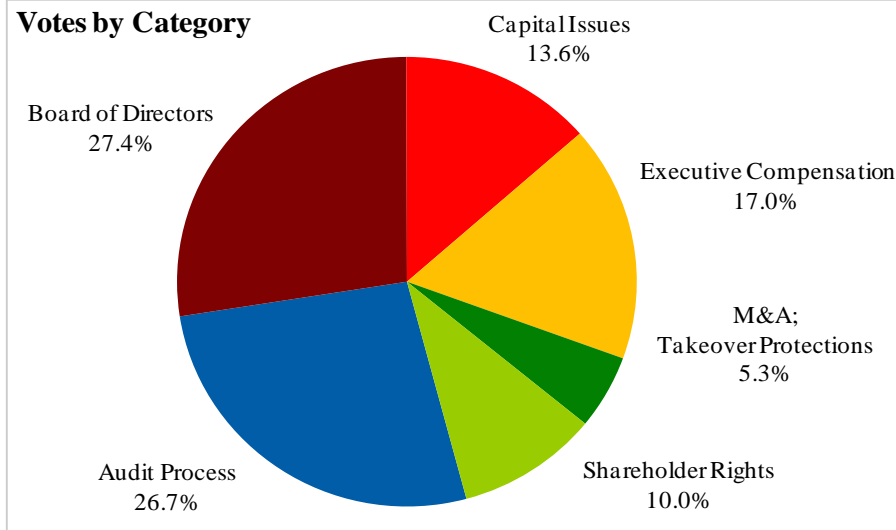


The following is a sample of bcIMC's engagement during the quarter on corporate governance issues, except for the "Proxy Votes" table which presents a complete Q3-09 record. We also prepare a full confidential report on our quarterly activities for our clients.

## Proxy Votes

Issue Category	Number of companies	Number of Issues	bcIMC Voted FOR	bcIMC Voted AGAINST
Audit Process	96	110	97	13
Board of Directors	103	113	78	35
Capital Issues	28	56	41	15
Executive Compensation	50	70	18	52
M&A; Takeover Protection	21	22	20	2
Shareholder Rights	29	41	34	7

## Votes by Category



## Vote Highlights

- Jean Coutu (Canada)** – Voted **AGAINST** all board nominees because of poor compensation decisions at the company (e.g., the total shareholder return over one, three and five year periods is negative and well below peers yet the CEO received a significant increase in pay last year, including a new, large pension benefit). We tried to withhold support from the five members of the Human Resources and Compensation Committee of the Board, however, as the company provided a slate ballot, a vote against the entire board was the only option.
- Analog Devices (U.S.)** – Voted **AGAINST** the proposed re-pricing of “underwater” executive stock options (options that have exercise prices significantly above the current market price of the common stock). This action disconnects executive interests from shareholders, who must accept the downside risk to their shareholdings and is a disincentive to working to increase the stock price.
- Modern Times (Sweden)** – Voted **FOR** a proposal that Class A shareholders be given the right to convert their Class A shares into Class B shares. We support the one-share, one-vote policy and favour proposals to unify capital structures. Currently, the company's Class A shares carry higher voting rights than B shares, but B shares have more liquidity. Conversion would thus require Class A shareholders to give up part of their 10 votes/share voting power in exchange for receiving a more liquid share. Since conversion would represent a step towards the abolishment of supervoting shares, this proposal merited our support.

## Direct Company Engagement

Company	Issue	Best Practice Standard
Silver Wheaton, Canadian Western Bank, AltaGas Utility Group, Tim Hortons, Fortis (Canada)	Majority vote standard for director elections	In private meetings and correspondence, we recommended that each company's director nominees who receive a greater number of shareholder votes "withheld" than votes "for" should tender their resignation/decline nomination to the board.
BCE, Goldcorp, Bank of Nova Scotia, CIBC (Canada)	Executive compensation	In private meetings and correspondence, we recommended that each company's executive pay should be transparent, reasonable, linked to long-term company results (e.g., relative total shareholder return), and not reward excessive risk-taking. We suggested that the companies establish share ownership policies, clawback provisions, performance criteria/targets in-line with the Canadian Coalition for Good Governance 2009 <i>Executive Compensation Principles</i> (available at <a href="http://www.ccg.ca">www.ccg.ca</a> ).

## Investor Coalition Activity

Coalition	Activity
Canadian Coalition for Good Governance (CCGG)	The mission of the Canadian Coalition for Good Governance (CCGG) is to represent Canadian institutional shareholders like bcIMC through the promotion of best corporate governance practices. In Q3 2009, the CCGG published two reference documents for Canadian corporations: <i>Best Practices in Shareholder Communication</i> and <i>Best Practices in Compensation Disclosure</i> . Companies noted in the reports for their excellent disclosure practices include Canadian Pacific (for Director Disclosure) and Cameco Corporation (for compensation disclosure). These reports are available at <a href="http://www.ccg.ca">www.ccg.ca</a> .
International Corporate Governance Network (ICGN)	In September, the membership of the International Corporate Governance Network (ICGN), including bcIMC, ratified revised <i>Global Corporate Governance Principles</i> . The Principles now focus more on board culture and behaviours rather than on structures, like independence. There are also two entirely new sections, responding to what shareholders have learned from the financial crisis. One section is on risk management and the other is on corporate culture, which ICGN members regard as a crucial way for companies to preserve and create long-term value. In addition, the revised Principles place a greater emphasis on shareholder responsibilities, an integral part of the overall corporate governance process. The ICGN Global Corporate Governance Principles are at <a href="http://www.icgn.org">www.icgn.org</a> .

## Public Policy Engagement

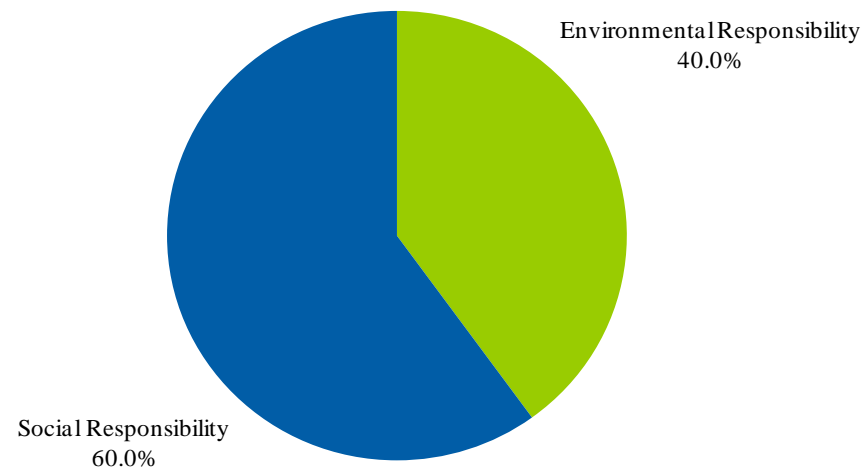
Issue	Activity
<b>Toronto Stock Exchange (TSX)</b>	<p>In late September, the TSX announced that it would change its rules regarding public company acquisitions. TSX-listed issuers will now be required to obtain shareholder approval for M&amp;A transactions that will result in substantial shareholder dilution (25% or more). This is a major step forward by the TSX, bringing its rules in this area in-line with global standards and was brought about, at least in part, by the sustained efforts of institutional shareholders like bcIMC. bcIMC first raised this issue with the TSX in October 2007. The issue came to the forefront again in January 2009 with the highly dilutive Hudbay-Lundin transaction which bcIMC strongly lobbied against. In April 2009, the TSX published another Request for Comments. bcIMC responded to that proposal by urging the TSX to bring its requirements in-line with those of major exchanges around the world and require shareholder approval if dilution to existing shareholders would exceed 20—25%. We are pleased that the TSX has accepted our recommendation.</p>
<b>Canadian Securities Administrators (CSA)</b>	<p>The formation of a national securities regulator continues to move forward with several recent, noteworthy developments:</p> <p><b><i>Formation of a federal Advisory Committee</i></b></p> <p>The Transition Office, led by Doug Hyndman, former Chair of the BCSC, has appointed representatives to a new federal Advisory Committee which has been formed to ensure that participating governments' interests are represented in the design of a national regulator.</p> <p>The members of the Advisory Committee are: Louis L. Arki – Nunavut; William E. Belliveau – New Brunswick; Peter M. Brown – British Columbia; James D. Hinds – Ontario; Paul R. Jelley – Prince Edward Island; Dale G. Linn – Saskatchewan; Gary I. MacDougall – Northwest Territories; Winston Morris – Newfoundland and Labrador; Frederik J. Pretorius – Yukon; Dawn A. Russell – Nova Scotia.</p> <p>Quebec and Alberta remain opposed to a national regulator, and Manitoba has recently undergone a change of Premier.</p> <p><b><i>Consultations with the Transition Office</i></b></p> <p>Members of the Transition Office are travelling across Canada and holding confidential meetings with select market participants to discuss key issues relating to the draft national Securities Act and the transition plan. bcIMC, if consulted, will continue to urge the federal government to create an effective and focused national agency to investigate and prosecute capital markets crimes.</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 Q3-09 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	2	2	1	1
Social Responsibility	3	3	1	2

Votes by Category



Vote Highlights

- IDACORP (U.S.)** – Voted **FOR** a shareholder proposal requesting that this electric utility company in Idaho establish quantitative greenhouse gas emission reduction goals and issue a report outlining how the company would achieve the goals. Following a 51.2% majority vote, the company agreed to adopt GHG reduction goals by the end of the year. Since the vote, the company has issued its first RFP for a wind farm and submitted a smart grid proposal to utility regulators and is identifying solar energy pilot projects. The company has also improved its transparency and oversight by increasing disclosure in its 10-K filing, submitted detailed information to the Carbon Disclosure Project, provided new GHG reduction scenarios for Idaho’s Integrated Resource Plan, and is creating an external advisory board.
- ConocoPhillips (U.S.)** – Voted **FOR** a request that the company report on the environmental and social impacts of its oil sands operations. The proposal received a 30.3% FOR vote. bcIMC supported the proposal because of its focus on risk management and the potential environmental and reputation damage that would result from an expansion of the company’s oil sands operations.

## Direct Company Engagement

Company	Issue	Best Practice Standard
<b>CNR, Enbridge, EnCana, Suncor, Bombardier, Emera</b> (Canada)	Disclosure leadership in Carbon Disclosure Project (CDP)	In correspondence to each company, bcIMC congratulated them on being named as one of Canada's Climate Disclosure Leaders. Each company's respective disclosure indicated that they are the most prepared, involved and transparent in their initiatives to address climate change. Their strategies and achievements are a reference point for others in business in Canada and 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>Canadian Oil Sands, Husky Energy, TimberWest, Toromont Industries</b> (Canada)	First time participation in Carbon Disclosure Project (CDP)	Given the predicted severity of climate change and its economic consequences, it is important for us to understand how the companies our clients own are taking account of climate-related risks and opportunities. For this reason, bcIMC issued "thank you" letters to four heavy CO2 emitting Canadian companies who, for the first time, prepared a response to the CDP questionnaire. The responses described each company's approach to addressing climate risks, such as new regulation and development/deployment of new technologies.
<b>Tim Hortons</b> (Canada)	Social programs for coffee growing communities in Latin America and Central America	Understanding that Tim Hortons has supplier relationships with coffee farmers in developing nations like Guatemala, Colombia and Brazil, bcIMC requested information about the company's <i>Sustainable Coffee Program</i> . According to Tim Hortons' website, the program aims to provide financial assistance, technical training, education and social services to coffee-producing communities. In our meeting with the company, we learned that by 2010, Tim Hortons will produce their first sustainability report which will provide enhanced disclosure on the company's fair/sustainable farming efforts.

## Investor Coalition Activity

Coalition	Activity
<b>Investor Network on Climate Risk (INCR)</b>	bcIMC became a member of the Investor Network on Climate Risk (INCR) in 2006. The INCR is specifically focused on encouraging U.S. companies and policymakers to address the investment risks posed by climate change. In mid September, the INCR joined an international collaboration of investor associations from Europe, Australia and New Zealand in issuing a <i>2009 Investor Statement on a Global Agreement on Climate Change</i> . In the run-up to the Copenhagen UN Climate Change Conference in December, the Statement sets out the investor perspective on climate change and the key elements of a global agreement that will be needed to drive the financial flows necessary to address climate change. A link to the Statement, which bcIMC's CEO/CIO Doug Pearce endorsed, is posted on the <i>Responsible Investing -What's New</i> section of bcIMC's website at <a href="http://www.bcimc.com">www.bcimc.com</a> .
<b>Carbon Disclosure Project (CDP)</b>	The Carbon Disclosure Project (CDP) is a non-profit organization that works closely with hundreds of institutional investors from around the world (with collective assets under management of \$55 trillion at December 31, 2008) 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 signatory 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 2009 CDP information request, more than 1,550 corporations responded (out of 3,700) and in Canada, 97 companies provided the requested information. 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 October, the <i>Carbon Disclosure Project 2009 Canada 200 Report</i> was released (a copy is posted on the <i>Responsible Investing -What's New</i> section of bcIMC's website). bcIMC contributed to the drafting of this report and to selecting the Canadian companies that demonstrated disclosure leadership in their CDP responses.

Public Policy Engagement

Issue	Activity
<p><b>Ontario Securities Commission (OSC)</b></p>	<p>Pressure for mandatory corporate disclosure on environmental, social and governance issues is growing around the world. The ESG transparency movement comes from two fronts: First, an increasing number of mainstream, institutional investors like bcIMC are advocating consistent and comparable corporate ESG reporting to help us evaluate the long-term risks and competitive advantages of the companies our clients own or may own. Second, the movement for minimum standards of ESG reporting comes out of the widespread view that the investment markets failed to understand the social and governance risks that contributed to the current financial crisis. Better understanding may have mitigated or curtailed the current crisis.</p> <p>What are the prospects for ESG reporting change in Canada? In April 2009, the Ontario legislature unanimously approved a private members motion requesting that the Ontario Securities Commission (OSC) report to the Ontario Minister of Finance on steps to standardize environmental and social reporting. The Commission is to report back with its recommendations by January 1, 2010. To develop those recommendations, OSC staff is consulting with the corporate community, investors and other market participants over the coming weeks. bcIMC has participated in the OSC consultation and a copy of our submission on the state of climate risk disclosure in OSC filings is available on the <i>Responsible Investing –What’s New</i> section of bcIMC’s website (<a href="http://www.bcimc.com">www.bcimc.com</a>).</p>
<p><b>Principles for Responsible Investment (PRI)</b></p>	<p>We try to further industry awareness and to advance social, ethical and environmental responsibility in the mainstream financial markets by speaking at conferences about bcIMC’s investor standpoint and approach to ESG issues. On October 1, bcIMC’s Manager Shareholder Engagement, Susan Enefer, spoke at the <i>2009 Principles for Responsible Investment (PRI) Academic Conference</i> at Carlton University in Ottawa. The session was titled “How can academia support responsible investment practitioners?” and research papers from this event are posted at <a href="http://www.bcimc.com">www.bcimc.com</a> under <i>Responsible Investing - What’s New</i>.</p>

## CASE STUDY—PUGET SOUND ENERGY: A LEADER IN SUSTAINABILITY



In early 2009, bcIMC joined a consortium of investors in a US\$7.4-billion acquisition of Puget Holdings LLC. The main business of Puget Holdings LLC is Puget Sound Energy (PSE), a regulated utility company providing electric and natural gas service in the U.S. state of Washington.

On September 23, 2009, Puget Sound Energy was amidst 20 Washington companies, from among 147 entries, honoured at the second annual Green Washington Awards held in Seattle. PSE was recognized by *Seattle Business Magazine* as a local leader in sustainable business practices in the utilities category.



In granting the award to PSE, the judges noted that:

*“Puget Sound Energy has made major significant investments in alternative energy, creating hundreds of new green collar jobs while developing new sources of clean energy. As a result, this company has emerged as the nation’s second largest utility owner of wind power generation facilities.”*



A full list of the winners of the 2009 Green Washington Award was printed in the October issue of *Seattle Business Magazine*.

Further information about PSE, including its clean, renewable energy initiatives, please visit the company’s website at [www.pse.com](http://www.pse.com).