

The following is a sample of bcIMC's engagement during the quarter on issues of corporate governance.

Proxy Votes

Issue Category	Number of companies	Number of Issues	bcIMC Voted FOR	bcIMC Voted AGAINST
Auditors	95	96	81	15
Board of Directors	105	110	69	41
Executive Compensation	62	89	17	72
Shareholder Rights	62	131	94	37
Takeover Protection	4	4	4	0

Direct Company Engagement

Company	Issue	Best Practice Standard
Canadian Tire (Canada)	Director election	Shareholders should be able to vote on individual directors rather than a bundled "slate" of nominees.
Opti Canada (Canada)	Executive share ownership	Key executives should have a meaningful stake in the firm (stock options excluded) to better enable them to make decisions from the same perspective as company shareholders.
Ericsson (Sweden)	One share, one vote	Companies should have only one class of shares, allowing all shareholders equal voting rights (one share, one vote principle).

Public Policy Engagement

Civil liability regime in BC

Submitted comments in support of establishing a civil liability regime in B.C. for secondary market disclosure. This new regime would permit investors to sue responsible issuers and individual officers and directors for misleading disclosure in documents or oral statements, or failure to make timely disclosure.

IDA Task Force to Modernize Securities Legislation

The Task Force to Modernize Securities Legislation, created a year ago by the Investment Dealers Association of Canada to help improve capital markets, released a 3,000-page report in early October. The report, which can be found at www.bcimc.com under "Responsible Investing News", offers 65 recommendations for reforming Canada's securities laws, with the majority of the recommendations aimed at the perceived weakness of enforcement in Canada. bcIMC made 4 submissions to the Taskforce during its study period, focusing on investor protection and securities law enforcement flaws.

Vote Highlights

- **Inco** – voted against takeover by Phelps Dodge because we preferred greater certainty of value provided by 2nd bidder, CVRD's cash offer.
- **HJ Heinz** – voted in favour of dissident slate of directors presented by Heinz' largest shareholder, Trian Fund Management (articles in the Wall Street Journal dubbed this a "ketchup fight"). Dissident slate was preferred to keep management focused on enhancing company and shareholder value.
- **Fortis (Belgium)** – voted against share issuance in the event of an unsolicited offer to acquire the company. This is an anti-takeover device that could discourage bids that may be in the best interests of shareholders.

Investor Coalition Activity

Canadian Coalition for Good Governance (CCGG)

In September, the Canadian Coalition for Good Governance (CCGG) released the 2006 version of the *Best Practices in Director Communication* document (available at www.ccg.ca). The document describes, with examples, some of the current best reporting practices CCGG members are seeing from companies with respect to governance and director oversight and control responsibilities. The Coalition has focused on the importance of transparency and exemplary disclosure because this is the only window shareholders have into the boardroom. Shareholders have no choice but to assess the caliber of directors, the board and its governance regime based on the quality and clarity of its disclosure.

Japan Society of Northern California

bcIMC's CEO/CIO Doug Pearce moderated a conference titled *Corporate Governance in the New Japan – Revisited*. During the conference, bcIMC put forward our view that the standard of Japanese corporate governance is headed in the right direction, but there is still room for improvement, particularly in the area of antiquated and unfair proxy voting systems and practices. These and other comments from Doug were captured by the Japanese media in an article entitled *New Trends in Corporate Governance*. A translated version of this interview can be found at www.bcimc.com under "Responsible Investing News."

The following is a sample of bcIMC's engagement during the quarter on issues of corporate responsibility.

Proxy Votes

Issue Category	Number of companies	Number of Issues	bcIMC Voted FOR	bcIMC Voted AGAINST
Environmental Responsibility	2	2	0	2
Social Responsibility	4	4	1	3

Vote Highlights

- General Mills (U.S.)** – voted in support of a resolution that the company identify and label all food products sold by the company that may include genetically engineered (GE) ingredients. Since the request was seeking the labelling of products, not an outright phase-out, and consumers support the labelling of GE food, bcIMC supported this resolution, believing that would help protect and enhance the company's brand and

Public Company Engagement

Company	Issue	Best Practice Standard
Glamis Gold (Canada)	Environmental management	Companies can bring benefits to their investors by actively managing environmental risks and implementing responsible mining practices that enhance current business processes, create competitive advantage, and enhance company reputation. (Glamis Gold discussed with bcIMC the environmental management programs they have in place at their Central American operations to minimize mine impacts and assure local communities that the company was operating in a responsible manner.)
Petro-Canada (Canada)	Human rights management	Companies with operations in high human rights risk areas need to develop and implement human rights policies to effectively manage exposure to social risks (e.g., crimes against humanity and country corruption). (Petro-Canada discussed with bcIMC its endorsement of the Universal Declaration of Human Rights, the International Code of Canadian Business and the UN Global Compact which together form the basis for Petro-Canada's Principles for Ethical Conduct. These Principles are mainly implemented internationally in highest human rights risk areas, such as Syria, Libya, and Algeria, when security forces are required to protect property and employees.)

Investor Coalition Activity

Carbon Disclosure Project 4 (CDP)

In mid-September, the 4th annual Carbon Disclosure Project (CDP) results were published. bcIMC is a signatory to the CDP4 questionnaire that was sent earlier this year to 2,100 companies around the world, including 280 Canadian companies. The CDP4 questionnaire asked each company for information on the risks and opportunities that climate change presents to the firm, and how it is responding to/managing these risks and opportunities. The survey statistics and results have now been compiled into country-specific reports, such as the Canada Report, and formal "launch" events have taken place around the globe during September and October to bring attention to the Project and to the report results.

On October 30, bcIMC's CEO/CIO Doug Pearce was the keynote speaker at the CDP4 Canada Report launch event in Calgary. Doug's speaking notes along with the CDP4 Canada Report, are posted at www.bcimc.com under "Responsible Investing News."

New Investments

Public Equities (U.S.)

On November 1, bcIMC launched a new U.S. Social Index Fund. The Fund, managed by our in-house equity professionals, will track the Domini Social Index 400 (DSI 400), which is loosely modeled on the S&P 500 Index but incorporates ESG principles in its investment process. This includes using negative screens to exclude companies which have significant exposure to tobacco, weapons, alcohol, gambling and nuclear power, as well as incorporating positive qualitative screens to include companies that exhibit desirable social traits such as: strong community relations, workforce diversity, good employee relations, and sustainable environmental practices.