



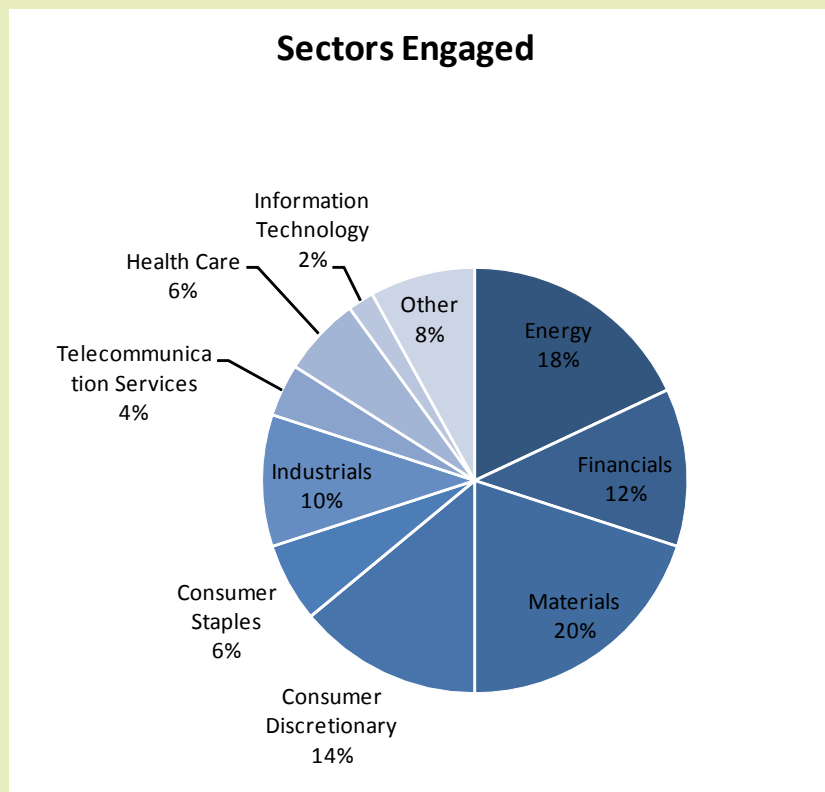
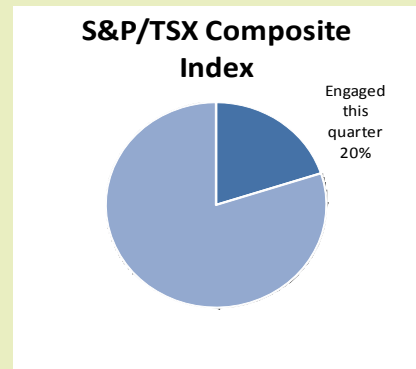
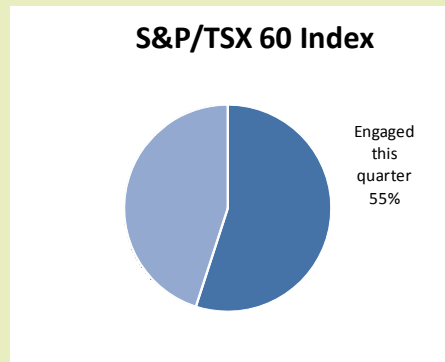
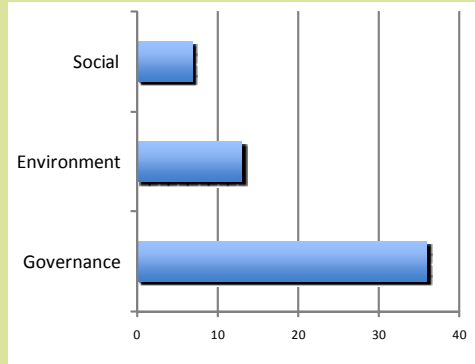
R E S P O N S I B L E I N V E S T M E N T F O R A S U S T A I N A B L E E C O N O M Y

**SHAREHOLDER
ENGAGEMENT
ACTIVITY REPORT**

Q2/10

April 1 - June 30, 2010

ENGAGEMENT AT A GLANCE





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Engagement Highlights

This report outlines SHARE's shareholder engagement activities for the second quarter of 2010. 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/engagement.

During the second quarter of 2010, SHARE corresponded with fifty-one companies on key ESG issues. This quarter, over 72% of our engagement activities focused on governance issues while the remaining 28% concerned environmental and social themes.

SHARE continued its efforts to encourage companies to adopt an advisory vote on executive compensation having contacted thirty-four companies this quarter. A vote was held at the **Methanex Corporation** AGM on April 29 where 64% of shareholders supported the proposal put forward by Meritas Mutual Funds for a say on pay. **Thomson Reuters Corporation** reported that they have included a say on pay vote in the agenda for the company's 2010 AGM and **Yamana Gold** has informed us that they will hold an advisory vote on executive compensation by the 2012 proxy voting season.

SHARE expanded its engagement activities this quarter with companies regarding the protection of water resources from hydraulic fracturing, a process required to extract natural gas from shale rock. SHARE contacted **Imperial Oil, Nexen, Talisman Energy, and Trican Well Service** inquiring about company efforts to protect water resources from hydraulic fracturing and shale gas extraction. We also continued our exchanges with **EnCana Corporation** on the same issue.

Our dialogue with **Shoppers Drug Mart** focuses on the management of potentially toxic chemicals in Shoppers' consumer products. The company reported that it is currently working to identify and eliminate specified phthalates and polyvinyl chloride (PVC) used in a range of products, and that it is in the early stages of an initiative that will focus on PVC reduction/elimination in packaging.

The Ivey Foundation and SHARE continued their engagement efforts regarding paper procurement policies and practices. In response to the input SHARE provided to **Sun Life Financial** last quarter regarding ways the company could promote sustainable forest management, the company reported that by the end of 2010 it will formalize the practice of giving favourable consideration to new infrastructure projects targeted for LEED certification. A conference call was held with **Quebecor Inc.** to discuss the company's recent efforts to ensure that its paper procurement practices are sustainable. **Yellow Pages Group** reported that they will likely postpone the development of a paper procurement policy until the Forest Management Standards have been developed under the Canadian Boreal Forest Agreement and we are awaiting a response from **Torstar Corporation** regarding our request for information about the company's paper procurement policies and practices.

SHARE and the Atkinson Foundation had productive discussions with **Brookfield Properties** and the **Royal Bank of Canada** this quarter regarding responsible contracting and fair labour practices in the real estate sector. Brookfield reported that its New York office is primarily responsible for dealing with the issue of a responsible contracting policy and the Royal Bank agreed to initiate a review process of the Responsible Property Services Code, which outlines basic labour and employment standards for property service workers.

SHARE met with senior management of **Goldcorp** following the company's 2010 annual meeting to hear its initial response to the independent Human Rights Assessment of its Marlin Mine in Guatemala. The assessment was commissioned at the request of four

institutional shareholders in 2008 and contains more than a hundred recommendations to the company. The company's full response to the assessment was made public at the end of June.

This quarter, we continued our conversation with **Enbridge Inc.** regarding the company's management of risks associated with the Northern Gateway project, in particular those stemming from a recent Declaration by Coastal First Nations stating their opposition to the Northern Gateway project and to oil tanker traffic along BC's northern coastal waters.

Activity Snapshot

Corporate Governance	Companies	35
Advisory Vote on Executive Compensation	Algonquin Power & Utilities, ATS Automation Tooling Systems, Ballard Power Systems, Brookfield Asset Management, Canadian Tire Corporation, Canfor, Cascades, Catalyst Paper Corporation, Ensign Energy Services, Gildan Activewear, Harry Winston Diamond Corporation, IGM Financial, Inmet Mining Corporation, Jean Coutou Group, Kinross Gold, Loblaw Companies, Lundin Mining Corporation, Manitoba Telecom Services, MDS Inc., Methanex Corporation, Nexen Inc., QLT Inc., Research In Motion, Rogers Communications, Shaw Communications, Shoppers Drug Mart, Stantec, Talisman Energy, Teck Resources Limited, Tembec, Toromont Industries, Transcontinental, Westport Innovations, Yamana Gold, Zarlink Semiconductor	
Sustainability Reporting	Biovail Corporation	
Environmental	Companies	13
Toxic Chemicals	EnCana, Imperial Oil Limited, Nexen Inc., Shoppers Drug Mart, Talisman Energy, Trican Well Service	
Sustainable Forest Management	Quebecor Inc., Sun Life Financial, Torstar Corporation, Yellow Pages Income Fund	
Carbon Disclosure Project	Pembina Pipeline Income Fund, Power Corporation of Canada	
Marine Environment Protection	Enbridge	
Social	Companies	7
Human Rights	Barrick Gold Corp, Enbridge Inc., Goldcorp Inc., Inmet Mining Corporation, Kinross Gold Corporation, Yamana Gold Inc.	
Precarious Employment in Property Sector	Biovail Corporation, Ensign Energy Services, IGM Financial, Manulife Financial, Research In Motion	
Fair Trade Coffee	Tim Hortons	
Total Number of Companies		51

Investor Brief: Hydraulic fracturing and water pollution

SHARE has released an investor brief that looks at the risks that North America's shale gas boom presents to investors. While shale gas resources in Canada and the U.S. are projected to become a major resource for the coming decades, concern is growing that the methods that make shale gas extraction viable are polluting drinking water sources with toxics. Investors need to look into the risks that the extraction process presents, and the steps they can take to mitigate them. For details see SHARE, "Hydraulic fracturing and water pollution: Investor risks from North America's shale gas boom"

Environment

Toxic Chemicals

This quarter, we expanded our work regarding toxic chemicals and contacted a number of companies requesting information about their efforts to protect water resources from hydraulic fracturing, a process required to extract natural gas from shale rock. SHARE sent letters to **Imperial Oil, Nexen, Talisman Energy** and **Trican Well Service** to inquire about each company's efforts to protect water resources from hydraulic fracturing and shale gas extraction. We are awaiting responses from all companies to our request.

SHARE also requested additional information from **EnCana** as a follow-up to the conference call that was held last quarter with the company to talk about the risks associated with EnCana's hydraulic fracturing operations in the U.S. and Canada. Among other things, we asked for clarification on the company's water testing and monitoring procedures close to EnCana's wells. Although EnCana indicated that the requested information would be available in its new CSR online report (released in June), SHARE has reviewed the report and has found that it does not include the requested information. We are therefore considering next steps.

SHARE held a conference call with **Shoppers Drug Mart** to gather information regarding specific steps that the company is taking or could take to manage risks associated with polyvinyl chloride (PVC) and other toxic chemicals in proprietary products and packaging. PVC poses significant risks to the environment and human health throughout its life cycle, and safer, affordable alternatives exist for the vast majority of its uses. Shoppers indicated that it is currently working to identify and eliminate phthalates and PVC used in a range of products, and that a wider initiative, which is at the early stages, will work on PVC reduction/elimination in packaging.

Sustainable Forest Management

This quarter, we continued and expanded our work around sustainable forest management on behalf of the Ivey Foundation. SHARE held a conference call with **Quebecor Inc.** in April to discuss the company's paper procurement practices and policies. Quebecor recently adopted a corporate-wide environmental policy that puts emphasis on sustainable procurement, and plans to adopt sustainable paper procurement policies at all relevant subsidiaries (and possibly a general, corporate-wide policy), starting with TVA. The policies will include references to FSC-certified fibre and high-recycled fibre content paper. The TVA policy will be finalized in 2010, and SHARE will provide comments on the draft policy.

SHARE received a response from **Sun Life Financial** to two proposed policies we submitted last year on behalf of the Ivey Foundation through which Sun Life could expand its commitment to sustainable forestry via its lending operations. One policy suggested giving preference to LEED projects in infrastructure lending; the second proposed giving preference to FSC-certified companies in corporate lending. Sun Life has indicated that it will formalize the practice of giving favourable consideration to new infrastructure projects targeted for LEED certification by the end of 2010, as suggested by SHARE. The company also said that it will closely monitor whether opportunities emerge to give preference to FSC-certified companies in corporate lending (at present, forest products companies have no significant representation in this area of Sun Life's business).

Yellow Pages Group responded to SHARE's request for information regarding their paper procurement policies indicating that it will likely postpone the development of a policy until forest management standards have been developed under the Canadian Boreal

Human Rights Assessment highlights corporate obligations

In May, eighteen months after a coalition of shareholders and Goldcorp Inc. agreed to undertake a landmark Human Rights Impact Assessment of the company's Marlin Mine in Guatemala, On Common Ground consultants delivered its in depth report with more than a hundred recommendations for the company. The Assessment, published in full by the company, provides an unprecedented look at both long-term and immediate impacts on human rights. It notes that positive impacts of the mine on human rights were observed, such as improvements in the right to work, but the absence of baseline information prevented a determination of their extent. Significant legacy issues, particularly shortcomings in the consultation process employed by the mine's original developer, as well as more immediate infringements on human rights are detailed. Goldcorp has committed to "developing and implementing business management practises that will ensure 'broader due diligence for human rights.'" In the meantime, the Guatemalan government announced it will temporarily shut the mine while claims by indigenous representatives regarding pollution and a lack of consultation are examined.

Forest Agreement, which was signed between nine conservation organizations, the Forest Products Association of Canada (FPAC) and FPAC members. Lastly, SHARE wrote to **Torstar Corporation** to inquire about the company's paper procurement policies and practices (for Torstar and its subsidiaries). We are awaiting a response from Torstar to our request.

Carbon Disclosure Project

SHARE received two responses this quarter to the requests that were sent out last quarter urging companies to respond to the most recent Carbon Disclosure Project (CDP) questionnaire. **Pembina Pipeline Income Fund** indicated that it will not respond to the CDP questionnaire in 2010, since it believes that new regulations on climate change will not materially affect its business and, compared to peers in the energy sector, it is not a large emitter of greenhouse gases. Pembina also stated that it intends to allocate resources to identify actions it could take to reduce risks and seize opportunities associated with climate change.

The other response we received was from **Power Corporation**. The company stated that its decision to answer CDP questionnaires remains under review (we received a similar response in 2009), but that it recognizes the importance of the risks and opportunities associated with climate change and a carbon constrained economy.

Marine Environment Protection (Northern Gateway project)

SHARE sent a letter to **Enbridge Inc.** on behalf of our clients to inquire about the company's reaction to a recent [Declaration by Coastal First Nations](#) which explicitly opposes the Northern Gateway project and oil tanker traffic along BC's northern coastal waters and highlights increased risks for investors. Enbridge responded that it does not foresee significant delays or litigation risks associated with the Declaration, or significant costs associated with spills in Northern Gateway's marine terminal and pipelines. Enbridge also indicated that it has not conducted a financial assessment of the costs that would result from a government ban on tanker traffic but that, should the project be approved, the company believes such legislation is highly improbable.

Social

Human Rights

Goldcorp Inc. released the independent human rights assessment (HRA) of the Marlin Mine in Guatemala on May 17, 2010. A meeting was held on May 20 with Goldcorp's CEO and a group of investors to discuss corporate responsibility issues. SHARE received Goldcorp's response to the HRA recommendations on June 30, 2010.. The company is also developing a human rights policy.

SHARE received a reply this quarter from **Inmet Mining Corporation** regarding our request for information on the company's development of a human and indigenous rights policy. In its response, Inmet stated that the company is in the process of establishing a human rights policy, which includes provisions on security & indigenous rights. The company expects to have a policy available by the 4th quarter of this year.

Meritas Mutual Funds is one of an international group of UNPRI signatories that sent letters to several resource companies requesting meetings. On behalf of Meritas, SHARE is seeking a response from **KinrossGold Corporation** to the joint letter. The purpose of the meeting is to discuss the company's progress on developing a new human and indigenous rights policy and its practices regarding consultation with indigenous

communities. SHARE also participated in a joint letter to **Yamana Gold Inc.**, **Enbridge Inc.** and **Barrick Gold Corporation** on behalf of Meritas Mutual Funds requesting meetings to discuss free, prior and informed consent

Precarious Employment and Responsible Real Estate

The Atkinson Foundation and SHARE continued with efforts to talk to companies about the [Responsible Property Services Code](#) (the Code) which asks real estate companies to commit to basic labour and contracting standards. The intention of the Code is to ensure that property owners, such as pension funds, their property managers and their tenants effectively and consistently communicate their expectations regarding labour and employment standards to their building service contractors.

SHARE and Atkinson met with **Brookfield Properties** and the **Royal Bank of Canada** this quarter to discuss the Code. Brookfield reported that its New York office is primarily responsible for dealing with the issue of a responsible contracting policy and the Royal Bank agreed to initiate an internal review process of the Code in order to determine whether and how the Code is implementable by the bank.

SHARE Urges GRI to Include Cleaning Contractors in Real Estate Reporting Framework

SHARE submitted comments to the Global Reporting Initiative's (GRI) Construction and Real Estate Sector Supplement urging the GRI to ensure that labour-related metrics are applied equally to property service workers in addition to construction workers who build the properties. In its submission, SHARE suggests that the GRI provide guidance on these issues and to urge companies to:

- Describe company policies & procedures for pre-screening property service contractors
- Disclose the labour and human rights criteria applied during the contractor selection process for building services (such as freedom of association, hours of work, & non-discrimination)
- Discuss & disclose the health & safety risks of property service workers, in addition to the risks faced by construction workers, as these risks differ in important ways
- Explain company involvement in apprenticeship schemes
- Describe whether & how companies encourage workers to move from apprenticeships & temporary employment arrangements to regular, full-time employment
- Explain policies & procedures for identifying & addressing child and forced labour in the property service industry (both in developed & developing countries)
- Report on internal policies & procedures to monitor property service contractors' compliance with labour & human rights standards, including enforcement procedures

Fair Trade Coffee

This quarter, we received a response from **Tim Hortons** confirming that it will release its new supplier code of conduct to the public once it has been finalized (most likely in 2011). The company also indicated that the process of finalizing the code will involve engaging with key supply chain partners.

Say on Pay in the USA

In the United States, the long winding road to sweeping financial reform came to its end on July 22 when President Barak Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act into law. It applies to companies that must provide shareholders with executive compensation disclosure under the requirements of the Securities and Exchange Commission. The Federal Statute does not mandate an annual vote. Companies may either elect to hold a non-binding vote on executive compensation annually, or seek authority from their shareholders to hold the vote every two or three years.

Corporate Governance

Advisory Vote on Executive Compensation

Meritas Mutual Funds and SHARE initiated dialogue on say on pay with 33 senior issuers and followed-up on an ongoing dialogue with one other issuer this quarter. Many of the companies we have contacted this quarter are not widely held, but instead have significant or majority shareholders that are either closely aligned with, or members of, management. Some also have dual class capital structures. This may slow the pace of adoption of say on pay from its very brisk level earlier this year.

Sustainability Reporting

Despite numerous efforts to get in touch with Biovail, SHARE has not yet received a response from the company regarding our request in February for information on the company's plans to issue its first sustainability report. We will continue our efforts to get a response from the company to this request.

Shareholder Resolutions

Company	Filed By	Issue	AGM Date (Result)
Agrium Barrick Gold Biovail Corporation Canadian Pacific Railway Enbridge EnCana Major Drilling Russel Metals Suncor TransAlta	Meritas Mutual Funds	Advisory Vote on Executive Compensation	Proposal Withdrawn
Gennum Corporation	Meritas Mutual Funds	Advisory Vote on Executive Compensation	April 7 (46.8%)
Fairfax Financial Holdings Limited	Meritas Mutual Funds	Carbon Disclosure Project	April 22 (8.4%)
Methanex	Meritas Mutual Funds	Advisory Vote on Executive Compensation	April 29 (64%)

Company Progress Summary

Company	Topic	Progress
Algonquin Power & Utilities Corp.	Advisory Vote on Compensation	↔
ATS Automation Tooling Systems Inc.	Advisory Vote	↔
Ballard Power Systems Inc.	Advisory Vote on Compensation	↔
Biovail Corporation	Sustainability Reporting	↔
Brookfield Asset Management Inc.	Advisory Vote on Compensation	↔
Brookfield Properties Corporation	Precarious Employment	▲
Canadian Tire Corporation Ltd.	Advisory Vote on Compensation	↔
Canfor Corporation	Advisory Vote on Compensation	↔
Cascades Inc.	Advisory Vote on Compensation	▼
Catalyst Paper Corporation	Advisory Vote on Compensation	↔
Enbridge Inc.	Marine Environment Protection	▶
EnCana Corporation	Toxic Chemicals	▶
Ensign Energy Services Inc.	Advisory Vote on Compensation	↔
Gennum Corporation	Advisory Vote on Compensation	Resolution
Gildan Activewear Inc.	Carbon Disclosure Project	↔
Goldcorp Inc.	Human Rights	▶
Harry Winston Diamond Corporation	Advisory Vote on Compensation	↔
IGM Financial Inc.	Advisory Vote on Compensation	↔
Imperial Oil Limited	Toxic Chemicals	↔
Inmet Mining Corporation	Advisory Vote on Compensation	↔
Inmet Mining Corporation	Human Rights	↔
Jean Coutu Group Inc.	Advisory Vote on Compensation	↔
Kinross Gold Corporation	Advisory Vote on Compensation	↔

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

Company	Topic	Progress
Kinross Gold Corporation	Human Rights	↔
Loblaw Companies Limited	Advisory Vote on Compensation	↔
Lundin Mining Corporation	Advisory Vote on Compensation	↔
Manitoba Telecom Services Inc.	Advisory Vote on Compensation	↔
MDS Inc.	Advisory Vote on Compensation	↔
Methanex Corporation	Advisory Vote on Compensation	▲
Nexen Inc.	Advisory Vote on Compensation	↔
Nexen Inc.	Toxic Chemicals	↔
Pembina Pipeline Income Fund	Carbon Disclosure Project	▼
Power Corporation of Canada	Carbon Disclosure Project	▼
QLT Inc.	Advisory Vote on Compensation	↔
Quebecor Inc.	Sustainable Forestry	▲
Research In Motion Ltd.	Advisory Vote on Compensation	↔
Rogers Communications Inc.	Advisory Vote on Compensation	↔
Royal Bank of Canada (RBC)	Precarious Employment	▲
Shaw Communications Inc.	Advisory Vote on Compensation	↔
Shoppers Drug Mart Corporation	Advisory Vote on Compensation	↔
Shoppers Drug Mart Corporation	Toxic Chemicals	▶
Stantec Inc.	Advisory Vote on Compensation	↔
Sun Life Financial Inc.	Sustainable Forestry	▲
Talisman Energy Inc.	Advisory Vote on Compensation	↔
Talisman Energy Inc.	Toxic Chemicals	↔
Teck Resources Limited	Advisory Vote on Compensation	↔
Tembec Inc.	Advisory Vote on Compensation	↔
Thomson Reuters Corporation	Advisory Vote on Compensation	▲
Tim Hortons Inc.	Fair Trade Coffee	▶

▲ Positive	▶ On Track/Neutral	▼ Negative/ No Response	↔ Response Pending
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Company	Topic	Progress
Toromont Industries Ltd.	Advisory Vote on Compensation	↔
Torstar Corporation	Sustainable Forestry	↔
Transcontinental Inc.	Advisory Vote on Compensation	↔
Trican Well Service Ltd.	Toxic Chemicals	↔
Westport Innovations Inc.	Advisory Vote on Compensation	↔
Yamana Gold Inc.	Advisory Vote on Compensation	▲
Yamana Gold Inc.	Human Rights	↔
Yellow Pages Income Fund	Sustainable Forestry	▶
Zarlink Semiconductor Inc.	Advisory Vote on Compensation	↔
Total Companies: 51		
▲ Positive ▶ On Track/Neutral ▼ Negative/ No Response ↔ Response Pending		

The Shareholder Association for Research and Education (SHARE) is a social enterprise that coordinates and implements responsible investment practices. Since its creation in 2000, SHARE has carried out this mandate by providing active ownership services, including:

- **Proxy Voting & Advisory Services**
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