



## Proxy Voting Policy

Policy Owner	Board of Trustees
Effective Date	October 2021
Next Renewal Date	October 2022
Frequency of Review	Annual

## Proxy Voting Policy

### 1. Introduction and purpose

The University Pension Plan Ontario (“UPP”) serves pension plan members and retirees of its sponsor universities. Informed by research and evidence, we believe that responsible investment (“RI”) supports risk management, value creation, and a duty to be active owners and consider stakeholder interests and investment impacts. As stated in our [Responsible Investment Policy](#), UPP seeks to embed responsible investment practices throughout our investment management activities. Stewardship<sup>1</sup> is an important aspect of UPP’s approach to responsible investment as it allows us to support long-term value creation for our beneficiaries through the encouragement of a culture of sustainability among investee companies and external investment managers, and the promotion of fair, efficient, and transparent financial market practices.

The purpose of this Proxy Voting Policy is to outline UPP’s approach towards exercising our voting rights and responsibilities, and to articulate our environmental, social and governance (“ESG”) oversight expectations and related voting positions. This Policy supports our commitment to align the interests of issuers with those of our plan members as we support the election of capable board directors and shareholder proposals that we believe will reinforce risk management and long-term value creation.

#### 1.1. The Importance of Good Corporate Governance

Corporate governance refers to the structures and processes by which companies are managed and controlled, and defines the relationship among those who direct and manage companies and those who invest in them<sup>2</sup>. We believe that maintaining good corporate governance is critical to the long-term success of the companies UPP invests in as it supports the effective oversight and management of companies’ strategies, risk management processes and finances.

For publicly traded companies, there are three primary participants in the corporate governance process: investors, boards of directors and management. Good practices rely on an effective division of responsibilities between these parties supported by transparency and accountability at all levels. In most jurisdictions around the world, shareholders elect the board of directors and have the right to vote on select other matters. Boards of directors (or their equivalent) are responsible for appointing management, overseeing the business strategy and safeguarding the companies’ duty to their investors and other stakeholders. Management’s role is to develop and implement the business strategy approved by the board and run the day-to-day operations of the company. As shareholders, we play an important role in the election of boards of directors with the adequate set of skills,

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<sup>1</sup> Stewardship is investors’ use of influence to mitigate risk or derive long-term value, including the value of common economic, social, and environmental assets on which returns, and beneficiary interests, depend (also referred to as “active ownership”).

<sup>2</sup> Shareholder Association for Research and Education, *Corporate Governance*.  
<https://share.ca/issues/corporate-governance/>

experience, and diversity of backgrounds and perspectives. Through our voting, we also signal our support or disagreement with board direction and corporate strategy, company practices or decisions made.

We also consider the best practices and recommendations outlined by the following investor coalitions<sup>3</sup>:

- [30% Club](#)
- [Canadian Coalition for Good Governance \("CCGG"\)](#)
- [International Corporate Governance Network \("ICGN"\)](#)

## 2. Scope

This Proxy Voting Policy applies to all UPP public equity holdings where we have the authority to direct voting rights (including for example, externally managed assets held in segregated mandates).

For public equity assets where UPP does not have proxy voting authority (for example, externally managed assets held in commingled or pooled mandates), votes are cast according to the investment managers' proxy voting policy. We share this Proxy Voting Policy with our investment managers to communicate our preferences on proxy voting issues. We also consider investment managers' proxy voting approaches and record in selection, appointment, and renewal of investment manager mandates.

UPP may obtain economic exposure to public equities through participation in strategies that do not grant voting rights, such as the use of derivatives. UPP prefers not to engage in equity securities lending when it can undermine stewardship activities including proxy voting.

In the case of a company having one or more shareholders that together own a significant amount of the company, we may exercise some flexibility in our preference for some of the governance practices outlined below in accordance with the proportion of the company they own.

## 3. Approach

### 3.1 Proxy Voting Approach

UPP conducts its proxy voting activities using an external service provider that votes UPP's ballots according to our voting decisions. Our votes are guided first by the positions stated in this policy and second, for issues not specifically articulated in this policy, our votes are guided by our responsible investing beliefs, applicable industry standards, and recommendations from the external service provider.

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<sup>3</sup> To learn more about our participation in industry networks and initiatives, please visit <https://myupp.ca/>.

We aim to vote all the ballots we receive for which we have voting rights, while recognizing that doing so may be challenging in certain markets due to administrative and procedural barriers. Our Responsible Investing team maintains active oversight of our proxy voting activities to monitor our external service provider's voting recommendations and execution.

## 3.2 Transparency and Reporting

We will publicly disclose our proxy voting activity at least annually, including the rationale for all votes against board or management recommendations, votes on shareholder resolutions and votes not in line with this Policy. We believe this is an important part of being accountable to our values as an organization and our members.

# 4. Proxy Voting Positions

## 4.1 Shareholder Rights

Upholding shareholder democracy is an important priority for UPP. We believe that shareholders should be able to participate in the key decisions that are likely to impact shareholder value and should have access to full, accurate and timely information about the company to support informed voting decisions. Companies should enable shareholders to participate in annual and special meetings, and should be transparent in disclosing the voting results, while protecting the anonymity of individual shareholders.

Shareholders should also have a say in decisions that would significantly alter the nature of the company, such as mergers, acquisitions and takeovers. The adoption of takeover protection measures, including shareholder rights plans, should receive shareholder approval and be designed to support their interest rather than that of the board or management.

UPP's proxy voting positions on issues related to shareholder rights are:

### Dual class share structures

- 4.1.1. Support proposals that align with the principle of one-share, one-vote.

### Shareholder rights plans

- 4.1.2. Support proposals requiring shareholder rights plans be approved by shareholders.
- 4.1.3. Do not support the re-election of the members of the governance committee if the company implemented or altered a shareholder rights plan not in the interest of shareholders without shareholder consent.

## 4.2 Board of Directors

Shareholders of public companies elect directors to oversee the business and affairs of the companies in which the shareholders are invested, including its business strategy, risk management processes, assessment of management performance and compensation and appointment of external auditors. Directors have a fiduciary duty to act in the best interests of the corporation and are responsible for shepherding companies to foster long-term value creation in line with the interests of their investors and other relevant stakeholders.

We believe that boards should be composed of directors able to devote sufficient time to their role and who are predominantly independent of management. An independent director:

- Does not have, and has not recently had, a material relationship with the company<sup>3</sup>
- Does not materially benefit financially from their relationship with the company<sup>4</sup>, except for director fees and share ownership
- Has served at the board for less than 12 years

Maintaining the overall independence of boards is important so that they can exercise authority over the recommendations of management and impartially evaluate company and management performance.

While the quality of individual directors is paramount, we also expect boards as a whole to be diverse. A high-performance board is one comprised of directors with a wide variety of experiences, views and backgrounds which, to the extent practicable, reflects the gender, ethnic, cultural and other personal characteristics of the communities in which the corporations operate and sells its goods or services<sup>2</sup>. Board directors, individually and as a board, should possess the relevant skills, capacity, as well as diversity of experience and background to successfully guide the company. Boards require many different skill sets to effectively perform their oversight duties, including expertise in the company's industry, financial statements and accounting, risk management, legal and compliance and knowledge of ESG issues. We encourage companies to adopt and disclose a board skill matrix to provide information about the relevant experience and expertise of directors and nominees.

UPP's proxy voting positions on issues related to boards of directors are:

#### **Separation of board chair and CEO roles**

- 4.2.1. Support proposals requiring the next board chair to be an independent director.

#### **Director commitments**

- 4.2.2. Do not support the election of a public company executive or chair nominee if they serve on more than one outside company board.

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<sup>4</sup> Canadian Coalition for Good Governance, *Building High Performance Boards*, pg. 7 (2013).  
<https://ccgg.ca/download/4001/>

- 4.2.3. Do not support the election of other director nominees if they serve on more than five public company boards.

#### **Director tenure**

- 4.2.4. On a case-by-case basis, do not support the re-election of the chair of the nominating committee if the average tenure of the board exceeds 12 years and there is no clear process to enable board refreshment.

#### **Director accountability for environmental and social issues oversight**

- 4.2.5. Do not support the re-election of director nominees individually, on a committee, or potentially the entire board if there were material failures of governance or oversight related to environmental and/or social issues.
- 4.2.6. For companies with material climate-risk exposure, do not support the re-election of nominees individually, on a committee, or potentially the entire board if there appears to be inadequate oversight of climate change.

#### **Board diversity**

- 4.2.7. Do not support the election of the chair of the nominating committee if the board does not have at least three women and three men (or if women and men each have less than 30% representation) or there is no board gender diversity policy or statement with targets at least as ambitious as the thresholds above.
- 4.2.8. Do not support the election of the chair of the nominating committee if the board does not disclose aggregate information, as self-identified by the directors, regarding gender identity, sexual orientation and the representation of other traditionally under-represented groups (including, but not limited to, Indigenous peoples, Black peoples, members of visible minorities and persons with disabilities).
- 4.2.9. On a case-by-case basis, do not support the election of the chair of the nominating committee if the board does not have at least one board member from a traditionally under-represented group and there is no board diversity policy or statement with timebound targets to increase the representation of traditionally under-represented groups.

#### **Majority voting**

- 4.2.10. Support proposals to adopt a majority vote standard for the election of nominees.
- 4.2.11. Do not support the re-election of a nominee that did not win a majority of shareholders' votes the prior year but remained on the board.

#### **Proxy access**

- 4.2.12. Support proxy access proposals and fair representation on proxy materials (shareholder(s) should hold a minimum 3% of outstanding shares and should be eligible to elect up to 25% of the board).

### Board and key committee independence

- 4.2.13. Do not support the election of non-independent nominees (except for the CEO) if the board is less than two-thirds independent.
- 4.2.14. On a case-by-case basis, do not support the re-election of chair of the nominating Committee if the board is less than two-thirds independent.
- 4.2.15. Do not support the election of non-independent nominees who sit on key committees (audit, nominating, compensation).
- 4.2.16. On a case-by-case basis, do not support the re-election of chair of the nominating committee if the key committees (audit, nominating, compensation) are not entirely independent.

## 4.3 Audit

The auditing of financial reporting provides investors with assurance of the accuracy and comparability of information related to company performance and supports fair, efficient and transparent markets. Boards of directors and / or the audit committees have the responsibility to review and approve financial disclosures and appoint external auditors to certify the accuracy of these statements. The legitimacy of companies' audit process is critical to maintaining public reputation and investor confidence. We believe that companies should take appropriate steps to ensure the effectiveness and independence of their audit processes.

UPP's proxy voting positions on issues related to audit are:

### Auditor independence

- 4.3.1. Do not support the reappointment of an audit firm if they or the engagement partner have served for an extended period of time.
- 4.3.2. Do not support the reappointment of the audit firm if they have been involved in a recent material failure of duties.
- 4.3.3. Do not support the reappointment of audit firm if they derive more than 25% of their fees from non-audit activities.

## 4.4 Compensation

Compensation should target a level sufficient to attract, retain and motivate talented individuals to participate in the oversight and management of the company. Compensation should not become excessive to the detriment of investor interests or the achievement of a just, sustainable society and economy.

UPP supports the view that there should be a link between executive compensation and performance, as measured by the ability of the organization to generate sustainable, long-term value without taking excessive risks. We encourage companies to incorporate a holistic review of compensation, incorporating performance on material financial and non-financial metrics, such as those related to environmental and social issues.

UPP's proxy voting positions on issues related to compensation are:

#### **Director compensation**

- 4.4.1. Do not support the re-election of members of the committee responsible for director compensation (or, where no such committee has been identified, the board chair or full board) where director compensation practices pose a risk of compromising a non-employee director's independence.
- 4.4.2. Support equity with long-term holding requirements as a portion of director compensation.
- 4.4.3. Do not support director compensation based on performance.
- 4.4.4. Do not support re-election of nominees who do not own shares one year after joining the board.
- 4.4.5. Do not support stock options, retirement benefits, severance payments, significant incentive payments, consulting fees, or perquisites for non-management directors.

#### **Executive compensation**

- 4.4.6. Do not support executive compensation that is not largely performance based.
- 4.4.7. Support minimum long-term share ownership requirements for named executives.
- 4.4.8. Do not support advisory votes on executive compensation packages if in the past year the company has awarded a severance package that exceeds 2.5 times salary plus long-term incentives.

### **4.5 Mergers & Acquisitions and Reorganizations**

We believe that shareholders should have a voice in decisions that impact the overall structure of companies and that these decisions should support long-term value creation. Proposals relating to the capital structure of companies should align with the interests of shareholders. Issuers' capital structure decisions should also demonstrate responsible corporate citizenship and due care for all relevant ESG considerations.

UPP's proxy voting positions on issues related to capital structure are:

#### **Reincorporation**

- 4.5.1. On a case-by-case basis, do not support proposals for reincorporation if corporate governance, legal, tax, environmental or social concerns outweigh the potential benefits.

#### **Mergers & Acquisitions**

- 4.5.2. On a case-by-case basis, support merger proposals that are likely to enable long-term value creation and adequately address corporate governance, legal, tax, environmental and social factors.



## 4.6 Shareholder Proposals and Environmental and Social Issues

Shareholder proposals are an important component of shareholder democracy and often bring forward new ideas and perspectives for boards to consider. We generally support environmental and social proposals informed by materiality and aligned with the generation of sustainable, long-term value. This includes proposals that support the effective management and disclosure of material ESG issues through the application of relevant policies, practices and performance, including those that address climate-related risks and opportunities, proposals requesting companies to align with appropriate international standards and other proposals aligned with the principles defined in this document. We generally do not support proposals that are overly prescriptive, costly or that are asking for substantially similar disclosure or measures that a company has already implemented.

UPP's proxy voting positions on issues related to shareholder proposals and ESG issues are:

### **Sustainability and climate disclosures**

- 4.6.1. Support proposals requiring disclosure of material ESG/climate risks and opportunities and the adoption of the Task Force on Climate-Related Financial Disclosures (TCFD) and SASB-aligned frameworks.
- 4.6.2. Do not support the election of the chair of the committee responsible for overseeing disclosures if the company does not report on its climate-related governance and risks and opportunities and does not have a plan to do so in a reasonable timeframe.

### **Climate change**

- 4.6.3. Support proposals calling for initiatives and/or targets aligned with the goals of the Paris Agreement, including trying to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

### **Executive compensation**

- 4.6.4. Support on a case-by-case basis proposals calling for an analysis of pay disparity.
- 4.6.5. Support proposals asking for a fairness report or ratio.

### **Human Rights**

- 4.6.6. Support proposals requiring the adoption of human rights standards (e.g., Organization for Economic Cooperation and Development (OECD) Guidelines for MNEs, UN Guiding Principles on Business and Human Rights and standards developed by the International Labour Organization (ILO)).

### **Employee Equity, Diversity and Inclusion (EDI)**

- 4.6.7. Support proposals requiring EDI policies and disclosures, including information on pay equity based on gender, race or ethnicity.

## Political contributions

- 4.6.8. Support proposals calling for disclosure of political contributions and lobbying practices, as well as governance practices related to these activities.

## 5. Responsibilities and Reviews

The Managing Director, Responsible Investing is responsible for overseeing and implementing UPP's overall proxy voting process in compliance with this policy.

This policy is reviewed by the Management Investment Committee, the Governance and Investment Committees of UPP's Board of Trustees and approved by the Board of Trustees at least annually and updated at least biannually.

## 6. Conflicts of interest

We work with our third-party service provider to actively monitor our ballots for potential conflicts of interest that may arise. If a conflict should arise, the Managing Director, Responsible Investing will inform UPP's Executive Leadership Team who will decide on the course of action on a case-by-case basis.

## 7. Related Policies and Other Documents

- [UPP Statement of Investment Policies and Procedures](#)
- [UPP Responsible Investment Policy](#)
- UPP Conflict of Interest Policy
- UPP Related Party Transactions Policy

## 8. Approval Record

Policy Name	Proxy Voting Policy
Version	1.0
Reviewer	Investment and Governance Committees of the Board of Trustees
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