



CPP
INVESTMENT
BOARD

Proxy Voting Principles and Guidelines

February 12, 2009

Table of Contents

Introduction	1
Proxy Voting and Corporate Governance	1
Board and Management Responsibilities	1
Long-Term Perspective	1
Responsible Investing	2
How Shares are Voted	2
Owner Voting Rights	2
Disclosure of Shareholder Votes	2
Respect for Shareholder Views	3
Super-majority	3
Shareholder Proposals	3
Linked Proposals	3
Board of Directors	4
Independence	4
Director Qualifications	4
Separate Voting vs. "Slate" Voting	4
Cumulative Voting for Directors	4
Staggered Boards	5
Director Elections	5
Proxy Access	5
Maintaining Effective Boards	5
Term of Office/Age Limits	6
Attendance	6
In-Camera Meetings	6
Separation of Chair and Chief Executive Officer	6
Board Committees	6
Board Committee Accountability	7
Directors Liability and Indemnification	7
Independent Advisors	7
Compensation	7
Director Fees	7
Director Share Ownership	7
Director Stock Options	8
Disclosure of Director Compensation and Share Ownership	8
CEO Compensation and Performance Review	8
Equity-Based Compensation Plans	8
Executive Share Ownership	9
Disclosure of Senior Executive Compensation and Share Ownership	9
Loans to Management and Directors	10
Employee Stock Purchase Plans	10
Advisory Vote on Executive Compensation	10

Recoupment (Claw-Back) Policies	11
Supplemental Executive Retirement Plans (SERPs)	11
The Audit Function	11
Capital Structure	11
Increase in Authorized Shares	11
Dual-Class Share Structures	12
Pre-emptive Rights, Private Placements, Dividend Policy and Share Buybacks	12
Takeover Protection	12
Responsible Investing	12
Disclosure on Environmental, Social and Governance (ESG) Factors	12
Standards and Guidelines of Business Conduct.....	13

Introduction

Proxy Voting and Corporate Governance

We believe that good corporate governance enhances long-term shareholder value. Proxy voting is one component of the corporate governance process, enabling shareholders to express their views on a variety of issues. Shareholders can, of course, influence companies in other ways, such as direct contact with boards and management. In addition, shareholders can work on governance issues in concert with other investors, as we do through the Canadian Coalition on Good Governance.¹

These proxy voting principles and guidelines have two purposes: (i) to give the directors and officers of companies in which we own shares guidance on how the CPP Investment Board is likely to vote on issues put to the shareholders; and (ii) to communicate our views on other important issues that boards will deal with in the normal course of business.

We stress that these are guidelines, not rigid rules, and we will respond to specific issues on a company-by-company basis. We recognize that there are often shades of grey that even the most well thought out guidelines cannot contemplate. In these situations, we would be pleased to hear from a company or director and have set up a special e-mail address, proxyvote@cppib.ca, for that purpose.

Board and Management Responsibilities

In exercising voting rights, we do not seek to manage the companies in which the CPP Investment Board owns shares. We accept the division of authority and responsibilities among the triad of interests that is the core of corporate governance -- owners, directors and managers -- based on the following premises:

- i. the shareholders own the company;
- ii. the interests of shareholders are best expressed through the board of directors, which provides management oversight and performance review;
- iii. management works for the shareholders; and
- iv. management reports to the board of directors (and ultimately the shareholders) through the chief executive officer.

Generally, we support resolutions that empower boards of directors on behalf of the shareholders and reaffirm management accountability.

Long-Term Perspective

The CPP Investment Board is a long-term investor, consistent with the long-term needs of the Canada Pension Plan. With billions of dollars committed to equity ownership, we cannot (nor do we choose to) walk away from companies by selling our shares every time we disagree with a position taken by management.

Good boards and management teams understand that they can best serve the corporation by taking a long-term view of its best interests and those of the shareholders. As an owner, we accept responsibility for encouraging companies to adopt policies and practices that enhance long-term shareholder value.

¹ Information on the Coalition's mandate, membership and governance can be found at www.ccgq.ca

We oppose resolutions that are likely to diminish long-term shareholder value even though they may produce short-term gains. It is profit growth that ultimately drives returns on equities. Management's priority should be to enhance sustainable long-term profitability.

Responsible Investing

We believe that responsible corporate behaviour with respect to environmental, social and governance (ESG) factors can generally have a positive influence on long-term financial performance. Our *Policy on Responsible Investing* sets out the principles of our approach to responsible investing and is available on our website (www.cppib.ca). Proxy voting is a key element in our approach to responsible investing.

How Shares are Voted

Our votes are cast in accordance with these guidelines by the ISS Governance Services division of RiskMetrics Group (ISS). ISS provides global proxy research, proxy voting and vote disclosure services and corporate governance analytical tools to institutional investors. ISS provides us with comprehensive global proxy research, applies our guidelines to their research and makes a voting recommendation on every matter on which we are entitled to vote. In situations that are not covered by these guidelines, ISS makes recommendations based on their global proxy voting policies. ISS global research and recommendations take into consideration the unique nature of the corporate governance systems in each country. We review the research and recommendation provided by ISS and if we disagree with the recommendation the vote is changed. ISS then processes the votes electronically on our behalf. As noted above, we would be happy to listen to those who would like us to consider their position or circumstances.

We take our responsibility to exercise our votes very seriously and use our 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 loaned securities to a third party and it is impractical to recall the securities for the vote. As well, in international markets where share blocking² applies we typically will not vote due to liquidity constraints.

Each month, we receive detailed reports from ISS on all proxies voted. In addition, we post how we voted on our website (www.cppib.ca).

OWNER VOTING RIGHTS

Disclosure of Shareholder Votes

We believe that corporations should practice greater disclosure with respect to proxy voting, while providing confidentiality to individual shareholders. We urge companies to retain a third party service to verify votes.

In order to improve disclosure, the votes cast for, against or withheld as well as the percentage of eligible votes cast should be tabulated and announced at shareholder meetings. The detailed results of such votes should be disclosed to the public, where applicable filed and made available on the company's website as soon as possible following shareholders' meetings.

Guideline: In all cases, companies should disclose the percentage of eligible votes cast and the results of shareholder votes, including votes cast by proxy, immediately after votes are counted on each resolution.

² Shares blocking is a mechanism used by certain European countries whereby shares are frozen and may not be traded for a specified period of time prior to a meeting of shareholders. Share blocking is intended to facilitate the voting process, however, it also imposes constraints as a pending trade may fail if it settles during the blocked period.

Respect for Shareholder Views

The disclosure of formal votes will assist corporate owners in understanding the magnitude of support and opposition that exists for various efforts to change corporate governance practices. It will also encourage corporate boards to pay attention to issues that receive a majority of votes or substantial minority support.

Although in most cases boards have no legal obligation to, they should consider implementation of resolutions that receive majority shareholder support in the context of their overall fiduciary obligations to all shareholders. There should be reasons for lack of implementation and boards should explain why such resolutions were not implemented no later than the next shareholders' meeting.

Guideline: Where a resolution receives majority shareholder support, the board of directors should report back within a reasonable time, not later than the next annual shareholders' meeting, on the action taken or explain why no action was taken.

Super-majority

We oppose any attempt to create inequality among shareholders or to constrain minority shareholder rights.

Some companies require a vote of two thirds or more of the outstanding shares to approve a resolution instead of the simple majority required by Canadian corporate statutes to approve an ordinary resolution or the two-thirds approval required for specified material matters (i.e. fundamental changes). Generally, such super-majority voting requirements are favoured by dominant or controlling shareholders to strengthen their position at the expense of minority shareholders.

Guideline: Oppose super-majority voting requirements.

Shareholder Proposals

We can and do support shareholder proposals. We review shareholder proposals on a case-by-case basis and would be pleased to hear from shareholders to discuss any proposals.

We will support proposals that are likely to enhance long-term profitability, reduce risk to long-term profitability or improve disclosure reasonably necessary to enable investors to assess the investment risk. Support of proposals is weighed against the likely adverse impact that approval would have on a company's operations. We do not support proposals that are designed to diminish the power of the board of directors of a company or place arbitrary or artificial constraints on the company.

Guideline: Review shareholder proposals on a case-by-case basis.

Linked Proposals

Companies and shareholders sometimes link two or more unrelated proposals in one resolution in the hope that a proposal popular with shareholders will force them to approve proposals that they would likely oppose if voted on separately.

Guideline: Support linked proposals only if supportive of all proposals individually.

BOARD OF DIRECTORS

Independence

The cornerstone of effective corporate governance is that boards are required to act in the best interests of all shareholders. This can best be achieved in part by ensuring that the majority of directors are independent of management.

A director is independent if he or she has no direct or indirect material relationship with the company. A material relationship is a relationship which could, in the view of the company's board of directors, reasonably be expected to interfere with the exercise of an individual's independent judgment. In other words, the individual's judgment is not compromised by other loyalties in serving the best interests of all shareholders.

Having a majority of independent directors can be a challenge in a company where the founders, either as business partners or a family, are senior managers and shareholders. However, in our view, any company that is publicly traded should have a majority of independent directors.

Guideline: Support election of boards that contain a majority of independent directors.

Director Qualifications

The experience and character of directors is of utmost importance. The board as a whole must have general business acumen (including specific qualifications in finance, accounting and governance matters) and knowledge of the company's particular economic sector.

Considering the increased oversight and regulatory demands facing board members, it is important that directors are not overextended to the extent that they jeopardize their ability to serve as effective representatives of shareholders. While directors benefit from their exposure to other company boards, the time demands limit the number of outside commitments they can manage without compromising their effectiveness.

Guidelines: Support disclosure of the company's qualifications and standards for directors. Support disclosure of the business and professional credentials of each director as they relate to effective oversight of the company's business and strategy. As well, support disclosure of how the board as a whole has the necessary experience and qualifications to fulfill its duties. We will question companies that have directors sitting on more than six public company boards or CEOs sitting on more than two public company boards.

Separate Voting vs. "Slate" Voting

Shareholders should have the opportunity to vote for or against each director separately, rather than simply responding to a slate of directors recommended by the company.

Guideline: Support process whereby directors are elected individually.

Cumulative Voting for Directors

Cumulative voting enables a shareholder to cast all votes for a board of directors in favour of one nominee. It is intended to give board representation to shareholders who have minority ownership.

Guidelines: We will examine cumulative proposals on a case-by-case basis. We may support cumulative voting resolutions where the board has been unresponsive to shareholder concerns.

Staggered Boards

A company's by-laws may provide for the staggered election of directors with, for example, one-third standing for election every three years. Staggered boards can provide for continuity and leadership security. They also make it more difficult to replace directors and it is not possible to replace the entire board at once.

Guidelines: Support staggered boards where nominees are elected individually and may be removed by a simple majority vote. Oppose staggered boards where nominees are presented as a slate. Support simple majority thresholds for removing directors.

Director Elections

Companies should adopt a majority vote standard for the election of directors. Shareholders should have the opportunity to vote 'against' a director. If a nominee does not receive support of a majority of the votes cast the director should not be elected.

An exemption to the majority vote standard 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. If no candidates win a majority the incumbent directors would continue to serve until new directors were found, thus creating a form of takeover defense for the management nominees. While the risks of these types of scenarios are small, they do exist.

A number of companies have adopted formal corporate governance policies regarding the election of directors providing an alternative to the majority voting standard. These typically provide for the resignation of a director who does not receive support of a majority of votes cast. These policies will be considered and may result in a vote 'against' a proposal for a majority vote standard if determined that a particular adopted policy presents a meaningful alternative.

Guideline: Generally support proposals calling for directors to be elected by a majority of votes cast. The proposal should include an exemption for contested election situations.

Proxy Access

Unlike in Canada, shareholders of companies in certain jurisdictions do not have the right to nominate candidates for election to the board of directors in the company's proxy materials and must instead incur the cost of a proxy contest to put forward their candidates. In order to improve board accountability to shareholders in these jurisdictions, we believe that shareholders should have access to a company's proxy materials for purposes of director nominations.

Guideline: Generally support proposals requesting that companies implement a procedure to allow shareholders to nominate candidates for directors in the company's proxy materials subject to sufficient requirements regarding share ownership.

Maintaining Effective Boards

Boards should consider drafting and publishing a charter of expectations for directors. Boards should implement an annual process for evaluating the effectiveness of the board collectively and each member individually. The process should focus on evaluating the need to change board membership to ensure that the board as a whole has the expertise, knowledge, and enthusiasm to represent the interests of shareholders.

Directors who underperform should be asked to step down. Relying on "triggers", such as age or term limits, a director changing his or her principal occupation, or poor meeting attendance, while potentially useful, do not alone constitute a sufficient process for ensuring boards have the strengths essential to provide effective governance and management oversight.

Guideline: Support the implementation of processes for evaluating and improving board and board committee effectiveness.

Term of Office/Age Limits

In our view, any decision to adopt age or term limits for directors should be made by the Board itself. However, as noted under Director Qualifications, we believe that the nominating process should focus on the quality of candidates and what they have to offer, rather than on their age or artificially limiting the time that a director can serve.

Guideline: Oppose shareholder proposals requiring term limits and/or a mandatory retirement age for directors.

Attendance

Given the board's key role in corporate governance and overall responsibility for the company's affairs, it is critical that directors attend virtually all board meetings and the meetings of committees of which they are a member in order to discharge their duty.

Guidelines: Support disclosing each director's board and committee attendance record. Oppose the election of directors who attend less than 75 per cent of such meetings without a valid reason for their absence.

In-Camera Meetings

A good governance practice is for the independent directors to meet before or after every board and board committee meeting without management and non-independent directors present. After each in-camera meeting, the chair should meet with the chief executive officer to advise him or her of any issues identified by the non-management directors.

Guideline: Support in-camera board meetings without management and management directors present.

Separation of Chair and Chief Executive Officer

A key duty of a board is to provide management oversight on behalf of the shareholders. For example, the board is responsible for recruiting, rewarding and, if necessary, terminating the chief executive officer. The duty of management is to manage the company in the best interests of the shareholders. For example, the CEO recruits, rewards, promotes and terminates other members of management within policies and procedures approved by the board.

These different responsibilities warrant different leaders. Consequently, we believe that the board chair should be an independent, non-executive director. If such separation does not exist and is not proposed, or extenuating circumstances make it impractical, and the company otherwise has a strong governance structure, we will support efforts to appoint an independent director as lead director with clearly delineated duties.

Guideline: Support separation of the chair and chief executive officer.

Board Committees

While we recognize that it is the experience and integrity of directors, rather than mere independence from management, that matters, we nonetheless encourage all companies to adopt the practice of having independent directors deal with nomination and compensation issues.

Guidelines: Support compensation and nominating/governance committees having only independent directors as their members. Support formal charters for these committees.

Board Committee Accountability

A good deal of a board's work is done at the committee level, especially concerning audit, nomination and compensation issues. Consequently, we support the notion that the chairs of board committees should personally report at shareholders' meetings.

Guideline: Support audit, compensation and nominating/governance committee chairs reporting personally at shareholder meetings on the activities of their committees.

Directors Liability and Indemnification

Directors should be insured against liability claims.

Guideline: Support liability insurance and indemnification for directors.

Independent Advisors

Companies should have a process for the board, its committees and individual directors to retain independent outside legal and other advisors to assist them with their responsibilities. These costs should be paid by the corporation.

Guideline: Support boards, their committees and individual directors having the right to retain outside advisors.

COMPENSATION

In providing informed oversight of a company's management, independent directors should be fairly compensated for their responsibility, knowledge, expertise and experience, and for their time in preparing for and attending board and committee meetings. The compensation policy for directors should align the interests of directors with those of the shareholders and should be transparent to and easily understood by shareholders.

Management should receive market competitive total compensation and incentives so that it stays focused on serving the long-term interests of shareholders. Determining compensation and incentives that relate to the achievement of financial objectives and other less precisely measurable accomplishments is one of a board's most difficult challenges. An independent compensation committee should review and make recommendations to the board with respect to executive compensation and should have access to independent advice.

Director Fees

We believe that fees for non-executive directors (the annual retainer and per diems for attending each board and committee meeting) should be at a level that makes serving as a director financially worthwhile for qualified individuals.

Guideline: Support director fee levels that reflect the expertise, responsibilities and time commitment expected.

Director Share Ownership

Share ownership has the potential to align the long-term interests of directors with the long-term interests of shareholders. Boards should set a published target for minimum share ownership by directors.

Guidelines: Support minimum level of share holdings by directors. Support stock grants or deferred share units as a portion of director compensation. Support directors being required to hold such share grants or deferred share units for a mandatory period.

Director Stock Options

We do not support the granting of options to directors. We believe that this form of compensation is less effective and efficient than direct share ownership in aligning the interests of directors with those of shareholders.

Guideline: Oppose stock options for directors.

Disclosure of Director Compensation and Share Ownership

It is important that shareholders know the commitment that individual directors have made to the company through share ownership and how share grants fit into the compensation structure for directors.

Guideline: Support detailed disclosure of director compensation and share ownership.

CEO Compensation and Performance Review

The CEO's past performance and future performance expectations, as well as related incentive-based compensation, should be reviewed annually by the board or its compensation committee. Compensation incentives should be aligned with long-term shareholder value creation and should be adjusted to take risk into consideration. It is important that there is some significant relationship between executive compensation and performance. In order to ensure this relationship, compensation should be linked to meaningful performance targets which are disclosed in the company's proxy circular. Corporations should not offer excessive severance packages that reward CEOs when performance objectives have not been met during the term of their employment.

Guidelines: Support a formal process to review the CEO's performance and compensation. Support compensation that is linked to performance (meeting goals set by the compensation committee and approved by the board). In situations where there is a significant disconnect between the compensation awarded to the CEO and company performance, we will consider a number of options including engagement, withholding support from or voting against compensation committee members and/or supporting an advisory vote proposal if one is on the agenda.

Equity-Based Compensation Plans

Equity-based (including options) compensation plans are premised on the fact that they will result in the alignment of the interests of the executives with those of shareholders and thereby motivate the executive to enhance long-term corporate performance. We believe that the granting and vesting of equity-based compensation should be performance-based, with clearly disclosed performance criteria and hurdles that are relevant to long-term value creation for shareholders.

Generally, we believe that properly structured stock-based compensation is superior to option-based compensation plans for three broad reasons:

- it provides better alignment of interests of employees with shareholders (across a wide range of future share prices),
- it is a more efficient form of compensation (in terms of the perceived value received by the executive), and

- it alters the capital structure in a more predictable way (with less potential dilution and more straightforward accounting treatment).

Shareholders should be allowed to vote on all equity-based compensation plans (including option plans) because of the potential dilutive effect on their existing ownership.

Guideline: We will evaluate equity-based compensation plans on a case by case basis. We will generally vote against a plan if any of the following factors apply:

- the total cost of the company's equity-based compensation plans is unreasonable;
- the plan expressly permits the repricing of stock options without prior shareholder approval;
- the three year grant (burn) rate under all plans exceeds the greater of 2% and the mean plus 1 standard deviation of its industry group; or
- the plan is a vehicle for poor pay practices and is not sufficiently performance-based.

Executive Share Ownership

Executives should be required to own a minimum value of shares that is material to the individual's circumstances and to own that minimum while employed by the company and for at least one year after their departure from the company. Executives should have flexibility in liquidating excess holdings for personal use while maintaining a strong long-term alignment with shareholders.

Guideline: Support minimum share ownership that is material in the circumstances.

Disclosure of Senior Executive Compensation and Share Ownership

To help shareholders understand whether senior executives are fairly compensated and how that compensation relates to corporate performance, companies should disclose in the proxy circular the total compensation for each senior executive for whom such disclosure is required under the applicable securities legislation. The disclosure should be in plain English form and should include a detailed explanation of the principles and structures of the company's executive compensation system and the linkage between the pay regime and performance outcome. There should be a detailed discussion of how and why specific compensation decisions were made, including: a discussion of the company's business strategy; disclosure of performance targets, and how they are tied to the compensation paid. A pay for performance analysis should be included with a comparison of performance and compensation to those in the peer industry group used as a reference for the company's compensation decisions.

Every component of the total compensation package, including elements such as dollar amounts for signing bonuses, pension plans, supplemental executive retirement plans, perquisites and severance packages should be identified and discussed in detail so that it is clear how all elements integrate together. The values should be based on recognized actuarial standards and be the same numbers upon which the compensation committee bases its decisions.

Disclosure of the shareholdings of senior executives is also important information for shareholders.

Guideline: Support full disclosure of total senior executive compensation packages and share ownership.

Loans to Management and Directors

We do not support loans to directors or employees unless such lending is the company's normal business and only then if the loans are on normal commercial terms. We do not support loans being secured by company shares or loans granted to purchase shares.

Guidelines: Oppose preferential loans to employees or directors. Oppose loans secured by company shares or granted to purchase company shares.

Employee Stock Purchase Plans

We support employees having the opportunity to acquire shares on favourable terms in the company they work for. We will generally approve employee stock purchase plans where the purchase price is at least 85 per cent of fair market value and the potential dilution is less than 10 per cent. Where their share ownership is subsidized by the existing shareholders, employees should be required to hold shares purchased for an appropriate period.

Guideline: Support employee stock purchase plans, the terms of which align employee interests with creating value for shareholders.

Advisory Vote on Executive Compensation

Given the differences in the current state of executive compensation and its disclosure in Canada and the United States and our relative ability to engage with issuers in the two jurisdictions, we will take a different approach in each country regarding shareholder proposals calling for an advisory vote on executive compensation.

In Canada, we will generally not support proposals requesting an advisory vote on executive compensation. We believe that engagement with selected Canadian issuers on executive compensation is more effective in achieving our goals than requiring an advisory vote. The focus of our engagement is to seek less complexity in compensation packages and clear disclosure of the overall compensation framework, including the linkage between the pay regime and performance outcomes, and all elements of post-retirement benefits and change of control provisions. If a company with which we have engaged has not made progress and we continue to have concerns with its disclosure or compensation practices, we may decide to support a proposal calling for an advisory vote on executive compensation.

In the United States, we will evaluate shareholder proposals requesting an advisory vote on executive compensation on a case-by-case basis taking into consideration the compensation principles and practices outlined below.

Where companies are required to hold or have voluntarily adopted an advisory vote on executive compensation, we will similarly evaluate the compensation policy or report on a case-by-case basis.

Guidelines: In Canada, generally oppose shareholder proposals requesting an advisory vote on executive compensation. In the U.S., review shareholder proposals requesting an advisory vote on a case-by-case basis taking into consideration the following compensation principles and practices:

- pay-for-performance – appropriate alignment with emphasis on long-term shareholder value;
- independent and effective compensation committee;
- clear, comprehensive compensation disclosure; and
- avoidance of inappropriate pay to non-executive directors.

Where companies are required to hold or have voluntarily adopted an advisory vote on executive compensation, we will similarly evaluate the compensation policy or report on a case-by-case basis.

Recoupment (Claw-Back) Policies

In order to ensure that performance-based pay is only awarded in cases where performance targets are actually met, we encourage companies to consider requiring management to repay performance-based compensation based on misstated financial results. We believe that at the very least companies must have a policy providing for the recoupment of performance-based compensation from executives who engage in fraudulent activity, negligence or willful misconduct that contributed to or resulted in a restatement of financial results.

Guidelines: Support shareholder proposals requesting that boards adopt a policy to recoup, for the benefit of the company, all performance-based compensation paid to any executive later determined to have engaged in fraud, negligence or willful misconduct that contributed to or resulted in a restatement of financial results. We will review, on a case-by-case basis, shareholder proposals requesting that boards adopt a policy to recoup, for the benefit of the company, all unearned performance-based compensation paid to executives to the extent that their corresponding performance targets were later determined not to have been achieved, taking into consideration whether the company has had a history of financial restatement problems.

Supplemental Executive Retirement Plans (SERPs)

In addition to our view that SERPs should be fully disclosed, we believe that SERPs should not provide excessive benefits to executives. As pension benefits do not relate to corporate performance during the executive's tenure they should not be used to undermine the link between pay and performance.

Guideline: Although we support reasonable executive pensions as a component of compensation, we do not support excessive benefits and support a reasonable cap to limit the annual amount received.

THE AUDIT FUNCTION

An important determinant of investor confidence is the integrity of a company's financial reporting. The board's audit committee has special oversight responsibilities relating to a company's financial affairs and financial disclosure. Among other duties, it must assess whether management has adequate internal controls and procedures for financial reporting.

This is the area of corporate governance where the most decisive progress has been made. Regulators in Canada and the U.S., as well as progressive corporations, have adopted rules that deal with most of our concerns regarding the integrity of the audit function.

These developments resolve most of the corporate governance issues in the audit process, eliminating the need for guidelines in this area.

CAPITAL STRUCTURE

Increase in Authorized Shares

We believe that shareholders should have the opportunity to approve the issuance of common shares which will have a dilutive effect on their holdings. We will generally support fixed increases in authorized common shares of up to 25% per cent. We will review larger increases

on a case by case basis and will support those that enhance long-term shareholder value. We will not support proposals for unlimited capital authorizations.

Guidelines: Generally support fixed increases of up to 25% in authorized common shares. Support larger increases on a case by case basis if a specific business need, which will enhance long-term shareholder value, is demonstrated. Oppose unlimited increases in authorized shares.

Dual-Class Share Structures

Approximately 15 percent of Canadian companies have a share structure where one class of shares has more votes per share than other shares. These structures give a group of shareholders, usually the founding investors, voting control for a relatively low level of equity ownership. The argument for dual-class shares is that those with the superior voting rights can ensure stability and continuity in ownership and management. We disagree with this argument and consider dual-class share structures to be contrary to good governance. They can entrench management against shareholder pressure for change and undermine the basic principle linking voting to equity ownership on the basis of one-share-one-vote.

Companies with existing dual-class share structures should ensure that all shareholders are able to exit on the same terms and conditions in the event of a takeover bid.

Guideline: Oppose dual-class share structures.

Pre-emptive Rights, Private Placements, Dividend Policy and Share Buybacks

Guidelines: Generally support pre-emptive shareholder rights, reasonable private placements and share buybacks. Support paying out net income to shareholders as dividends for established companies with sustainable profitability.

TAKEOVER PROTECTION

Because of the size and scope of the CPP Investment Board's equity portfolio, we often find ourselves on both sides of a takeover offer. Consequently, we must evaluate the offer not just in terms of its fairness from a financial point of view, but also on the basis of what is in the long term best interests of the combined company.

In some cases, an offer might be in the best short-term interests of shareholders of the target company in releasing unrealized value, but not be in the best interests of long-term investors such as the CPP Investment Board for whom the company's continued independence may create more substantial value over the longer term.

Guideline: Support proposals, policies or plans that strengthen the capacity of a board and management to respond to takeover offers in a manner that enhances long-term shareholder value.

RESPONSIBLE INVESTING

Disclosure on Environmental, Social and Governance (ESG) Factors

Disclosure is the key window through which investors can better understand and evaluate potential risk and return, including the impact of ESG factors on a company's long-term corporate performance. We review shareholder proposals on a case by case basis, and generally support shareholder resolutions that encourage the disclosure of the impact of material ESG factors that could assist investors in assessing the extent to which corporate decisions contribute to or detract from long-term investment returns and risks.

Our approach to proxy voting seeks to be consistent with the commitments CPP Investment Board has made to responsible investment initiatives including the UN Principles of Responsible Investing, Carbon Disclosure Project and Extractive Industries Transparency Initiative.

Guidelines: Support resolutions that request the reasonable disclosure of information related to ESG factors. Generally support requests for increased disclosure about the environmental and social impacts of a company's operations and products, and initiatives to mitigate these risks, unless sufficient information is already disclosed and/or available to shareholders. Where relevant, support requests for corporate sustainability reports as well as disclosure on specific environmental and social risks such as greenhouse gas emissions.

Standards and Guidelines of Business Conduct

We believe that companies that adopt and enforce high standards of business conduct are likely to achieve better long-term financial performance. We review shareholder proposals on a case by case basis, and generally support shareholder resolutions that encourage the adoption of responsible policies and practices by companies as a means of maximizing sustainable long-term shareholder value.

We believe 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.

All companies should publicly disclose their corporate governance guidelines, codes of business conduct, and conflict of interest management procedures. The governance committee of the board should formally review such policies on at least an annual basis and require them to be published on the company's website.

Where applicable, we encourage companies to comply with internationally recognized guidelines and principles on social and environmental responsibility, such as the OECD Guidelines for Multinational Enterprises.

Guidelines: Support the adoption and disclosure of governance guidelines and codes of conduct. Support the adoption of responsible policies and practices with regard to environmental and social impact that are likely to enhance long-term corporate financial performance. Support, where relevant, proposals requesting the review or adoption of environmental or social policies, such as addressing human rights. We do not support shareholder proposals if they are overly prescriptive or duplicative of initiatives already underway or detract from shareholder value.