

The following is a sample of bcIMC's engagement during the quarter on corporate governance issues. We also prepare a full, confidential report on our quarterly activities for our clients.

Proxy Votes				
Issue Category	Number of companies	Number of Issues	bcIMC Voted FOR	bcIMC Voted AGAINST
Auditors	981	999	893	106
Board of Directors	1,076	1,235	864	371
Executive Compensation	504	676	312	364
Shareholder Rights	424	1,279	930	349
Takeover Protection	24	24	17	7

Vote Highlights
<ul style="list-style-type: none"> <li>• <b>National Bank (Canada)</b> – voted in favor of a proposal requesting information that would confirm the independence of the compensation consultants hired by company directors to assist with executive compensation decisions. The proposal won 81% shareholder support.</li> <li>• <b>International Paper (U.S.)</b> – voted in favor of a proposal to convert the company's current plurality method of electing directors to a majority threshold standard. The proposal won 85% shareholder support.</li> <li>• <b>Intesa Sanpaolo (Italy)</b> – voted in favour of a proposal to unify the company's multiple classes of shares. The proposal won a majority of shareholder support.</li> </ul>

## Direct Company Engagement

Company	Issue	Best Practice Standard
<b>Nortel (Canada)</b>	Incentive compensation clawback policy	A compensation recoupment or "clawback" policy clearly establishes the right of the company to recover incentive compensation payments made to key employees in circumstances involving intentional misconduct that contributes to an error in financial information that materially affects the financial value of the company and the value of any incentive compensation realized by the employee. bcIMC contacted Nortel in April to express support for the company's adoption of this policy.
<b>Canon, Honda, Sony</b> (and 21 other Japanese companies)	Efficient cross-border proxy voting	bcIMC supports company use of electronic proxy voting communication tools and methods because they can provide overseas investors with quicker access to AGM materials, more time to research and cast informed votes, and more efficient transmission of votes. We wrote to 24 of our Japanese companies on this issue during Q2.
<b>Holcim (Switzerland)</b>	Dividend payout	In the absence of high levels of capital expenditures, or other reasonable profit allocation strategy, bcIMC believes that low dividend payouts do not demonstrate accountability to company shareholders. In our view, a 30% dividend payout ratio is a reasonable return that shareholders should expect from their mature investments, particularly if there is no better return that the company can generate from its available cash. We wrote to Holcim's Chair and to the CEO in April to encourage a review of the company's income allocation strategy, or an explanation for not increasing their dividend to shareholders.

## Public Policy Engagement

Issue	Activity
<b>Enhanced executive compensation disclosure by Canadian companies</b>	Submitted comments on the Canadian Securities Administrators' (CSA) proposed changes to executive compensation disclosure in Canada. In general, bcIMC was pleased by the CSA efforts to promote greater pay transparency, and accountability of directors to ensure that shareholder assets are used wisely.
<b>Passport system of securities regulation</b>	Submitted comments on the CSA proposed 2 <sup>nd</sup> implementation phase of the passport system. It was bcIMC's view that the proposed Passport System instrument, policy and related amendments provided necessary transparency on how Canadian securities regulation could be streamlined in certain areas (prospectus filings, registration, and continuous disclosure).

## RESPONSIBLE INVESTING HIGHLIGHTS FOR Q2-07

## Environmental & Social Responsibility

The following is a sample of bcIMC's engagement during the quarter on issues of corporate responsibility. We also prepare a full, confidential report on our quarterly activities for our clients.

Proxy Votes				
Issue Category	Number of companies	Number of Issues	bcIMC Voted FOR	bcIMC Voted AGAINST
Environmental Responsibility	16	50	30	20
Social Responsibility	69	106	49	57

### Vote Highlights

- **Loblaw (Canada)** – voted in favor a proposal requesting a report to shareholders on the company's sustainability efforts. The vote gathered 6% shareholder support.
- **CN Rail (Canada)** – voted in favour of a proposal requesting the company audit and report on track safety. The vote gathered 4% shareholder support.
- **Exxon (U.S.)** – voted to remove a director from the company board to register dissatisfaction with Exxon's inaction on the business risks from climate change. The vote gathered 7% shareholder support.

### Direct Company Engagement

Company	Issue	Best Practice Standard
<b>Pan American Silver</b> (Canada)	Employee health and safety	Companies can bring long-term benefits to their investors by implementing employee health and safety policies and practices that make the company an "employer of choice" (competitive advantage), and enhance company reputation. Pan American discussed with bcIMC their philosophy and programs on worker safety, including the inclusion of safety objectives in the executive management's incentive compensation package.
<b>Nortel</b> (Canada)	Human rights management	Companies with business opportunities and activities in high human rights risk areas need to develop and implement labour and human rights policies to effectively manage exposure to social risks (e.g., crimes against humanity and government corruption). It is our view that establishing labour and human rights policies and practices based on accepted international standards reflects good management and is an indicator of promising financial performance by the company. bcIMC commended the Nortel Board for recently adopting a human rights policy which expressly supports the United Nations Universal Declaration of Human Rights and the ILO Principles.

### Investor Coalition Activity

Coalition	Activity
<b>Principles for Responsible Investment (PRI)</b>	bcIMC became an investment manager signatory to the UN-led Principles for Responsible Investment (PRI) in April 2006. In May 2007, bcIMC participated in a PRI survey to assess if and how, one year later, the Principles were being incorporated into our investment policies, strategies and processes. In early July, the PRI Secretariat published the results of the survey in a document called the <i>PRI Report on Progress 2007</i> , which is currently posted on the Responsible Investing section of bcIMC's website or at <a href="http://www.unpri.org">www.unpri.org</a>
<b>United Nations Environment Program Finance Initiative (UNEP FI)</b>	In early June, bcIMC, along with more than 20 world-leading financial services companies, signed a <i>Declaration on Climate Change</i> that sets out a series of public acknowledgements/beliefs on climate change, and calls for industrialized countries to adopt emission reduction targets no later than 2009. The Declaration can currently be found on the Responsible Investing section of bcIMC's website or at <a href="http://www.unepfi.org">www.unepfi.org</a>

### Environmental Investment Initiatives in Other bcIMC Asset Classes

Asset Class	Investment Details
<b>Real Estate</b>	During the quarter, two of our clients' commercial real estate properties were recognized for energy efficiency and conservation. Western Canadian Place (Calgary) and Cloverdale Mall (Etobicoke, Ontario) received Building Owners and Management Association (BOMA) <i>Go Green Plus</i> certification. Cloverdale Mall is the only retail centre in Canada that has achieved this certification. The BOMA <i>Go Green Plus</i> program recognizes buildings that implement environmental best practice operations and provides benchmarking tools for performance measurement. It is designed for existing buildings and is a voluntary program. More information on the <i>Go Green</i> program is available at <a href="http://www.bomagogreen.com">www.bomagogreen.com</a>