

January 31, 2013

Dear Sir or Madam,

With over \$117 billion in assets under management, Ontario Teachers' Pension Plan (Ontario Teachers') is one of the world's largest investors. We are a diversified global investor with a long record of leadership in advancing best governance practices. For the past number of years our efforts in governance have been in support of the principle that good governance is good business.

We continue to hold that the primary responsibility for a company's governance lies with its board of directors. It is our expectation that boards will take the necessary steps to adopt what we believe to be the essential building blocks for good governance:

- A board with a majority of independent-minded, competent directors
- A board led by an independent Chair
- A board that demonstrates behaviours that convey an understanding and recognition of the importance of accountability to shareowners and respect for the shareowner democratic process.
- An executive compensation plan which links pay to performance as measured against metrics that have a direct relationship to management's execution of their strategic objectives.

We have made a number of changes to our Corporate Governance Principles and Proxy Voting Guidelines which are reflected in our 2013 edition of *Good Governance is Good Business: Corporate Governance Principles and Proxy Voting Guidelines 2013*¹. This year we have articulated seven governance principles which form the foundation of our corporate governance effort at Ontario Teachers' and provide the framework when making our proxy voting decisions. In addition, as a result of our annual review of our proxy voting guidelines we have made a number of changes to specific guidelines. A complete listing of the principles can be found on pages 2 to 3 of the document and a summary of specific guideline changes on pages 11 and 12.

The purpose of this letter is to provide you with our perspectives on two emerging governance issues for 2013.

Board Diversity

Ontario Teachers' believes diversity is an essential element in creating an effective board and boards should take steps to address this issue. We are supportive of initiatives such as the one undertaken by the Hong Kong Stock Exchange (HKEx) to use a broader definition of diversity² and require issuers to develop diversity policies. As of September 1, 2013, the HKEx will require listed companies to, on a "comply or explain" basis, adopt and disclose a policy on board diversity, any objectives for implementing the policy and progress achieved on the objectives.

¹ See Guideline 2.2 of our 2013 Corporate Governance Principles and Proxy Voting Guidelines available for download from <http://www.otpp.com/web/guest/investments/responsible-investing/voting-our-shares>.

² The definition of diversity used by the HKEx includes diversity of gender, perspectives and experiences.

We encourage boards to develop a policy which will guide its diversity efforts and commit the board to expand its director search process. At the minimum, this policy should be communicated in the company's annual public filings. While we encourage efforts to increase the number of female directors, we believe quotas set arbitrary constraints that are inconsistent with our corporate governance principles. We believe boards should have the freedom to apply their judgement and make decisions they believe are in keeping with their obligations and in return hold directors accountable for the decisions made and actions taken.

Addressing “short-termism” through loyalty shares

Recently there has been a significant amount of effort directed at addressing “short-termism” in the financial markets. One idea proposed is to provide incentives to shareholders holding shares beyond a minimum period, often referred to as loyalty shares. These incentives could include more voting rights and/or higher dividends that increase the longer a shareholder remains invested. We note that in some markets, such as France, the concept of loyalty shares has been implemented to some degree.

As a pension plan Ontario Teachers' is focussed on providing long term security to our plan members. However, as a long-term investor we see a number of issues with implementing loyalty shares and would not support an issuer moving to a loyalty share structure. Our main concern is that in providing enhanced benefits of extra voting and/or dividend rights to a select group of shareholders, loyalty shares create dual class structures that are not conducive to creating strong and effective corporate governance. The most effective governance results from ownership structures that provide voting rights in direct proportion to ownership as no one shareholder or group of shareholders can exert influence that is not in direct relationship to the size of their investment.

We welcome a dialogue with issuers and would be happy to discuss these matters or any other governance issue with you in more detail. Should you or your colleagues have any questions or concerns, please don't hesitate to contact Paul Schneider, Manager, Corporate Governance at (416) 730-5307 or corpgovernance@otpp.com.

Yours sincerely,



Wayne Kozun
Senior Vice President, Public Equities