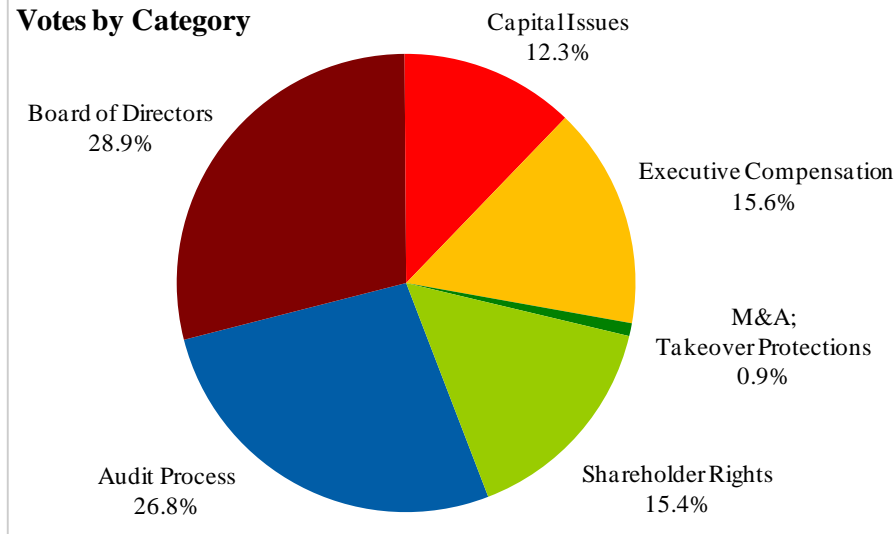


The following is a sample of bcIMC's engagement during the quarter on corporate governance issues, except for the "Proxy Votes" table which presents a complete Q2-09 record. We also prepare a full confidential report on our quarterly activities for our clients.

Proxy Votes

Issue Category	Number of companies	Number of Issues	bcIMC Voted FOR	bcIMC Voted AGAINST
Audit Process	1,154	1,250	1,088	162
Board of Directors	1,201	1,345	905	440
Capital Issues	247	573	408	165
Executive Compensation	542	728	228	500
M&A; Takeover Protection	42	42	29	13
Shareholder Rights	452	719	585	134

Votes by Category



Vote Highlights

- BCE (Canada)** – voted AGAINST Compensation Committee members over concerns about compensation decisions last year. For example, a sizeable retention award of \$11,250,000 was granted to the incoming CEO in December 2008. This award will pay out its full value in December 2010 even if the share price remains exactly where it is today, regardless of whether any performance goals are achieved or whether any increase in shareholder value has been created. Despite the company's claim to have instituted a pay-for-performance philosophy in its compensation programs, we believe shareholders would be better served if the retention grant had some element of performance achievement attached in order to vest so that it would not provide substantial value even for mediocre or poor performance.
- Citigroup (U.S.)** – voted AGAINST Audit Committee members for failure to effectively oversee risk management, helping cause the company's current instability and increasing volatility in the global financial markets. As a result of the board's poor risk oversight, the company has recognized billions of dollars in write-downs and credit losses since the beginning of the financial crisis in 2007, and has suffered a 95 percent decline in its share price. Also, last year the CEO received a \$31 million pay package despite the company's implosion so we voted AGAINST returning Compensation Committee members for ratifying excessive executive pay that is unlinked to shareholder value.
- Volkswagen (Germany)** – voted AGAINST discharging the board from liability for their decisions during the year. Volkswagen's management and boards have allowed Porsche – a company controlled by VW chairman – to take control of Volkswagen without any resistance. There has been a clear lack of transparency regarding Porsche's influence on management and the supervisory boards' decisions at Volkswagen.

Direct Company Engagement

Company	Issue	Best Practice Standard
Suncor & Petro-Canada (Canada)	Merger	In meetings with the management of each company, bcIMC questioned whether the proposed merger was in the best long-term interests of Suncor and Petro-Canada shareholders. With all concerns answered, bcIMC along with a strong majority of shareholders voted to approve the merger. The combined entity is now the largest company by market capitalization on the S&P/TSX Composite and has over 12,000 employees with 100 years worth of oil reserves. It is bcIMC's view that the merged company has the assets, cost structure and financial strength to compete globally and create long-term shareholder value.
Forzani (Canada)	Board effectiveness (proxy battle)	At the conclusion of several discussions with incumbent and proposed company directors, we expressed support for the current slate of directors rather than for the dissident slate. We did not believe that the dissident met the burden of proving that board change was warranted and we were concerned about the increase in financial leverage that may be encouraged by the activist group should they gain 25% of the board seats. Our focus is stable returns over the longer-term and we did not feel that this objective is aligned with the hedge fund's motives.
EnCana & Enbridge (Canada)	Board oversight of risk management	Looking across the Canadian landscape at the hundreds of companies our clients own, only a few corporations stand out as performing well in the current environment. We acknowledge the enormous challenges firms are facing but in certain cases, like Encana and Enbridge, the board and executive team have done a superior job at capital protection and managing financial, strategic, and operational risks. In recognition of this risk management leadership, bcIMC initiated discussion with Encana and Enbridge about best practices in risk oversight in the board room. We also heard each director's view on linking executive compensation to risk management.

Investor Coalition Activity

Coalition	Activity
Canadian Coalition for Good Governance (CCGG)	In June, the CCGG held its 6 th Annual Meeting and Doug Pearce, bcIMC's CEO/CIO, was honoured for his three years as Chair of the CCGG Board of Directors. Under Doug's leadership, the Coalition continued to be a significant participant in Canada's capital markets and his main CCGG accomplishments were creating a majority voting policy that has now been adopted by over 120 Canadian issuers, developing a framework to promote effective enforcement of white collar crime in Canada and the advancing the Coalition's views on executive compensation. Doug's final speech as CCGG Chair is posted on the <i>Responsible Investing – What's New</i> section of bcIMC's website (www.bcimc.com/responsibleinvesting) and other documents from the AGM are available at www.ccgga.ca .
International Corporate Governance Network (ICGN)	In July, the ICGN held its annual conference over two days in Sydney, Australia and 400 delegates attended from 35 countries. Speeches and reports from the conference, which was entitled "Route Map to Reform and Recovery", can be found at www.icgn.org .

Public Policy Engagement

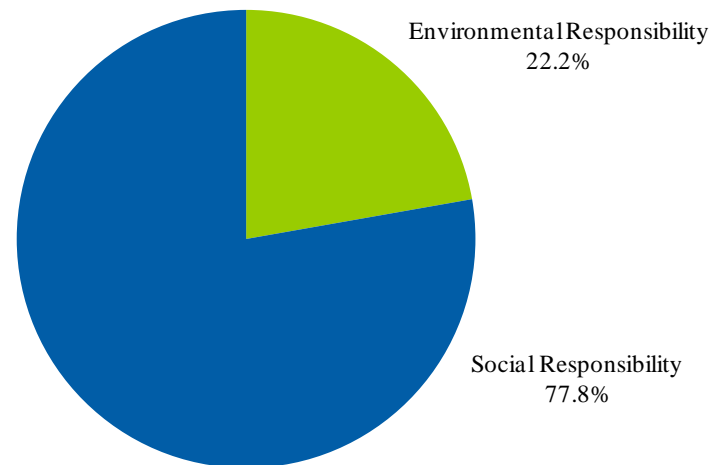
Issue	Activity
Canadian Securities Administrators (CSA)	<p>In April, bcIMC submitted comments to the CSA on the proposed repeal and replacement of National Policy 58-201 <i>Corporate Governance Guidelines</i> and National Instrument 58-101 <i>Disclosure of Corporate Governance Practices</i>. In our comments, bcIMC urged the CSA to:</p> <ol style="list-style-type: none"> 1. Encourage companies to adopt <i>at least</i> the recommended governance practices in the current Guidelines. They establish an important foundation of common standards that have been generally accepted by the Canadian marketplace. 2. Encourage companies to be <i>more</i> expansive in their disclosure of effective governance practices. The existing “comply or explain” regime sets appropriate parameters for the disclosure of best practice corporate governance in Canada. 3. Leave the current Guidelines in place and <i>supplement</i> them with the content of new Principles 6, 7 and 9, which provide additional useful information for investors. (Principles 6, 7 and 8 focus on conflicts of interest, risk management and engaging with shareholders). <p>In June, the federal government announced the launch of the Transition Office, which will lead Canada’s effort to establish a single Canadian securities regulator and do away with the present framework of 13 separate securities regulators. The Minister of Finance also announced that Doug Hyndman, head of the BC Securities Commission, will be the Chair and Chief Executive Officer of the Transition Office. The Transition Office will lead all aspects of the transition, including the development of the federal Securities Act and collaborating with provinces and territories to encourage participation. The Transition Office is expected to deliver within one year a plan for the transition to a Canadian securities regulator. bcIMC supports a federal regime if it respects regional interests, strengthens enforcement of securities crimes and better serves the needs of investors. We congratulate Mr. Hyndman on this important appointment.</p>
Toronto Stock Exchange (TSX)	<p>In May, bcIMC submitted comments to the TSX on proposed changes to the governance standards for TSX listed issuers. Specifically, the TSX was seeking input relating to shareholder approval requirements for acquisitions and they suggested requiring a shareholder vote for transactions that are 50%+ dilutive. bcIMC put forward our recommendation for shareholder approval when a transaction is at least 20% dilutive. This is in keeping with best global practices as most major stock exchanges around the world have a dilution threshold of between 20% and 30% above which a shareholder vote is required.</p>
U.S. Securities & Exchange Commission (SEC)	<p>July 1, 2009 was a momentous day for shareholders of U.S.-listed companies as the Securities and Exchange Commission (SEC) approved a long-awaited board election reform. The SEC gave final approval to a New York Stock Exchange (NYSE) rule change to bar brokers from casting uninstructed client votes in director elections starting in 2010. bcIMC and other institutional investors who for years have lobbied for a ban on “broker votes” praise the SEC approval of the NYSE rule change. In our view, the elimination of broker votes is a welcome addition to increased market transparency and fairness.</p> <p>In 2006 and again earlier this year, bcIMC corresponded with the SEC to urge the agency to amend the current NYSE rule that permits brokers to vote on the uncontested election of directors if the beneficial owner has not communicated voting instructions. Brokers were afforded this voting ability because director elections were viewed as “routine” under the existing NYSE rule. Adding insult to injury, it has been a long-time industry practice for brokers to cast their votes with management.</p>

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 Q2-09 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	27	32	20	12
Social Responsibility	81	112	48	64

Votes by Category



Vote Highlights

- Barrick Gold** (Canada) – voted FOR a request that the board of directors convene an independent third party to review Barrick's community engagement practices and performance. The review would focus on sites where there is evidence of eroding community support. Given bcIMC's current engagement with Barrick on their mining operations in Papua New Guinea and retaining their social license to operate there by establishing effective environmental management practices, we saw merit in this third party audit. We would like to have more assurance that the company is actively managing risks related to community engagement and monitoring the effectiveness of its policies. bcIMC is not alone in our concern. Earlier this year, the Norwegian Pension Fund divested from Barrick, citing excessive environmental risk.
- Google** (U.S.) – voted AGAINST a request that the company adopt policies that would protect basic human rights related to free use of the Internet. We are satisfied with the Google Code of Conduct that seeks to limit authoritarian governments' ability to censor information and/or track information on individual users. We also note that Google is a founding member of the Global Network Initiative (GNI), a multi-stakeholder initiative to globally protect and promote freedom of expression and privacy. Signatories to the GNI agree to follow the Principles on Freedom of Expression and Privacy and the accompanying Implementation Guidelines.
- Altria** (U.S.) – voted FOR a resolution requesting that the company adopt a policy or strategic goal of reducing the nicotine content and nicotine enhancers in all new cigarette brands.

Direct Company Engagement

Company	Issue	Best Practice Standard
Suncor (Canada)	Sustainability reporting	At a series of meetings, bcIMC discussed including targets and explicit performance benchmarks in the company's next sustainability report to enable Suncor and its stakeholders to measure progress on sustainability. In mid-June, Suncor published their 2009 Sustainability Report and we are pleased that it contained several "green" targets – for example, by 2015, the company pledged to double its reclaimed land area, cut 10% from its water intake and air emissions, and boost energy efficiency by 10%.
Research in Motion (Canada)	Social and environmental policies and reporting	As a follow up to an ESG discussion we initiated with RIM in 2008, bcIMC requested a progress report on RIM's sustainability efforts. We learned that RIM would participate in the Carbon Disclosure Project for the first time in 2009, a supplier code of conduct has been drafted and the company's first sustainability report is in the planning stages. We encouraged RIM to look to Motorola and Nokia for their excellent sustainability policies and disclosure – they are model corporations among RIM's competitors/peers.

Investor Coalition Activity

Coalition	Activity
Principles of Responsible Investment (PRI)	bcIMC became an investment manager signatory to the UN-led Principles for Responsible Investment (PRI) in April 2006. In early 2009, bcIMC and other signatories (which currently number more than 500 firms, representing USD \$18 trillion in assets under management and 36 countries) participated in a PRI survey to assess if and how the Principles were being incorporated into our investment strategies. In mid-July, the survey results were released in Sydney, Australia at the PRI's third annual conference. The results are published in a document called the <i>PRI Report on Progress 2009</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 . bcIMC is pleased to be profiled in the 2009 PRI Report for our ESG collaboration with local experts in foreign markets.

Public Policy Engagement

Issue	Activity
U.S. Securities and Exchange Commission (SEC)	During the quarter, bcIMC joined other members of the Investor Network on Climate Risk (INCR) in writing to the SEC requesting that, to protect shareholders' interests, the Commission address corporate disclosure of climate change and other material environmental, social and governance (ESG) risks in securities filings. In particular, investors asked the SEC to issue formal guidance on material climate-related risks that companies should disclose and enforce existing disclosure requirements for climate change and other risks. SEC Chairwoman Mary Shapiro responded to the letter in July with these positive comments: 1) A new SEC Investor Advisory Committee will look at the issues in the INCR letter and report back to the Commission; and 2) Chairwoman Schapiro has asked Corporation Finance staff "to review climate risk and ESG disclosure issues with a fresh eye".
Canadian Institute of Chartered Accountants (CICA)	In June, the CICA published a report called "Climate Change Briefing – Questions for Directors to Ask." bcIMC began engaging with the CICA in early 2008 to encourage them to provide more guidance to companies, and directors in particular, about the business impacts and related governance issues resulting from climate change. This document will be a useful reference for bcIMC's engagement with Canadian companies. 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 discussion on environmental, social and governance issues by speaking at conferences about our investor standpoint and approach to responsible investing. In June, bcIMC's Manager Shareholder Engagement, Susan Enefer, spoke at the Canadian Investor Relations Institute (CIRI) annual conference on the "Investor Perspective on Corporate Social Responsibility Practices and Reporting." Slides from this event are posted at www.bcimc.com under <i>Responsible Investing - What's New</i> .

CASE STUDY—2009 PROXY SEASON RECAP

As owners of a company, shareholders are entitled to vote at the company's Annual General Meeting (AGM). However, most shareholders do not physically attend the meeting to directly cast their votes. In bcIMC's case, because of the scope and diversity of our clients' shareholdings, this would mean appearing at thousands of AGMs in dozens of markets around the world. Rather, shareholders who want their views represented will assign their votes to a proxy. Thus the term "proxy voting."

Spring is the busiest time of year for proxy voting. About 80% of North American and international companies hold their AGMs over a concentrated time frame commonly called "proxy season". The season begins in February in Korea and ends in July in the U.K. and during this period, bcIMC votes at an average of 100 AGMs each week.

Voting at AGMs is a primary way for shareholders to influence a company's policies and the behavior of boards of directors and management. bcIMC considers the right to vote an important and valuable asset, and our objective is to vote every share at every AGM of every domestic company (Canada and U.S.) and the most valuable international companies our clients own. When we retain external investment managers, we do not delegate voting authority to them. Because bcIMC takes the ability to vote very seriously, we were surprised to recently learn that only half of the 276 participants in the 2009 Principles for Responsible Investment (PRI) survey vote on all resolutions in both domestic and international markets (the *PRI Report on Progress 2009* is available on bcIMC's website at www.bcimc.com/responsibleinvesting).

bcIMC has developed extensive *Proxy Voting Guidelines* to vote our clients' shares, which reflects their environmental, social and governance (ESG) expectations. One of the underlying tenets of the Guidelines is transparency, and bcIMC is among the few investment managers to publicly disclose our voting decisions each quarter (according to the 2009 PRI survey, most managers only disclose annually, and only to clients). bcIMC's voting Guidelines and voting record are posted on our website.

Proxy Season by the Numbers:

During this year's proxy season (February to July), bcIMC voted:

- On 5,446 ballot items.
- At 1,375 company AGMs.
- NO on 31% of the ballot items.
- AGAINST compensation requests 67% of the time.
- FOR shareholder rights and environmental and social responsibility requests 74% of the time.

Proxy Voting Disclosure:

We publish how and why we voted at shareholder meetings because it:

- Demonstrates how bcIMC meets our clients' ESG goals through proxy voting.
- Opens dialogue with boards of directors.
- Encourages other investors to participate in the voting process as a means to improve ESG standards and the long-term value of their investments.