

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	77	77	75	2
Board of Directors	98	103	77	26
Executive Compensation	59	77	35	42
Shareholder Rights	53	109	88	31
Takeover Protection	2	2	2	0

Vote Highlights
<ul style="list-style-type: none"> <li>• <b>Citrix Systems (U.S.)</b> – voted against the reappointment of Compensation Committee members for poor oversight of the company’s option award practices which ultimately resulted in a large, surprise financial restatement.</li> <li>• <b>Royal KPN (Netherlands)</b> – voted against a proposed share-based long-term incentive plan for company CEO. The plan had a one year performance measurement period and target, which was likely to encourage short-term planning/execution.</li> <li>• <b>Hang Lung Properties (Hong Kong)</b> – voted against the appointment of three director nominees because they were not independent and had they been elected, only 20% of the board would be independent.</li> </ul>

Direct Company Engagement

Company	Issue	Best Practice Standard
<b>CIBC (Canada)</b>	Board accountability for risk management	The Board’s Risk Management Committee is responsible for reviewing a company’s principal business risks and assessing the steps management has taken regarding such exposure. On this issue, bcIMC had a direct discussion with the Board Chair and issued a follow-up letter to CIBC’s Chair of Risk Management Committee to understand steps taken to pro-actively protect the interests of CIBC shareholders from excessive exposure to mortgage risk.
<b>Emera, Ensign Energy (and 12 other Canadian companies)</b>	Individual director ballots	Shareholders should be able to vote on individual directors rather than a bundled “slate” of nominees. bcIMC had direct discussion with each CEO on this issue, and prepared follow-up letters expressing our views to each Chair.
<b>Salzgitter and Erste Bank (Germany)</b>	Dividend payout	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. bcIMC contacted both companies to outline our views, encourage a higher dividend payout ratio, or obtain a rationale for their current dividend policy.

## Investor Coalition Activity

Coalition	Activity
<b>Informal coalition of U.K.-based investors</b> (including Baillie Gifford, City of Edinburgh, RAILPEN Investments, Hermes Investment Management, Universities Superannuation Scheme)	In October, bcIMC joined in corresponding with the Tokyo Stock Exchange (TSE) to encourage the introduction of a listing standard on the disclosure of proxy voting results by Japanese companies. Currently, the market practice in Japan is to make a minimal announcement following the shareholder meeting that “all resolutions were approved.” This is considered to be a very poor practice. The best global practice is for a company to publish detailed announcements of their general meeting votes, with statistics on the total number of shares able to vote and the number of shares voted “for” and “against” each resolution. In early November, the TSE replied in writing that they are willing to discuss the matter and an investor response to this is currently being formulated.
<b>Asian Corporate Governance Association (ACGA)</b>	During Q4, the Asian Corporate Governance Association (ACGA) released CG Watch 2007, their annual survey of corporate governance quality in 11 Asia markets. The title of the report is “On a Wing and a Prayer: The Greening of Governance” which reflects a greater focus this year on environmental factors. bcIMC finds the CG Watch surveys to be a useful aid in our ESG engagement with Asian companies and policy-makers. A copy of CG Watch 2007 is available on the <i>What’s New Responsible Investing</i> page of bcIMC’s website.

## Public Policy Engagement

Issue	Activity
<b>Shareholder approval of dilutive transactions</b>	Submitted a request to the Toronto Stock Exchange for an amendment to its Company Manual rules to require shareholder approval when Canadian public companies issue a material number of shares to finance acquisitions (specifically, if the equity dilution exceeds 20% of the number of outstanding common shares of the issuer). Involving shareholders in a vote on a significant event affecting their economic interest ensures fairness and accountability, and input into the corporation’s strategy builds shareholder trust and commitment. The proposed 20% dilution threshold mirrors standards in place other major stock exchanges (NYSE, AMEX, NASDAQ, LSE, JSE, and HKSE).
<b>Rights of foreign shareholders of EU companies</b>	In early 2006, bcIMC submitted comments to the European Parliament and the Council of Ministers regarding adoption of a proposed European Commission (EC) Directive to facilitate cross-border voting in listed European Union (EU) member companies. The proposed Directive would establish minimum standards to give foreign shareholders of EU companies more timely access to voting information and a simpler means to exercise voting rights. The Directive recently became part of EU law and, within two years, Member States must abolish share blocking, publish meeting materials at least 21 days in advance, allow shareholders to ask questions at meetings and disclose voting results on the company website. bcIMC welcomes these new rules on shareholders’ rights.

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	1	1	0	1
Social Responsibility	5	7	2	5

Vote Highlights
<ul style="list-style-type: none"> <li>• <b>Proctor &amp; Gamble (U.S.)</b> – voted against a request for the company to issue a report on its efforts to oppose sustainability (referred to as an “anti-capitalist movement” in the shareholder proposal). We did not support this request because we are generally supportive of corporate sustainability initiatives, believing that these issues may affect the company’s strategic position in the long-term.</li> <li>• <b>Archer-Daniels Midland (U.S.)</b> – voted for a request that the company commit to the implementation of human rights standards based on widely recognized global frameworks, such as the International Labour Organization Conventions and the United Nations Global Compact, at its international production facilities and at international company vendor and supplier locations.</li> </ul>

Direct Company Engagement

Company	Issue	Best Practice Standard
<b>Telus, Potash Corp, Suncor</b> (Canada)	Sustainability reporting	bcIMC is progressively building our knowledge about the sustainability policies and practices of the companies our clients own. We wrote to the CEO of each company to congratulate and thank them for excellent disclosure in their most recent sustainability reports. The respective reports offer a superior level of transparency into each company’s sustainability approach and results. In December 2007, the reports were winners of the Canadian Institute of Chartered Accountants (CICA) annual Corporate Reporting Awards in the category of sustainable development reporting.
<b>Alcan, Barrick, First Quantum</b> (Canada), <b>Lafarge</b> (France), <b>Rio Tinto</b> (U.K.), <b>Holcim and Xstrata</b> (Switzerland)	HIV/AIDS management strategy in Africa	A year ago, bcIMC wrote to portfolio companies with significant operations in Africa to determine how they were responding to the workplace challenges of the HIV/AIDS epidemic. bcIMC received replies indicating the companies were reacting in a responsible manner to the epidemic. In October, we prepared new correspondence to determine the current status of each company’s efforts to assess and mitigate HIV/AIDS-related operating risks in the African countries in which they operate.

Investor Coalition Activity

Coalition	Activity
<b>bcIMC External Equity Managers</b>	During the quarter, bcIMC formally surveyed each of our external public equity managers to give us a current awareness of their investment philosophy around environmental, social and governance (ESG) matters, to broaden our understanding of the actions they may be taking to advocate high ESG standards in their local market and the companies they select and manage for our clients, and to identify opportunities to work together to make ESG improvements where necessary. We appreciate the insight the survey answers provided regarding the ESG perceptions and thinking of our investment partners. bcIMC is now exploring follow-up activities.
<b>Canadian public pension funds</b>	In December, bcIMC and several Canadian public pension funds participated in a discussion with the Canadian Institute of Chartered Accountants (CICA) to share our investor views on how the CICA might guide companies toward improved climate change disclosure. In 2005, the CICA released a discussion brief called “MD&A Disclosure About the Financial Impact of Climate Change and other Environmental Issues.” To date, company and investor awareness/understanding of the brief has not been clear, and bcIMC appreciated the opportunity to directly express support to the CICA for their efforts to enhance disclosure on the financial risks of climate change that Canadian companies face.

Public Policy Engagement

Issue	Activity
<b>Improved company disclosure of financial risks of climate change</b>	<p>Under the coordination of the Investor Network on Climate Risk (INCR), bcIMC joined more than two dozen institutional investors in signing a letter to the U.S. Securities and Exchange Commission (SEC) Chairman Christopher Cox. The letter, issued in 2006, asked the SEC to help investors better understand the financial risks of climate change that their companies face, by providing more guidance and enforcement of U.S. company disclosure requirements. Following up on this initiative, INCR Director Mindy Lubber testified at a hearing in the Senate Banking Committee on October 31, 2007 on climate change disclosure. This was the first ever hearing in U.S. Senate Banking Committee history on climate change disclosure.</p> <p>In early December 2007, two senators who heard the INCR presentation in the Senate Banking Committee sent a letter to SEC Chairman Cox urging the SEC to issue guidance on information companies should be disclosing about financial risks they face from climate change.</p> <p>As a member of the INCR, an alliance of approximately 60 investors, bcIMC is very pleased by the leadership demonstrated by the Congressional leaders in recognizing the importance of climate risk disclosure. It is clear to us that climate change is a business issue. For example, some form of carbon pricing is coming, and it will have a dramatic impact on business models and profitability. Companies should be taking a long-term view on this trend, and they should disclose those risks to investors so that they can make informed investment decisions. Getting support from the two U.S. Senators is a huge step towards convincing the SEC to act on this critical issue.</p>