

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 Q2-10 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	1,288	1,427	1,176	251
Board of Directors	1,322	1,464	923	541
Capital Issues	275	76	54	22
Executive Compensation	643	888	355	533
M&A; Takeover Protection	42	43	28	15
Shareholder Rights	473	703	633	70




Vote Highlights

- Magna (Canada)** – Voted **AGAINST** elimination of the company's multiple voting class of shares for consideration of approximately US\$863 million to the controlling shareholder, Frank Stronach. While bcIMC is opposed to dual class share structures involving unequal voting rights, and we would generally support initiatives to create an equitable one-share-one-vote structure, this specific transaction does not well serve the long-term interests of shareholders and would set a bad precedent for other similar transactions at dual class companies.
- Hong Kong Exchanges and Clearing (Hong Kong)** – Voted **AGAINST** an article amendment that would allow the board to pass written resolutions, without a board meeting, by obtaining written approval from a simple majority of directors. We felt this amendment would facilitate the stifling of dissenting director views and that if something is important enough to require board-level approval, then that approval should only be given after the whole board has had an opportunity to discuss it and come to a unanimous conclusion. We also noted that HKEx, in proposing this amendment to its articles, was setting a bad example to the market which it is supposed to regulate through its subsidiary, the Stock Exchange of Hong Kong Ltd.
- UBS (Switzerland)** – Voted **AGAINST** the remuneration report (i.e., cast a negative "say on pay") because of perceived shortcomings in the company's compensation system. For example, having no caps on executive variable pay is a concern if UBS resumes the practice of issuing sizeable bonuses as it returns to profitability. We also voted **AGAINST** discharging the UBS board and senior management because of evidence of poor oversight in 2007-2009 that seriously eroded shareholder value. Usually, discharge is a fairly routine resolution in the Swiss market, but in cases where there exists clear evidence of a lack of board and managerial oversight invoking shareholder mistrust, we will vote against the formal discharge of the board, which was the case here.

Direct Company Engagement

Company	Issue	Best Practice Standard
Enghouse Systems, Glentel, Gold Wheaton Gold, Hana Mining, Niko Resources, MTY Foods, Mullen Group, Silvercorp Metals, Pason Systems, Petrobakken Energy, Power Corp. (Canada)	Separation of Chair and CEO roles or appointment of independent lead director	In correspondence to each company, we expressed our view that if the Chair and CEO roles are split, the board may be able to exercise stronger oversight of management. As recently demonstrated at some of the worst-hit financial institutions and in the past by corporate scandals like Enron, combining the role of Chair and CEO can contribute to company crises. Most codes of best practice worldwide embrace the principle of independent board leadership as a key means of building effective checks and balances within organizations. Having an independent chair is critical to effective oversight of management and to reduce unnecessary risks.
Laurentian Bank (Canada)	Executive compensation	In a meeting with management, we discussed how the bank might improve disclosure on how executive bonuses are linked to the achievement of financial objectives and strategic priorities (such as EPS, efficiency ratio, employee satisfaction).
Aurizon Mines (Canada)	Annual director elections	In a meeting with the Chair, we discussed reforming the company's current director election process from staggered elections to annual elections for all directors to enhance accountability to shareholders. Change is expected.
Canadian Tire (Canada)	Director effectiveness	In a meeting with management, we discussed the current board composition in light of the company's strategic outlook and goals (focus back on retail and away from financial services). Turnover and refreshment are expected.

Investor Coalition Activity

Coalition	Activity
	<p>The Canadian Coalition for Good Governance (CCGG) was formed several years ago to promote good governance practices in Canadian public companies in the belief that these practices contribute to a company's ability to create value for its shareholders. In May, the Executive Director of the CCGG and board members like bcIMC's CEO/CIO Doug Pearce, held meetings in various locations across Canada (Vancouver, Edmonton, Toronto, Halifax) to bring members up to date on the Coalition's recent and future initiatives. A copy of the presentation materials is currently available under What's New at www.bcIMC.com/ResponsibleInvesting.</p>
	<p>The International Corporate Governance Network (ICGN) was founded in 1995 and has evolved into a global organisation with 480 members in 45 countries. The institutional investor members, including bcIMC, represent assets under management of around US\$9.5 trillion. This year, the ICGN held their annual conference in Toronto and the June event, called "<u>The Changing Global Balances</u>", featured panel discussions/presentations on governance topics such as:</p> <ul style="list-style-type: none"> • the business case for more women on boards • the evolution of capital markets – threats to good corporate governance • the new balance in corporate social responsibility • the quality of shareholder votes • the role of hedge funds in corporate stewardship <p>A conference transcript is currently available under What's New at www.bcIMC.com/ResponsibleInvesting.</p>
	<p>The Asian Corporate Governance Association (ACGA) was founded in 1999 from a belief that corporate governance is fundamental to the long-term development of Asian economies and capital markets. Its members, including bcIMC, are dedicated to working with companies and regulators in the implementation of effective corporate governance practices throughout Asia. In June, the CLSA Asia-Pacific Markets, a founding sponsor of the ACGA, produced a report called "Nice Guys Finish Ahead" that showed good corporate governance practices do have a positive impact on a company's future stock returns. The research firm discovered that good governance does indeed pay for shareholders. The report is currently available under What's New at www.bcIMC.com/ResponsibleInvesting.</p>

Public Policy Engagement

Issue	Activity
U.S. Financial Services Reform	<p>In early July, as a result of the financial crisis, the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed into law. The Act includes a variety of corporate governance provisions intended to increase shareholder rights and improve disclosure of compensation matters:</p> <ul style="list-style-type: none"> • <i>Say on Pay</i> — Companies must obtain a non-binding shareholder vote to approve compensation of named executive officers as disclosed in the proxy statement at least once every three years. • <i>Golden Parachutes</i> — In any proxy vote in which shareholders are asked to approve an acquisition, merger, consolidation or proposed sale, the company making such solicitation shall disclose in the proxy any agreements or understandings that such a company has with any named executive officers of such issuer concerning any type of compensation that is based on or otherwise relates to the acquisition, and the aggregate total of all such compensation that may be payable to such executive officer upon consummation of the acquisition. • <i>Executive Compensation Disclosure and Clawbacks</i> — Companies must now show compensation paid compared with the firm's financial performance. In addition, companies must develop policies for the recovery of incentive-based compensation from any current or former executive that was paid based on erroneous accounting information. <p>A summary of the Dodd-Frank Wall Street Reform and Consumer Protection Act is currently available under What's New at www.bcIMC.com/ResponsibleInvesting.</p>
Ontario Business Corporations Act (OBCA)	<p>In May, bcIMC expressed opposition to the Law Commission of Ontario's plans to recommend changing the Ontario Business Corporation Corporations Act from a joint and several liability regime to a proportionate liability regime for advisors to corporations (like auditors, directors, lawyers). We perceive proportionate liability to be a relatively weak system of accountability and governance because:</p> <ul style="list-style-type: none"> • It reduces the incentive for those responsible for the preparation of financial information to be attentive to their duties (parties have less concern for losses resulting from an error, omission or misstatement in corporate financial information because their degree of liability is limited to their contribution to the loss). • It places a significant burden on shareholders and other stakeholders to obtain full restitution for any harm suffered. It should not be the responsibility of those harmed as a result of corporate wrongdoing to have to seek out all those responsible in order to obtain full compensation.
U.K. Shareholder Stewardship Code	<p>In April, bcIMC submitted comments to the U.K.'s Financial Reporting Council (FRC) on their draft Stewardship Code for Institutional Investors. The Code is relevant to bcIMC because we will be expected to apply it voluntarily. Also, on behalf of our clients, we are strong advocates for active share ownership, believing that investor engagement is vital to ensuring that companies are properly focused on ethics, accountability and building sustainable long-term value. Therefore, in our submission, we expressed support for the spirit and intent of the Code which is to establish clear guidance on the corporate monitoring, engagement and reporting responsibilities of institutional shareholders. The Code was finalized in July and is currently available under What's New at www.bcIMC.com/ResponsibleInvesting.</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 Q1-10 record. We also prepare a full confidential report on our quarterly activities for our clients.

Proxy Votes					Vote Highlights
Issue Category	Number of companies	Number of Issues	bcIMC Voted FOR	bcIMC Voted AGAINST	
Environmental Responsibility	86	116	48	68	<ul style="list-style-type: none"> • Great West Life (Canada) – Voted FOR a shareholder proposal requesting the company provide a public report describing its assessment of climate change risks and its rationale for not participating in the Carbon Disclosure Project (CDP). Over 77% of Canadian companies, by market capitalization, responded to the CDP last year, which represents 475 institutional investors and US\$55 trillion in assets. In addition, Great West Life's climate change initiatives and reporting lag its peers. This disclosure is essential for investors to assess the business risks that companies face regarding their GHG emissions. • Google (U.S.) – Voted FOR a shareholder proposal requesting the company improve its disclosure of environmental, social and governance risks, policies and systems through publication of a sustainability report. • BP PLC (U.K.) – Voted FOR a shareholder proposal requesting a report on the risks involved in the company's Canadian oil sands operations. Generally, bcIMC supports all reasonable resolutions requesting greater disclosure on environmental-related risks and we noted that prior to the filing of this resolution, BP had not previously disclosed detailed information on many of the assumptions/costs/risks regarding its operations in Canada. Eventually, BP's disclosure improved but we voted in support of the request to encourage BP to present this information in a more unified and coherent fashion and to help focus the company's attention on mitigating the environmental risks associated with oil sands development (for one of the world's leading energy companies, this should not be an afterthought).
Social Responsibility	29	34	22	12	

Direct Company Engagement

Company	Issue	Best Practice Standard
Suncor (Canada)	Sustainability performance and disclosure	In a series of meetings with management and staff, bcIMC learned about the company's sustainability developments and put forward disclosure recommendations for the publication of its next Sustainability Report. We are very pleased with the efforts being made by Suncor in reducing their environmental impact in Canada's oil sands and we applaud their progressive public policy position on climate change – for example, Suncor has received approval for a leading-edge technology that could radically improve tailings reclamation performance and has called publicly for a carbon tax.
Enbridge (Canada)	Free, prior and informed consent (FPIC)	In a meeting with the CEO, we discussed the First Nations and environmentalist opposition to Enbridge's proposed Northern Gateway project (construction of an oil sands pipeline to the West Coast). We shared a recently published report called " <u>Implementing a Corporate Free, Prior and Informed Consent Policy: Benefits and Challenges</u> " commissioned by Talisman that could be useful to Enbridge and other oil and gas and extractive companies in enhancing their ability to obtain and maintain a social license to operate. bcIMC recognizes that incorporating FPIC principles into community consultation policies is a difficult challenge for companies but we note that the report concludes the long-term benefits for oil and gas companies of obtaining community agreement based on FPIC reduces legal and reputational risks and outweighs the substantial challenges of securing consent.
Goldcorp (Canada)	Human rights	For several years, bcIMC has regularly dialogued with Goldcorp on corporate social responsibility issues. Goldcorp's commitment to respecting human rights wherever it operates has recently been a discussion item, particularly given public reports regarding human rights violations and violence at the company's Marlin Mine in Guatemala. In May, Goldcorp released a 200 page Human Rights Impact Assessment (HRA) report that took 18 months to complete and which details both the positive and negative impacts of the Marlin Mine on human rights. The practice of human rights assessment is in its infancy, so the report represents a significant contribution to knowledge about how companies can measure and mitigate the human rights risks of their operations. In addition, the assessment is unprecedented in its level of transparency – Goldcorp is the first company to make its HRA public. The next challenge is to respond to the HRA recommendations and, in correspondence to the CEO, we applauded Goldcorp's stated commitment to developing an action plan with stakeholder input (this engagement process will be another positive step in building community trust).
Potash Corp (Canada)	Food inflation	We questioned the CFO about the company's response to reputation risk regarding its perceived role in helping to induce food inflation in developing markets in past years. We asked about the ethos by which Potash operates to ensure that its fertilizer prices are fairly set (i.e., as low as is economically sustainable).

Investor Coalition Activity

Coalition	Activity
	<p>During the quarter, bcIMC joined 20 other PRI investor signatories in writing to 21 major companies in 14 countries asking them to improve their disclosure of bribery and corruption risks and avoidance measures. We asked companies to explain whether their anti-corruption management systems adhere to international reporting frameworks such as the UN Global Compact's "Reporting Guidance on the 10th Principle Against Corruption" (currently available under What's New at www.bcIMC.com/ResponsibleInvesting).</p> <p>We also joined a PRI collaboration focused on engaging with Samsung Electronics, the world's biggest chip manufacturer. The Korean company is facing accusations from dozens of former employees who have become seriously ill as a consequence of their work on the company's semiconductor production line. Most of them have leukemia. Nine have already died. A connection is suspected between their illness and working with hazardous substances. In our letter, we asked Samsung to hold an independent inquiry into the matter and take any measures necessary to guarantee the health and safety of its employees.</p> <p>In June, a joint PRI and UN Global Compact publication called "Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors" was launched. Drafting of the document began in early 2009 with the objective of providing a common reference point for constructive dialogue between companies and investors on what constitutes responsible business practices in difficult operating environments. bcIMC was a member of the expert group that helped to develop the guidance, which is currently available under What's New at www.bcIMC.com/ResponsibleInvesting.</p>
	<p>The Investor Network on Climate Risk (INCR) was formed in 2003 and is a network of more than 90 institutional investors, including bcIMC, dedicated to addressing the risks and opportunities posed by climate change. In early 2010, the INCR organized an "Investor Summit on Climate Risk" at the United Nations headquarters in New York City. bcIMC helped to convene the more than 520 financial, corporate and investor attendees of the Summit and a report on the event was published this quarter (currently listed under What's New at www.bcIMC.com/ResponsibleInvesting).</p>
	<p>bcIMC has been a member of the UN Environment Program Finance Initiative (UNEP FI) for several years, joining nearly 200 financial institutions in networking and undertaking research on developing linkages between corporate sustainability practices and financial performance. In May and June, three UNEP FI research reports were published:</p> <ul style="list-style-type: none"> • "Owner-Tenant Engagement on Responsible Property Investing" presents stories from leading real estate investors about innovative ways to promote better cooperation between owners and tenants on sustainability issues. bcIMC is profiled in the report, which is currently listed under What's New at www.bcIMC.com/ResponsibleInvesting. • "Disclosing Responsible Property Investing Strategies and Performance" outlines steps on how real estate investors can design an ESG report on their strategies and performance. • "Translating ESG into sustainable business value" discusses the current ESG communication challenges between business and the capital markets (e.g., companies are not clear on what ESG information is useful to the investor valuation/decision-making process).

Public Policy Engagement

Issue	Activity
Sustainable capital markets	<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 May 11, bcIMC's CEO/CIO, Doug Pearce, spoke at the Pacific Business and Law Institute's Corporate Governance Conference in Vancouver. Doug's presentation called "A Shareholder's View of Effective Boards" is currently posted under What's New at www.bcIMC.com/ResponsibleInvesting.</p>

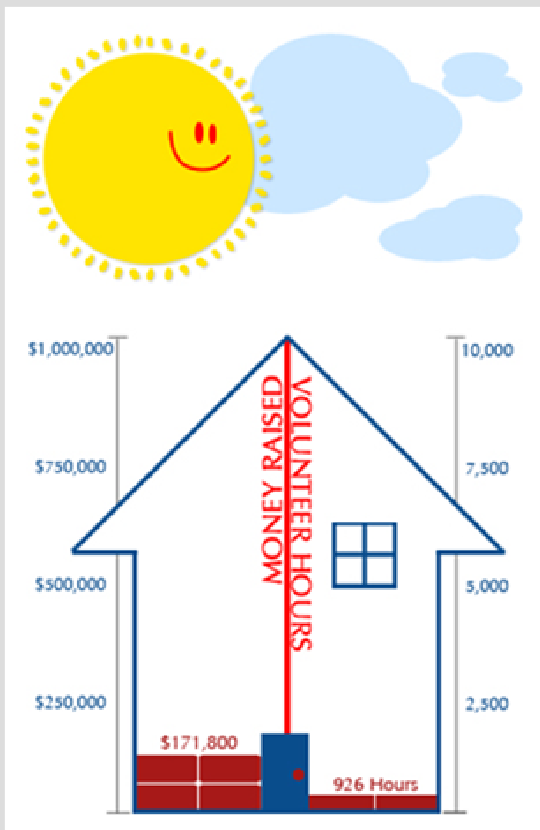
bcIMC’s HOSPITALITY PLATFORM—DELTA HOTELS AND RESORTS IS MAKING A POSITIVE DIFFERENCE IN LOCAL COMMUNITIES

On April 20, 2010, Delta Hotels and Resorts launched the **Good Neighbours Challenge 2010**, a charitable initiative with the ambitious goal of raising \$1 million dollars and donating 10,000 volunteer hours to charities and organizations in local communities. Throughout the year, Delta employees will conduct a series of events and fundraisers focused on improving access to affordable housing, protecting the environment, supporting neighbourhood causes and volunteering.



bcIMC owns 10 Delta Hotels across Canada and, in addition to the company’s focus on business excellence and its commitment to being a good neighbour, we are proud that Delta Hotels and Resorts also consistently ranks as one of the country’s best employers in The Globe and Mail’s Report on Business annual “50 Best Employers” list (2001—2003, 2005—2010).

For more information, visit www.deltahotels.com/goodneighbours.



ABOUT THE GOOD NEIGHBOURS CHALLENGE

What does it mean to be a Good Neighbour? At Delta, we think it’s about taking care of the communities where we live and work.

This year, we’re putting ourselves to the test with our biggest community challenge yet—the GOOD NEIGHBOURS CHALLENGE!

We have two goals—to raise \$1 million to support our charitable partners from coast to coast and to donate 10,000 volunteer hours to help build stronger communities.

Delta employees are taking part in this challenge to help provide better access to affordable housing, protect the environment, support neighbourhood causes and volunteer.

Over the year, Delta properties in your community will be holding fundraisers to collect donations to meet its fundraising goal. Events like community barbeques, karaoke contests, bake sales, golf tournaments and gala dinners will be happening in your community. We encourage you to come out and support us!

You will also find Delta employees doing Habitat for Humanity builds, community and park clean ups and food drives to clock in 10,000 volunteer hours in neighbourhoods across the country.

The year-long challenge builds a common thread between all of the Delta’s corporate social responsibility programs.

We look forward to having fun and working towards supporting some great causes.

We hope to see you at our events!