



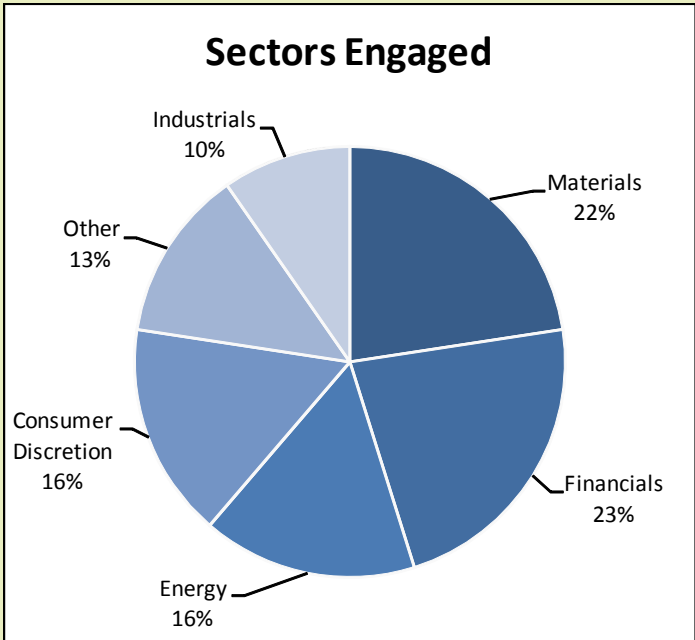
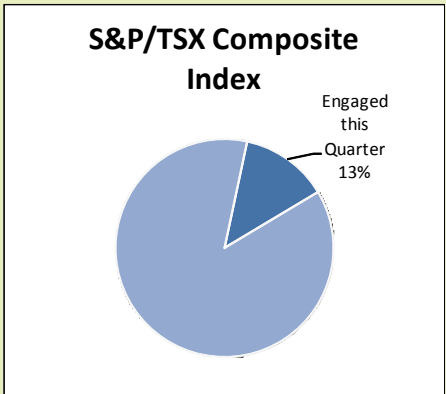
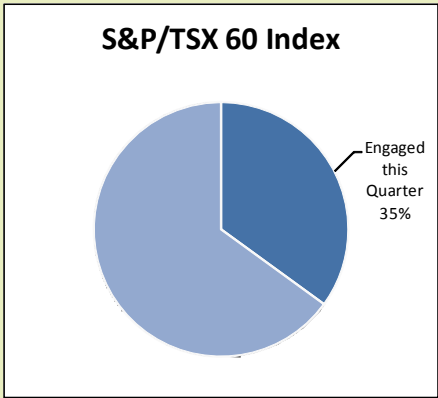
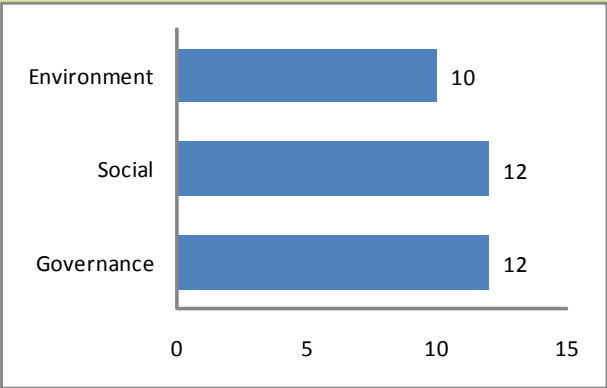
R E S P O N S I B L E   I N V E S T M E N T   F O R   A   S U S T A I N A B L E   E C O N O M Y

**SHAREHOLDER  
ENGAGEMENT  
ACTIVITY REPORT**

**Q4/09**

**October 1 - December 31, 2009**

# ENGAGEMENT AT A GLANCE





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## Executive Summary

This report outlines SHARE's shareholder engagement activities for the fourth 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](http://www.share.ca/shareholder_engagement).

During the final quarter of 2009 SHARE engaged with 31 companies on key ESG risks and opportunities.

SHARE corresponded with **Fairfax Financial** on behalf of **Meritas Mutual Funds** regarding the circulation of a shareholder proposal submitted last quarter seeking disclosure of Fairfax's climate change management strategy through the Carbon Disclosure Project (CDP). We continue evaluating the risks regarding potential marine impacts of **Enbridge's** Northern Gateway Project in northern British Columbia, and are engaging with the company on this issue. We are in discussions with **EnCana Corporation** on the environmental impacts of hydraulic fracturing operations. **Shoppers Drug Mart** responded to a letter sent by SHARE last quarter seeking information on how it manages risks associated with potentially toxic chemicals.

The environmental impacts of oil sands operations continue to be a focus of our shareholder engagement activities. This quarter, SHARE received responses to questions regarding land reclamation plans of **Canadian Natural Resources Limited**. We also held two separate conference calls with senior staff from **Canadian Oil Sands Trust** and **Suncor Energy (Petro-Canada)** regarding each company's tailings management and land reclamation plans/operations.

Executive compensation is a leading corporate governance issue. With SHARE's assistance, Meritas Mutual Funds filed several shareholder proposals on the advisory shareholder vote on executive compensation ('say on pay'). **Agrium, Barrick Gold, Biovail, Canadian Pacific Railway, Enbridge, EnCana, Gennum Corporation, Major Drilling, Methanex, Russel Metals, Suncor** and **TransAlta** all received proposals asking the company implement a say on pay vote for the 2011 proxy season.

We held a conference call with **Tim Hortons** on behalf of Meritas Mutual Funds to discuss Tim Hortons' Sustainable Coffee partnerships program, as well as the company's coffee sourcing policies and practices. Regarding sustainable forestry, we contacted **Sun Life Financial** on behalf of the **Ivey Foundation** to inquire about Sun Life's sustainability plan, as well as opportunities promote sustainable forestry through the company's lending operations. We also followed up with **Yellow Pages** to elicit a response to our request for information on the company's paper procurement policies and practices.

Engagement on child labour in the cotton industry is ongoing. Positive discussions were held with **Sears Canada** and **Canadian Tire (Mark's Work Warehouse)** on behalf of Meritas Mutual Funds. Both companies have taken steps to examine the issue of child labour in their cotton supply chains. We continue to seek information from Forzani Group, which has not responded to our letters to date.

SHARE and the **Atkinson Charitable Foundation** contacted **Brookfield Properties** this quarter, seeking information about its property supply chain management practices and the Responsible Property Services Code (the Code). We continued a productive discussion with **Morguard Corporation**, meeting with the company in November to examine how it can integrate the Code into its property services procurement process. The Atkinson Charitable Foundation and SHARE also met with several **Canadian banks** regarding property management and labour standards in their office properties and branch networks.

**Harry Winston Diamond Corporation** provided an update on the jewellery supply chain certification process that it undertook last year following a request by Meritas Mutual Funds that the company establish a supplier code of conduct. Ongoing dialogues with **Goldcorp Inc.** and **Kinross Gold** regarding human rights policies and practices also remain on track. We also lent our support to a **joint investor letter** regarding human rights and conflict minerals in the Democratic Republic of the Congo.

On the issue of ESG disclosure, **Biovail Corporation** has indicated that it plans to produce a sustainability report in 2010, and SHARE sought further information about the publication of the report.

## Activity Snapshot

Environment	Companies	10
Carbon Disclosure Project	Fairfax Financial	
Oil Sands Land Reclamation	Canadian Natural Resources, Canadian Oil Sands Trust, Suncor Energy (Petro-Canada)	
Oil Tanker Traffic Impacts	Enbridge Inc.	
Sustainable Coffee Sourcing	Tim Hortons	
Sustainable Forest Management	Sun Life Financial, Yellow Pages Income Fund	
Toxic Chemicals	EnCana, Shoppers Drug Mart	
Social	Companies	12
Child Labour & Cotton	Canadian Tire Corporation (Mark's Work Wearhouse), Forzani Group, Sears Canada	
Human Rights	Goldcorp Inc., Kinross Gold	
Precarious Employment in Property Sector	Bank of Montreal, Bank of Nova Scotia, Brookfield Properties, CIBC, Morguard Corporation, TD Bank	
Supply Chain Management	Harry Winston Diamond Corporation	
Corporate Governance	Companies	12
Advisory Vote on Executive Compensation	Agrium, Barrick Gold, Biovail Corporation, Canadian Pacific Railway, Enbridge, EnCana, Gennum Corporation, Major Drilling Group, Methanex Corporation, Russel Metals, Suncor Energy, TransAlta Corporation	
Disclosure & Sustainability Reporting	Biovail Corporation	
Total Number of Companies		31

## Canadian Companies Disclose Emissions Strategies

The Conference Board of Canada has issued a [report](#) describing how Canada's largest companies in both the low- and high-carbon impact sectors are preparing to operate in a carbon-constrained world, although widespread corporate commitment is not yet a reality in Canada. Forty-nine percent of the 200 largest Canadian companies responded to the annual Carbon Disclosure Project (CDP) survey in 2009. SHARE is happy to report that eight companies that we wrote to in 2009 because they had not responded to the questionnaire agreed to answer the survey this year: Bell Aliant Regional Communications, Canadian Western Bank, Epcor Power LP, Loblaw Companies, MDA Ltd., MDS Inc., Research in Motion Ltd., and Saputo Inc.

## Environment

### Carbon Disclosure Project

SHARE was in contact with Fairfax Financial Holdings regarding the shareholder proposal, submitted by Meritas Mutual Funds last quarter, asking the company to answer the 2010 Carbon Disclosure Project (CDP) questionnaire. The proposal was filed to address concerns regarding the company's lack of public disclosure on climate change risk management, despite its exposure to the insurance sector. Fairfax has yet to commit to disclosing more information on its climate change strategy and as such, we expect the proposal to appear on the ballot at Fairfax's 2010 annual general meeting.

### Oil Sands Tailings Management and Land Reclamation

SHARE received additional information from Canadian Natural Resources Limited regarding the company's tailings management and land reclamation plans for the Horizon mine, which started bitumen production in February 2009. We also held two separate conference calls with senior staff from Canadian Oil Sands Trust and Suncor Energy (Petro-Canada) regarding each company's tailings management and land reclamation plans/operations. We received additional information from Canadian Oil Sands, and Suncor has indicated that it will respond to a number of outstanding questions by the end of January 2010.

### Oil Tanker Traffic

This quarter, SHARE contacted Enbridge Northern Gateway Pipelines to inquire about the Quantitative Risk Assessment (QRA) for the marine plan of the Northern Gateway project. The QRA was expected to be released to the public in December 2009, and was to involve participation of environmental NGOs and First Nations in an advisory working group.

The company has advised us that the QRA will meet Transport Canada requirements and will focus on marine transportation safety and pollution prevention. The drafting of the QRA terms of reference and the selection of the consultant to perform the assessment (Det Norske Veritas) was carried out with participation of a number of environmental organizations and Aboriginal representatives. Participation in the QRA process does not convey support for the Northern Gateway project. Enbridge has informed us that it expects the final QRA to be released in early 2010, after two additional risk analysis studies have been reviewed by the working group.

### Sustainable Coffee Sourcing

This quarter, we held a conference call with Tim Hortons on behalf of Meritas Mutual Funds. Our discussion with Tim Hortons is focused on the company's coffee sourcing policies and practices, as well as the Sustainable Coffee partnerships program, which seeks to improve the lives of farmers and communities in a number of coffee producing countries. Tim Hortons is currently drafting a supplier code of conduct that will apply to coffee and will incorporate environmental, labour and social aspects. SHARE has offered to provide feedback on the code as it pertains to the company's coffee supply chain.

## Ethical Buying Demands Vigilance

In November, the [Retail Council of Canada \(RCC\)](#), the trade association for Canadian retailers, published an article highlighting the issue of child labour in the cotton industry. The RCC is working with retailers to provide tools and advice for companies seeking to eliminate Uzbek cotton from their supply chains.

## Sustainable Forest Management

SHARE continued to work on sustainable forestry issues on behalf of the Ivey Foundation. We contacted Sun Life Financial to inquire about the status of the company's internal process in drafting a sustainability plan for the company. We also asked about the company's consideration of our suggestions on how the plan could promote sustainable forestry through Sun Life's lending operations, which we submitted to Sun Life in September 2009. We also followed up with Yellow Pages to elicit a response to our request for information on the company's paper procurement policies and practices. We are yet to receive responses from both companies.

## Toxic Chemicals

SHARE's toxic chemicals engagement focuses on two issues: the risks associated with the use of toxic chemicals in hydraulic fracturing, a process commonly used to extract natural gas from unconventional sources (e.g., shale gas), and the risks related to potentially toxic ingredients in consumer products.

Regarding the first issue, we continued our dialogue with EnCana Corporation on the environmental impacts of hydraulic fracturing operations in the United States and Canada. Regarding the second issue, Shoppers Drug Mart responded to a letter we sent last quarter seeking information on the company's management of risks associated with potentially toxic chemicals in its products, and we are considering next steps.

## Social

### Child Labour & the Cotton Industry

In partnership with an international coalition of investors and NGOs, SHARE is engaging Canadian companies on the issue of child labour in the cotton industry. Child labour is widely used in many cotton-growing regions, especially in the Central Asian country of Uzbekistan. Of particular concern to investors is the reputational consequences for companies if they knowingly sell products that contain cotton harvested by children.

This quarter we had productive discussions with Canadian Tire (owner of Mark's Work Warehouse) and Sears Canada about child labour and each company's sourcing and procurement practices. Both companies are aware of the issue and are taking steps to analyze and address our concerns. Despite our attempts to contact the company, Forzani Group has not yet responded to our requests.

### Human Rights

SHARE contacted Kinross Gold this quarter seeking an update on the development of its human and indigenous rights policies. We were pleased to learn that the company is in the process of hiring a new corporate responsibility staff person who will oversee this process in 2010. We expect to re-engage with the company next quarter.

There were a number of new developments regarding Goldcorp this quarter. A US-based international aid organization released a report alleging that cracks in local houses were caused by mining operations at the Marlin Mine. Goldcorp has denied the accusations. A formal complaint regarding Goldcorp's Guatemalan mine was filed by a coalition of US and Guatemalan organizations with the Canadian government's [National Contact Point](#) for the OECD Guidelines for Multinational Enterprises. The complaint references the report on cracked houses, previous allegations of possible water contamination and claims

## OECD Guidelines

Canada's National Contact Point (NCP) for the [OECD Guidelines for Multinational Enterprises](#) is intended to promote the Guidelines and ensure they are effectively implemented. Organizations can file complaints with the Canadian NCP regarding specific instances where it is believed that the Guidelines have been breached. The NCP website lists a total of four complaints submitted since 2001 (excluding the recent Goldcorp complaint).

regarding the persecution of local critics of the mine as some of the reasons for seeking investigation by the Government of Canada. SHARE is monitoring the complaint process and continues discussing community relations issues with Goldcorp.

Two new reports commissioned by the UK-based Catholic development organization CAFOD suggest that there is evidence of acid mine drainage at Goldcorp's San Martin mine site. While Goldcorp has acknowledged that water from the mine breached the containment facility during a high rainfall event in September 2008, the company denies the claims of widespread contamination due to runoff at the mine. Our contact with the company this quarter sought to clarify its response regarding these recent allegations regarding water runoff and pollution at San Martin.

SHARE, Meritas Mutual Funds and The Canadian Labour Congress Staff Pension Fund signed a [joint investor letter](#) expressing concern regarding human rights and mining in the Democratic Republic of the Congo (DRC). The statement highlights the linkages between the extraction of 'conflict minerals' and the ongoing violence and gross violations of human rights in that country. It calls on companies to develop policies and procedures to identify the sources of minerals and metals in their supply chains, and to take steps to ensure the purchase of raw materials for consumer products such as cell phones and computers does not fuel ongoing conflict and war in the DRC.

## Precarious Employment and Responsible Real Estate

SHARE and the Atkinson Charitable Foundation continue to have a very productive discussion with Morguard Corporation regarding its property service supply chain. The company is reviewing its internal procurement practices to identify where it can align its contractor pre-screening practices with the standards set out in the [Responsible Property Services Code](#) (the Code). This review is part of a broader effort by the company to update and improve its corporate responsibility practices.

Brookfield Properties replied to SHARE's letter, sent last quarter seeking feedback regarding the applicability of the Code to the company's pre-screening and procurement practices. SHARE and the Atkinson Charitable Foundation are seeking the company's commitment to adopt standards and improve labour practices within its property service supply chain. While the company assured us that it is committed to high labour standards for property contractors, Brookfield did not provide information about the processes in place to ensure such standards are upheld.

We also met with four of the five Canadian banks (Bank of Montreal, Bank of Nova Scotia, CIBC and TD Bank) to gather further information about property management at each bank. With large networks of office properties and community branches, banks are significant tenants in Canadian commercial and retail properties. The majority of the banks currently outsource property management functions to specialized facilities managers (with the exception of the Bank of Nova Scotia, which manages its Canadian properties in-house). Facilities managers are responsible for tendering cleaning and maintenance contracts for all bank properties, yet it remains unclear to what extent labour standards are considered by facilities managers when hiring property service providers such as cleaners. Our discussions with the banks regarding labour standards for property and facility management contracts are ongoing.

## Supply Chain Management

SHARE wrote to Harry Winston Diamond Corporation this quarter requesting an update on the company's jewellery supply chain certification process. In 2009, the

## UN Consultation on Corporate Law & Human Rights

In November, SHARE participated in a United Nations stakeholder consultation on the issue of corporate law and human rights. The consultation was intended to inform the final report of UN Special Representative for Business and Human Rights, John Ruggie, and will provide guidance on possible reforms to corporate and securities laws to ensure basic human rights standards are upheld and supported by national laws governing corporations.

## US Closer to Mandating Say on Pay

Say on pay is closer to becoming a requirement for U.S. public companies following passage of a Bill entitled the Wall Street Reform and Consumer Protection Act (the Bill) by the House of Representatives on December 11, 2009. Section 2002 of the Bill provides that at each annual shareholders meeting, companies include 'a separate shareholder vote to approve the compensation of executives'. The Bill was received in the Senate on January 20, 2010 and referred on to the Committee on Banking, Housing and Urban Affairs.

company developed a Supplier Code of Conduct for its jewellery business in response to a [shareholder proposal](#) filed by Meritas Mutual Funds. In addition to developing the new policy, the company committed to joining the Responsible Jewellery Council and implementing its responsible [jewellery certification process](#). The certification process will provide assurance that the company has implemented a voluntary set of standards pertaining to ethical, human rights, social and environmental practices. The process consists of a self-evaluation, as well as external auditing and verification

## Corporate Governance

### Advisory Vote on Executive Compensation

Meritas filed twelve shareholder proposals asking the following companies to provide their shareholders with a 'say on pay' in 2011: **Agrium, Barrick Gold, Biovail, Canadian Pacific Railway, Enbridge, EnCana, Gennum Corporation, Major Drilling, Methanex, Russel Metals, Suncor and TransAlta**. Three of these companies opened withdrawal negotiations with SHARE and Meritas this quarter.

Finally, Meritas initiated engagement on say on pay with Telus Corporation (Telus) in June 2008. This effort came to a successful conclusion early in 2010 when Telus committed to hold an advisory vote on executive compensation in 2011.

### Disclosure and Sustainability Reporting

This quarter, SHARE wrote to Biovail seeking an update on the company's progress in drafting its first sustainability report. In December 2008, SHARE wrote to Biovail Corporation requesting that the company issue a sustainability report using the Global Reporting Initiative (GRI) sustainability reporting guidelines as a reference. In response to our request, Biovail indicated that it planned to issue a sustainability report in 2010, and was considering using the GRI guidelines as a basis for the report. We are yet to receive a response from the company.

## Consultation on Social Reporting

In December, SHARE participated in a [roundtable discussion](#) regarding corporate social disclosure requirements for Ontario. The discussion was co-hosted by the Hennick Centre for Business Law at York University and Jantzi-Sustainalytics and was organized to compliment an initiative to review environmental and corporate governance [reporting requirements](#) for companies listed on the Toronto Stock Exchange.

## Shareholder Resolutions

Company	Filed By	Issue	AGM Date
Fairfax Financial Holdings Limited	Meritas Mutual Funds	Carbon Risk Disclosure	TBA
Agrium Barrick Gold Biovail Corporation Canadian Pacific Railway Enbridge EnCana Gennum Corporation Major Drilling Methanex Russel Metals Suncor TransAlta	Meritas Mutual Funds	Advisory Vote on Executive Compensation	TBA

## Company Progress Summary

Company	Topic	Progress
Agrium Inc.	Advisory Vote on Compensation	Resolution
Bank of Montreal (BMO)	Precarious Employment	▲
Bank of Nova Scotia	Precarious Employment	▲
Barrick Gold Corporation	Advisory Vote on Compensation	Resolution
Biovail Corporation	Advisory Vote on Compensation	Resolution
Biovail Corporation	Sustainability Reporting	↔
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	Resolution
Canadian Tire Corporation Ltd.	Child Labour & Cotton Industry	▲
Enbridge Inc.	Advisory Vote on Compensation	Resolution
Enbridge Inc.	Oil Tanker Traffic	▶
EnCana Corporation	Advisory Vote on Compensation	Resolution
EnCana Corporation	Toxic Chemicals – Hydraulic Fracturing	↔
Fairfax Financial Holdings Limited	Carbon Disclosure Project	↔
Forzani Group Ltd.	Child Labour & Cotton Industry	▼
Gennum Corporation	Advisory Vote on Compensation	Resolution
Goldcorp Inc.	Human Rights	▶

Positive
  On Track/Neutral
  Negative/ No Response
  Response Pending

Company	Topic	Progress
Harry Winston Diamond Corporation	Supply Chain Management	↔
Kinross Gold Corporation	Human Rights	▲
Major Drilling Group International Inc.	Advisory Vote on Compensation	Resolution
Methanex Corporation	Advisory Vote on Compensation	Resolution
Morguard Corporation	Precarious Employment	▲
Russel Metals Inc.	Advisory Vote on Compensation	Resolution
Sears Canada Inc.	Child Labour & Cotton Industry	▲
Shoppers Drug Mart Corporation	Toxic Chemicals	▶
Sun Life Financial Inc.	Sustainable Forestry	↔
Suncor Energy Inc.	Advisory Vote on Compensation	Resolution
Suncor Energy Inc.	Oil Sands Land Reclamation	↔
Tim Hortons Inc.	Sustainable Coffee Sourcing	▶
Toronto-Dominion Bank (TD)	Precarious Employment	▲
TransAlta Corporation	Advisory Vote on Compensation	Resolution
Yellow Pages Income Fund	Sustainable Forestry	▼
<b>Total Companies: 31</b>		
<span>▲ Positive</span> <span>▶ On Track/Neutral</span> <span>▼ Negative/ No Response</span> <span>↔ Response Pending</span>		

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Suite 1200, 1166 Alberni Street, Vancouver, BC V6E 3Z3 Canada T 604 408.2456 F 604 408.2525

