

WHAT INVESTORS ARE LOOKING FOR:

A Shareholder's View of Effective Boards

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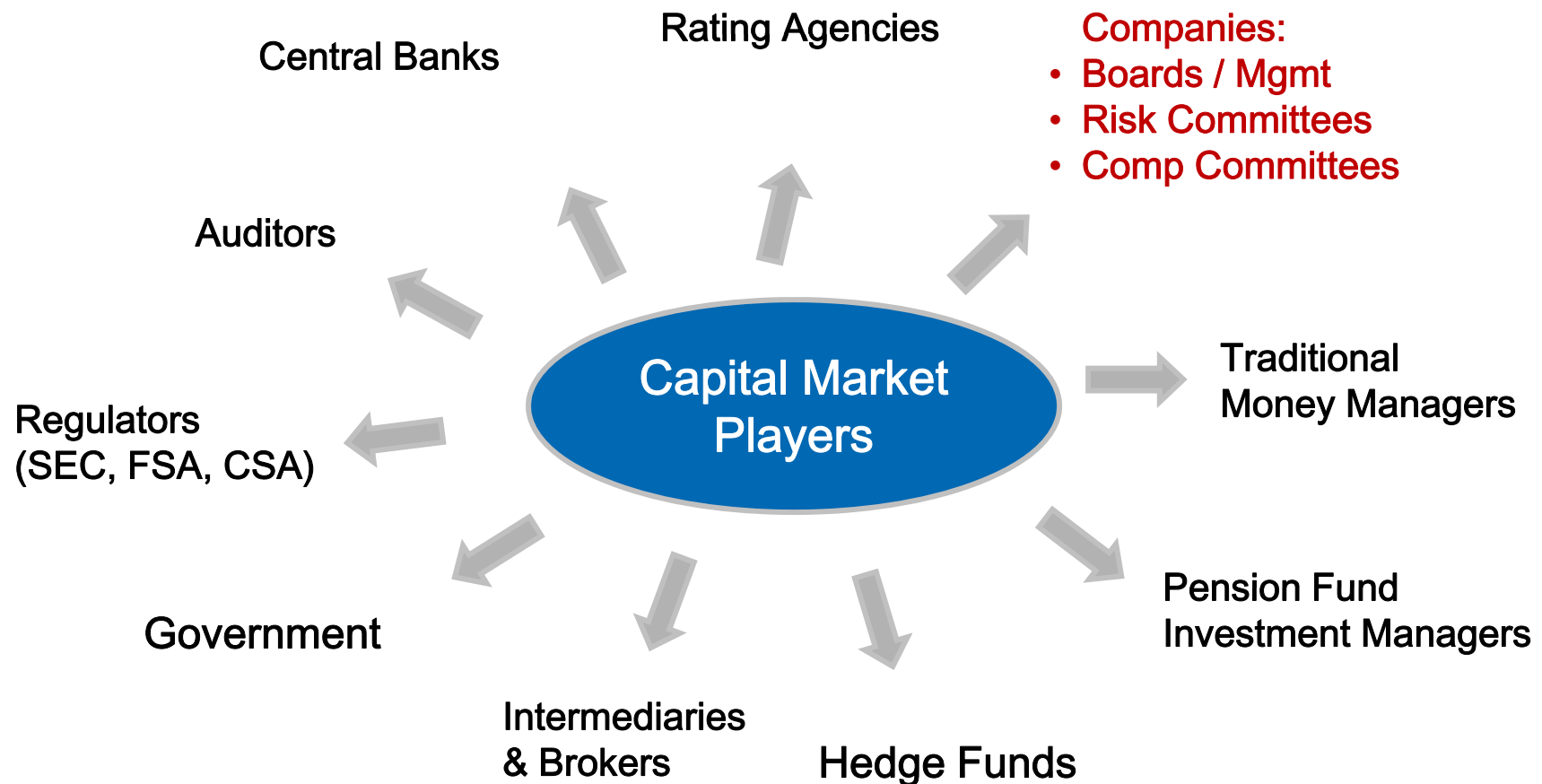
bcIMC:

- An \$80.0 Billion global fund manager that manages financial and real assets on behalf of pension funds.
- > 40% of the assets are outside of Canada
- Equity ownership in companies represent 50% of the total portfolio.
- We are clearly seeking reform in all areas of the market, not just at the company level in order to avoid the problems of the last number of years.

OUR INVESTMENT BELIEFS:

- The capital market is fundamentally where capital and companies who productively use capital come together.
- We like sustainable/responsible companies
- We think companies that are well run and well governed will provide us with good risk adjusted returns.
- Long term owners of companies that elect directors to provide oversight and direction to companies.

Contributing Factors to the Global Financial Crisis



Shareholder Communication

- Voting Proxies
- Participating in the Public Annual General Meeting.
- Filing shareholder resolutions.
- Private engagement with management and/or the board.

Communicating with a Company

- Voting proxies and making votes public.
- Engagement

bcIMC's Proxy Voting Activity

- Voted on 6,361 resolutions at 1,576 company meetings in 2009/2010
- Do not outsource voting function.
- Vote in accordance with our *Corporate Governance Principles and Proxy Voting Guidelines* (available on our website).

bcIMC's Engagement Activity

- Active & direct engagement .
- Engaged with 124 companies on environmental, social and governance performance in 2009.

2009 Priorities:

- Risk management & executive compensation.
- Collaborate with like minded investors on ESG engagements.

Shareholder Collaboration

Strength in Numbers:

Canadian Coalition for
GOOD GOVERNANCE



Pension Investment
Association of Canada
Association canadienne des
gestionnaires de caisses de retraite

CARBON DISCLOSURE PROJECT



Investor Network on
CLIMATE RISK



ICGN

International Corporate Governance Network

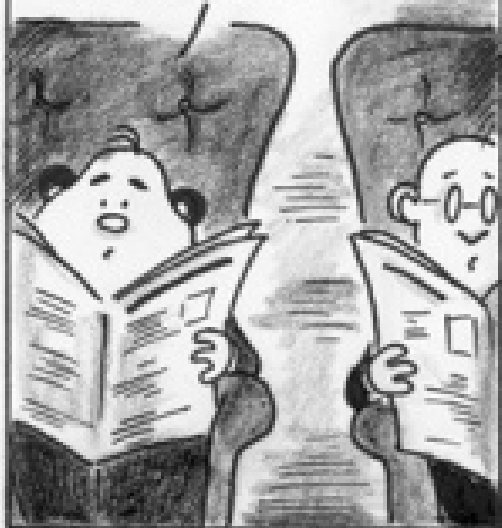


UNEP **Finance Initiative**
Innovative financing for sustainability



So What's on the Mind
of Investors?

SAYS HERE THAT BOARDS
COULD BE HELD LIABLE
FOR DISHONEST
DECISIONS...



SHAREHOLDERS ARE
GETTING TIRED OF
CORRUPT DIRECTORS
NOT BEING MADE
ACCOUNTABLE...
WELL... I GUESS WE
SHOULD TAKE OUR
ROLES MORE
SERIOUSLY...



HA HA HA HA HA
HA HA HA HA

I CRACK
MYSELF
UP!
YOU HAD ME
GOING THERE
FOR A
MINUTE!



CCGG Guidelines

A high performance board:

1. Is accountable and independent.

2. Has experienced, knowledgeable & effective directors & committees & the highest level of integrity.

3. Has clear roles and responsibilities.

4. Engages shareholders.

Area 1: Accountable & Independent

GUIDELINE 1:

- Facilitate shareholder democracy

GUIDELINE 2:

- Ensure at least two thirds of directors are independent of management

GUIDELINE 3:

- Separate the roles of Chair & CEO

Area 1: Accountable & Independent

Guideline 1:

• Facilitate shareholder democracy

- Shareholders have fundamental right to vote their shares.
- Every shareholder has a duty to responsibly exercise that right
- Have a voting system that supports shareholder democracy & communicate the results of votes promptly & completely

Area 1: Accountable & Independent

Guideline 2:

- Ensure at least two thirds of directors are independent of management

Directors:

- Should be independent of each other
- Report all board and committee interlocks to shareholders

Area 1: Accountable & Independent

Guideline 3:

• Separate roles of Chair & CEO

- Board Chair & CEO have different responsibilities & a different focus
- Separating roles resolves conflicts of interest & clarifies accountability – the Chair to shareholders & the CEO to board

Area 2: Has Experienced, Knowledgeable & Effective Directors & Committees, & the Highest Level of Integrity.

GUIDELINE 4:

- Ensure directors are competent & knowledgeable.

GUIDELINE 5:

- Ensure goal of every director is to make integrity the hallmark of the company

GUIDELINE 6:

- Establish mandates for board committees & ensure committee independence

GUIDELINE 7:

- Establish reasonable compensation & share ownership guidelines

GUIDELINE 8:

- Evaluate board, committee & individual performance

Area 2: Has Experienced, Knowledgeable & Effective Directors & Committees, & the Highest Level of Integrity.

Guideline 4:

- Ensure directors are competent & knowledgeable

- Character & effectiveness of board is driven by directors
- Boards to be **diverse**. A high quality board has directors with wide variety of experiences, views & backgrounds.
- Directors must be **curious**. Ask questions of management that will give a fuller understanding of risks & rewards of proposed plan of action & how it will affect long term viability of corporation
- Every director must clearly understand legal requirements of the role

Area 2: Has Experienced, Knowledgeable & Effective Directors & Committees, & the Highest Level of Integrity.

Guideline 5:

- Ensure goal of every director is to make integrity the hallmark of the company.

- Integrity is to be principled, moral, honest & responsible; it is to be above reproach in all things. A public company's reputation for integrity is fundamental in creating value for shareholders & other stakeholders.

Area 2: Has Experienced, Knowledgeable & Effective Directors & Committees, & the Highest Level of Integrity.

Guideline 6:

- Establish mandate for board committees & ensure committee independence

- Board committees should have a majority of members being independent
- Audit committee, reviews & approves financial statements, risk management programs & internal controls developed by management
- Compensation committee reviews & approves performance & compensation of the CEO & senior executives
- Nominating/governance committee selects & recommends board candidates to oversee management
- Independence of committees is critical

Area 2: Has Experienced, Knowledgeable & Effective Directors & Committees, & the Highest Level of Integrity.

Guideline 7:

- Establish reasonable compensation & share ownership guidelines

- Directors should be paid fees for services, at a level that is reasonable & will attract qualified & experienced candidates
- Directors usually represent the company more effectively if they are shareholders in the company
- Compensation should not be incentive-based
- Directors can receive forms of compensation other than cash

Area 2: Has Experienced, Knowledgeable & Effective Directors & Committees, & the Highest Level of Integrity.

Guideline 8:

- Evaluate board, committee & individual performance

- Processes in place to evaluate & improve committees performance, & individual directors performance
- Assess need for change to structures/processes, many boards confidentially survey directors once a year & have nominating/governance committee review the results
- Annual performance reviews help directors assess personal strengths & weaknesses, make decisions about need for further education, & decide when it might be appropriate to step down

Area 3: Has Clear Roles & Responsibilities

GUIDELINE 9:

- Oversee strategic planning, risk management & the hiring & evaluation of management

GUIDELINE 10:

- Asses the CEO & plan for succession

GUIDELINE 11:

- Develop & oversee executive compensation

Area 3: Has Clear Roles & Responsibilities

Guideline 9:

- Oversees strategic planning, risk management & hiring & evaluation of management.

- Setting overall vision & long-term direction of corporation (including expectations for risk & return & non-financial goals)
- Hires senior management & delegates management of the business of the corporation, evaluates progress & oversees process of evaluating & managing business risks
- Reviews, questions, discusses & ultimately approves management's recommended strategy

Risk management is a core function of the board

- Set tone of corporation (with the CEO)

Area 3: Has Clear Roles & Responsibilities

Guideline 10:

- Assess the CEO & plan for succession

- A clear understanding between the board & CEO, of the board's expectations for performance & leadership is generally a hallmark of a high performing organization

Area 3: Has Clear Roles & Responsibilities

Guideline 11:

- Develop & oversee executive compensation

- Fair & competitive compensation of senior executives, with performance-based component
- Executives should also be significant shareholders to closely align interests with those of shareholders
- Develop independent point of view
- Communicate all facets of the compensation regime
- Link compensation & risk management

Area 4: Engages with Shareholders

GUIDELINE 12:

- Report governance policies & initiatives to shareholders

GUIDELINE 13:

- Engage shareholders within & outside annual meeting

Area 4: Engages with Shareholders

Guideline 12:

- Report governance policies & initiatives to shareholders
- Make every effort to help shareholders understand board's governance policies & how it will fulfill management oversight & control responsibilities

Area 4: Engages with Shareholders

Guideline 13:

- Engage shareholders within & outside annual meeting
- CCGG believes shareholders should be allowed regular, constructive engagement with boards of companies they invest, in order to create open relationships, have the opportunity to explain their perspectives on governance, compensation & disclosure practices, & provide detailed comments on the company's practices

CONCLUSION

- Establishing & maintaining effective boards is essential to a well run company
- A well run company will serve the shareholder over the long term & will be sustainable.