

The following is a sample of bcIMC's engagement during the quarter on corporate governance issues, except for the "Proxy Votes" table which presents a complete Q2-08 record. 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	1,186	1,369	1,176	193
Board of Directors	1,261	1,404	987	417
Executive Compensation	529	725	340	385
Shareholder Rights	429	793	538	255
Takeover Protection	54	56	46	10

Vote Highlights
<ul style="list-style-type: none"> • Cameco, Great-West Lifeco, Imperial Oil, Nexen (Canada) – voted FOR a shareholder proposal requesting that a majority vote standard for the election of directors be written into each company's bylaws or certificate of incorporation. The proposals received average support of 17%. • ExxonMobil (U.S.) – voted FOR a proposal to split the Chair and CEO roles. The proposal received 39.5% support, higher than the 32% support that independent chair resolutions averaged at other U.S. company AGMs this proxy season. • Corporate Express (Netherlands) – voted AGAINST the acquisition of Lyreco S.A.S (France) because the transaction was inferior to a proposed merger between Staples and Corporate Express in terms of financial benefits to shareholders.

Direct Company Engagement

Company	Issue	Best Practice Standard
Enbridge (Canada)	ESG leadership	In a meeting with the CEO, bcIMC congratulated Enbridge on its high governance standards and disclosure leadership in last year's Carbon Disclosure Project survey. We appreciate the attention that Enbridge gives to being a governance and sustainability reporting leader. This disclosure helps shareholders make informed investment decisions about board and management quality. We also noted that Enbridge has consistently added value to shareholders and outperformed the long-term returns of its peers in the S&P/TSX Utilities Index.
First Calgary Petroleum (Canada)	Majority vote director election standard	Directors should be elected annually by an affirmative majority of the votes cast. Alternatively, boards should adopt director resignation policies asking that directors tender their resignations if the number of votes withheld from the nominee exceeds the votes for the nominee. We first wrote to the board on this issue in September 2007 and then had a direct discussion with the CEO in April 2008. Effective for the 2009 AGM, First Calgary's board will be subject to a majority vote election standard.
TD Bank (Canada)	Company risk exposure and management processes	Financial institution exposure to and risk management of sub-prime mortgages, sub-prime-related collateralized debt obligations and other high-risk alternative investments is a top governance issue in 2008. In a meeting with TD Bank's Vice Chair, we discussed how the bank is responding in terms of corporate governance and management strategies. It was noted that TD's CEO sets a conservative "tone from the top" to guide the bank's risk culture. We issued a follow-up letter to TD's Chair, Risk Committee of the Board and enclosed a Standard & Poor's report called <i>Assessing Enterprise Risk Management Practices of Financial Institutions</i> along with a copy of the February 2008 <i>Ambachtsheer Letter</i> which, in our view, is a good read on the lessons to be learned from the sub-prime crisis.

Investor Coalition Activity

Coalition	Activity
Change to Win Investment Group (a U.S.-based shareholder advocacy group that works with pension funds sponsored by unions)	Joined a “vote no” campaign against the re-election of U.S. bank directors most responsible for recent failures of risk oversight and disconnected executive pay (i.e. members of the Audit and Risk Management Committee of the board and the Compensation Committee of the board). The targeted banks were Citigroup, Merrill Lynch, Wachovia, Bank of America, Washington Mutual and Morgan Stanley who collectively have lost hundreds of billions of dollars in shareholder value since January 1, 2007 due to a failure to manage credit and liquidity risks.
Informal coalition of institutional investors (CalPERS, CalSTRS, New York City Retirement System, others)	Joined 19 institutional investors holding an aggregate of over 91 million shares of ExxonMobil stock valued at more than \$8 billion in supporting a shareholder proposal to split the CEO and chair roles at the company. This investor action received media attention because the Rockefeller family, founders of Exxon's corporate ancestor Standard Oil and the oldest continuous shareholders in ExxonMobil, endorsed the measure.
Canadian Coalition for Good Governance (CCGG)	In June, the CCGG held its fifth annual general meeting. Doug Pearce, bcIMC's CEO/CIO and Chair of the CCGG, addressed members and highlighted some of the CCGG accomplishments and plans/projects for the coming years. Doug's speech is posted on bcIMC's website at www.bcimc/responsibleinvesting.com and other documents from the AGM are available at www.ccg.ca
International Corporate Governance Network (ICGN)	In June, the ICGN held its annual conference over two days in Seoul, Korea. Susan Enefer, bcIMC's Manager Shareholder Engagement, attended the conference. The speakers were very high quality and the information presented was current and relevant (e.g., governance implications of sub-prime, sovereign wealth funds, emerging economies and the convergence of reporting standards). Speeches and reports from the conference can be found at www.icgn.org

Public Policy Engagement

Issue	Activity
Hong Kong Stock Exchange Listing Rules	In April, we submitted our investor views and comments to the Hong Kong Exchanges and Clearing Ltd. (HKEx) “Combined Consultation Paper on Proposed Changes to the Listing Rules.” The Combined Consultation Paper focused on eighteen substantive policy issues including voting by poll at shareholder meetings, which bcIMC believes should be mandatory in all markets to mitigate the risk that votes by proxy are ignored/not tallied.
Taking companies public	bcIMC reviewed and provided comments on a draft document by the Canadian Institute of Chartered Accountants (CICA) that is intended as a guidance paper for CFOs on taking a company public. Generally, we thought the paper was well-written but there were some specific areas of the document that had particular relevance/meaning to bcIMC as a public market investor and we thought they should have been given greater emphasis: <ul style="list-style-type: none"> • Not a good reason for going public - to provide a windfall for owners • Red flags that a company is not ready to go public - lack of experienced senior management and board members • What a company must have in place before going public - strong, independent board and good corporate governance practices. This is often a challenge for many emerging companies because the board that has been in place since the inception of the company is frequently made up of founders and investors, and although it has served the private company well, it may not meet the requirements of best practices for board composition of a public company, particularly in terms of independence.

The following is a sample of bcIMC's engagement during the quarter on issues of corporate responsibility, except for the "Proxy Votes" table which presents a complete Q2-08 record. 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	34	49	21	28
Social Responsibility	85	126	47	79

Vote Highlights
<ul style="list-style-type: none"> • Encana (Canada) – voted AGAINST a proposal to report on the company’s strategy for incorporating the potential costs of carbon into its project planning. Based on our direct discussions with the company, bcIMC is satisfied with Encana’s current efforts to address climate change risk, which includes factoring the price of carbon into strategic planning decisions. • Boeing (U.S.) – voted FOR a proposal to implement a Code of Conduct based on the International Labor Organization’s (ILO) Declaration of Fundamental Principles and Rights that would apply to the company, the company's suppliers, and sub-contactors. Boeing's current Code of Conduct does not extend to suppliers, which makes the company susceptible to reputational risk.

Direct Company Engagement

Company	Issue	Best Practice Standard
TransCanada (Canada)	Stakeholder consultation	Best practice suggests that pro-active, constructive discussions with First Nations and other stakeholders/community members that may be impacted by company operations should take place in the project planning phase. Failure to obtain prior and informed community consent can lead to project delays, increased costs and reputation damage. In discussions with the company in May, we learned about TransCanada’s public consultation process as well as the approach it has taken on the proposed North Central Corridor Pipeline Project.
Agrium, Canadian Utilities, Fortis, Imperial Oil, and others (Canada)	Climate risk	To enable shareholders to make informed, long-term investment decisions, companies should disclose information on the risks and opportunities that climate change presents to the firm, and how it is responding to/managing these risks and opportunities. During the quarter, bcIMC directly contacted 19 Canadian companies (we targeted heavy CO2 emitters with limited disclosure) to encourage their participation in the 6 th annual Carbon Disclosure Project (CDP6). bcIMC is participating in an advisory group to compile the Canadian company responses into a Canada Report that will be published late in 2008. bcIMC is also a member of a Climate Leadership Index working group focused on reviewing and determining ‘best in class’ CDP6 responses.

Investor Coalition Activity

Coalition	Activity
International Corporate Governance Network (ICGN)	bcIMC submitted comments to the ICGN Non-financial Business Reporting Committee regarding their consultative document on ESG disclosures. The draft position paper discussed the company disclosures that are valuable to long-term investors. The final document is expected to be released later this year.
Principles for Responsible Investment (PRI)	bcIMC became an investment manager signatory to the UN-led Principles for Responsible Investment (PRI) in April 2006. In early 2008, bcIMC and other signatories (which currently number more than 380 firms, representing USD \$14 trillion in assets under management) participated in a PRI survey to assess if and how the Principles were being incorporated into our investment policies, strategies and processes. In mid-June, the survey results were released in Seoul, Korea at the PRI's second annual conference. The results are published in a document called the <i>PRI Report on Progress 2008</i> , which is posted on the <i>Responsible Investing – What's New</i> section of bcIMC's website (www.bcimc.com) or at www.unpri.org

Public Policy Engagement

Issue	Activity
ESG role of the board	bcIMC's CEO/CIO Doug Pearce was on the advisory committee for a June 2008 publication sponsored by the Conference Board of Canada called <i>The Role of the Board of Directors in Corporate Social Responsibility</i> . Doug helped guide development of the report and also participated as a corporate social responsibility (CSR) governance thought leader. A copy of the report is available at www.bcimc.com under <i>Responsible Investing - What's New</i> .
ESG issues in investment management	We try to further industry awareness and consideration of environmental, social and governance issues in institutional investment by publicly discussing our views and approach. In May, bcIMC was interviewed by Benefits Canada and an article about our responsible investing activities appears in the July issue of the magazine. A link to this publication is posted at www.bcimc.com under <i>Responsible Investing - What's New</i> .