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ONTARIO DES ENSEIGNANTES ET DES ENSEIGNANTS

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Dear Sir/Madam,

As the largest single-profession pension plan in Canada, with approximately $100 billion in net assets, Ontario Teachers' Pension Plan (Ontario Teachers') continues to build on its long record of leadership in advancing best governance practices.

Over the past year there have been several significant developments in corporate governance. One of the more notable events of 2010 was the passing of the Dodd-Frank Act, making, among other things, "say-on-pay" votes in the United States a reality. In addition, the U. S. Securities and Exchange Commission (SEC) initiated a comprehensive review of the proxy voting process. In the United Kingdom, the Financial Reporting Council (FRC) introduced a stewardship code which focuses on the roles and responsibilities of investors. Investors in many jurisdictions also continued to push for improved shareholder democracy through majority voting for directors, proxy access and the separation of Chair and CEO.

All these developments can seem daunting for both issuers and shareholders. The purpose of this letter is to provide you with Ontario Teachers' perspective on these and a few of the emerging governance issues in 2011.

Fundamentally, Ontario Teachers' believes that the responsibility for a company's corporate governance lies primarily with the board of directors. The role of the shareholder is to appoint directors and to ensure that a proper governance structure is in place. To effectively discharge their duties, a board must be organized to constructively challenge management's recommendations and to evaluate corporate performance from an objective perspective. We believe that building a well-functioning board revolves around a few key principles:

- boards must be comprised of independent-minded, competent directors
- the roles of Chair and CEO are separated
- each director is elected annually by a majority vote of shareholders.

While we are not minimizing the importance of the recent governance developments, we believe that focusing on these key principles will help address a number of current governance concerns.

The Frequency of Advisory Votes on Compensation

The Dodd-Frank Act requires shareholders to provide an advisory vote as to the frequency with which "say-on-pay" votes will occur. Ontario Teachers' maintains its view that remuneration decisions are the domain of the board and that advisory votes on compensation, regardless of when they occur, do not diminish the board's responsibility with respect to executive pay.

When presented with a proposal on the frequency of a “say-on-pay” vote, we will generally support a vote once every three years, in keeping with our belief that a properly constituted board, not the shareholder, is best able to address compensation matters in the normal course of fulfilling its responsibilities. As a long-term investor, we believe that compensation programs should motivate executives to create long-term shareholder value by providing incentives for performance that address both short- and long-term corporate objectives that are stable and consistent throughout the business cycle. We believe that an advisory vote on compensation every three years is in keeping with boards designing stable compensation regimes that link compensation, strategy and long-term performance.

Our concern with an annual advisory vote on compensation is that it may compel boards to adjust compensation programs every year to demonstrate that they are effectively managing the compensation process. We believe this approach could lead to a focus on short-term objectives rather than on more stable, long-term objectives, or lead to inconsistencies in the compensation program without a clear long-term focus. In our view, an advisory vote on compensation every three years would remove these biases and better facilitate the development of a compensation program focused on promoting the long-term success of the organization.

Let us be clear that we will still hold boards accountable for the compensation decisions made. We will continue to monitor annual compensation decisions of our investments, examining whether the board alters the compensation program, uses discretion inappropriately or makes other compensation decisions that in our view are not consistent with a pay-for-performance regime or the creation of long-term shareholder value. In situations where these and other concerns arise, we will consider withholding our support for the election of the compensation committee chair or, in more serious situations, the entire compensation committee of the board.

Reducing Executives Share Ownership through Pledging or Hedging Arrangements

Ontario Teachers’ supports minimum share ownership guidelines for executives as we believe this creates an alignment between the interests of shareholders and executives. We are aware of instances where executives have either pledged their equity to secure personal loans or margin accounts and/or have hedged all or part of their equity holdings. Publicly reported “equity ownership at risk” can be overstated when the number of shares either pledged or hedged is not disclosed and is therefore misleading to investors.

We note that a current regulatory proposal in Canada would require issuers to disclose in their annual Compensation Discussion and Analysis (CD&A) their policy towards hedging (i.e. whether hedging of securities by named executives and directors is allowed). The Dodd-Frank Act mandates the SEC to adopt rules for disclosing if executives are permitted to hedge equity holdings (it is also expected that proposed rules will be available from the SEC during the first half of 2011).

We fully support the notion that all issuers, whether required by regulation or not, develop and disclose a policy towards pledging and hedging – whether it is allowed and, if allowed, whether there are any conditions or restrictions placed upon these activities. Furthermore, in cases where pledging or hedging is permitted, we would expect full disclosure of which executives have hedged or pledged shares. In situations where hedging has previously been permitted but is no longer allowed, we would expect issuers to provide details as to the size of these legacy hedges and how and when they will be unwound.

Stewardship Codes

In 2010, there was a movement in some jurisdictions towards institutional shareholders disclosing how they are discharging their stewardship responsibilities in overseeing the interests of their clients or plan holders. Examples of such codes can be found in the United Kingdom where the FRC has introduced a “Stewardship Code” and in Canada where the Canadian Coalition for Good Governance (CCGG) recently published its “2010 Principles for Governance Monitoring, Voting and Shareholder Engagement”. Many of the principles contained in these “Stewardship Codes” are consistent with how Ontario Teachers’ has historically viewed its duties and obligations as an institutional shareholder. We believe share ownership carries with it important rights and responsibilities, one of which is for shareholders to vote their shares. Ontario Teachers’ takes this responsibility seriously as we have made a commitment to vote every share of every company we own at every meeting of the company's shareholders.

In addition, we document our voting decisions on non-routine items and disclose this information on our web site (www.otpp.com) in advance of the company meeting. When the situation requires, we will contact the investee company directly to discuss the proposal so we can make an informed voting decision and/or try to affect positive change at the company. In the spirit of “eating our own cooking”, we have made a commitment to voluntarily report how our governance activities are consistent with the principles of the stewardship code recently published by the FRC in the United Kingdom. In addition, we have examined our current stewardship practices and have determined they are in accordance with the recent CCGG pronouncement.

Ontario Teachers’ welcomes a dialogue with issuers and we 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 at (416) 730-5307 or corpgovernance@otpp.com.

Yours sincerely,

Neil Petroff
Executive Vice President, Investments and CIO

Wayne Kozun
Senior Vice President, Public Equities