



Proxy Voting Guidelines

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APPROACH TO GUIDELINES

APPROACH TO GUIDELINES

SHAREHOLDER RIGHTS AND PROXY VOTING

OMERS owns shares in numerous publicly traded companies around the world. Share ownership carries with it important rights and responsibilities, including the right to vote shares at company meetings. The proxy vote is an important asset of a pension fund. OMERS has a fiduciary duty to obtain the highest returns for plan beneficiaries within acceptable risk limits. In accordance with its fiduciary duty, OMERS exercises its ownership rights by voting proxies diligently in a manner intended to optimize the long-term value of its investments.

OMERS believes that well-managed companies with strong governance practices will generally contribute positively to long-term investment returns. Conversely, poorly-managed companies with poor governance practices are more likely to increase the risk of a long-term investment.

These proxy voting guidelines are intended to guide OMERS and to assist the directors and management of companies in which we invest, as well as others, to know in advance how we are likely to vote on issues of importance.

BOARD AND MANAGEMENT RESPONSIBILITIES

Corporate governance can be broadly defined as the system by which companies are controlled, directed, and monitored. Within this system, different roles and responsibilities are played by three primary groups: (1) shareholders; (2) directors; and (3) management.

1. Shareholders

Shareholders are the owners of the corporation and elect the directors.

2. Directors

The board of directors are responsible for the overall stewardship of the corporation. The board of directors' primary responsibilities are to provide guidance and oversight of management. A key way that the board can fulfil its responsibilities is by ensuring that a proper corporate governance structure is in place. The board of directors is accountable to and reports to shareholders.

3. Management

Management is responsible for developing and executing a strategic plan to achieve the corporation's long-term objectives and running the day-to-day business of the corporation. Management is accountable to the board of directors and, indirectly, to the shareholders.

OMERS understands the different roles and responsibilities of these primary players in the corporate governance system. Accordingly, when OMERS exercises its voting rights, it does not seek to manage the companies in which it owns shares. However, OMERS considers its vote an important way in which it can influence management and the board of directors and express its view with the way in which the corporation is being managed and overseen.

VOTING PROCESS

OMERS votes are cast in accordance with these guidelines with the assistance of a proxy voting service provider (RiskMetrics). RiskMetrics provides OMERS with comprehensive global proxy research, voting recommendations, proxy voting capabilities, and corporate governance analytical tools. RiskMetrics research and recommendations also take into consideration the unique nature of corporate governance practices in various countries. OMERS may take into account this research in applying its own guidelines, but generally makes voting decisions independently. If OMERS

APPROACH TO GUIDELINES

disagrees with a recommendation based on our internal considerations and discussions, it will override RiskMetrics recommended vote.

In certain cases, routine decisions are made by RiskMetrics on OMERS behalf. However, contentious issues are reviewed in detail within the context of our guidelines. As appropriate, portfolio managers and research analysts may be consulted to provide input on a proxy voting decision. In some cases, OMERS may contact a company directly to discuss a proposal.

OMERS acknowledges that not every country in which we invest has common governance standards or rules. We recognize that the issues, and our voting decisions, will evolve as markets and circumstances change. OMERS also recognizes that different companies have different circumstances and that it is difficult to take a “one size fits all” approach to corporate governance. For these reasons, OMERS follows a principles-based approach when applying these guidelines. In certain foreign jurisdictions, OMERS may follow RiskMetrics proxy voting guidelines and RiskMetrics will vote on OMERS behalf.

OMERS takes its responsibility to vote proxies seriously and uses its best efforts to exercise this right in all cases. However, in some circumstances it may be impractical or impossible for us to vote. Such circumstances include when we have securities on loan to a third party and it is impractical to recall the securities for the vote. Also, in international markets where share blocking applies, we may not vote due to liquidity constraints. OMERS posts monthly reports on how it voted in the Canadian and US markets on its website (www.omers.com).

APPROACH TO GUIDELINES

These proxy voting guidelines contain general statements about how OMERS is likely to vote on an issue. These are not completely rigid positions, and we may consider extenuating circumstances that might call for a different vote than a specific guideline suggests. This may include taking into account different regulatory or corporate governance regimes and customary practices in different jurisdictions. In such circumstances, we consider the proposal on a case-by-case basis.

Our guidelines are sub-divided under the following five broad categories and explain the rationale behind the voting recommendations:

1. Board of Directors
2. Executive and Director Compensation
3. Takeover Protection
4. Shareholder Rights
5. Environmental, Social and Governance

1. *Boards of Directors*

The Board of Directors is responsible for providing stewardship and oversight of management and operations of the company and has a duty to act in the best interests of the corporation. Fulfilling this duty will ensure that the company is managed in the best interests of shareholders.

Its key responsibilities include:

- Keeping the right management team in place
- Approving corporate direction and strategy
- Monitoring how management is operating the business

APPROACH TO GUIDELINES

To fulfill its responsibilities, boards must be in a position to challenge management's plans and recommendations in a constructive manner while evaluating execution and results objectively. OMERS guidelines relating to boards of directors have been designed to encourage effective and independent boards.

2. *Executive and Director Compensation*

OMERS is not opposed to management receiving market competitive salaries and incentives so that management remains engaged and focused on the best interests of the corporation. However, executive compensation should be reasonable, performance-based and structured in a manner that aligns management with the long-term interests of shareholders. OMERS expects that a completely independent Compensation Committee will evaluate whether the compensation package is properly structured to enhance shareholder value.

3. *Takeover Protection*

Certain takeover protection measures can be detrimental to the long-term interests of shareholders. OMERS distinguishes between “new style” shareholders’ rights agreements which may genuinely benefit shareholders and “old style” poison pills which can limit shareholders’ returns by acting as an anti-takeover device.

4. *Shareholder Rights*

OMERS believes that shareholder rights, including the right to vote at shareholder meetings, are an important component of share ownership. Certain structures or proposals have the ability to detract from shareholder rights. OMERS will generally oppose structures or proposals that attempt to limit or subordinate the rights of shareholders. Examples of proposals that could potentially limit shareholder rights include dual-class share structures, super-majority voting rights, linked proposals and blank-cheque preferred shares.

5. *Environmental, Social and Governance*

OMERS believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights and the communities in which they do business and that these actions contribute to long-term financial performance. Corporations should account for their behaviour and its implications for the creation of value. OMERS supports the view that companies should maintain policies and procedures with respect to environmental, social, and governance issues that materially affect long-term shareholder value. These policies should be an integral part of the overall management of a company.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Board Size

Guideline

OMERS supports a board size that leads to effective board decision-making and governance. The board should be large enough to provide expertise and diversity, and allow key committees to be staffed with independent directors, but small enough to encourage active participation of all members. In general, we will not ordinarily vote against director candidates simply because the size of the board is questionable. We may do so, however, if corporate performance or other corporate governance issues, over a suitable time frame is unsatisfactory.

Discussion

The board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business.

Board size directly impacts the board's effectiveness. Board effectiveness in turn may impact shareholder value. Board size should not be too large to be cumbersome, but large enough to allow it to discharge its responsibilities. The board's top priority should be to ensure that it has enough competent and independent members, regardless of size.

BOARD OF DIRECTORS

Election of Directors

Guideline

OMERS supports the election of directors individually rather than as a slate. OMERS also supports the establishment of a majority-vote standard for the election of directors. However, we will not generally vote against the proposed director nominees simply because these standards are not met.

Discussion

Directors should be elected on a candidate-by-candidate basis rather than as a slate because the latter approach deprives shareholders of the right to withhold votes from (or vote against in some jurisdictions) nominees on an individual basis. OMERS also prefers that companies adopt a majority-vote standard for the election of directors, meaning that directors are elected by a majority of votes cast by shareholders. Where plurality voting is required by law, OMERS encourages boards to adopt director resignation policies asking that directors tender their resignations if the number of votes withheld from or cast against the nominee exceeds the votes for the nominee. However, an exception should apply in cases of contested elections, where there are more director nominees than board seats. In these cases, the plurality vote standard is more appropriate in order to avoid a situation where no candidates win a majority of the votes cast.

BOARD OF DIRECTORS

Board Committees

Guideline

OMERS supports fully independent board committees. We may withhold votes from those non-independent directors who are also members or proposed members of the Audit, Compensation or Nominating/Corporate Governance Committees, taking into consideration corporate performance and governance practices over a suitable timeframe.

Discussion

OMERS believes that strong, fully independent Audit, Compensation, and Nominating/Corporate Governance Committees are essential to building sound corporate governance practices and to enhancing long-term shareholder value.

OMERS supports the following principles regarding board committees:

- Appointments to committees should not be made by the CEO;
- Each committee should have a written charter that specifies its roles and responsibilities and the charter should be publicly disclosed;
- Succession at board and CEO levels should be managed by a committee such as the Nominating/Corporate Governance Committee; and
- Committees should have the right to retain the services of independent advisors, and are encouraged to disclose the identity of these advisors and the nature of the services performed.

BOARD OF DIRECTORS

Separation of Chair and CEO

Guideline

OMERS supports the separation of the roles of Chair of the board and CEO. If one person is Chair and CEO, it is difficult for the board to hold management accountable.

Discussion

A separation between management and the board of a corporation is essential for effective board oversight of management. The board is responsible for recruiting, rewarding and, if necessary, terminating the CEO. These responsibilities put a combined Chair/CEO in a difficult position when heading the body that is responsible for overseeing management.

In cases where industry practice is to have the two roles combined, an independent director should be appointed as Lead Director and be sufficiently empowered so as to counterbalance the influence of the joint position. The role of the Lead Director is to be the principal spokesperson for the independent directors and the leading advocate for the interests of non-management shareholders. This role is especially important in instances where the interests of management and non-management shareholders differ significantly.

OMERS applies its policy flexibly under certain circumstances such as in the case of new, small or recently reorganized corporations. However, we would expect these companies to evolve and enhance the governance practices of the corporation over time as the corporation and its resources grow.

BOARD OF DIRECTORS

Staggered (Classified) Boards

Guideline

OMERS prefers an annual election of all directors. We generally will not support proposals that provide staggered terms for board members. We will support resolutions to declassify corporate boards.

Discussion

With a staggered or classified board, directors are elected in two or more classes and serve for terms of more than one year. In certain circumstances, staggered boards can provide for continuity and leadership security. However, they may also make it difficult for shareholders to replace individual directors during periods of deteriorating company or board performance.

When a proposal to adopt staggered terms for directors has been previously approved by a vote of shareholders, OMERS generally will support the directors who are standing for staggered terms provided they are properly qualified.

BOARD OF DIRECTORS

Diversity, Qualifications and Industry Experience

Guideline

OMERS supports director nominees with the appropriate qualifications, experience and availability to properly fulfill their duties. OMERS supports the implementation of processes for evaluating and improving board and board committee effectiveness. OMERS may withhold votes from directors where there may be governance concerns, such as poor attendance or lack of adequate independence.

Discussion

A strong board composed of qualified directors should enhance corporate performance. The board's process for identifying, recruiting, nominating, appointing, and orienting and assessing directors is critical to ensuring the appropriate qualifications of the board.

The Nominating/Governance Committee should establish a policy for selecting qualified candidates, proposing new nominees to the board, and assessing directors on an ongoing basis.

OMERS encourages the adoption of an annual self-assessment process for the entire board of directors as well as its committees. OMERS encourages these assessments to be disclosed, as well as attendance records and the number of other boards on which each director is active. This allows shareholders to assess for themselves the commitment of each board member. OMERS may not support directors who attend less than three-quarters of all board and committee meetings. While directors benefit from their exposure to other company boards, the number of outside commitments should be limited to ensure their obligations to the board can be properly managed.

BOARD OF DIRECTORS

Director Independence

Guideline

OMERS supports boards that have a majority of independent directors. We may withhold votes in cases where board independence appears to be compromised.

Discussion

A board with a majority of independent directors is better positioned to critically evaluate management and corporate performance. A board's independence is best maintained if the majority of the directors are independent and have no direct material relationship with the corporation other than board membership and appropriate holdings in the corporation.

Independent directors include directors who are independent of management and are free of any interest or business relationship which could materially interfere with the director's ability to act in the best interests of the corporation, other than interests and relationships arising from being a shareholder. Directors who are not independent are less likely to hold management accountable if they depend on the corporation for fee income or other considerations.

Board independence may also be impeded through "interlocking directorships" where the CEO or board members sit on each other's boards. OMERS prefers that the corporation disclose the identity of each corporation where an interlocking relationship exists for each member of the board and/or the CEO.

BOARD OF DIRECTORS

Cumulative Voting

Guideline

OMERS reviews cumulative voting resolutions on a case-by-case basis, and will support proposals that ensure an independent voice on an otherwise unresponsive board.

Discussion

Cumulative voting entitles shareholders to as many votes as the number of shares they own multiplied by the number of directors to be elected. Cumulative voting permits board representation to shareholders who have minority ownership, ensuring an independent voice at the boardroom table. However, this also allows for the possibility that a minority of shareholders could unduly influence the corporation. Accordingly, OMERS reviews cumulative voting resolutions on a case-by-case basis. In cases where the board is unresponsive to shareholder concerns, OMERS will generally support cumulative voting resolutions. OMERS will not support cumulative voting resolutions where the resolution appears to favour a special interest group rather than the welfare of all shareholders.

BOARD OF DIRECTORS

Director Liability

Guideline

OMERS supports proposals that limit directors' liability and provide indemnification provided that directors have acted honestly and in good faith with a view to the best interests of the corporation.

Discussion

Limitations on directors' liability can benefit the corporation and its shareholders by facilitating the attraction and retention of qualified directors while affording recourse to shareholders in areas of misconduct by directors. Consequently, in order to encourage the nomination of able directors, OMERS believes that an appropriate indemnification policy is warranted. However, these policies should be limited to the director acting honestly and in good faith with a view to the best interests of the corporation and limited to the director having reasonable grounds for believing the conduct was lawful.

BOARD OF DIRECTORS

Quorum Requirements

Guideline

OMERS will review proposals to change quorum requirements on a case-by-case basis. OMERS generally will not support reductions of quorum requirements below 25%.

Discussion

Quorum requirements refer to the minimum number of shares and/or persons required to be present, in person or by proxy, so that business can be carried out at a meeting. Quorum requirements should be set at a reasonable level so that there is a sufficiently broad indication of shareholders' approval for the business conducted at the meeting. However, OMERS acknowledges that in certain cases a corporation may have difficulty achieving quorum. Accordingly, OMERS will review these proposals on a case-by-case basis. OMERS believes that a reasonable quorum requirement is 25% and generally will not support resolutions of quorum requirements below 25%.

BOARD OF DIRECTORS

Independent Auditors

Guideline

OMERS generally will support the choice of auditors recommended by the corporation's directors, or more specifically, by the Audit Committee. However, we generally will not support the ratification of auditors when non-audit fees are greater than audit-related fees. We will support enhanced disclosure of all audit-related and non-audit related fees and services paid to auditors.

Discussion

OMERS believes that external auditors should maintain their independence. Accordingly, OMERS will consider disclosure of non-audit fees versus audit-related fees to determine if non-audit fees are excessive. 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 it appears that its independence has been compromised.

EXECUTIVE AND DIRECTOR COMPENSATION

EXECUTIVE AND DIRECTOR COMPENSATION

Equity Compensation

Guideline

OMERS will assess equity compensation plans on a case-by-case basis. We will review the features of each plan together with the other aspects of total compensation, and after considering each of the issues, determine whether the plan on the whole is reasonable.

Discussion

OMERS supports transparent, reasonable and appropriately structured equity compensation plans that reward superior performance over the long-term. Executives should be encouraged to build equity in the corporation to align their interests with those of shareholders.

When reviewing equity compensation plans, we consider the following principles:

- Compensation plans should properly measure and reward performance;
- Performance should be based on measurable risk adjusted criteria, and be structured to account for the time horizon of risk;
- Corporations should promote transparency and accountability in the process of setting compensation; and
- Boards are expected to show moderation in their compensation practices.

The following points clarify our views on various aspects of equity compensation:

Board Discretion: OMERS will not support plans that give the board broad discretion in setting the terms and conditions of programs. Shareholder approval should be required when equity-based plans are instituted and when corporations seek to amend an existing plan's material terms and conditions, including eligible participants, dilution, price, or expiry terms.

Cost: OMERS will support plans whose costs are reasonable in the context of compensation as a whole and relative to its peers.

Change of Control: OMERS generally will support stock option plans with change of control provisions if the provisions do not allow option holders to receive more for their options than shareholders would receive for their shares. OMERS will not support plans with change of control provisions if the provisions allow all equity compensation to automatically vest upon a change of control. We will not support change of control provisions developed in the midst of a takeover fight that appear designed specifically to entrench management. We will not support severance arrangements or "golden parachutes" given to departing executives that are excessive or that are triggered solely by a change of control. Payment of reasonable severance compensation may be justified when job loss or significant demotion occurs, but these payments should be triggered only when both a change of control and termination of employment or demotion occurs.

Concentration: OMERS will not support plans that authorize the allocation of 20% or more of the available equity incentives in any given year to a single individual.

Dilution: OMERS will generally support equity incentive plans if total potential dilution does not exceed 10%, and grants of options or the so-called "burn rate" is less than 2% per annum. We will review, on a case-by-case basis, equity incentive plans that provide for total potential dilution exceeding 10%, or where the "burn rate" exceeds 2% on an annual basis.

EXECUTIVE AND DIRECTOR COMPENSATION

Employee Loans: OMERS will not support the corporation making loans to employees to allow employees to pay for equity compensation. Executives seeking to borrow to buy equities under equity compensation plans should be required to obtain credit from more conventional sources at market rates.

Employee Share Purchase Plans: OMERS will support employee share purchase plans as a means of aligning employee interests with those of shareholders. We will generally approve employee share purchase plans where the purchase price is at least 80% of fair market value and the total potential dilution is less than 10%.

Fixed Number of Shares: OMERS generally will not support plans that do not express as a fixed number the maximum number of shares that can be subject to options or other forms of equity compensation.

Expiry: OMERS generally will support plans whose equity incentives have a life of less 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. OMERS will not support “evergreen” or “reload” option plans.

Omnibus Plans: Omnibus plans generally refer to equity plans in which several equity awards may be granted under one plan. OMERS is opposed to the form of omnibus plans as it believes shareholders should be able to vote on each aspect of a plan, rather than be forced to consider a “take-all” approach. Accordingly, OMERS prefers that corporations establish separate plans for each award that can be considered and voted on separately. However, when considering an omnibus plan, OMERS will generally assess all aspects of the plan and make a determination as to whether the plan meets our voting guidelines. Where any one aspect does not meet our voting guidelines we generally will not support the entire omnibus plan. In certain circumstances, where an omnibus plan, when viewed as a whole, appears to meet our voting guidelines, we may exercise discretion to support the plan.

Price: OMERS generally will not support plans whose underlying securities are to be issued at a value that is less than 100% of the current market value at the date of the grant.

Re-pricing: OMERS 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 would, directly or indirectly, reduce the exercise price of incentives already granted.

Vesting: OMERS will support plans that have reasonable vesting periods. We will support plans that link the granting of equity incentives, or the vesting of equity incentives previously granted, to specific performance targets. We generally will not support plans that are 100% vested when granted.

EXECUTIVE AND DIRECTOR COMPENSATION

Non-Executive Director Compensation

Guideline

OMERS will not support compensation, benefits or perquisites for non-executive directors that are normally reserved for employees of a corporation. OMERS will support non-executive director compensation that reflects the expertise, responsibilities and time commitment expected from directors and that aligns their interests with those of long-term shareholders.

Discussion

OMERS supports non-executive director compensation that aligns non-executive directors' interests with those of long-term shareholders. We believe that non-executive director compensation should generally be a combination of a cash retainer and share awards. OMERS believes that a key objective in formulating non-executive director compensation programs should be the alignment of interests through the attainment of significant equity holdings in the corporation meaningful to each individual director. OMERS believes that equity obtained with an individual's own capital provides the best alignment of interests with shareholders. However, we recognize that compensation plans can provide a supplemental means of obtaining long-term equity holdings. OMERS encourages the establishment of specified ownership requirements for non-executive directors that permits a reasonable period of time for directors to meet these requirements. OMERS also encourages corporations to adopt holding requirements that require non-executive directors to retain a significant portion of equity grants.

Non-executive directors are elected representatives of shareholders and are not company employees. Accordingly, OMERS generally will not support non-executive director compensation that is performance-based and generally will not support stock option plans for directors. Performance-based compensation for non-executive directors could have the potential to conflict with their primary role as independent representatives of shareholders. In addition, aside from appropriate meeting related expenses, non-executive directors should also not be offered benefits or perquisites normally provided to employees such as health or life insurance, retirement benefits or special post-retirement perquisites.

EXECUTIVE AND DIRECTOR COMPENSATION

Advisory Vote on Executive Compensation (Say-on-Pay)

Guideline

In certain jurisdictions, advisory votes on executive compensation are mandated by law. In other jurisdictions, advisory votes are not mandatory but have been adopted by corporations voluntarily or through shareholder resolutions. In both cases, OMERS will review these votes or proposals on a case-by-case basis.

Discussion

The inclusion of an advisory vote on executive compensation policies or disclosure in a public company's proxy information circular is also referred to as "say-on-pay." OMERS believes that a thorough review of pay practices is an important duty that boards of directors of corporations should exercise with diligence and care.

Although advisory votes on executive compensation have not been implemented by legislation in Canada, certain corporations have voluntarily agreed to these votes. The Canadian Coalition for Good Governance (CCGG) has recommended that boards voluntarily add to each annual meeting agenda an advisory shareholder resolution on the corporation's report on executive compensation. Further, the CCGG has proposed a framework for "say-on-pay" advisory votes summarized as follows:

- shareholders be asked to consider an annual non-binding advisory vote;
- the resolution provides that the vote is not intended to diminish the role and responsibilities of the board of directors;
- the resolution provides that shareholders accept the approach to executive compensation disclosed in the company's information circular;
- approval of the resolution requires an affirmative vote of a majority of the votes cast at the annual meeting of shareholders;
- the corporation will disclose the results of the advisory vote as part of its report on vote results for the meeting;
- if a significant number of shareholders oppose the resolution, the board will consult with its shareholders and disclose a summary of the comments received in the engagement process and any planned changes to compensation plans.

OMERS participates as a member of the CCGG and supports the suggested approach to advisory votes on executive compensation outlined above. OMERS recognizes that there are alternative methods available to shareholders that permit them to express concerns surrounding executive compensation, such as voting against directors, particularly Compensation Committee members. Shareholders also have the ability to consider certain compensation issues independently, such as votes relating to a corporation's option plan.

OMERS recognizes that various jurisdictions approach advisory votes on executive compensation differently. In cases where corporations are required to hold, or have voluntarily adopted, an advisory vote on executive compensation, we will evaluate the executive compensation policy or report on a case-by-case basis taking into consideration the following compensation principles and practices:

- Pay-for-performance alignment, with an emphasis on long-term shareholder value;
- Avoid arrangements that risk "pay for failure";
- Independent and effective compensation committee;

EXECUTIVE AND DIRECTOR COMPENSATION

- Clear, comprehensive compensation disclosures; and
- Avoidance of inappropriate pay to non-executive directors.

When an advisory vote is not required by legislation, but is being proposed by way of shareholder proposal or resolution, OMERS will generally follow a case-by-case approach. In circumstances where a proposed advisory vote follows the suggested CCGG approach outlined above or when our compensation principles do not appear to be met, OMERS generally will support an advisory vote on executive compensation.

TAKEOVER PROTECTION

TAKEOVER PROTECTION

Shareholder Rights Plans

Guideline

OMERS will consider the approval or ratification of shareholder rights plans on a case-by-case basis. OMERS supports shareholder rights plans that permit the board and management to respond to takeover offers in a manner that enhances long-term shareholder value. OMERS generally will not support shareholder rights plans that go beyond trying to ensure the equal treatment of shareholders and allowing the corporation sufficient time to consider alternatives, in the event of a bid.

Discussion

A shareholder rights plan also known as a “poison pill” provides the shareholders of a target corporation with rights to purchase additional shares or to sell shares at very attractive prices, in the event of an unwanted offer for the corporation. These rights, when triggered, impose significant economic penalties on a hostile bidder.

Shareholder rights plans may have the following legitimate purposes: (1) ensuring that all shareholders are treated equally in connection with a change of control of the company; and (2) allowing the board of the target company sufficient time to determine whether there is an alternative to the offer.

In reviewing a shareholder rights plan, we will consider the following:

- the company’s existing governance structure;
- board independence;
- existing takeover defenses; and
- any governance concerns.

OMERS will review shareholder rights plans on a case-by-case basis. We generally will support plans with the following attributes:

- allows for partial bids;
- provides that the minimum bid period is not longer than 60 days;
- does not allow for the redemption of rights without shareholder ratification;
- exempts soft lock-up agreements;
- does not contain exemptions for private placements;
- does not authorize the board to waive the plan’s application unless the plan is waived for all other subsequent bids;
- places a modest limit on the granting of any “break fees”; and
- requires shareholder ratification at least every three years.

TAKEOVER PROTECTION

Crown Jewel Defense

Guideline

OMERS reviews takeover defense transactions on a case-by-case basis. OMERS will not support an anti-takeover measure such as a crown jewel defense unless it is clearly in the best interests of shareholders.

Discussion

A crown jewel defense involves the selling of a corporation's most valuable assets to a friendly third party to thwart an attempted takeover. A crown jewel defense can be used to thwart takeover bids and may result in the sale of assets at less than fair value, both of which are potentially detrimental to the interest of shareholders, and may undermine shareholders' rights to determine a corporation's future course of action.

TAKEOVER PROTECTION

Going Private Transactions, Leveraged Buyouts and Other Purchase Transactions

Guideline

OMERS will review proposed “going private” transactions, leveraged buyouts (LBOs) and other purchase transactions on a case-by-case basis to determine if the proposed transaction is in the best interests of shareholders.

Discussion

A going private transaction has the effect of transforming a public corporation into a private corporation and thereby eliminating the public shareholders. In such a transaction, shareholders sell their equity interest in the corporation at a price offered by another shareholder, who assumes control.

An LBO is a proposal to buy a corporation by a group of buyers that may include management of the corporation. LBO transactions may provide opportunities for shareholders to maximize investment returns. However, such transactions may also have the potential to primarily serve the interests of existing management.

OMERS will consider the following in determining whether or not a proposed transaction is in the best interests of shareholders:

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

TAKEOVER PROTECTION

Lock-Up Arrangements

Guideline

OMERS will support lock-up arrangements that provide a fair initial bid for the corporation and protect shareholder interests. We will not support arrangements that prevent a corporation from developing a competitive bidding process.

Discussion

Lock-up arrangements are agreements by some shareholders to sell their shares to a potential acquiring corporation or shareholder before a formal offer is made to the other shareholders. Potential acquirers seek lock-up arrangements to ensure that a minimum number of shares will be tendered under an offer, which gives the acquirer more deal certainty and discourages other potential bidders.

These agreements are sometimes structured so that shareholders who are party to the transaction are not able to exit the agreement (“hard lock-up”), should a more attractive bid come along. We prefer a “soft lock-up”, where a shareholder has the opportunity to exit the agreement should a more attractive bid materialize. This feature should provide for a competitive bidding process which would ensure that shareholders receive the highest price for their shares.

TAKEOVER PROTECTION

Reincorporation

Guideline

OMERS will support reincorporation proposals in cases where management and the board can demonstrate sound financial or business reasons for the proposal. However, OMERS generally will not support reincorporation proposals that are made as part of an anti-takeover defense or solely to limit directors' liability.

Discussion

Reincorporation involves a proposal to re-establish the corporation in a different legal jurisdiction. There are a number of legitimate reasons why a corporation may want to reincorporate, including a merger agreement, indemnification provisions, or tax savings. However, it is often a tactic used by management to frustrate a potential takeover or to limit director liability or other shareholder rights.

SHAREHOLDER RIGHTS

SHAREHOLDER RIGHTS

Dual-Class Share Structures

Guideline

OMERS will not support the creation of dual-class share structures.

Discussion

Dual-class share structures involve the creation of a second class of common shares with different or unequal voting rights to those of the existing class of shares. These structures may give a group of shareholders, such as the founding investors, voting control for a relatively low level of equity ownership. The argument for dual-class shares is that superior voting rights can ensure stability and continuity in ownership and management. However, these structures may entrench management and may lead to the possibility that the corporation may fail to take action without the true majority of shareholders. These structures undermine the basic principle linking voting to equity ownership on the basis of “one share, one vote”.

While OMERS will 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.

SHAREHOLDER RIGHTS

Super-Majority Voting Rights

Guideline

OMERS will review super-majority proposals on a case-by-case basis. OMERS generally will not support any super-majority voting right that exceeds two thirds (66 $\frac{2}{3}$ %) of the outstanding shares, unless it is in the best interest of shareholders.

Discussion

Super-majority voting rights require a level of shareholder approval above a simple majority. In some circumstances, such as certain fundamental corporate changes or actions, a super-majority approval is appropriate. However, OMERS believes that in these circumstances, a two-thirds (66 $\frac{2}{3}$ %) approval level is sufficient. This vote requirement is reasonable and yet provides sufficient protection against unwarranted invasions on the corporation. This threshold also has some support using corporate law as a precedent.

SHAREHOLDER RIGHTS

Payment of Greenmail

Guideline

OMERS will support proposals that seek to prevent the payment of “greenmail” to a potential undesired bidder for the corporation. We will not support the payment of “greenmail.”

Discussion

Greenmail is the payment from corporate funds of a premium price to selected shareholders (often to an undesired potential bidder for a company in an effort to suspend a threatened takeover) without the opportunity for all shareholders to participate in such a purchase program. Because these purchases are usually done at a price above the then-current market price of the corporation’s shares, there is a transfer of value from the corporation to one shareholder or group of shareholders, placing the remaining shareholders at an economic disadvantage.

Anti-greenmail resolutions generally require shareholder approval of a major share repurchase at prices that exceed the market, unless the same purchase price is offered to all of the corporation’s owners.

SHAREHOLDER RIGHTS

Linked Proposals

Guideline

OMERS generally will not support linked or bundled proposals except in cases where each individual issue is in the best interests of shareholders.

Discussion

In certain cases, shareholders are presented with linked proposals which are resolutions that link two or more issues together. These proposals can be a way to force shareholders to approve an issue that they would otherwise not approve if presented separately. OMERS believes that shareholders should have the opportunity to vote on each issue separately and therefore these types of resolutions should generally be discouraged.

SHAREHOLDER RIGHTS

Authorized Shares

Guideline

OMERS generally will support fixed increases in authorized shares of up to 25%. OMERS will review increases in authorized shares of greater than 25% on a case-by-case basis.

Discussion

OMERS believes that shareholders should have the opportunity to approve the issuance of shares. When corporations request that shareholders approve an increase in the number of common shares available or “authorized” for issuance, the increase should serve a legitimate business purpose.

OMERS generally will support proposals for the authorization of additional shares provided the amount requested is necessary for sound business reasons.

SHAREHOLDER RIGHTS

New Share Issues

Guideline

OMERS will review proposals for new share issues on a case-by-case basis.

Discussion

Corporations may seek shareholder approval to issue a specific number of shares for an explicit business purpose or to obtain flexibility to meet changing competitive and economic conditions.

Despite the increased flexibility an additional issuance of shares may provide the corporation, there can also be a dilutive effect on shareholders. Consequently, OMERS prefers issuance proposals that have pre-emptive rights attached. Pre-emptive rights allow existing shareholders to maintain their share ownership level and to ensure that new issues do not dilute current shareholders' ownership.

OMERS will support new share issues that are in the best interests of shareholders and the amount requested is clearly disclosed and for sound business reasons.

SHAREHOLDER RIGHTS

Blank-Cheque Preferred Shares

Guideline

OMERS generally will not support either the authorization of, or an increase in, blank-cheque preferred shares, unless the proposal is in the best interests of shareholders.

Discussion

Blank-cheque preferred shares usually carry a preference as to dividends, rank ahead of common shares upon liquidation, and give a board broad discretion to establish voting, dividend, conversion and other rights in respect of these shares.

Blank-cheque preferred shares may provide corporations with the flexibility needed to meet changing financial conditions. However, since the rights have not been defined, shareholders may not fully understand how the rights attached to blank-cheque preferred shares may impact other classes of shares.

SHAREHOLDER RIGHTS

Share Buybacks and Dividends

Guideline

OMERS will support dividend and share buyback resolutions on a case-by-case basis.

Discussion

Share buybacks can enhance long-term shareholder value by reducing the number of shares outstanding or by providing support to share prices. However, buybacks also have the potential to inflate the value of option-driven compensation. OMERS will not support the implementation of share buyback programs that do not have sufficient disclosure regarding the number of shares which may be repurchased or reasonable purchase price limits.

OMERS supports corporate dividend payout guidelines that are in line with expected long-term earnings growth. OMERS expects a reasonable dividend payout from mature companies with a steady, reliable profit stream. In the case of growth companies or companies that require heavy capital outlays, OMERS understands that long-term shareholder value may be created from retaining cash to invest in the business or in acquisitions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Guideline

OMERS will review environmental, social, and governance (ESG) proposals on a case-by-case basis. OMERS generally will support proposals that request the reasonable disclosure of information or development of policies related to ESG factors. OMERS will not support proposals that are overly prescriptive, duplicate existing practices or disclosure, or detract from shareholder value.

Discussion

OMERS believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long-term financial performance. OMERS believes that the effective management of the risks associated with environmental, social, and governance matters are an important part of the creation of long-term shareholder value.

OMERS supports the view that companies should publish and update their policies and procedures with respect to ESG issues that materially affect long-term shareholder value. These policies should be an integral part of the overall management of a company. Accordingly, OMERS encourages companies to develop policies and practices to address issues of social responsibility that are relevant to their businesses, including:

- the environmental impact of the corporation's products and operations;
- the impact of the corporation's strategies and decisions on the communities and constituencies directly affected by its products and operations; and
- human rights and work standards in their operations.

OMERS will assess the disclosure of the impact of ESG issues on investment risks and may engage with corporations who in our view could improve the quality of their disclosures.

OMERS believes that it is prudent to apply a principles-based approach to corporate responsibility given the extensive list of social and environmental challenges that companies may face, including climate change, human rights, political contributions and workforce diversity. Accordingly, OMERS reviews shareholder proposals related to ESG factors on a case-by-case basis. OMERS generally supports shareholder resolutions that encourage the disclosure of ESG factors which assist investors in assessing the extent to which corporate decisions may contribute to or detract from long-term shareholder value.