

Ontario Teachers' Pension Plan

Statement of Compliance with The UK Stewardship Code

About Ontario Teachers' Pension Plan

With \$107.5 billion in net assets as of December 31, 2010, Ontario Teachers' is the largest single-profession pension plan in Canada. An independent organization, it invests the pension fund's assets and administers the pensions of approximately 300,000 active and retired teachers in the province of Ontario.

What is The UK Stewardship Code?

Developed to improve the quality of engagement by institutional investors, The UK Stewardship Code (The Code) was published in 2010 by the Financial Reporting Council (FRC) in the United Kingdom. The intent of The Code is to establish good practices in engagement between institutional investors and their investee companies.

Compliance with The Code is on a comply-or-explain basis. UK-based institutional investors are required to provide an annual report as to what steps they have taken to comply with The Code or explain why they are unable to do so. Institutional investors not domiciled in the UK are not required to report against The Code, although they may do so voluntarily.

The seven principles of The Code require institutional investors to:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.
3. Monitor their investee companies.
4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.
5. Be willing to act collectively with other investors where appropriate.
6. Have a clear policy on voting and disclosure of voting activity.
7. Report periodically on their stewardship and voting activities.

As an international investor, Ontario Teachers' is not compelled by the FRC to provide a report on its stewardship activities. However, we believe we have no greater role than to be good stewards of the retirement funds of our plan members, the elementary and secondary teachers of Ontario. As such, it is both logical and appropriate that we communicate how we go about fulfilling our stewardship responsibilities.

Ontario Teachers' Report on Stewardship Activities

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Ontario Teachers' takes its stewardship role very seriously. Over the years we have demonstrated a willingness and ability to take action when it is determined to be in the best long-term interests of our plan members. We have long advocated for companies to adopt good corporate governance practices, developing and publishing our Corporate Governance Policies and Proxy Voting Guidelines and making the commitment to vote every share at every meeting of companies within our portfolio. Ontario Teachers' takes complete ownership of the proxy voting process and does not delegate voting responsibilities to an outside advisor. We do enlist the services of a proxy voting advisory firm (Glass Lewis & Co., LLC), but treat this service as strictly consultative. While the voting advice provided is considered, it is only one input into the final voting decision. Our Corporate Governance Policies and Proxy Voting Guidelines are reviewed annually and updated as required. We annually make a formal presentation on our proxy voting activities to our board members.

We engage with companies on important issues we believe affect the long-term value of our investments. Recently, these engagements have centred on the areas of corporate governance and executive compensation. The engagement process typically begins with informal contact (letter, e-mail or a telephone call) and, depending on the situation, can eventually include a more formal face-to-face meeting.

On significant issues, Ontario Teachers' has never shied away initiating or participating in public debate. When we do speak publicly it is to protect the rights of shareholders, to curb what we consider to be value-destroying egregious practices or to comment on current emerging issues that could influence the long-term returns of the portfolio and in turn the interests of our members.

Within our local market Ontario Teachers' helps fund annual surveys of Canadian corporate governance and executive compensation practices. These surveys are published and assist in keeping governance and compensation issues top-of-mind for Canadian issuers.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Ontario Teachers' is a single profession pension fund, managing the retirement pensions of the elementary and secondary teachers of Ontario. We regularly monitor our portfolio for potential conflicts of interest, and do not believe we are subject to the same conflicts of interests in relation to stewardship that other funds might encounter.

Principle 3 – Institutional investors should monitor their investee companies.

The internal and external portfolio managers of the fund are charged with monitoring the companies within their respective portfolios. In addition, there is a dedicated corporate governance group within Ontario Teachers' responsible for monitoring the corporate governance and related practices of the portfolio companies.

Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Ontario Teachers' continually monitors the companies within its portfolios. We have not adopted formal engagement guidelines, preferring to address issues at investee companies on a case-by-case basis. When a situation arise where an engagement is necessary, the first step would be to contact the company either by telephone, e-mail or letter outlining our concerns and requesting a response. Should our concerns remain unresolved, the escalation of the engagement would include some or all of the following steps, depending upon the circumstances.

- Arrange a meeting with the Independent Board Chair or Independent Lead Director to further discuss the concerns.
- Use our voting right to indicate our dissatisfaction.
- Collaborate with other investors regarding our concerns (subject to regulation).
- Submit a shareholder proposal.
- Speaking publicly by posting a commentary on our web site.
- Divest our holding (as a last resort).

It is our preference that our engagements remain confidential as we believe that a confrontational approach can be counter-productive. That being said, if a company remains unresponsive, we will be left with no choice but to become more public with our concerns.

Principle 5 – Institutional investors should be willing to act collectively with other investors as appropriate

Ontario Teachers' believes that in certain situations working collaboratively with other investors can be a very effective and efficient means of engagement. We acknowledge that working collaboratively is subject to the respective laws and regulations of the relevant jurisdiction where the issuer resides.

We work collectively on general corporate governance issues through our membership in a number of investor organizations on a national and international level. Our membership includes, but is not limited to, organizations such as:

- Asia Corporate Governance Association (ACGA)
- The Canadian Coalition for Good Governance (CCGG)
- The Council of Institutional Investors (CII)

- The International Corporate Governance Network (ICGN)

Our membership in these organizations provides us with an international network of investors and access to local market intelligence and expertise which is an invaluable resource in our stewardship activities. As a member of these organizations, Ontario Teachers' reserves the right to limit participation to those activities that are in the best long-term interests of the fund and its members.

On occasion when mutual interests converge, we have collaborated with specific individual investors who are part of our international network.

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activity.

Ontario Teachers' proxy voting guidelines are published on our web site (www.otpp.com). These guidelines undergo an annual review and are updated to reflect market developments. We believe we are unique in how we report our proxy voting activity. All proxy votes are posted on our web site, on a proposal by proposal basis, in advance of the annual meeting. In circumstances where we are not supporting a management proposal or the proposal is contentious, we articulate our rationale for the voting decision and publish it on our web site.

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.

As mentioned in Principle 6, all our proxy votes are published on our web site. Furthermore, all vote activities are executed by the dedicated governance area within Ontario Teachers', with the exception of shares held on our behalf by external managers. We expect all external managers to vote in accordance with our published proxy voting guidelines. We require our external managers to regularly provide to Ontario Teachers' a summary of their voting activities. This summary is reviewed and any resulting voting issues are discussed with the external managers. An annual report on corporate governance activities is prepared and presented to the Board of Directors of the fund.