



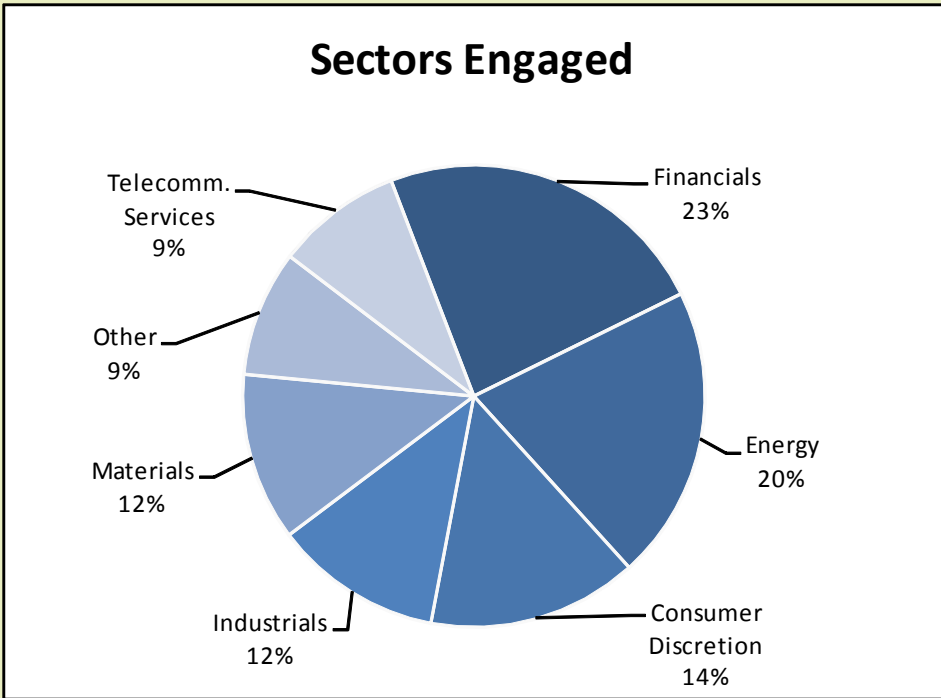
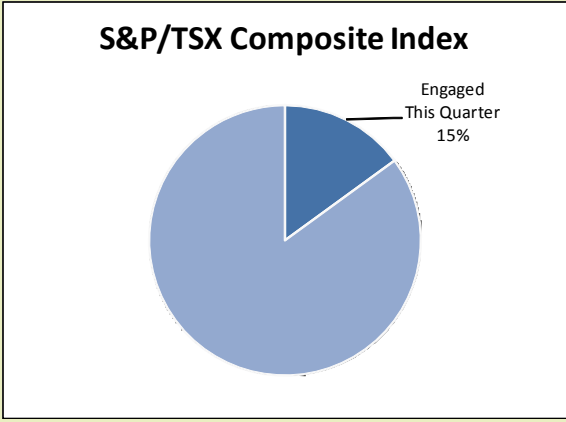
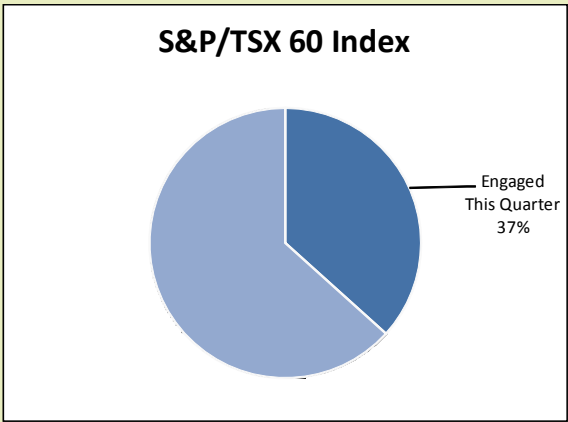
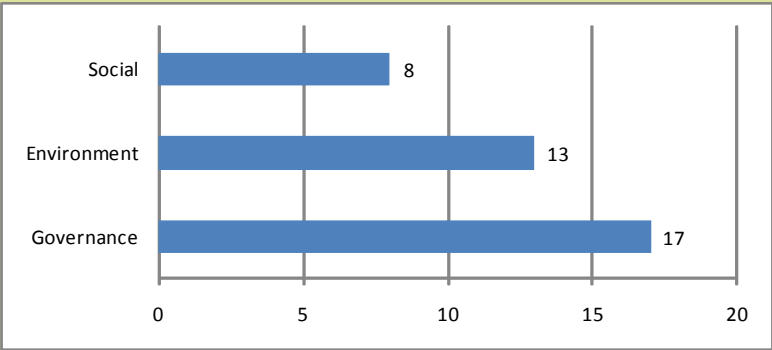
R E S P O N S I B L E I N V E S T M E N T F O R A S U S T A I N A B L E E C O N O M Y

**SHAREHOLDER
ENGAGEMENT
ACTIVITY REPORT**

Q3/09

July 1 - September 30, 2009

ENGAGEMENT AT A GLANCE





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Executive Summary

This report outlines SHARE's Shareholder Engagement activities for the third quarter of 2009. SHARE conducts focused and constructive engagement dialogues with public corporations on behalf of institutional shareholders. The goal of our program is to work with clients to improve the environmental, social and governance (ESG) performance of the companies in their investment portfolios. For more information on SHARE's Shareholder Engagement Services, please visit www.share.ca/shareholder_engagement.

Our report takes a different format this quarter. We are dividing our work under the three broad headings of Environment, Social and Corporate Governance, instead of our previous five headings.

This quarter, SHARE engaged with a total of 34 companies on ten ESG issues: child labour, precarious employment, the Carbon Disclosure Project, sustainability reporting, oil sands land reclamation, toxic chemicals, riverine tailings disposal, sustainable forestry, oil tanker traffic and the advisory vote on executive compensation ('say on pay').

After receiving positive responses from the majority of companies we wrote to last quarter regarding the Carbon Disclosure Project (CDP), SHARE assisted **Meritas Mutual Funds** in filing a shareholder proposal at **Fairfax Financial**. The proposal seeks the company's commitment to disclose its emissions and climate change strategy in the 2010 CDP questionnaire. We were also in contact with **Enbridge** regarding its marine spill risk assessment for the Northern Gateway Pipeline Project.

Our work on toxic chemicals continued this quarter. We followed up with **EnCana Corporation** on behalf of Meritas Mutual Funds and the **CLC Staff Pension Plan** regarding the use of chemicals in EnCana's hydraulic fracturing operations in the United States and Canada. We also initiated a discussion with Shoppers Drug Mart regarding the management of chemicals in its consumer products.

SHARE's discussions with Canadian oil sands producers are advancing, and we continued to have conversations with **Suncor Energy (Petro-Canada)**, **Imperial Oil**, **Canadian Natural Resources Limited** and **Canadian Oil Sands Trust** about each company's tailings management and reclamation plans. SHARE also met with **Barrick Gold** on behalf of Meritas Mutual Funds to discuss the company's practice of riverine tailings disposal in Papua New Guinea.

The **Ivey Foundation** and SHARE continued to seek responses from **Quebecor Inc.** and **Yellow Pages Income Fund** regarding each company's paper procurement policies and practices. We also provided **Sun Life Financial** with concrete input into ways the company's new long-term sustainability plan could promote sustainable forest management through its lending and financial operations. Lastly, we wrote to **Kimberly-Clark Corporation** to commend the company on new commitments to sustainable forest management.

We continue to seek information from Canadian apparel and retail companies regarding their cotton sourcing practices, particularly in relation to the issue of child labour in Uzbekistan. On behalf of **Meritas Mutual Funds** we contacted **Forzani Group** and **Canadian Tire (Mark's Work Warehouse)** to request an opportunity to discuss this issue with company officials.

The Responsible Property Services Code continues to be the centerpiece of our work for the **Atkinson Charitable Foundation**. We were in contact with **Brookfield Properties** this quarter, and initiated new discussions on the issue of responsible contracting and property services with some of Canada's largest tenants, the Canadian banks: **Bank of Montreal**, **Bank of Nova Scotia**, **CIBC**, **Royal Bank** and **TD Bank**.

Regarding sustainability reporting, we provided detailed feedback on **Rogers Communications'** first corporate social responsibility (CSR) report on behalf of **Meritas Mutual Funds** and the **CLC Staff Pension Plan**. Finally, we continued our efforts to bring an advisory shareholder vote on executive compensation ('say on pay') to the proxy ballots of Canadian companies. This quarter we followed up with companies about their plans to implement the vote in 2010.

Activity Snapshot

Environment	Companies	11
Toxic Chemicals	EnCana, Shoppers Drug Mart	
Oil Sands Land Reclamation	Canadian Natural Resources, Canadian Oil Sands Trust, Imperial Oil, Suncor (Petro-Canada)	
Carbon Disclosure Project	Fairfax Financial	
Oil Tanker Traffic Impacts	Enbridge Inc.	
Riverine Tailings Disposal	Barrick Gold	
Sustainable Forest Management	Quebecor Inc., Sun Life Financial, Yellow Pages Income Fund, Kimberly-Clark Corporation	
Social	Companies	8
Child Labour & Cotton	Canadian Tire Corporation (Mark's Work Wearhouse), Forzani Group	
Precarious Employment in Property Sector	Bank of Montreal, Bank of Nova Scotia, Brookfield Properties, CIBC, Royal Bank, TD Bank	
Corporate Governance	Companies	17
Advisory Vote on Executive Compensation	Agrium, Barrick Gold, Biovail, Canadian Pacific Railway, Enbridge, EnCana, Finning International, Genum Corporation, Major Drilling Group, Manitoba Telecom, Methanex Corporation, Russel Metals, Suncor Energy, Telus Corporation, Thomson Reuters Corporation, TransAlta Corporation.	
Disclosure & Sustainability Reporting	Rogers Communications	
Total Number of Companies		34

Climate risk and the Insurance Industry:

In April 2009, the U.S. National Association of Insurance Commissioners (NAIC) voted to require large insurers to start disclosing their strategies to address climate change-related risks in 2010. The initiative reveals increased awareness among North America's insurance community of the enormous challenges that climate change presents to the insurance industry.

Environment

Toxic Chemicals

SHARE is engaging two companies on the issue of toxic chemicals. First, we have raised the issue of possible use by EnCana or its contractors of toxic chemicals (in particular 2-BE) in hydraulic fracturing operations in the United States. This quarter, we continued our conversation with EnCana on this issue, expanding the dialogue to address the possible use of toxic chemicals in EnCana's natural gas wells in Canada.

We have also initiated a dialogue with Shoppers Drug Mart on the issue of toxic chemicals in the products it offers to consumers. This quarter, we received a letter from Shoppers which answered some of our questions regarding the company's management of risks associated with toxics in its products. We sent a follow-up letter to the company to request clarification on a number of issues, including whether Shoppers has considered adopting a substitution policy whereby suspected toxic chemical ingredients are replaced with safer alternatives whenever possible.

Oil Sands Land Reclamation

This quarter, SHARE continued to engage with four companies with on-going and planned mining operations in Alberta's oil sands region, namely Suncor Energy, Canadian Oil Sands Trust, Canadian Natural Resources Limited, and Imperial Oil.

We followed up on the responses we received last quarter concerning each company's tailings management and land reclamation operations and plans. We have requested follow-up meetings with Suncor Energy (to discuss both Petro-Canada's and Suncor's reclamation activities), Canadian Oil Sands Trust, and Canadian Natural Resources Limited. We expect to meet with both Canadian Oil Sands Trust and Suncor in November 2009. Canadian Natural has committed to answering some outstanding questions regarding its reclamation plans. Lastly, we received a letter from Imperial Oil that provides very general information regarding its tailings management and reclamation plans for the Kearl project.

Carbon Disclosure Project

This quarter, SHARE assisted Meritas Mutual Funds in filing a shareholder proposal with Fairfax Financial Holdings requesting that the company answer the 2010 CDP questionnaire. The company has failed to answer the CDP questionnaire for three years in a row. Fairfax has informed us that it does not view climate change as presenting a significant risk to its business, however it owns and controls eight insurance and reinsurance companies upon which its long term financial success depends. It is our belief that the insurance industry is expected to experience significant financial risk as a result of the long term effects of climate change.

Oil Tanker Traffic

This quarter, we continued our engagement with Enbridge Inc. regarding risks associated with the marine plan for the Northern Gateway Pipeline Project. The company has advised SHARE that it anticipates completion of a Quantitative Risk Analysis (QRA) in November

Riverine Tailings Disposal

Riverine tailings disposal is a mine waste disposal method whereby waste is deposited into a river system, instead of into a contained tailings pond. In 2004 a World Bank [review](#) of extractive industries investments issued a recommendation which stated that no World Bank-funded projects should use riverine tailings disposal due to the recognized negative impact on marine life and ecosystems.

2009. The QRA will assess risks associated with the project's marine plan, including the risks of a spill of oil or condensate based on worst case, but probable accident scenarios. The QRA is being produced by an independent consultant, which was selected by a working group representing a variety of interests, including First Nations, environmental groups and municipal governments.

Riverine Tailings Disposal

In February 2009, the Ethics Council of the Norwegian government pension fund announced a decision to exclude Canadian company Barrick Gold from its global investment portfolio due to the company's use of riverine tailings disposal at its Porgera gold mining project in Papua New Guinea.

The announcement prompted SHARE and a coalition of Canadian institutional investors to contact Barrick Gold to discuss riverine tailings disposal. We met with the company twice last quarter to gather information about the company's tailings management at the Porgera mine and to discuss its overall environmental and social management practices and governance structure. The company indicated that it is developing new technologies to reduce the amount of tailings deposited in the river at the Porgera mine; however Barrick continues to rely on riverine tailings disposal. During our meetings with Barrick, we also discussed community relations at the mine, and the company's role during the recent government actions related to community settlements, and artisanal and illegal miners in the area.

Sustainable Forestry

This quarter, we continued our work with the Ivey Foundation to promote sustainable forest management in Canada. We wrote to Sun Life Financial Ltd. to provide specific input into the company's new sustainability plan, which is being developed by an International Sustainability Council made up of senior representatives from across the organization. The measures discussed in our letter would promote sustainable forest management and long-term shareholder value in key areas of Sun Life's business.

We also wrote to Kimberly-Clark Corporation to congratulate the company on its recent adoption on a new environmental policy that makes specific commitments to sustainable forestry in North America, including a commitment to eliminate the purchase of any fibre from the Canadian Boreal forest that is not certified to the standards of the Forest Stewardship Council by the end of the year 2011.

Responsible Purchasing Practices

Canada's banks are leaders in the development of responsible purchasing practices. All of the banks consider the environmental impact of their purchasing decisions, and include key environmental performance criteria such as green cleaning products, in their supplier screening and selection processes. Some banks, such as CIBC, have made specific statements regarding suppliers' respect for human rights and diversity, and all are committed to aligning their purchasing practices with their general corporate responsibility practices.

Social

Child Labour & the Cotton Industry

SHARE continues to seek responses and action from Canadian apparel companies to the growing efforts by international shareholders to end child labour in Uzbekistan's cotton industry. This quarter we sent a third letter to the Forzani Group, seeking a meeting to discuss our request that the company ban Uzbek cotton in its supply chain. We also corresponded with Canadian Tire representatives, seeking further information on the company's actions regarding the Uzbek cotton issue.

Since September 2008, investors from Canada, Europe and the US have contacted more than 45 global apparel brands and retailers seeking their commitment to ban Uzbek cotton in their supply chains. Many global corporations including Nike, the Gap and Wal-Mart have made public statements indicating that they have instructed their suppliers not to purchase cotton harvested in Uzbekistan. The multi-stakeholder coalition, led by the [As You Sow Foundation](#) also continues to engage with Uzbek officials, cotton traders, spinners and distributors to help bring an end to child labour in the country, however reports suggest that thousands of children have returned to the cotton fields this fall.

Precarious Employment and Responsible Real Estate

Our work on precarious employment and human capital management continues to focus on the property management sector. We sent a letter to Brookfield Properties on behalf of the Atkinson Charitable Foundation seeking a meeting with senior company representatives. A representative of Brookfield participated in our initial discussions in drafting the [Responsible Property Services Code](#) (the Code) however we are seeking an additional commitment from Brookfield to consider adopting responsible contracting policies and practices.

We expanded our engagement on this issue this quarter to include large tenants of office properties. We wrote letters to the five Canadian banks, Bank of Montreal, Bank of Nova Scotia, CIBC, Royal Bank and TD Bank asking for information about how the banks manage property service procurement for their national networks of office properties and bank branches. Given that the banks are Canadian leaders on responsible purchasing practices, we hope to engage with them to discuss whether and how they examine employment practices and labour standards when outsourcing property management services.

Corporate Governance

Advisory Vote on Executive Compensation

There were no new adopters of a 'say on pay' vote in Canada this quarter. There was however considerable engagement activity on the issue as SHARE was in contact with sixteen companies regarding 'say on pay'. SHARE's correspondence with companies over the past twelve months indicates a significant shift in corporate sentiment on the issue. Although many companies continue to inform us that they will not commit to holding a vote, most now indicate that the matter is under more serious and immediate consideration than was evident in previous communications with SHARE.

In earlier periods, most of the responses we received from companies set out various reasons why such a vote was not needed. More recently, most companies have

CCGG Releases Draft Model Say on Pay Policy for Comment

On October 26 2009, the Canadian Coalition for Good Governance released a draft say on pay policy for adoption by Canadian companies that elect to hold an advisory pay vote. The CCGG's goal is "to provide guidance to boards on their engagement with shareholders, expected disclosure on their approach to executive compensation, a recommended form of the advisory resolution and what should be done with the results of the vote." The draft Policy can be found on the [CCGG website](#). The comment period ends November 25 2009.

abandoned attempts at arguing against the merits of the vote, choosing instead to acknowledge that 'say on pay' is now a market reality in Canada and setting out planned next steps as their boards consider implementation.

Disclosure and Sustainability Reporting

This quarter we provided detailed feedback to Rogers Communication on the company's first corporate social responsibility (CSR) report on behalf of Meritas Mutual Funds and the CLC Staff Pension Plan. Taking into account Rogers' goal of continuous improvement, we suggested ways in which the company could strengthen its sustainability reporting from an investor perspective, including through the utilization of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines in future CSR reports.

Shareholder Resolutions

Company	Filed By	Issue	AGM Date
Fairfax Financial Holdings Limited	Meritas Mutual Funds	Carbon Risk Disclosure	TBA

Company Progress Summary

Company	Topic	Progress
Agrium Inc.	Advisory Vote on Compensation	▼
Bank of Montreal (BMO)	Precarious Employment	↔
Bank of Nova Scotia	Precarious Employment	↔
Barrick Gold Corporation	Advisory Vote on Compensation	↔
Barrick Gold Corporation	Riverine Tailings Disposal	▶
Biovail Corporation	Advisory Vote on Compensation	↔
Brookfield Properties Corporation	Precarious Employment	↔
Canadian Imperial Bank of Commerce (CIBC)	Precarious Employment	↔
Canadian Natural Resources Limited	Oil Sands Land Reclamation	▶
Canadian Oil Sands Trust	Oil Sands Land Reclamation	▲
Canadian Pacific Railway Ltd.	Advisory Vote on Compensation	▶
Canadian Tire Corporation Ltd.	Child Labour & Cotton Industry	▶
Enbridge Inc.	Oil Tanker Traffic	▶
Enbridge Inc.	Advisory Vote on Compensation	▶
EnCana Corporation	Toxic Chemicals	↔
EnCana Corporation	Advisory Vote on Compensation	▶
Fairfax Financial Holdings Limited	Carbon Disclosure Project	▼
Finning International Inc.	Advisory Vote on Compensation	↔
Forzani Group Ltd.	Child Labour & Cotton Industry	▼
Genum Corporation	Advisory Vote on Compensation	↔
Imperial Oil Limited	Oil Sands Land Reclamation	▼

▲ Positive
▶ On Track/Neutral
▼ Negative/ No Response
↔ Response Pending

Company	Topic	Progress
Kimberly-Clark Corporation	Sustainable Forest Management	▲
Major Drilling Group International Inc.	Advisory Vote on Compensation	▼
Manitoba Telecom Services Inc.	Advisory Vote on Compensation	↔
Methanex Corporation	Advisory Vote on Compensation	▶
Quebecor Inc.	Sustainable Forestry	↔
Royal Bank of Canada (RBC)	Precarious Employment	↔
Rogers Communications	Disclosure & Sustainability Reporting	▶
Russel Metals Inc.	Advisory Vote on Compensation	▼
Shoppers Drug Mart Corporation	Toxic Chemicals	↔
Sun Life Financial Inc.	Sustainable Forestry	▶
Suncor Energy Inc.	Oil Sands Land Reclamation	▶
Suncor Energy Inc.	Advisory Vote on Compensation	▶
TELUS Corporation	Advisory Vote on Compensation	▶
Thomson Reuters Corporation	Advisory Vote on Compensation	↔
Toronto-Dominion Bank (TD)	Precarious Employment	↔
TransAlta Corporation	Advisory Vote on Compensation	↔
Yellow Pages Income Fund	Sustainable Forestry	↔
Total Companies: 34		
▲ Positive ▶ On Track/Neutral ▼ Negative/ No Response ↔ Response Pending		

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- **Proxy Voting & Advisory Services**
- **Shareholder Engagement**
- **Responsible Investment Advisory Services**
- **Pension Investment & Governance Education**

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