

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 Q3-08 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
Audit Process	128	158	139	19
Board of Directors	138	152	108	43
Capital Issues	46	107	82	25
Executive Compensation	74	101	42	59
M&A; Takeover Protection	21	21	17	4
Shareholder Rights	45	58	50	8

### Vote Highlights

- **Wireless Matrix** (Canada) – voted against a shareholder rights plan (poison pill) that could result in a change in control that shareholders have not approved. The proposal did not pass.
- **FedEx** (U.S.) – voted against the re-election of members of the Compensation Committee because of poor pay-for-performance linkages at the company. All directors were re-elected.
- **Carrefour** (France) – voted in favour of a change from a two-tiered board to a single tier. The proposal passed.

### Direct Company Engagement

Company	Issue	Best Practice Standard
<b>Kingsway Financial, Opti Canada, and Quadra Mining</b> (Canada)	Majority vote director election standard	In one-on-one meetings and follow-up letters to the company Chair and CEO, bcIMC put forward our view that 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. All companies were receptive to our suggestion.
<b>Tupras, Turkcell, and Aksigorta</b> (Turkey)	Transparency	In correspondence to each company, with copies to the Corporate Governance Forum of Turkey, we advised that companies should disclose details on all AGM proposals well in advance to give foreign shareholders time to fairly evaluate the issues and submit proxy votes. To date, we have received a reply from one company "to expect disclosure improvements in the future".
<b>HDFC Bank, Bharti Airtel, Bharat Heavy Electricals, and Reliance Industries</b> (India)	Counting proxy votes	We issued letters to the Chair and CEO of each company, with copies to our sub-custodian bank in India, asking for the following governance reform: at AGMs, companies should not only count votes by show of hands but also include votes sent by proxy so that all shareholders have a voice at company meetings.
21 Japanese companies, including <b>Nippon Oil, Mitsubishi Chemical, Nikon, Suzuki, and Japan Petroleum</b>	Dividend policy	In correspondence to each company Chair and CEO, we suggested that mature companies with a steady, reliable profit stream should pay minimum dividend of 30% of net income if there is no better return that the company can generate from its available cash. We are pleased that in return correspondence, eight companies so far have indicated they are considering a dividend increase next year.

## Investor Coalition Activity

Coalition	Activity
<b>Canadian Coalition for Good Governance (CCGG)</b>	The mission of the Canadian Coalition for Good Governance (CCGG) is to represent Canadian institutional shareholders through the promotion of best corporate governance practices. In Q3 2008, the CCGG published two reference documents for Canadian corporations: <b>Best Practices in Shareholder Communication</b> and <b>Best Practices in Compensation Disclosure</b> . Companies noted in the reports for their excellent disclosure practices include Potash Corp, Inmet Mining, SNC-Lavalin, Scotiabank, and Bombardier. These reports are available at <a href="http://www.cggg.ca">www.cggg.ca</a> and through bcIMC's website at <a href="http://www.bcimc.com/responsibleinvesting">www.bcimc.com/responsibleinvesting</a> .
<b>Asian Corporate Governance Association (ACGA)</b>	bcIMC recently joined 10 large world-wide investors in asking Japanese companies to raise shareholder returns and meet global standards of corporate governance. These requests were made in a <b>White Paper on Corporate Governance in Japan</b> , developed and released by the Asian Corporate Governance Association (ACGA). The six key issues identified in the White Paper (available at <a href="http://www.acga-asia.org">www.acga-asia.org</a> and on bcIMC's website at <a href="http://www.bcimc.com/responsibleinvesting">www.bcimc.com/responsibleinvesting</a> ) are: Recognition of the shareholders as owners of public companies; Efficient use of capital; Independent supervision of management; Pre-emption rights and third party share placements; Poison pill and takeover defenses; and Fairness and transparency in shareholder voting. The White Paper is ACGA's first policy paper on an Asian country. It is the first time that bcIMC and other members (like CalPERS, CalSTRS, Hermes) have been actively involved in writing a policy document and, most importantly, this is the first collaborative effort among global institutions to produce and jointly endorse a statement on corporate governance in Japan.

## Public Policy Engagement

Issue	Activity
<b>Canadian securities regulation</b>	In July, bcIMC submitted comments to the <b>Expert Panel on Securities Regulation</b> that was established by Canada's Minister of Finance. Our comments focused particularly on enforcement of Canadian securities law and regulation, and we put forward that capital protection and capital market crime enforcement in Canada are not meeting the needs of investors, and must be top priorities for the Expert Panel's recommendations on how to improve securities regulation. bcIMC's submission can be found at <a href="http://www.expertpanel.ca">www.expertpanel.ca</a> . The results and recommendations from the Expert Panel's consultation will be published shortly.
<b>Compensation disclosure in Canada</b>	In September, the Canadian Securities Administrators (CSA) released the final version of updated executive and director compensation disclosure regulations. The release ends a process that began in March 2007 when an initial draft proposal received extensive industry review (bcIMC submitted comments). In February 2008, a revised proposal was published for a second comment period (bcIMC also made a submission during this round of consultations). The new disclosure rules will take effect December 31, 2008 and highlights include: <ul style="list-style-type: none"> <li>→ A summary compensation table disclosing total compensation for each of the company's five highest paid executives</li> <li>→ Mandatory disclosure of potential payments to executives on termination, resignation, retirement, or a change of control of the company</li> <li>→ A "compensation discussion and analysis" explaining the rationale for specific compensation programs and decisions</li> </ul>
<b>"Acting in concert" in Netherlands</b>	During the quarter, bcIMC wrote to the Dutch Ministry of Finance to encourage the Ministry to issue guidance on how to interpret "acting in concert" because under legislation that was introduced last year, the definition is uncertain and could be subject to wide interpretation that would hamper 'normal' corporate governance actions of institutional investors, like bcIMC. In effect, shareholders who collaborate with the simple objective of contributing to enhanced company performance may not be distinguished from shareholders working together with the intention to alter company control. The consequence is that shareholders acting as responsible owners, with no intention to disrupt business, could face an obligatory take-over bid to the remaining shareholders.

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 Q3-08 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	1	1	1	0
Social Responsibility	3	4	2	2

Vote Highlights
<ul style="list-style-type: none"> <li>• <b>Centex (U.S.)</b> – voted in favour of a proposal that the company adopt greenhouse gas emission reduction goals and report to shareholders. The proposal did not pass.</li> <li>• <b>Yahoo (U.S.)</b> – voted against a shareholder proposal asking Yahoo to adopt policies to protect human rights related to free use of the internet, because Yahoo has significantly improved its practices. The proposal failed.</li> </ul>

Direct Company Engagement

Company	Issue	Best Practice Standard
<b>Loblaw, Nexen, Petro-Canada, Suncor, Teck Cominco, and Shoppers Drug Mart (Canada)</b>	ESG performance	We congratulated each company on being named one of Canada's "Best 50 Corporate Citizens" for 2008 by Corporate Knights. In our correspondence, we set out our belief that responsible business practices can positively impact corporate performance and add long-term shareholder value. Accordingly, we are pleased when the companies in which we invest are recognized as leaders in incorporating environmental, social and governance (ESG) factors into their business practices.
<b>Research in Motion (Canada)</b>	Supplier code of conduct	Understanding that RIM has outsourcing partnerships for handheld manufacturing and that the company plans to increase manufacturing volumes in 2008, bcIMC discussed with RIM whether its board and/or executive team had given thought to adopting a supplier code of conduct. For example, we noted that Apple Inc., which is also reliant on electronics factories in "challenging" parts of the world (regions with significant environmental problems, poor working conditions and weak human rights), has developed such a code to mitigate reputation, brand and operational risk (this document is publicly available on the Apple website). bcIMC was interested in hearing RIM's plans for bringing the company into alignment with its peers and emerging stakeholder expectations about supply chain management.

## Investor Coalition Activity

Coalition	Activity
<b>Investor Network on Climate Risk (INCR)</b>	bcIMC became a member of the INCR in 2006. The INCR specifically focuses on addressing the investment risks to U.S. companies posed by climate change. In early September, we joined 24 other INCR members in writing to the independent members of the Board of Directors of ExxonMobil to request a face-to-face meeting regarding the company's climate change strategy (e.g., identifying new energy ventures and business lines) and corporate governance performance (e.g., separate Chair and CEO).
<b>Carbon Disclosure Project (CDP)</b>	The CDP is a non-profit organization that works closely with approximately 400 institutional investors from around the world (with collective assets under management of almost \$60 trillion at December 31, 2007) to gather research on how public companies are approaching climate change. bcIMC and more than 30 other Canadian institutions are CDP supporters. In February each year, on behalf of participating investors, CDP sends an Information Request to the world's largest corporations (including 200 of Canada's largest companies) seeking company disclosure on GHG emission levels and climate risk management strategies. Company responses are due by May 31. In the 2008 CDP information request, more than 1,550 corporations responded (out of 3,000) and in Canada, more than 55% provided the requested information (up from a 45% response rate last year). Additionally, some markets prepare a CDP summary report analyzing the national quality of company disclosure on climate change risks and opportunities. Canada is one of these markets and in early November, the <b>Carbon Disclosure Project 2008 Canada 200 Report</b> will be released (a link to the report will be posted on bcIMC's website at <a href="http://www.bcimc.com/responsibleinvesting">www.bcimc.com/responsibleinvesting</a> ). bcIMC contributed to the drafting of this report and to selecting the Canadian companies that demonstrated disclosure leadership in their CDP responses (e.g., Encana, Enbridge, Bombardier, Nexen, and Suncor).
<b>United Nations Environment Program Finance Initiative (UNEP FI)</b>	In 2006, bcIMC joined the UNEP FI. The UNEP FI mission is to develop and promote linkages between the environment, social considerations, and financial performance through a strategic work program. The work program is executed by UNEP FI members, who are organized into project groups according to their interests and resources. For example, since March 2008, bcIMC has contributed to the Property Working Group (PWG) to encourage "responsible property investment" practices within the investment industry. Responsible property investing (RPI) essentially means maximizing the positive and minimizing the negative social and environmental effects of real estate investing in a way that is cost effective and neutral or positive on returns (i.e., consistent with fiduciary responsibilities). In June 2008, the PWG published a research report that highlights international best practice examples of responsible property investing. The brief, to which bcIMC contributed, is called <b>Building Responsible Property Portfolios</b> and it is available at <a href="http://www.unpri.org/property">www.unpri.org/property</a> and on bcIMC's website at <a href="http://www.bcimc.com/responsibleinvesting">www.bcimc.com/responsibleinvesting</a> .

## Public Policy Engagement

Issue	Activity
<b>Promoting ESG in mainstream investment management</b>	We try to further industry awareness and consideration of environmental, social and governance issues by publicly discussing our views and approach to responsible investing. In September, bcIMC spoke at the annual Association of Canadian Pension Managers (ACPM) conference on a panel called "How Green is Your Fiduciary Duty?" bcIMC's presentation is posted at <a href="http://www.bcimc.com/responsibleinvesting">www.bcimc.com/responsibleinvesting</a> .

## CASE STUDY—GREEN REAL ESTATE

In 2007, bcIMC began developing the Carma building located at Westmount Corporate Campus in Calgary, Alberta. This 67,000 square foot office building is 100 percent leased to Carma Developers LP and will be complete by early 2009. Working with Carma Developers, bcIMC incorporated several environmentally sustainable elements into the building during its design and development process.



*Westmount Corporate Campus ~ Carma Building Under Construction*

The Carma building's sustainable features include:

- **Construction & Waste Management Plan** – A comprehensive construction and waste management plan has been developed in order to divert materials from the landfill and recycle as much construction material as possible. To date, approximately one-third of the materials that would usually be sent to the landfill have been diverted and recycled.
- **Alternative Transportation** – In an effort to promote alternative methods of transportation, additional bicycle racks and storage facilities have been incorporated into the building design.
- **Efficient Lighting** – More efficient outdoor lighting fixtures have been installed to contain the spread of light rays. These more efficient lights also help to reduce the amount of heat generated from lighting and as such, lessen the 'heat island effect'. (As developments progress, and less natural vegetation occupies the area, the land tends to experience a temperature increase, compared to its rural surroundings. This is commonly referred to as 'heat island effect' or 'urban heat island'.)
- **Water Reduction** – All toilets within the building are low flow which reduces the amount of waste water consumed. In addition, all urinals are waterless which completely eliminates water consumption.
- **Recycling Facilities** – A conveniently located recycling facility encourages employees to divert waste from the landfill and increase recycling efforts.
- **Indoor Air Quality** – Monitoring devices have been installed to accurately assess indoor air quality. Maintaining better quality indoor air creates a healthier working environment and improves employee productivity and performance.

On behalf of our clients, bcIMC and Carma Developers are promoting and engaging in responsible property investing which encompasses environmental stewardship, social responsibility and economic accountability.