support** proposals seeking to establish a threshold of 10% ownership to be able to call a special meeting should the situation warrant.

## 5.3 Virtual Only Meeting

We are concerned when a company proposes or elects to hold virtual-only shareholder meetings. We believe this potentially limits meaningful communication between shareholders and management. Instead, we believe that virtual meetings should be used as an option in addition to offering in-person meetings with shareholders and should provide the same opportunities for shareholder participation as would be the case in an in-person meeting. We generally hold the chair of the board and/or the chair of the governance and nominating committee responsible given their leadership roles on the board and will **not support** their election to the board.

## 5.4 Dual-class Share Structure

While we do not support the creation of dual class share structures, we understand that this structure does exist in many corporations. In these cases, it is important that the share provisions allow for fair and equitable treatment of both classes of shareholders, which we will assess on a case-by-case basis. For example, we consider coattail provisions<sup>22</sup> appropriate to be included in the share provisions of any dual-class structure.

We **support** one class of shares. We will generally **not support** the creation or extension of dual class share structures. We will review transactions to collapse controlled corporations with dual-class structures on a case-by-case basis, supporting the collapsing of dual-class structures insofar as the transactions eliminating the structures are in the best long-term interests of the corporation. We would **not support** transactions which transfer a significant amount of wealth as a control premium to the controlling shareholder(s). We **support** the creation of sunset clauses that specify a reasonable time limit and/or conditions that once met collapse the dual class structure. In situations where we believe the rights afforded to the majority shareholder class were used to further weaken the rights of or ignore the views/concerns of minority shareholders, we may consider **voting against** the appropriate director(s).

## 5.5 Shareholder Proposals

We will evaluate all shareholder or stakeholder proposals on a case-by-case basis. We will generally **support** proposals that relate to enhancing disclosure on issues we believe may present a material risk, issue, or generally improve the company's corporate governance processes and practices. We will generally **not support** proposals that in our view place arbitrary constraints on the company, its board or management, duplicate existing practices and/or hinder the creation of long-term shareholder value. We will also consider the company's efforts to influence or obstruct the realization of a shareholder proposal from the ballot where the proposal is related to material issue at the company.

We note that shareholder proposals are typically advisory votes. We recognize there may be instances where we support the intent of the proposal but find the time frame for implementation to be overly restrictive or unrealistic. In these cases, and understanding the advisory nature of shareholder proposal votes, we will consider supporting the shareholder proposal but allow the company a longer implementation time frame.

### 5.5.1 Environmental and Social (E&S) Shareholder Proposals

Voting decisions on E&S proposals are also informed by an evaluation of materiality and will consider the company's unique set of circumstances and current approach to the request or issue. We are guided by an internal framework designed to ensure that all shareholder proposals are evaluated in a consistent manner.

Shareholder proposals can address a variety of E&S related topics. The following is our approach to assessing E&S-themed shareholder proposals on three of the more common themes: climate change; human capital management; and political activities, expenditures and trade associations.

#### *Shareholder Proposals Addressing Climate Change*

We will assess shareholder proposals on a case-by-case basis and will typically **support** shareholder proposals that we believe strengthen the company's climate change-related practices. Some examples of shareholder proposals that we may **support** are proposals related to:

- improving climate change governance practices and board oversight;
- the completion of a materiality assessment regarding company's climate exposure with the intention of having the company better understand their climate risks;
- the stronger disclosure of decision-useful climate related information;
- the monitoring and management of climate change related risks and opportunities;
- additional action by the company to better align their business with the transition to a low -carbon economy aligned with the Paris Agreement<sup>17</sup> including net-zero initiatives;
- the alignment of reporting with the ISSB's SASB Standards and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

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<sup>17</sup> See the [Paris Agreement](#) on the UNFCCC's website for more detail.

### *Shareholder Proposals Addressing Human Capital Management*

We encourage companies to demonstrate leading practices in human capital management to support a healthy work environment and inclusive culture. This enables businesses to deepen competitive moats and improve capital efficiencies through increased productivity, innovation, and reduced injuries, as well as sustain employee engagement, and improve its ability to attract and retain employees.

We also encourage companies to provide relevant disclosures that would allow us to assess human capital management practices.

We typically **support** proposals requesting a company to:

- improve its governance and oversight of human capital management;
- develop policies related to, but not limited to anti-discrimination, freedom of association, diversity, equity and inclusion, pay practices, supplier codes of conduct, and employee health and safety.

### *Shareholder Proposals Addressing Political Activities, Expenditures and Trade Associations*

We expect the stated views of a company be aligned with their actions. As such we would expect that commitments and public statements are appropriately reflected in the company's practices, policies, goals, and strategy. The onus is on the company to demonstrate congruency across all facets of the business.

One area where companies can demonstrate alignment of their commitment with their actions is through corporate political activities and participation in trade associations. We expect actions taken by the company in the realm of political activities and expenditures, and trade associations to be, not only aligned with corporate strategy, but to also enhance the long-term value for shareholders and stakeholders. If there is a misalignment between the company's actions and their commitments, we expect a cogent explanation as to why the misalignment exists and the plan for remedying the contradiction.

We typically **support** proposals seeking to establish or improve oversight from the board on political expenditures (quantum) and activities, including policy and procedural reviews, and taking industry and peer comparisons into consideration. We also expect companies to provide regular disclosure on political expenditures, rationales for political expenditure, dues to trade associations, and rationale for association dues paid.

## **5.6 Exclusive Forum Provisions**

We believe that shareholder derivative lawsuits provide shareholders with an important mechanism to ensure that directors and officers fulfill their fiduciary duties. When a board requests the adoption of an exclusive forum provision, it is seeking the authority to amend the company bylaws so that shareholder derivative lawsuits would be limited to a single jurisdiction.

Although there are legitimate reasons why a company may want to adopt such a provision, this can be a tactic to discourage the pursuit of derivative lawsuits by increasing their difficulty and cost, and therefore limit shareholder rights.

We will review board requests to adopt an exclusive forum provision on a case-by-case basis. We will generally **support** proposals where the company can demonstrate a



sufficient rationale for the amendment and where we are comfortable with the jurisdiction being proposed. However, we will generally **not support** these requests if we feel the company is using it solely to restrict shareholder rights. In situations where exclusive forum provisions are implemented without first going to a shareholder vote, we will, depending on the circumstance, hold the chair or members of the corporate governance committee (or equivalent) responsible and **not support** their re-election to the board.

## 5.7 Director Nomination by Shareholders (Proxy Access)

We will review requests to adopt proxy access on a case-by-case basis. We are generally **supportive** of proposals containing thresholds that equate to a sufficiently high dollar amount of share ownership to avoid potential abuse of proxy access authority.

## 5.8 Any other Business

Where companies do not provide sufficient information and require a vote enabling the Board and/or management to hear other business at the AGM, it would not be prudent of us to approve these requests in advance so we generally **not support** such proposals.

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