

Proxy Voting by Canadian Mutual Funds

2006-2007

A Survey of Management and Shareholder Resolutions

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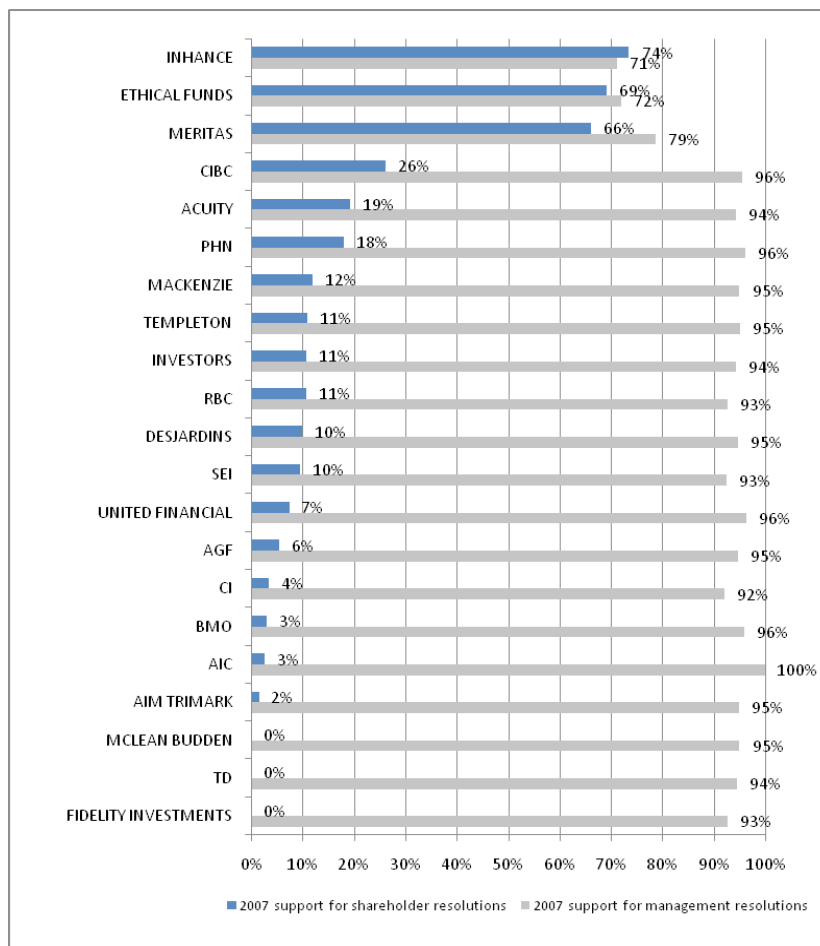
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EXECUTIVE SUMMARY

As a result of mandated disclosure, the proxy-voting decisions of retail mutual funds in Canada constitute a voluminous record. In this report, we have attempted to provide a relatively detailed examination of the existing two-year record by examining votes reported by funds from companies that vary from small to large in terms of total funds offered and assets under management. We have also included funds from three companies that market their funds as socially responsible investments or SRI. The total current reported assets under management (AUM) of the twenty-one fund companies we selected is approximately \$543 billion.

We have focused on votes cast with respect to the election of directors and shareholder proposals so that the reader may get a good sense of what constitutes typical and atypical mutual fund voting behaviour on issues that management and shareholders bring to the ballots of Canadian public issuers.





Our survey of 2006 and 2007 proxy-voting records shows consistently high levels (in excess of 95%) of support by large, mainstream fund families for management resolutions. By contrast, companies that market their funds as socially responsible investments each supported management resolutions less than 80% of the time.

The ballots cast by the funds included in this report showed support for shareholder proposals of 17.21% in 2006 and 16.14% in 2007. This indicates that, as a group, the mutual funds in our data set support shareholder proposals with more than one in every seven votes cast. Receptiveness to proposals on the proxy ballots of Canadian companies is notably absent from the voting records of some fund families. In the 2006 and 2007 disclosure for the nine Fidelity Investments funds we examined, we found that in every instance, the funds voted “against” shareholder proposals.

The voting records of many mutual funds in this sample group show that some fund companies are not supporting shareholder proposals that represent widely accepted good-governance standards. Fund companies that do not support initiatives aimed at establishing a one share–one vote share capital structure and increasing disclosures that have clear market implications are missing an important opportunity to advance the best interests of both their unitholders and the broader securities market.

It is notable that Corporate Social Responsibility (CSR) resolutions achieved higher levels of support among mainstream mutual funds than did governance-related shareholder resolutions. The CSR resolutions that were the most supported, based on the voting records of the mutual funds we examined, were those asking companies to address shareholder concerns about human rights and to produce reports on sustainability issues.

INTRODUCTION

Most common shares of public companies carry voting rights. These votes have value because they can be used to support or reject a proposal put forward at a shareholders' meeting based on whether the shareholder believes the measure will improve or hinder overall corporate performance. Mutual funds under management in Canada have assets of \$697.3 billion, and almost 30% of the household wealth of Canadians is invested in these funds¹. Armed with the voting rights attached to billions of dollars worth of shares in public equities, Canadian mutual fund companies wield significant influence through their proxy ballots over corporate conduct.

The analysis undertaken in this report on the proxy-voting decisions of Canadian mutual funds is possible because of a new regulatory disclosure requirement. When this requirement was being developed, its advocates argued that such disclosure was necessary so that investors in mutual funds could find out if their funds were exercising their valuable voting rights responsibly.

Responsible proxy voting requires that shareholders develop policies on important governance issues and vote their shares in alignment with those policies. In the course of gathering our data, we found that the funds we surveyed complied with the requirement to disclose a record of the proxy votes cast. Disclosure of proxy-voting policies was less satisfactory in that many funds elected to meet the minimum standard of producing "summary" documents online and offering a full set of guidelines to fund unitholders only upon request.

This study analyzes the 2006 and 2007 voting records of twenty-one Canadian mutual fund families to gauge the relative frequency with which these funds vote with management in approving the directors and auditors and rejecting shareholder proposals.

MUTUAL FUNDS ARE REQUIRED TO REPORT ON PROXY VOTES

Canadian mutual fund companies began to report on the votes cast by their funds on proxy ballots for all voting shares they hold very recently. The first mandated reports covered votes cast for the period of July 1, 2005, to June 30, 2006. The reporting requirement is set out in National Instrument 81-106, and is for annual retroactive disclosure. On August 31 of each year, fund voting records for the previous year must be made available on the fund company's website.

The rules do not specifically mandate disclosure to the public. A fund company would therefore be in compliance if it restricted access to proxy-voting records to holders of units of each fund only. However, in preparing this report, we did not encounter any restrictions on access to proxy-voting data for the most recent reporting period.

¹ Investment Funds Institute of Canada, Canadian Mutual Fund Industry Quick Facts, 2008.

Many mutual fund companies argued against mandatory disclosure of proxy-voting records in 2004 based on the assertion that most individual investors have little or no interest in proxy voting by the mutual funds in which they invest². Although this point is open to debate, we note that even if it were true, proxy votes cast by mutual funds are of interest to those who examine the voting behaviour of all institutional investors including mutual funds. Public disclosure serves the additional and important purpose of transparency, ensuring that all capital-market participants are able to examine and assess the role of mutual funds in shareholder decision-making.

By virtue of their relatively large public equity holdings, mutual funds exercise considerable influence over all issues presented to shareholders for a vote. Requiring mutual fund companies to disclose all voting decisions ensures that unitholders are aware of the decisions made in their name.

HOW FUNDS WERE SELECTED FOR INCLUSION IN THIS REPORT

We have assembled proxy-voting data for a total of 175 funds managed by 21 fund companies. All of these funds are retail mutual funds marketed to Canadians. In order to widely survey the market, we examined the voting records of Canada's ten largest fund companies as determined by AUM, along with eleven mid-sized (AUM between \$5 billion and \$20 billion) and small fund companies (AUM under \$5 billion). The fund companies selected include three that identify their investment approach as socially responsible: Ethical Funds, Inhance Management Inc. and Meritas Mutual Funds.

TABLE 1: FUND FAMILIES INCLUDED IN REPORT	
FUND FAMILY	ASSETS UNDER MANAGEMENT
RBC Asset Management Inc. (RBC)	\$93.67 billion
TD Asset Management Inc. (TD)	\$73.94 billion
Investors Group (INVESTORS)	\$70.64 billion
CI Investments Inc. (CI)	\$67.62 billion
Mackenzie Financial Corporation (MACKENZIE)	\$41.59 billion
AIM Trimark Investments (AIM TRIMARK)	\$32.81 billion
Fidelity Investments Canada Limited (FIDELITY INVESTMENTS)	\$31.67 billion
Fraklin Templeton Investments (TEMPLETON)	\$27.24 billion
AGF Management Limited (AGF)	\$25.11 billion

² http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part8/Comments/81-106/com_81-106_index.jsp (Accessed May 26, 2008) See particularly submissions in 2004 by AIC Limited, BMO Mutual Funds and Investors Group Inc.

FUND FAMILY	ASSETS UNDER MANAGEMENT
BMO Investments Inc. (BMO)	\$23.32 billion
McLean Budden (MCLEAN BUDDEN)	\$20.02 billion
Phillips Hager & North Ltd. (PHILLIPS HAGER & NORTH)	\$18.11 billion
United Financial Corporation (UNITED FINANCIAL)	\$14.09 billion
CIBC Asset Management (CIBC)	\$11.41 billion
SEI Investments Canada Company (SEI)	\$9.73 billion
AIC Limited (AIC)	\$5.71 billion
Acuity Funds Ltd. (ACUITY)	\$4.93 billion
The Ethical Funds Company (ETHICAL FUNDS)	\$2.31 billion
Desjardins Funds (DESJARDINS)	\$708.13 million
Meritas Financial Inc. (MERITAS)	\$185.12 million
Inhance Investment Management (INHANCE)	\$149.77 million

METHODOLOGY

This report is an analysis of the proxy votes on a total of 4,827 ballots voted at 286 Canadian companies by 21 mutual fund families. Information was collected regarding the votes recorded on directors, auditors, and shareholder proposals.

On proxy ballots, the voting options available to all shareholders for management proposals to elect directors and appoint auditors are “for” and “withhold.” The voting records we examined also showed that some funds elected to “abstain” from voting on director and auditor ballot items. There are also funds that indicated, by reporting a “non-vote,” that they did not take any voting action on these ballot items.

With respect to voting options for shareholder proposals, a vote may be cast “for” or “against.” In a number of instances, mutual funds chose to “abstain” from voting on these proposals. “Non-votes” were also recorded in the reports of some funds.

When tabulating the levels of support for management proposals surveyed, votes “for” the election of directors or appointment of auditors were counted in support of these resolutions, votes withheld or abstentions were tabulated as not supportive, and “non-votes” were not counted (ignored) in the calculation of support.

As an example, here is the 2006 voting record of one fund family on all management proposals to elect the directors and appoint the auditors that were voted by its funds:

	“For” (support)	“Withhold” (opposed)	“Abstain” (opposed)	“Non-vote” (not counted)	Support
Votes	1,697	19	72	147	94.91%

There were a total of 1,788 votes on the election of directors cast by all funds in a fund family. All of these votes factor into the support calculation: votes “for,” votes withheld, and abstentions. Of these, 1,697, or 94.91%, were voted “for” and were therefore in support of the resolutions on the fund family’s ballots.

Similarly, votes reported by funds on shareholder proposals are only tabulated as supportive of a resolution if they were voted “for” that resolution. If, within the fund family, all votes on a particular shareholder proposal were voted “for,” the support level for that proposal is 100%. If half of the votes cast on the shareholder proposal by all funds within a fund family were voted “for” and the other half were cast “against,” the level of support by that fund family for the proposal is 50%.

If, within a fund family, all votes were cast either “against” or “abstain,” there were no votes in support of the resolution and the support level is 0%. If a fund or fund family reports only non-votes on a resolution, the result is simply “null” because no opinion has been expressed on the proposal or proposals by the fund or fund family.

As an example, MEDAC filed a proposal at seven large Canadian issuers in 2007 asking each company to make various disclosures about the compensation consultants they retained in the prior year. One fund family reported that its funds voted “for” the proposal twice, voted “against” the proposal five times, and did not vote on the issue at all on two ballots. In no instance did the funds mark ballots to “abstain” from voting.

Thus, support on MEDAC’s proposal by this fund family is 28.6%, broken down as follows:

	“For” (support)	“Against” (opposed)	“Abstain” (opposed)	“Non-vote” (not counted)	Support
Votes	2	5	0	2	28.57%

Where we have grouped shareholder proposals that address similar issues together into a category, support levels for all fund votes on proposals in that category of proposals were computed in the same manner as illustrated above.

IMPACT OF MUTUAL FUND VOTING

Tabulating the impact of the shares voted by mutual fund companies relative to the total number of votes cast by all shareholders is not within the scope of this report. Our objective is to discern what each fund family’s voting decisions were on management proposals and on the various proposals put forward by shareholders in 2006 and 2007.

COMPANIES INCLUDED IN THIS REPORT

Our data set includes the 2006 and 2007 proxy votes of the selected mutual funds on issues voted at Canadian companies that were included in the S&P/TSX Composite Index (the Index) at the start of the 2007 proxy season, as well as a small number of Canadian issuers that were not in the Index at that time but that had shareholder proposals on their ballots in 2006 and/or 2007.

ANALYSIS OF MANAGEMENT RESOLUTIONS

OVERVIEW

Overall, support for management resolutions among the mutual funds included in this report was high in 2006 and 2007. Most funds' cumulative voting records show that management proposals received upwards of 90% support. In 2006 just two fund companies, Ethical Funds and Inhance, report voting "for" management proposals with fewer than 90% of all votes. According to the 2007 data, Ethical Funds, Inhance, and Meritas are the only fund families that cast ballots that tally up to a support level of less than 90% for resolutions put forward by management.

With respect to director elections and auditor appointments, the only permitted alternative to a vote in favour of a proposal on the proxy ballot of a Canadian company is to indicate the withholding of votes. A vote "against" a director nomination or auditor appointment is not possible in Canada.

ANALYSIS OF VOTING DATA

Most management resolutions on the ballots of large Canadian issuers receive a majority of votes in favour. With a few notable exceptions, the voting activity of the mutual funds we surveyed shows a similarly high level of support for the directors and auditors that appear on their proxy ballots.

Fund companies that demonstrated the least support for management proposals on Canadian ballots were the Ethical Funds, with a record of just 66.2% support in 2006, and Inhance, with a 71.1% record of votes "for" in 2007.

In 2006, the funds of thirteen of the twenty-one fund families included in our data cast more than 95% of their votes "for" management proposals. A smaller number of fund companies reported such a high percentage of votes in favour of management proposals in 2007: just eight fund companies of twenty-one.

Average support for the election of directors by the mutual funds we surveyed showed little change between 2006 and 2007, decreasing very slightly from 93.31% to 93.12%.

ELECTION OF DIRECTORS

The guidelines of many institutional shareholders, including some mutual funds and fund companies included in this report, indicate that votes will be withheld from directors or auditors for a wide variety of reasons.

The reasons given in these guidelines for votes to be withheld in a director election include: concerns about the proportion of the directors who are not independent of management on the board or its key committees, poor attendance at board and committee meetings, and the number of other boards on which directors serve. Other grounds for casting “withhold” votes relate to decisions by some or all board members on specific issues such as acquisitions or executive compensation, and serious problems such as recent financial restatements.

Some shareholders, finding that an issue that they feel strongly about is not on the proxy ballot, may withhold their vote from certain directors to express their disapproval of decisions made with respect to dividends, acquisitions, or raising capital.

Some common practices of public companies in Canada work to favour votes “for” director nominees. The rules that apply to the election of directors at Canadian public companies allow issuers to ask shareholders for their votes on each director separately or on all directors as a group. Best practice in Canada is to allow shareholders to vote on each director nominee separately. This is commonly referred to as the “individual election” of directors. In the alternative, companies may structure their proxy ballots so that only one vote can be cast for all of the directors. This is referred to as a “slate election.”

If shareholders are not able to vote on directors individually, they may be less likely to withhold their votes in director elections. Very often, shareholders will have particular concerns about the independence, attendance, or other board memberships of one or more directors, but be inclined to support the majority of them. A slate election often results in a vote in favour of the director based on satisfaction with most of the nominees.

As noted above, shareholders may not cast ballots “against” a director. Therefore, it is not technically possible for a director nominee to fail to secure election to the board.

Some Canadian companies, encouraged by investors and governance advocates, have adopted “majority voting” for directors. When a majority voting policy is adopted, votes that are withheld in director elections are interpreted to be much like votes “against” a nominee. If a majority of the votes cast with respect to a director’s election are withheld, the director must submit his or her resignation and the board will have a reasonable period of time—90 days is typical—to accept the resignation.

Individual election of directors and majority voting work together to greatly improve the possibility that shareholder dissatisfaction with a director may result in the non-election of that director and give shareholder votes status as something other than a mere rubber stamp. They signify nothing at all, however, unless shareholders take the opportunity to use their ballots to express concerns where they arise with particular director nominees.

FUND FAMILY	SUPPORT IN 2006 (%)	SUPPORT IN 2007 (%)
ACUITY	96.6	95.8
AGF	99.9	96.5
AIC	100.0	100.0
AIM TRIMARK	98.6	94.5
BMO	96.4	97.4
CI	94.0	96.3
UNITED FINANCIAL	94.3	97.5
CIBC	94.9	95.3
DESJARDINS	97.9	96.2
ETHICAL FUNDS	46.9	61.0
FIDELITY INVESTMENTS	96.2	97.9
INHANCE	80.8	68.0
INVESTORS	96.7	98.8
MACKENZIE	100.0	96.6
MCLEAN BUDDEN	87.1	93.4
MERITAS	94.6	79.0
PHILLIPS HAGER & NORTH	86.0	95.6
RBC	92.9	95.1
SEI	93.7	94.4
TD	95.9	94.1
TEMPLETON	96.5	93.6

Two of the twenty-one fund families surveyed voted for all of the director nominees on their ballots in 2006. The number of fund families voting invariably with management in director elections fell to one in 2007. The AIC mutual funds reported 100% support for directors on all ballots voted by their funds in both 2006 and 2007. None of the nine individual funds surveyed from this fund family withheld a single vote in any TSX Composite company director election in 2006 or 2007.

The fund family least willing to endorse director nominees in both 2006 and 2007 was Ethical Funds. The proxies voted by these funds supported directors with just 46.88% of votes in 2006 and 60.97% in 2007.

Funds in the AIC and Mackenzie fund families that we surveyed supported all directors on all ballots they voted in 2006.

Other fund families that demonstrated a relative lack of support for directors with their proxies were Inhance with 80.84% of votes in support in 2006, falling to 67.95% in 2007, and Meritas, which reported a significant decline in support for director nominees of the companies they held, from 94.57% in 2006 to 79.09% in 2007.

Phillips Hager & North and McLean Budden also reported support for directors below 90% of votes in 2006.

Just five fund companies reported support levels for directors below 90% in 2006 and/or 2007: Ethical Funds, Inhance, Phillips Hager & North, McLean Budden and Meritas Mutual Funds.

The proxy-voting data we examined revealed an unoccupied middle ground between fund families that heavily supported director nominees and those that very frequently withheld their support for directors. The average level of support for directors by all mutual funds included in our data set was 92.7% in 2006 and 92.5% in 2007.

The bulk of fund families—fifteen of twenty-one in 2006 and eighteen of twenty-one in 2007—reported that their proxy votes supported the election of directors with between 90% and 99.9% of votes cast.

Shareholders have proposed various reforms to the director election process at Canadian companies in recent years. These include the individual election of directors, majority voting, and proxy access that would allow shareholders meeting specific holding requirements to place director nominees on the proxy ballot. The ongoing changes to the director election process sit awkwardly with the high level of endorsement for director nominees of Canada's mutual funds, however.

APPOINTMENT OF AUDITORS

There are few common reasons to withhold votes on the appointment of a public company's auditors. Shareholders may withhold their support for appointment or reappointment of the firm that audits a company's financial statements if they have concerns about the independence of the auditor, such as when a significant portion of the fees the audit firm billed to the company in the prior year were for non-audit work. Shareholders may also withhold votes if they determine that the company has failed to rotate the audit partner or firm on a periodic basis. Shareholders may also indicate that they will withhold votes from the reappointment of an auditor that provided services during a previous period in which the company restated its financials.

For example, looming large among the many legal and financial problems of Nortel Networks in recent years are the company's serial restatements of its financial reports.

In March 2004, Nortel warned that it would be issuing a restatement of its audited financial statements for 2003 and that further restatements were very likely. The company's prediction was all too accurate, and in 2005 it refiled its 2003 financials. In early 2006 Nortel announced another restatement of financial results applying to 2003, 2004, and the first nine months of 2005.

Before and during the period affected by restatements, Deloitte & Touche audited Nortel's financial statements. In each of these years, the auditor signed off on the company's reports, indicating that the financial statements presented fairly, in all material respects, the financial position of the company.

When a company repeatedly restates its financials, shareholders have every reason to be concerned about the performance of the company's auditors. For this reason, we decided to take a specific look at the votes cast on the reappointment of Nortel's auditors in 2006. (The 2007 vote results are not relevant because Nortel appointed a new audit firm that year).

We found that most of the mutual fund families that voted Nortel Networks in 2006 voted “for” the auditor.

FUND FAMILY	VOTE
ACUITY	For
AGF	No vote
BMO	For
CI	For
CIBC	For
DESJARDINS	For
FIDELITY INVESTMENTS	For
INVESTORS	For
MACKENZIE	For
MCLEAN BUDDEN	Withhold
MERITAS	For
PHILLIPS HAGER & NORTH	Withhold
RBC	For
SEI	For
TD	For

Of the fifteen fund families that had funds that voted Nortel Networks in 2006, twelve (81%) voted “for” the reappointment of Deloitte & Touche, one recorded no vote, and just two, Mclean Budden and Phillips, Hagar & North (PHN), withheld votes.

Most auditor appointments at Canadian companies are uncontroversial. Repeated restatements are an extremely serious matter for a public company. Restatements severely weaken the confidence of analysts in the information upon which they base their assessment of the company’s operations and its future prospects. Nortel Networks’ shareholders were directly affected by the uncertainty as the market responded to successive announcements of the unreliability of the reports that were previously provided and the unavailability of accurate statements.

ANALYSIS OF SHAREHOLDER PROPOSALS

OVERVIEW

Shareholder proposals serve an important purpose in the evolution of corporate policy and practice. In Canada the overwhelming majority of these proposals do not garner majority support and the companies' directors recommend that shareholders vote "against" them. In 2006 and 2007, a total of 109 shareholder proposals went to a vote and only one was supported by a company board. The simple average support for all shareholder proposals in Canada was 8.8% in 2006 and 8.0% in 2007.

Yet shareholder proposals provide equity investors and other interested parties with a wealth of ideas and information about the issues being debated between companies and their shareholders. In some cases, shareholder proposals in one year become accepted best practice the next. One example is a proposal filed in 2003 by Robert Verdun at Canada's five largest banks asking that the banks not allow the same individual to serve as both the company's CEO and the chair of its board of directors. Shareholders cast 39.57% of their votes in favour of the proposal. When the proposal was voted in 2003, only one of the five banks had a non-CEO chair of the board. By May of 2004, all of them had separated these two important roles.

In 2002, the United Brotherhood of Carpenters and Joiners Pension Plan filed proposals at several large Canadian companies asking that those companies publicly disclose the fees paid to their external audit firms each year. (To their credit, two companies, Loblaw and Dupont Canada, recommended that shareholders support these proposals). By 2004, securities regulators determined that this disclosure should be mandatory for Canadian companies.

The shareholder initiatives that appear on corporate ballots often serve to focus the attention of all voting shareholders on emerging issues that are unlikely to be raised otherwise. The primary purpose of these proposals is to focus attention on issues of importance to the filer in an effort to discover whether the issue is also important to a significant number of other shareholders.

Under corporate law in Canada, a shareholder proposal, even if it receives majority support from shareholders, is not binding³. A company is not obliged to implement a successful proposal. Proposals that garner significant support are often implemented at the discretion of management, however. In Canada, ever-improving disclosure of executive pension entitlements was undertaken by some companies in response to shareholder proposals that asked for this information.

Given the importance of these initiatives, mutual fund proxy voting on shareholder proposals is examined in detail below.

³ It is also possible to file a proposal asking for an amendment to the company's bylaws. Such proposals are binding.

NOTE ABOUT THE CLASSIFICATION OF SHAREHOLDER PROPOSALS

We have organized the shareholder proposals by general type under two broad categories, namely, corporate governance (CG) and corporate social responsibility (CSR). We have further grouped the proposals within the two groups into 14 categories.

Considerable attention has been paid by shareholders, governance experts, and Canadian regulators to the question of what disclosures public companies should make about the compensation consultants they hire to advise them on their executive compensation schemes. Requests for shareholder votes on the continuation of dual-class capital structures at companies where they exist is another example of proposals that address an issue of particular significance.

A list of the particular proposals in each category can be found in Appendix 3. More information about each resolution is available from the Canadian Company Shareholder Resolution Database maintained by SHARE and web-searchable at: www.share.ca/shareholderdb.

MUTUAL FUND SUPPORT FOR SHAREHOLDER PROPOSALS

Examining the support that all mutual fund families reported for all of the shareholder proposals that they voted is useful to better understand each fund company's overall view of these initiatives. Table 4 presents this information for 2006 and 2007.

TABLE 4: MUTUAL FUNDS' SUPPORT FOR SHAREHOLDER RESOLUTIONS				
FUND FAMILY	2006		2007	
	NUMBER OF VOTES	SUPPORT (%)	NUMBER OF VOTES	SUPPORT (%)
ACUITY	24	8.3	57	19.3
AGF	26	11.5	55	5.5
AIC	15	0.0	37	2.7
AIM TRIMARK	29	13.3	75	1.5
BMO	21	9.5	33	3.0
CI	40	35.0	57	3.5
UNITED FINANCIAL	16	6.3	54	7.4
CIBC	33	12.1	42	26.2
DESJARDINS	29	13.8	71	9.9
ETHICAL FUNDS	27	70.4	65	69.2
FIDELITY INVESTMENTS	28	0.0	68	0.0
INHANCE	18	50.0	34	73.5
INVESTORS	29	6.9	65	10.8
MACKENZIE	13	7.7	42	11.9
MCLEAN BUDDEN	28	3.6	67	0.0
MERITAS	35	17.1	59	66.1
PHILLIPS HAGER & NORTH	38	26.3	61	18.0
RBC	38	15.8	74	10.8
SEI	26	15.4	63	9.5
TD	42	11.9	69	0.0
TEMPLETON	31	12.9	64	10.9
TOTAL	586	16.6	1,212	17.1

This voting data show that the mutual funds included in our data set break down into four groups with respect to voting on shareholder proposals in each year we examined. A small number of funds are very supportive of the shareholder initiatives on their ballots, voting for more than half of them. Each year, an almost equally small number are completely unsupportive of these proposals. In 2006, the AIC funds we examined did not find any shareholder proposals worthy of support. Similarly, in 2007, the McLean Budden and TD in our data set registered no votes “for” any of the resolutions put forward by shareholders. The funds of Fidelity Investments rejected all such proposals on which they were called upon to vote.

We find the vast majority of funds in between these two groups of fund companies. Most funds are supportive of some of the proposals on their ballots but reject the majority of them. Within this large group, there are two groups of roughly equal size. One group offers between 1% and 10% support for shareholder proposals. The other group supports between one-tenth and one-third of the proposals.

Below, we offer a detailed examination of fund-family voting on specific proposals, or groups of similar proposals, found on Canadian company ballots in 2006 and 2007.

GOVERNANCE RESOLUTIONS

There were few fund families that did not support a single corporate governance resolution in 2006 and 2007. Funds surveyed belonging to Fidelity Investments rejected all of such proposals on which they were called upon to vote.

No mutual fund families supported all of the corporate governance resolutions that its funds voted. Among the three fund families that were most supportive of these proposals—Ethical Funds, Inhance, and Meritas—each rejected between one-third and one-half of them. What this tells us is that although there is a problem with overly zealous voting with management for some funds families, the opposite problem of the rampant rejection of management’s views by other fund families is not evident in proxy voting.

This evidence supports the conclusion that funds that frequently vote “against” management’s recommendations do so based on a considered position rather than a reflex. We see this demonstrated in the voting records of the funds we surveyed on shareholder proposals. We noted that the resolutions that less-deferential fund companies voted “against” also attracted very little support from other mutual funds and shareholders generally, as reflected in the overall voting numbers.

THE PROPOSALS

Dual-Class Capital Structures: Quebecor World, 2006

Proposal in this category:

Require shareholder approval of dual-class capital structure

In 2006, Quebecor World shareholders voted on whether the company should provide its shareholders with an opportunity to vote “for” or “against” the continuation of its dual-class capital structure at least once every three years.

This proposal garnered the support of most of the fund families with Quebecor World holdings. AIM, CI, RBC, Templeton and AIM Trimark all reported voting in favour of it with each ballot cast.

It is encouraging that a number of fund companies elected to use their voting rights to ask for a say in the poor governance practice of maintaining a dual-class share structure at Quebecor World.

AGF and Desjardins funds also had the opportunity to vote on this proposal, but these funds reported “non-votes” on the issue. Desjardins reports that its funds did not vote any of the three issues on the Quebecor

TABLE 5: MUTUAL FUND VOTES ON DUAL-CLASS CAPITAL STRUCTURES

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
AGF	0	0	0	1
AIM TRIMARK	2	0	0	0
CI	1	0	0	0
DESJARDINS	0	0	0	1
RBC	1	0	0	0
TEMPLETON	1	0	0	0

Abolish Slate Election of Directors: Abitibi, 2006

Proposal in this category:

Abolish slate election of directors

As noted above, eschewing a slate election in favour of the individual election of directors is, in Canada, now widely considered to be best practice.

In 2006, a proposal to abolish slate election of directors was on the ballot for the Abitibi-Consolidated Inc. annual meeting. Despite management's recommendation to vote against it, 70% of the shareholders that cast ballots voted in favour of it.

All seven of the fund families surveyed that voted on this proposal supported it.

TABLE 6: MUTUAL FUND VOTES ON ABOLISH SLATE ELECTION OF DIRECTORS

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
CIBC	1	0	0	0
MERITAS	1	0	0	0
PHILLIPS HAGER & NORTH	1	0	0	0
RBC	1	0	0	0
TD	1	0	0	0
TEMPLETON	1	0	0	0

Identify Compensation Consultants: 2007

Proposal in this category:

Identify compensation consultants

This proposal asked for the following details regarding any compensation consultants retained by the company: their “names, the term of their contracts, the amounts paid to them, the firm they are with, the assessment table they use and, where applicable, any other form of compensation paid to them or to the firms with which they are associated.”

On the ballot at the 2007 AGMs of seven large Canadian issuers, this issue was voted by all of the twenty-one fund families surveyed in this report.

As noted above, the management of one of the companies that received this shareholder proposal in 2007 recommended that shareholders support it. When management recommends in favour of a shareholder proposal, that proposal generally receives a much higher level of support from all shareholders. This was the case with the compensation consultant disclosure proposal that management supported at National Bank. The six proposals that were not supported by management received support of between 2.6% and 10.9%. The management-supported proposal at National Bank garnered 80.6% of all votes cast.

Interestingly, we found that despite the management recommendation in favour of this resolution, some mutual fund companies voted the ballots for each of several funds against this proposal at National Bank. These fund families were Fidelity Investments, Investors Group, and TD funds.

There are two possible explanations for rejecting a shareholder proposal that management supports. The first is that the mutual fund company managers are of the view that the proposal calls upon the company to do something that the fund managers do not believe is in the best interests of the company’s unitholders. The second is that the fund company managers are of the view that all shareholder proposals, regardless of management’s position on the matter, should be voted “against.”

In this instance, one of the fund companies, Fidelity Investments, appears to be in the second camp, as its fund managers rejected every shareholder proposal they were called upon to vote.

TABLE 7: MUTUAL FUND VOTES ON IDENTIFY COMPENSATION CONSULTANTS, 2007

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
AGF	0	5	0	2
AIM TRIMARK	1	8	0	3
BMO	0	3	0	0
FIDELITY INVESTMENTS	0	7	0	0
INVESTORS	0	6	0	0
MACKENZIE	0	4	0	0
MCLEAN BUDDEN	0	6	0	0
TD	0	6	1	0
CI	1	5	0	0
ACUITY	1	4	0	0
UNITED FINANCIAL	1	4	0	0
PHILLIPS HAGER & NORTH	1	4	0	0

TABLE 7: CONT'D				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
SEI	1	4	0	0
AIC	1	3	0	0
DESJARDINS	2	5	0	0
RBC	2	5	0	0
TEMPLETON	2	4	0	0
CIBC	2	3	0	0
ETHICAL FUNDS	6	0	0	0
INHANCE	3	0	0	0
MERITAS	5	0	0	0

Financial or Corporate Disclosure: 2006 & 2007

Proposals in this category:

Disclose participation in hedge funds

Include subsidiaries in annual financial reports

Include subsidiaries in tax havens in annual reports

Provide more detailed AGM minutes to shareholders

Report on lawsuits in annual report

The five proposals grouped together under this heading are distinguishable from other shareholder proposals in that they asked for specific types of information about the companies at which they were filed. They did not ask that the companies change their practices. Mutual fund voting on proposals of the latter type are surveyed below under the heading Financial and Corporate Policy.

In 2006, three of these proposals requiring increased disclosure were filed at Canadian public companies. One proposal asked the target companies to provide the financial statements of their subsidiaries, another for a report on lawsuits, and the third for more detailed minutes of annual meetings of shareholders.

TABLE 8: MUTUAL FUND VOTES ON FINANCIAL/CORPORATE DISCLOSURE, 2006				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	0	7	0	0
AGF	0	5	0	1
AIC	0	5	0	0
AIM TRIMARK	0	16	0	0
BMO	0	5	0	0
CI	0	7	0	0
UNITED FINANCIAL	0	3	0	0

TABLE 8: CONT'D				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
CIBC	0	8	0	0
DESJARDINS	0	7	0	1
FIDELITY INVESTMENTS	0	8	0	0
INVESTORS	0	8	0	0
MACKENZIE	0	2	0	0
MCLEAN BUDDEN	0	7	0	0
MERITAS	0	8	0	0
RBC	0	8	0	0
SEI	0	7	0	0
TD	0	8	1	0
TEMPLETON	0	7	0	0
INHANCE	2	4	0	0
PHILLIPS HAGER & NORTH	5	5	0	0
ETHICAL FUNDS	6	0	0	0

As a group, these proposals received an average support of 8.4% of all shareholders who cast ballots in 2006. Support for these proposals by Canada's largest mutual funds was similarly difficult to come by. A total of twenty of the fund families surveyed here did not support any of these proposals.

In 2007, two proposals in this category went to a vote. Each proposal asked for increased disclosure, one with respect to the financial statements of subsidiaries, and the other regarding corporate exposure to the risks associated with investments in hedge funds.

TABLE 9: MUTUAL FUND VOTES ON FINANCIAL/CORPORATE DISCLOSURE, 2007				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	0	12	0	0
AGF	0	11	0	3
AIC	0	8	0	0
AIM TRIMARK	0	20	0	7
BMO	0	8	0	0
UNITED FINANCIAL	0	11	0	0
CIBC	0	9	0	0
DESJARDINS	0	14	0	2
FIDELITY INVESTMENTS	0	14	0	0
MACKENZIE	0	8	0	0
MCLEAN BUDDEN	0	14	0	0
RBC	0	14	0	0
SEI	0	13	0	0
TD	0	12	2	0
TEMPLETON	0	13	0	0

TABLE 9: CONT'D				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
CI	1	11	0	0
PHILLIPS HAGER & NORTH	4	10	0	0
INVESTORS	5	8	0	0
INHANCE	4	4	0	0
MERITAS	6	6	0	0
ETHICAL FUNDS	7	6	0	0

These proposals attracted average support of 10.59% of votes from all shareholders who cast ballots in 2007. Only 6 of the 21 fund families that voted on these proposals supported any of them. The other 16 fund families voted on these proposals on 199 occasions, rejecting them with each vote cast.

Financial and Corporate Policy: 2006 & 2007

Proposals in this category:

Implement a share-buyback program until share price reaches \$12

Deny management bonuses and options until share price is \$10

Open CEO position to non-francophone candidates

Require management to deliver sustainable profits or be terminated without compensation

Reinstate bank pensioners' benefits

Enhance online brokerage services

Provide 24/7 service to credit card and investment customers

Change policies on RRSPs

Convert BCE Inc. to an income trust fund

These proposals go beyond requests for information. They each ask that the companies at which they were filed take a specific action.

The proposals in this category were not as well received by the shareholders who voted on them as were the disclosure proposals outlined immediately above. This is probably because shareholders are generally hesitant to support measures that encroach upon the decision-making domain of corporate directors or executives. Overall, the proposals were supported by 4.21% of all shareholder votes cast.

The mutual funds we surveyed for this report were equally reluctant to insert the will of shareholders into the business decision-making responsibilities of their companies.

In 2006, four proposals in this category went to a vote. Three of the proposals were filed with Abitibi-Consolidated. The first asked that the company implement a share-buyback program until the share price reached \$12, the second that management be awarded no bonuses or stock options until the share price reached \$10, and the last that management "must deliver sustainable profits or be terminated without compensation."

The fourth proposal was filed at BCE Inc., and asked that the company be converted to an income trust.

TABLE 10: MUTUAL FUND VOTES ON FINANCIAL/CORPORATE POLICY, 2006				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
AGF	0	1	0	0
AIM TRIMARK	1	2	0	0
BMO	0	1	0	0
UNITED FINANCIAL	0	1	0	0
CIBC	0	3	0	0
DESJARDINS	0	1	0	0
ETHICAL FUNDS	0	1	0	0
FIDELITY INVESTMENTS	0	1	0	0
INHANCE	0	1	0	0
INVESTORS	0	1	0	0
MERITAS	0	4	0	0
PHILLIPS HAGER & NORTH	0	4	0	0
RBC	0	4	0	0
TD	0	4	0	0
TEMPLETON	0	4	0	0
MACKENZIE	1	1	0	0
MCLEAN BUDDEN	1	0	0	0

The votes reported on these proposals are somewhat surprising. The funds that were the most supportive of shareholder proposals generally—Ethical Funds, Inhance, Meritas, and Phillips Hager & North—are not among those who supported these initiatives.

In fact, these four funds voted “for” only one of the proposals in 2006–2007: the conversion of BCE to an income trust. All of the other proposals in this group attracted no support from any of the mutual funds we surveyed.

In 2007, National Bank and Bank of Nova Scotia each received one proposal in this category, while three were filed with the Bank of Montreal. The National Bank proposal asked that the CEO position be open to non-francophone candidates. The Bank of Nova Scotia proposal asked it to reinstate bank pensioners’ benefits. The Bank of Montreal proposals asked for 24/7 service to credit card and investment customers, a change to the Bank’s policies on RRSPs, and enhancements to the Bank’s online brokerage services.

TABLE 11: MUTUAL FUND VOTES ON FINANCIAL/CORPORATE POLICY, 2007				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	0	5	0	0
AGF	0	4	0	0
AIC	0	2	0	0
AIM TRIMARK	0	7	0	3
BMO	0	1	0	0
CI	0	4	0	0

TABLE 11: CONT'D				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
UNITED FINANCIAL	0	4	0	0
CIBC	0	2	0	0
DESJARDINS	0	5	0	0
FIDELITY INVESTMENTS	0	5	0	0
INVESTORS	0	5	0	0
MACKENZIE	0	4	0	0
MCLEAN BUDDEN	0	5	0	0
PHILLIPS HAGER & NORTH	0	4	0	0
RBC	0	5	0	0
SEI	0	5	0	0
TD	0	5	0	0
TEMPLETON	0	5	0	0
ETHICAL FUNDS	1	4	0	0
MERITAS	1	4	0	0
INHANCE	1	0	0	0

Inhance cast ballots "for" the one proposal in this category that it voted. Ethical Funds and Meritas each voted "for" one of five proposals in this category. As noted above, many shareholders are uncomfortable with actions that remove ultimate decision-making power from corporate directors.

The vote results on corporate and financial policy demonstrate that conscientious proxy voters will very selectively support measures in this category that they believe to be in their best interests.

Structure of Executive Pay: 2006 & 2007

Proposals in this category:

Link executive stock option awards to Economic Value Added (EVA)

Make senior officer compensation proportional to dividends

Establish performance criteria for executive compensation

Base executive compensation on STAR (Simplified, Transparent, Allocated, Retractable) principles

Provide executive pay for performance

Limit supplemental executive retirement plan benefits

Shareholder proposals address the issue of executive compensation more often than any other. In 2006 and 2007, 30% of the shareholder proposals filed at Canadian companies pertained specifically to executive compensation. No other subject attracted as much attention from proposal filers.

Proposals that asked for changes to executive compensation in 2006 and 2007 are organized into two categories: those that seek changes to the structure of executive pay and those that ask that limits on pay be imposed.

The proposals that addressed issues of pay structure on proxy ballots in 2006 had a common theme: the proponents were asking that executive compensation be linked to corporate performance. There were various mechanisms by which this linkage was sought. One put forward a specific financial metric to which compensation could be tied (senior officer compensation proportional to dividends), and another proposed that executive compensation be governed by a comprehensive set of principles (establish performance criteria for executive compensation).

TABLE 12: MUTUAL FUND VOTES ON STRUCTURE OF EXECUTIVE PAY PROPOSALS, 2006

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	0	3	0	0
AGF	0	2	0	2
AIC	0	1	0	0
AIM TRIMARK	0	2	0	0
BMO	0	3	0	0
UNITED FINANCIAL	0	1	0	1
CIBC	0	3	0	0
FIDELITY INVESTMENTS	0	3	0	0
INHANCE	0	1	0	0
MACKENZIE	0	2	0	1
MCLEAN BUDDEN	0	1	0	0
MERITAS	0	2	0	0
PHILLIPS HAGER & NORTH	0	3	0	0
RBC	0	3	0	0
SEI	0	1	0	0
TD	0	3	0	0
TEMPLETON	0	1	0	0
CI	1	3	0	0
DESJARDINS	1	3	0	0
ETHICAL FUNDS	1	1	0	0
INVESTORS	1	1	0	1

The proposals from this category that appeared on proxy ballots in 2007 again looked for ways to link executive compensation to corporate performance, again through various mechanisms. Some put forward a specific financial metric to which compensation could be tied (linking executive stock option awards to Economic Value Added, or EVA), while others proposed that executive compensation be governed by a comprehensive set of principles (The STAR principles: Simplified, Transparent, Allocated, Retractable). Another 2007 proposal of this type addressed the proponent's concerns about the substantial payouts under executive pensions (limiting supplemental executive retirement plan benefits by excluding incentive pay from the benefit calculation).

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	0	8	0	0
AGF	0	8	0	2
AIC	0	5	0	0
AIM TRIMARK	0	15	0	5
BMO	0	5	0	1
CI	0	9	0	0
CIBC	0	6	0	1
FIDELITY INVESTMENTS	0	10	0	0
INHANCE	0	5	0	0
MCLEAN BUDDEN	0	10	0	0
PHILLIPS HAGER & NORTH	0	7	0	0
TD	0	9	1	0
TEMPLETON	0	9	0	0
DESJARDINS	1	11	0	1
RBC	1	10	0	0
UNITED FINANCIAL	1	9	0	0
INVESTORS	1	9	0	0
SEI	1	9	0	0
MACKENZIE	1	4	0	0
MERITAS	2	7	0	0
ETHICAL FUNDS	9	1	0	0

Looking at all ballots cast on these proposals by the mutual fund families we surveyed over the two years covered by the survey, fully 90% were voted “against” them. Non-votes on the proposals (10) were nearly as numerous as votes “for” (17), and there was one abstention.

Looked at another way, however, these proposals had wide appeal, as demonstrated by the fact that eight of the twenty-one fund families that voted on them found that at least one of proposals was worthy of support.

Set Limits on Executive Pay

Proposals in this category:

Require shareholder approval for increases in executive compensation

Link executive compensation to workers’ pay

Terminate Golden Parachute policy

Deny management bonuses and options until share price is \$10

Require management to deliver sustainable profits or be terminated without compensation

In 2006, four of the five proposals in this category were submitted at nine companies.

A proposal that all increases in executive compensation be subject to a shareholder vote in advance of going into effect was filed and voted at eight companies.

Three of these proposals were submitted at one company only, and were fashioned to address an issuer-specific compensation concern of the shareholder who filed each of them.

One of these three proposals was filed at National Bank and asked that the company terminate an executive severance package it had adopted in 2000.

Two proposals at Abitibi-Consolidated were fashioned by the shareholder who filed them to specifically address that shareholder's concerns about the company's executive compensation pay structure. These proposals would have required that management receive no bonuses or options until the share price reached \$10 and that "management must deliver sustainable profits or be terminated without compensation."

Just four of the fund families that were called upon to vote one or more of these proposals in 2006 cast ballots in support of at least one of them. Given that determining executive pay is a duty that has traditionally been left to corporate boards, the relatively significant level of support for these proposals is noteworthy.

TABLE 14: MUTUAL FUND VOTES TO SET LIMITS ON EXECUTIVE PAY, 2006

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	0	7	0	0
AGF	0	6	0	1
AIC	0	5	0	0
AIM TRIMARK	0	16	0	0
BMO	0	5	0	1
UNITED FINANCIAL	0	4	0	0
CIBC	0	8	0	0
FIDELITY INVESTMENTS	0	8	0	0
INVESTORS	0	8	0	0
MACKENZIE	0	2	0	0
MCLEAN BUDDEN	0	9	0	0
MERITAS	0	9	0	0
PHILLIPS HAGER & NORTH	0	6	0	0
RBC	1	9	0	0
SEI	1	9	0	0
TEMPLETON	1	8	0	0
DESJARDINS	1	8	0	0
TD	4	8	1	0
CI	5	8	0	0
ETHICAL FUNDS	7	1	0	0
INHANCE	5	0	0	0

In 2007 there was one proposal, submitted at eight companies. This proposal asked that executive compensation be linked to the average pay level at each company. The proponent argued that executive compensation was not sufficiently linked to corporate performance, and was in fact fixed arbitrarily. The proposal was therefore based on the argument that linking executive compensation to average worker pay at each company would provide a more sensible basis for executive pay.

The only funds that supported this proposal were in the Ethical Funds, Inhance, and Meritas fund families. Ethical Funds supported the proposal on the ballots of just one of the companies it held in its mutual fund portfolios.

TABLE 15: MUTUAL FUND VOTES TO SET LIMITS ON EXECUTIVE PAY, 2007

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
AIC	0	5	0	0
AIM TRIMARK	1	14	0	4
CI	0	8	0	0
FIDELITY INVESTMENTS	0	10	0	0
INVESTORS	0	9	0	0
MACKENZIE	0	5	0	0
MCLEAN BUDDEN	0	10	0	0
PHILLIPS HAGER & NORTH	0	7	0	0
TD	0	9	1	0
DESJARDINS	1	9	0	1
CIBC	1	5	0	0
RBC	2	10	0	0
BMO	1	4	0	0
AGF	2	7	0	2
UNITED FINANCIAL	2	7	0	0
SEI	2	7	0	0
TEMPLETON	2	7	0	0
ACUITY	2	6	0	0
ETHICAL FUNDS	3	6	0	0
INHANCE	6	0	0	0
MERITAS	7	0	0	0

General Governance Standards

Proposals in this category:

Disqualify candidates for director based on unethical behaviour

Protect “whistle-blowers”

Adhere to leading corporate governance standards

These proposals received an average of 4.9% of votes cast by all shareholders in 2006 and 2007.

In 2006, funds from just two of the twenty-one fund families that voted on these issues demonstrated any support for them. CI voted in favour on four occasions out of nine opportunities and Ethical Funds voted in favour on one of six opportunities to support them.

TABLE 16: MUTUAL FUND VOTES ON GENERAL GOVERNANCE STANDARDS, 2006

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	0	5	0	0
AGF	0	5	0	1
AIC	0	3	0	0
AIM TRIMARK	0	10	0	0
BMO	0	5	0	0
UNITED FINANCIAL	0	3	0	0
CIBC	0	5	0	0
DESJARDINS	0	5	0	0
FIDELITY INVESTMENTS	0	5	0	0
INHANCE	0	3	0	0
INVESTORS	0	5	0	0
MACKENZIE	0	2	0	0
MCLEAN BUDDEN	0	5	0	0
MERITAS	0	5	0	0
PHILLIPS HAGER & NORTH	0	5	0	0
RBC	0	5	0	0
SEI	0	5	0	0
TD	0	5	1	0
TEMPLETON	0	5	0	0
ETHICAL FUNDS	1	5	0	0
CI	4	5	0	0

In 2007, the two proposals grouped in this category attracted even less support from the mutual fund families we surveyed. Ethical Funds and Mackenzie voted for one proposal of two. The other thirteen fund families that voted on them voted “against” at every opportunity.

TABLE 17: MUTUAL FUND VOTES ON GENERAL GOVERNANCE STANDARDS, 2007

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
AIM TRIMARK	0	2	0	2
ACUITY	0	2	0	0
AGF	0	2	0	0
CI	0	2	0	0
UNITED FINANCIAL	0	2	0	0
DESJARDINS	0	2	0	0
FIDELITY INVESTMENTS	0	2	0	0
INVESTORS	0	2	0	0
MCLEAN BUDDEN	0	2	0	0
MERITAS	0	2	0	0
PHILLIPS HAGER & NORTH	0	2	0	0
RBC	0	2	0	0
SEI	0	2	0	0
TD	0	2	0	0
TEMPLETON	0	2	0	0
ETHICAL FUNDS	1	1	0	0
MACKENZIE	1	1	0	0

Shareholder Meeting Governance

Proposals in this category:

Hold AGMs at various locations

Conduct AGMs in English in alternate years

Two proposals filed by a shareholder at National Bank make up this small category. One proposal asked that the bank hold AGMs at various locations and the other asked that the bank conduct its AGMs in English in alternate years.

The only fund family that supported either of these proposals was Meritas. This fund family supported the proposals on 50% of ballots it voted.

TABLE 18: MUTUAL FUND VOTES ON SHAREHOLDER MEETING GOVERNANCE, 2007				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	0	2	0	0
AIC	0	2	0	0
AIM TRIMARK	0	4	0	0
CIBC	0	2	0	0
DESJARDINS	0	2	0	0
ETHICAL FUNDS	0	2	0	0
FIDELITY INVESTMENTS	0	2	0	0
INVESTORS	0	2	0	0
MCLEAN BUDDEN	0	2	0	0
RBC	0	2	0	0
SEI	0	2	0	0
TD	0	2	0	0
TEMPLETON	0	2	0	0
MERITAS	1	1	0	0

CORPORATE SOCIAL RESPONSIBILITY (CSR) RESOLUTIONS

It is often assumed that CSR shareholder proposals garner less support from shareholders than do proposals that deal with governance matters. This is not, however, what we found when we examined the votes cast in 2006 and 2007 by the mutual funds included in our data set. When funds managed by companies that identify all of their funds as socially responsible investments were not counted, CSR resolutions remained significantly more popular among mainstream fund groups than governance resolutions.

TABLE 19: SUPPORT FOR CORPORATE GOVERNANCE (CG) AND CSR RESOLUTIONS

	SUPPORT: NON-SRI FUND FAMILIES (%)	SUPPORT: ALL FUNDS (%)
CG Resolutions	8.96	20.74
CSR Resolutions	24.71	34.94

Not surprisingly, we did find that when the votes cast by fund families that self-identify as socially responsible are included in the support calculation, the overall support level increases. More interesting, however, is the markedly higher support for corporate governance resolutions that is evident when SRI funds are included in the calculations of support levels.

Yet the proxy-voting records of some fund families demonstrate a complete rejection of CSR resolutions. No support for any CSR resolutions was found in 2006 or 2007 in the voting records of the AIC, Fidelity Investments, McLean Budden, and TD funds that we surveyed.

THE PROPOSALS

Link Executive Compensation to Environmental, Social, and Governance (ESG) Performance

Proposals in this category:

Include sustainability performance in executive compensation criteria

Report on how executive compensation is linked to environmental, social, and governance (ESG) performance

Link executive compensation to ESG performance, with particular reference to safety

These three proposals combine governance concerns about executive compensation with questions about corporate activity on sustainability and workplace safety issues. Each proposal was filed and voted by shareholders in 2007.

One of these proposals, put to shareholders at TD Bank, asked the Bank to provide a report to shareholders on how senior executive pay is linked to environmental, social, and governance (ESG) criteria. The Bank reported that such links existed, but did not provide detailed information as to how they factored into executive compensation. The holders of 12.8% of the Bank's shares voted for this proposal.

A very similar proposal was filed at Power Financial Corporation in 2007. It asked the company to produce a report describing how it linked executive compensation to specific measures of corporate environmental, social, and governance performance. The filer noted that business practices promoting long-term environmental, social, and governance best practices will contribute to a company's long-term profitability, and that they are therefore important factors in executive performance. It also noted that correspondence it received from the company contained an absolute refusal to provide the disclosure the shareholder sought. Despite that fact that 66.4% of the company's shares were in the hands of one of its directors, the proposal was supported by 8.8% of all shareholders⁴.

The third proposal in this group was filed at CN Rail. The filer pointed out that, according to the company, safety is a factor in the determination of the CEO's annual incentive bonus. The filer also noted that the company's CEO, Hunter Harrison, was awarded the maximum bonus amount for his performance in 2005. The company had many serious safety problems in 2005, however, including two high-profile derailments. The proponent was seeking to understand how a poor safety record could be used as a factor in awarding a maximum bonus amount, the compensation equivalent of a "perfect score." This proposal received the support of 7.85% of shareholders who cast ballots on the issue.

TABLE 20: MUTUAL FUND VOTES ON EXECUTIVE COMPENSATION LINKS TO ESG PERFORMANCE, 2007

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
AGF	0	2	0	1
AIC	0	2	0	0
AIM TRIMARK	0	4	0	1
BMO	0	2	0	0
CI	0	3	0	0
UNITED FINANCIAL	0	1	0	0
FIDELITY INVESTMENTS	0	3	0	0
MCLEAN BUDDEN	0	2	0	0
SEI	0	2	0	0
TD	0	2	1	0
PHILLIPS HAGER & NORTH	1	3	0	0
RBC	1	3	0	0
DESJARDINS	1	2	0	0
INVESTORS	1	2	0	0
MACKENZIE	1	2	0	1
TEMPLETON	1	2	0	0

⁴ Power Financial Corporation did not report the actual number of shares voted in favour of the proposal, so it is not possible to calculate support for the proposal among minority shareholders only.

TABLE 20: CONT'D

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	2	0	0	0
CIBC	2	0	0	0
ETHICAL FUNDS	3	0	0	0
INHANCE	2	0	0	0
MERITAS	3	0	0	0

Shareholder proposals in this category garnered considerable support from the mutual funds we surveyed. Five fund families voted “for” on all ballots where they found these proposals. Four more supported them with one-third of the votes they cast and two more provided 25% support for the proposals. The majority of fund families that voted on these issues demonstrated support for them with a vote “for” in at least one instance.

Human Rights/Indigenous Rights

Proposals in this category:

Establish human rights policy and report on compliance

Consult with community at Utkal project

Report on policy regarding human rights in China

These three proposals were filed and voted by shareholders in 2006.

A Bombardier shareholder asked the company to draft and adopt a human rights policy and to produce an independent report on the progress made in this regard. The impetus for this request was Bombardier’s contract to provide the railcars for the controversial Qinghai–Tibet Railway project, a joint venture with Power Corporation and a Chinese state-owned enterprise.

As noted above, Power Corporation was a party to the joint venture to build the Qinghai–Tibet Railway. A companion proposal to the one on the ballot at Bombardier was filed at Power Corporation and contained a request that Power’s board prepare a report to shareholders meeting very similar specifications to those in the report requested from Bombardier.

The final proposal in this category was filed by two shareholders of Alcan, and asked the company to sponsor an independent advisory committee to recommend ways that it could improve its assessment of its Utkal project in India, in particular its efforts to gain the local population’s acceptance of the project.

TABLE 21: MUTUAL FUND VOTES ON HUMAN RIGHTS/INDIGENOUS RIGHTS, 2006

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
FIDELITY INVESTMENTS	0	3	0	0
MACKENZIE	0	2	0	0
MCLEAN BUDDEN	0	4	0	0
TD	0	4	0	0

TABLE 21: CONT'D

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
INVESTORS	1	3	0	0
AGF	1	2	0	1
UNITED FINANCIAL	1	1	0	1
PHILLIPS HAGER & NORTH	3	3	0	0
CI	3	2	0	0
DESJARDINS	2	1	0	1
ACUITY	2	0	0	0
AIM TRIMARK	2	2	0	0
BMO	2	0	0	1
CIBC	3	0	0	0
ETHICAL FUNDS	3	0	0	0
INHANCE	1	0	0	0
MERITAS	4	0	0	0
RBC	4	0	0	0
SEI	4	0	0	0
TEMPLETON	2	0	0	0

We found that these proposals attracted very strong support from the mutual funds included in our data set. Nine of the twenty mutual fund families (45%) that voted one or more of these proposals voted in favour on all ballots. Six other fund families (30%) supported the proposals on at least some of the ballots where they appeared. Just four fund families completely rejected these proposals.

Sustainability Issues

Proposals in this category:

Report on use and labelling of genetically modified ingredients

Report on sustainability

TABLE 22: MUTUAL FUND VOTES ON SUSTAINABILITY REPORTING, 2006

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
AIC	0	1	0	0
AIM TRIMARK	0	2	0	0
CI	0	1	0	0
UNITED FINANCIAL	0	1	0	0
CIBC	0	1	0	0
INVESTORS	0	1	0	0
MACKENZIE	0	1	0	0
MCLEAN BUDDEN	0	1	0	0

TABLE 22: CONT'D

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
RBC	0	1	0	0
TD	0	1	0	0
TEMPLETON	0	1	0	0
AGF	1	1	0	0
PHILLIPS HAGER & NORTH	1	1	0	0
ETHICAL FUNDS	1	0	0	0
INHANCE	1	0	0	0
MERITAS	1	0	0	0

This 2006 proposal was filed at Loblaw Companies Limited. It asked the company to produce a report examining the business risks associated with the use of genetically modified ingredients. Three fund companies reported that their funds voted “for” the proposal. Two companies reported one vote “for” and one vote “against.” The majority indicated that ballots were cast “against” this proposal.

TABLE 23: MUTUAL FUND VOTES ON SUSTAINABILITY REPORTING, 2007

FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
AIC	0	1	0	0
AIM TRIMARK	0	2	0	0
CI	0	1	0	0
UNITED FINANCIAL	0	1	0	0
INVESTORS	0	1	0	0
MACKENZIE	0	1	0	1
MCLEAN BUDDEN	0	1	0	0
PHILLIPS HAGER & NORTH	0	1	0	0
TD	0	1	0	0
AGF	1	1	0	0
CIBC	1	0	0	0
ETHICAL FUNDS	1	0	0	0
MERITAS	1	0	0	0
RBC	1	0	0	0
SEI	1	0	0	0
TEMPLETON	1	0	0	0

In 2007, the same proponent filed a proposal with Loblaw asking the company to produce a report on the company’s “environmental and social footprint arising from business activities including land use, energy use, packaging, and labour and community relations among other issues.” The funds of six companies supported this proposal, each with a vote “for” on one proxy ballot. One fund company reported 50% support, and the others who voted the issue voted “against” it.

Workplace Health and Safety

Proposal in this category:

Audit track safety on former BC Rail lines

This resolution was presented to shareholders at Canadian National Railway in 2007. The proposal asked that the company audit track safety on former BC Rail lines.

TABLE 24: MUTUAL FUND VOTES ON WORKPLACE HEALTH AND SAFETY				
FUND FAMILY	FOR	AGAINST	ABSTAIN	NON-VOTE
ACUITY	0	1	0	0
AGF	0	1	0	0
AIM TRIMARK	0	2	0	0
BMO	0	1	0	0
CI	0	1	0	0
DESJARDINS	0	1	0	0
FIDELITY INVESTMENTS	0	1	0	0
INVESTORS	0	1	0	0
MCLEAN BUDDEN	0	1	0	0
PHILLIPS HAGER & NORTH	0	1	0	0
RBC	0	1	0	0
SEI	0	1	0	0
TD	0	1	0	0
TEMPLETON	0	1	0	0
MACKENZIE	1	1	0	0
ETHICAL FUNDS	1	0	0	0
INHANCE	1	0	0	0
MERITAS	1	0	0	0

Ethical Funds, Inhance, and Meritas supported this proposal. Mackenzie voted “for” on one CNR proxy ballot and “against” on a second ballot. The remainder of funds that voted on this issue rejected the proposal.

CONCLUSION

Public disclosure of mutual fund proxy voting provides fund unitholders, prospective unitholders, and those with a keen interest in the environmental, social, and governance practices of Canadian public companies with a valuable resource. The available information prompted us to undertake a study of fund vote disclosure and produce this report of our observations.

In most cases, a voting share of a Canadian public company affords its holder one vote. Mutual funds in Canada have, as a group, a significant stake in our public equity market and persuasive voting power. The decision by the Canadian Securities Administrators to require that mutual fund companies establish policies and procedures for voting proxies and disclose the proxy-voting records of their mutual funds sent the message that proxy voting is of sufficient importance to warrant compelling the unwilling to be attentive to and transparent about it.

We did find that all of the funds we surveyed in one fund family reported invariably voting “for” director nominees on the funds’ ballots in 2006 and 2007. Another fund company reported that none of its funds supported any of the shareholder proposals on ballots voted. Although beyond the scope of this report, such uniform voting behaviour raises concerns sufficient to warrant further investigation.

We found that mutual fund families that supported management proposals to elect directors and appoint the auditors less than 90% of the time also voted in support of shareholder proposals more than 50% of the time. The fund companies that voted proxies on behalf of those funds also periodically put forward shareholder proposals. These three self-identified socially responsible mutual fund families were Ethical Funds, Inhance, and Meritas.

We note with interest that the voting records of mutual fund companies that indicate their particular interest in CSR issues also demonstrate stronger support for shareholder proposals that address governance issues than the funds of companies that do not identify as socially responsible.

Finally, we found fairly broad support for shareholder proposals that addressed CSR issues. In almost all categories of CSR proposals, mutual fund companies that do not exclusively identify as SRI investors reported that some or all votes of their funds were cast in support of the proposals. We found, in particular, high levels of support for the three proposals addressing human rights issues that were filed and voted by shareholders in 2006. Such voting behaviour indicates that CSR issues are no longer matters of concern to only a minority of shareholders.

APPENDICES

APPENDIX 1: FUNDS/FUND FAMILIES

FUND FAMILY	FUND
ACUITY	Acuity All Cap 30 Canadian Equity Fund Acuity All Cap and Income Trust Acuity Canadian Balanced Fund Acuity Canadian Equity Fund Acuity Canadian Small Cap Fund Acuity Clean Environment Equity Fund Acuity Clean Environment Global Equity Fund Acuity Global Equity Fund Acuity Growth and Income Fund Acuity Growth and Income Trust Acuity Multi-Cap Total Return Acuity Social Values Balanced Fund (formerly Acuity Clean Environment Balanced Fund) Acuity Social Values Canadian Fund Acuity Social Values Global Equity Fund
	TOTAL: 14
AGF	AGF Canada Class AGF Canadian Balanced Fund AGF Canadian Growth Equity Fund Limited AGF Canadian Large Cap Dividend Fund AGF Canadian Resources Fund Limited AGF Canadian Small Cap Fund AGF Canadian Stock Fund AGF Global Equity Class Harmony Canadian Equity Pool
	TOTAL: 9
AIC	AIC Advantage Fund AIC American Advantage Fund AIC Canadian Balanced Fund AIC Canadian Focused Fund AIC Diversified Canada Fund AIC Global Advantage Fund
	TOTAL: 6

FUND FAMILY	FUND
AIM TRIMARK	AIM American Mid Cap Growth Class AIM Canadian Balanced Fund AIM Canadian First Class AIM European Growth Fund AIM International Growth Class AIM Trimark Core Canadian Equity Class AIM Trimark Core Global Equity Class Trimark Canadian Endeavour Fund Trimark Canadian Fund Trimark Global Endeavour Fund Trimark Income Growth Fund Trimark International Companies Fund Trimark Select Canadian Growth Fund Trimark Select Growth Fund Trimark U.S. Small Companies Class
	TOTAL: 15
BMO	BMO Canadian Equity Class BMO Equity Fund BMO European Fund BMO Global Equity Class BMO Global Equity Fund BMO International Equity Fund BMO Resource Fund
	TOTAL: 7
CI	CI Canadian Investment Fund CI Global Fund CI Global Small Companies Fund Harbour Fund Signature Canadian Balanced Fund Signature Canadian Resource Fund Signature Select Canadian Fund Synergy Canadian Corporate Class
	TOTAL: 8
CIBC	CIBC Balanced Index Fund
	TOTAL: 1

FUND FAMILY	FUND
DESJARDINS	Desjardins Canadian Balanced Fund Desjardins Canadian Equity Fund Desjardins Canadian Equity Value Fund Desjardins Canadian Small Cap Equity Fund Desjardins Dividend Fund Desjardins Environment Fund Desjardins Global Equity Value Fund (A and T-Class Units) Desjardins Overseas Equity Value Fund
	TOTAL: 8
ETHICAL FUNDS	EFA Balanced Growth Fund CDN EFA Balanced Growth Fund US EFA Canadian Stock Fund Ethical Balanced Fund Ethical Canadian Dividend Fund Ethical Funds Ethical Global Equity Fund Ethical Growth Fund Ethical International Equity Fund Ethical Monthly Income Fund Ethical Special Equity Fund RT—Ethical Global Equity Fund RT—Ethical Growth Fund RT—Ethical International Equity Fund
	TOTAL: 14
FIDELITY INVESTMENTS	Fidelity American Opportunities Fidelity AsiaStar Fidelity Canadian Asset Allocation Fidelity Canadian Balanced Fidelity Canadian Growth Company Fidelity Canadian Large Cap Fidelity Global Fidelity Small Cap America Fidelity True North
	TOTAL: 9
INHANCE	Inhance Canadian Equity Fund Inhance Global Leaders Fund Inhance Monthly Income Fund
	TOTAL: 3
INVESTORS	Investors Canadian Balanced Fund Investors Canadian Equity Fund Investors Canadian Large Cap Value Fund Investors Canadian Small Cap Fund Investors Canadian Small Cap Growth Fund Investors European Equity Fund Investors Global Fund Investors Mutual of Canada Investors North American Equity Fund Investors Summa Fund Investors U.S. Small Cap Class
	TOTAL: 11

FUND FAMILY	FUND
MACKENZIE	Mackenzie Cundill Canadian Security Class Mackenzie Cundill Canadian Security Fund Mackenzie Cundill Value Fund Mackenzie Focus Canada Fund Mackenzie Focus Fund Mackenzie Universal Canadian Growth Class Mackenzie Universal Canadian Growth Fund Mackenzie Universal International Stock Fund Mackenzie Universal North American Growth Class Mackenzie Universal Sustainable Opportunities Class Mackenzie Universal U.S. Blue Chip Class
	TOTAL: 11
MCLEAN BUDDEN	McLean Budden Balanced Group Fund McLean Budden Balanced Growth Fund McLean Budden Balanced Value Fund McLean Budden Canadian Equity Fund McLean Budden Canadian Equity Group Fund McLean Budden Canadian Equity Growth Fund McLean Budden Canadian Equity Value Fund
	TOTAL: 7
MERITAS	Meritas International Equity Fund Meritas Jantzi Social Index Fund Meritas Monthly Dividend and Income Fund Meritas US Equity Fund
	TOTAL: 4
PHILLIPS HAGER & NORTH	Balanced Fund Balanced Pension Trust Canadian Equity Fund Canadian Equity Growth Fund Canadian Equity Pension Trust Canadian Equity Plus Pension Trust Canadian Growth Fund Canadian Income Fund Community Values Canadian Equity Fund Community Values Canadian Equity Fund
	TOTAL: 10
RBC	RBC Balanced Fund RBC Canadian Equity Fund RBC Canadian Index Fund RBC European Equity Fund RBC North American Growth Fund RBC North American Value Fund RBC OShaughnessy Canadian Equity Fund RBC U.S. Equity Fund RBC U.S. Index Fund
	TOTAL: 9
SEI	Canadian Equity Fund Canadian Small Company Equity Fund US Large Company Equity Fund US Small Company Equity Fund
	TOTAL: 4

FUND FAMILY	FUND
TD	TD Canadian Blue Chip Equity Fund TD Canadian Equity Fund TD Canadian Index Fund TD Canadian Small-Cap Equity Fund TD Canadian Value Fund TD Dividend Growth Fund TD Emerald Canadian Equity Index Fund TD US Blue Chip Equity Fund TD US Equity Fund TD US MidCap Growth Fund TD US SmallCap Equity Fund
	TOTAL: 11
TEMPLETON	Bissett All Canadian Focus Fund Bissett Canadian Equity Fund Bissett International Equity Fund Bissett Large Cap Fund Bissett Small Cap Fund Templeton Balanced Fund Templeton Canadian Asset Allocation Fund Templeton Growth Fund, Ltd.
	TOTAL: 8
UNITED FINANCIAL	Canadian Equity Diversified Pool Canadian Equity Growth Pool Canadian Equity Small Cap Pool Canadian Equity Value Pool US Equity Diversified Pool US Equity Small Cap Pool
	TOTAL: 6
	TOTAL FUNDS: 175

APPENDIX 2: CLASSIFICATION OF SHAREHOLDER PROPOSALS

Fourteen Categories:

Board governance practices

Abolish slate election of directors

General governance standards

Dual-class share structure

Financial/corporate disclosure

Financial/corporate policy

Identify compensation consultants

Set limits on executive compensation

Structure of executive compensation

Shareholder meeting governance

Link executive compensation to environmental, social, and governance (ESG) performance

Human rights/indigenous rights

Sustainability issues

Workplace health and safety

APPENDIX 3: PROPOSAL DETAILS

Board governance practices: sixteen proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Set a term limit of 15 years for independent directors	2006	Abitibi-Consolidated Inc.	Jean-Claude Casavant, Nicole Casavant	1.90
Establish an independent committee for shareholder proposals	2007	National Bank of Canada	Lowell Weir	2.10
Change the definition of independent director	2007	Royal Bank of Canada	Robert Verdun	2.45
Increase the number of women directors	2007	Bombardier Inc.	MEDAC	3.00
Change the definition of independent director	2007	Toronto Dominion Bank	Robert Verdun	3.20
Update the definition of independent director	2007	Bank of Nova Scotia	Robert Verdun	3.47
Update the definition of independent director	2007	Canadian Imperial Bank of Commerce	Robert Verdun	4.00
Increase the number of women directors	2007	Royal Bank of Canada	MEDAC	4.46
Increase the number of women directors	2007	Toronto Dominion Bank	MEDAC	4.80
Increase the number of women directors	2007	National Bank of Canada	MEDAC	5.00
Update the definition of independent director	2007	Bank of Montreal	Robert Verdun	5.60
Increase the number of women directors	2007	Canadian Imperial Bank of Commerce	MEDAC	5.90
Increase the number of women directors	2007	Bank of Nova Scotia	MEDAC	6.22
Increase the number of women directors	2007	Bank of Montreal	MEDAC	8.00
Increase the number of women directors	2007	Power Corporation of Canada	MEDAC	8.10
Require an independent board chair	2006	Newmont Mining Corporation of Canada Ltd.	Emil Rossi	27.2

Abolish slate election of directors: one proposal submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Give shareholders the opportunity to vote for/against each director	2006	Abitibi-Consolidated Inc.	Jean-Claude Casavant, Nicole Casavant	70.08

General governance standards: seven proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Unethical behaviour to disqualify candidates for director	2006	Toronto Dominion Bank	Robert Verdun	2.90
Unethical behaviour to disqualify candidates for director	2006	Canadian Imperial Bank of Commerce	Robert Verdun	4.00
Unethical behaviour to disqualify candidates for director	2006	Bank of Nova Scotia	Robert Verdun	4.00
Unethical behaviour to disqualify candidates for director	2006	Bank of Montreal	Robert Verdun	4.60
Adhere to leading corporate governance standards	2007	Bank of Montreal	Robert Verdun	4.90
Protect "whistle-blowers"	2007	Bank of Montreal	Robert Verdun	5.30
Unethical behaviour to disqualify candidates for director	2006	Royal Bank of Canada	Robert Verdun	8.70

Dual-class share structure: one proposal submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Approval of dual-class share structure	2006	Quebecor World	Michael J. Miller	8.60

Financial/corporate disclosure: twenty-two proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Include subsidiaries in annual financial reports	2007	Bombardier Inc.	MEDAC	0.70
Include subsidiaries in annual financial reports	2007	Power Corporation of Canada	MEDAC	0.80
Disclose participation in hedge funds	2007	Canadian Imperial Bank of Commerce	MEDAC	10.80
Disclose participation in hedge funds	2007	National Bank of Canada	MEDAC	12.20
Disclose participation in hedge funds	2007	Royal Bank of Canada	MEDAC	13.08
Disclose participation in hedge funds	2007	Bank of Nova Scotia	MEDAC	14.43
Disclose participation in hedge funds	2007	Bank of Montreal	MEDAC	14.80
Include subsidiaries in annual financial reports	2007	Royal Bank of Canada	MEDAC	2.02
Include subsidiaries in annual financial reports	2007	Toronto Dominion Bank	MEDAC	2.20
Include subsidiaries in annual financial reports	2006	Toronto Dominion Bank	MEDAC	2.40
Include subsidiaries in annual financial reports	2006	Bank of Nova Scotia	MEDAC	2.70
Include subsidiaries in annual financial reports	2007	National Bank of Canada	MEDAC	3.00
Report on lawsuits in annual report	2006	Manitoba Telecom Services Inc.	Gordon Ronald Finlay	3.10
Include subsidiaries in annual financial reports	2007	Bank of Nova Scotia	MEDAC	3.25
Include subsidiaries in tax havens in annual reports	2006	Canadian Imperial Bank of Commerce	MEDAC	3.40
Include subsidiaries in annual financial reports	2007	Canadian Imperial Bank of Commerce	MEDAC	4.10

Financial/corporate disclosure: twenty-two proposals submitted (cont'd)

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Include subsidiaries in tax havens in annual reports	2006	Bank of Montreal	MEDAC	4.20
Provide more detailed AGM minutes to shareholders	2006	National Bank of Canada	Lowell Weir	4.20
Include subsidiaries in annual financial reports	2007	Bank of Montreal	MEDAC	4.40
Include subsidiaries in tax havens in annual reports	2006	National Bank of Canada	MEDAC	5.20
Include subsidiaries in tax havens in annual reports	2006	Royal Bank of Canada	MEDAC	5.30
Disclose participation in hedge funds	2007	Toronto Dominion Bank	MEDAC	9.50

Financial/corporate policy: nine proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Implement a share buyback program until share price reaches \$12	2006	Abitibi-Consolidated Inc.	Jean-Claude Casavant, Nicole Casavant	0.71
Deny management bonuses and options until share price is \$10	2006	Abitibi-Consolidated Inc.	Jean-Claude Casavant, Nicole Casavant	1.10
Open CEO position to non-francophone candidates	2007	National Bank of Canada	Lowell Weir	1.30
Require management to deliver sustainable profits or be terminated without compensation	2006	Abitibi-Consolidated Inc.	Jean-Claude Casavant, Nicole Casavant	1.84
Convert BCE Inc. to an Income Trust Fund	2006	BCE Inc.	Stephane Halle	16.00
Reinstate bank pensioners' benefits	2006	Bank of Nova Scotia	Association of Retired Scotiabankers	2.66
Provide 24/7 service to credit card and investment customers	2006	Bank of Montreal	Robert Verdun	4.60
Enhance online brokerage services	2007	Bank of Montreal	Robert Verdun	4.60
Change policies on RRSPs	2007	Bank of Montreal	Robert Verdun	5.10

Identify compensation consultants: seven proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Identify compensation consultants*	2007	National Bank of Canada	MEDAC	80.60
Identify compensation consultants	2007	Toronto Dominion Bank	MEDAC	10.10
Identify compensation consultants	2007	Bank of Nova Scotia	MEDAC	10.17
Identify compensation consultants	2007	Power Corporation of Canada	MEDAC	10.90
Identify compensation consultants	2007	Bombardier Inc.	MEDAC	2.60
Identify compensation consultants	2007	Royal Bank of Canada	MEDAC	7.59
Identify compensation consultants	2007	Bank of Montreal	MEDAC	9.30

**the company recommended that shareholders vote FOR this proposal*

Set limits on executive compensation: eighteen proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Link executive compensation to workers' pay	2007	Bombardier Inc.	MEDAC	0.90
Link executive compensation to workers' pay	2007	Royal Bank of Canada	MEDAC	2.53
Link executive compensation to workers' pay	2007	Toronto Dominion Bank	MEDAC	3.30
Link executive compensation to workers' pay	2007	Bank of Nova Scotia	MEDAC	4.19
Link executive compensation to workers' pay	2007	National Bank of Canada	MEDAC	4.40
Link executive compensation to workers' pay	2007	Canadian Imperial Bank of Commerce	MEDAC	4.80
Limit supplemental executive retirement plan benefits	2007	Manulife Financial Corp.	Carpenters Local 27 Pension Trust	43.00
Link executive compensation to workers' pay	2007	Bank of Montreal	MEDAC	5.30
Require shareholder approval for increases in executive compensation	2006	Power Corporation of Canada	MEDAC	0.30
Link executive compensation to workers' pay	2007	Power Corporation of Canada	MEDAC	0.30
Require shareholder approval for increases in executive compensation	2006	Bombardier Inc.	MEDAC	0.76
Require shareholder approval for increases in executive compensation	2006	Canadian Imperial Bank of Commerce	MEDAC	2.80
Require shareholder approval for increases in executive compensation	2006	Royal Bank of Canada	MEDAC	3.80
Require shareholder approval for increases in executive compensation	2006	Bank of Montreal	MEDAC	4.70
Require shareholder approval for increases in executive compensation	2006	National Bank of Canada	MEDAC	6.90
Require shareholder approval for increases in executive compensation	2006	Toronto Dominion Bank	MEDAC	7.10
Require shareholder approval for increases in executive compensation	2006	Bank of Nova Scotia	MEDAC	8.60
Terminate 2000 Golden Parachute policy	2006	National Bank of Canada	Lowell Weir	9.40

Structure of executive compensation: fifteen proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Link executive stock option awards to EVA	2007	Bombardier Inc.	MEDAC	0.50
Link executive stock option awards to EVA	2007	Power Corporation of Canada	MEDAC	0.80
Establish performance criteria for executive compensation	2006	Nortel Networks Corp.	Carpenters Local 27 Pension Trust	10.38
Link executive stock option awards to EVA	2007	Royal Bank of Canada	MEDAC	2.72
Require that senior officer compensation be proportional to dividends	2006	Sun Life Financial Inc.	Robert Verdun	3.30
Link executive stock option awards to EVA	2007	Toronto Dominion Bank	MEDAC	3.40
Link executive pay to performance	2007	Nortel Networks Corp.	Carpenters Local 27 Pension Trust	38.50
Establish performance criteria for executive compensation	2006	Extendicare	Carpenters Local 27 Pension Trust	4.00
Link executive stock option awards to EVA	2007	Bank of Nova Scotia	MEDAC	4.14
Link executive stock option awards to EVA	2007	Canadian Imperial Bank of Commerce	MEDAC	5.50
Link executive stock option awards to EVA	2007	National Bank of Canada	MEDAC	6.40
Link executive stock option awards to EVA	2007	Bank of Montreal	MEDAC	7.00
Base executive compensation on STAR principles	2007	Bank of Montreal	Robert Verdun	7.70
Apply STAR principles to executive compensation	2007	Sun Life Financial Inc.	Robert Verdun	7.24
Limit supplemental executive retirement plans	2007	Finning International Inc.	Carpenters Local 27 Pension Trust	41.80

Shareholder meeting governance: two proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Hold AGMs at various locations	2007	National Bank of Canada	Lowell Weir	1.00
Conduct AGMs in English in alternate years	2007	National Bank of Canada	Lowell Weir	1.10

Link executive compensation to environmental, social, and governance (ESG) performance: three proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Link executive compensation to ESG performance, with particular reference to safety	2007	Canadian National Railway Company	Ethical Funds Co.	7.85
Include sustainability performance in executive compensation criteria	2007	Toronto Dominion Bank	Batirente	12.80
Report on how executive compensation is linked to environmental, social, and governance (ESG) performance	2007	Power Corporation of Canada	Ethical Funds Co.	8.80

Human rights/indigenous rights: four proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Report on policy regarding human rights in China	2006	Power Corporation of Canada	Ethical Funds Co.	10.20
Report on policy regarding human rights in China	2006	Nortel Networks Corp.	Ethical Funds Co.	32.00
Consult with community at Utkal project	2006	Alcan Inc.	The Missionary Oblates of Mary Immaculate	36.80
Establish human rights policy and report on compliance	2006	Bombardier Inc.	des Syndics Apostoliques des freres mineurs or Franciscains	9.70

Sustainability issues: two proposals submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Report on sustainability	2007	Loblaw Companies Ltd.	Ethical Funds Co.	5.85
Report on use and labelling of genetically modified ingredients	2006	Loblaw Companies Ltd.	Ethical Funds Co.	1.60

Workplace health and safety: one proposal submitted

PROPOSAL	YEAR	COMPANY	PROPONENT	VOTE RESULT (%)
Audit track safety on former BC Rail lines	2007	Canadian National Railway Co.	Inhance Investment Management	4.40

APPENDIX 4: COMPANIES INCLUDED IN VOTING DATABASE

Aastra Technologies Limited
Abitibi-Consolidated Inc.
Ace Aviation Holdings Inc.
Addax Petroleum Corporation
Advantage Energy Income Fund
Aeroplan Income Fund
AGF Management Limited
Agnico-Eagle Mines Limited
Agrium Inc.
Alamos Gold Inc.
Alcan Inc
Algoma Steel Inc.
Algonquin Power Income Fund
Alimentation Couche-Tard Inc.
Alliance Atlantis Communications Inc.
Altagas Income Trust
Angiotech Pharmaceuticals, Inc.
Anvil Mining Limited
ARC Energy Trust
Astral Media Inc.
ATCO LTD.
ATS Automation Tooling Systems Inc.
Aur Resources Inc.
Axcan Pharma Inc.
Ballard Power Systems Inc.
Bank Of Montreal
Bank Of Nova Scotia
Barrick Gold Corporation
Baytex Energy Trust
BCE Inc.
Bell Aliant Regional Communications Income Fund
BFI Canada Income Fund
Biovail Corporation
Boardwalk Real Estate Investment Trust
Bombardier Inc.
Bonavista Energy Trust
Brookfield Asset Management Inc.
Brookfield Properties Corporation
CAE Inc.
Calfrac Well Services Ltd.
Calloway Real Estate Investment Trust
Cameco Corporation
Canadian Apartment Properties REIT
Canadian Imperial Bank Of Commerce
Canadian National Railway Company
Canadian Natural Resources Limited
Canadian Oil Sands Trust
Canadian Pacific Railways Limited
Canadian Real Estate Investment Trust
Canadian Tire Corporation Limited
Canadian Utilities Ltd.
Canadian Western Bank
Canetic Resources Trust
Canfor Corporation
CanWest Global Communications Corp.
Cardiome Pharma Corp.
Cascades Inc.
Catalyst Paper Corporation
CCL Industries Inc.
CCS Income Trust

Celestica Inc.
Centerra Gold Inc.
CGI Group Inc.
Chartwell Seniors Housing Real Estate Investment Trust
CHC Helicopter Corporation
CI Financial Income Fund
Cinram International Income Fund
CML Healthcare Income Fund
Cogeco Cable Inc.
Cognos Incorporated
Cominar Real Estate Investment Trust
Compton Petroleum Corporation
Connacher Oil and Gas Limited
Connors Bros. Income Fund
Consumers' Waterheater Income Fund
CORUS Entertainment Inc.
Cott Corporation
Crescent Point Energy Trust
Crystallex International Corporation
Cyries Energy Inc.
Davis & Henderson Income Fund
Daylight Resources Trust
Denison Mines Corp
Dorel Industries Inc.
Dundee Corporation
Dundee Real Estate Investment Trust
Dundee Wealth Management Inc.
Duvernay Oil Corp.
Dynatec Corporation
Eastern Platinum Limited
Eldorado Gold Corporation
Emera Incorporated
Emergis Inc.
Empire Company Limited
Enbridge Inc.
Encana Corporation
Enerflex Systems Income Fund
Energy Savings Income Fund
Enerplus Resources Fund
Ensign Energy Services Inc.
EPCOR Power L.P.
Equinox Minerals Limited
Extendicare Real Estate Investment Trust
Fairborne Energy Trust
Fairfax Financial Holdings Limited
Finning International Inc.
First Calgary Petroleums Ltd.
First Quantum Minerals Ltd.
FirstService Corporation
FNX Mining Company Inc.
Focus Energy Trust
Fording Canadian Coal Trust
Fort Chicago Energy Partners L.P.
Fortis Inc.
Forzani Group Ltd. (The)
Freehold Royalty Trust
Fronteer Development Group Inc.
Futuremed Healthcare Income Fund
Gabriel Resources Ltd.
Galleon Energy Inc.
Gammon Lake Resources Inc.
George Weston Limited
Gerdau Ameristeel Corporation
Gildan Activewear Inc.

GMP Capital Trust
Gold Star Resources Corp.
Goldcorp Inc.
Great Canadian Gaming Corporation
Great -West Lifeco Inc.
H&R Real Estate Investment Trust
Harry Winston Diamond Corporation
Harvest Energy Trust
Highpine Oil & Gas Limited
Home Capital Group Inc.
Hudbay Minerals Inc
Husky Energy Inc.
IAMGold Corporation
IGM Financial Inc.
Imperial Oil Limited
Industrial Alliance Insurance and Financial Services Inc.
ING Canada Inc.
Inmet Mining Corporation
InnVest Real Estate Investment Trust
Inter Pipeline Fund L.P.
InterOil Corporation
IPSCO Inc.
Ivanhoe Mines Ltd.
Jean Coutu Group Inc.
Keyera Facilities Income Fund
Kingsway Financial Services Inc.
Kinross Gold Corporation
Labrador Iron Ore Royalty Income Fund
Laurentian Bank Of Canada
Legacy Hotels Real Estate Investment Trust
Linamar Corporation
LionOre Mining International Ltd.
Loblaw Companies Limited
Lundin Mining Corporation
MacDonald, Dettwiler and Associates Ltd.
Magna International Inc.
Manitoba Telecom Services Inc.
Manulife Financial Corporation
Maple Leaf Foods Inc.
MDS Inc.
Mega Brands Inc.
Meridian Gold Inc.
Merrill Lynch & Co., Canada Ltd.
Methanex Corporation
Metro Inc.
Miramar Mining Corporation
Mullen Group Income Fund
NAL Oil & Gas Trust
National Bank Of Canada
Neurochem Inc.
Newalta Income Fund
Newmont Mining Corporation of Canada Limited
Nexen Inc.
Niko Resources Ltd.
Noranda Inc.
Norbord Inc.
Nortel Networks Corporation
North West Company Fund
Northbridge Financial Corporation
Northern Orion Resources Inc.
Northgate Minerals Corporation
Northland Power Income Fund
NOVA Chemicals Corporation
NovaGold Resources Inc.

Novelis Inc.
NuVista Energy Ltd.
Oilexco Incorporated
ONEX Corporation
Open Text Corporation
OPTI Canada Inc.
Pan American Silver Corp.
Paramount Energy Trust
Paramount Resources Ltd.
Pason Systems Inc.
Patheon Inc.
Pembina Pipeline Income Fund
Pengrowth Energy Trust
Penn West Energy Trust
Petrobank Energy and Resources Ltd.
Petro-Canada
Peyto Energy Trust
Pinetree Captial Ltd.
Potash Corporation of Saskatchewan Inc.
Power Corporation of Canada
Power Financial Corporation
Precision Drilling Trust
Primaris Retail Real Estate Investment Trust
Primewest Energy Trust
Progress Energy Trust
Provident Energy Trust
QLT Inc.
Quebecor Inc.
Quebecor World Inc.
Real Resources Inc.
Reitmans (Canada) Limited
Research In Motion Limited
Riocan Real Estate Investment Trust
Rogers Communications Inc.
RONA Inc.
Rothmans Inc
Royal Bank Of Canada
Russel Metals Inc.
Saputo Inc.
Saskatchewan Wheat Pool Inc.
Savanna Energy Services Corp.
Sears Canada Inc.
Shaw Communications Inc.
ShawCor Ltd.
Shell Canada Limited
Sherritt International Corporation
Shinningbank Energy Income Fund
Shoppers Drug Mart Corporation
Shore Gold Inc.
Silvercorp Metals Inc.
Silver Standard Resources Inc.
Silver Wheaton Corp.
Sino-Forest Corporation
SNC-Lavalin Group Inc.
Sobeys Inc.
St. Lawrence Cement Group Inc.
Stantec Inc.
Sun Life Financial Inc.
Suncor Energy Inc.
Superior Plus Income Fund
SXR Uranium One Inc.
Synenco Energy Inc.
Talisman Energy Inc.
Tanzanian Royalty Exploration Corporation

Teck Cominco Limited *Yellow Pages Income Fund*

Telus Corporation

Tenke Mining Corp.

Tesco Corporation

Thomson Corporation (The)

Tim Hortons Inc.

TimberWest Forest Corp.

Toromont Industries Ltd.

Toronto-Dominion Bank (The)

Torstar Corporation

TransAlta Corporation

TransAlta Power L.P.

Transat A.T. Inc

TransCanada Corporation

Transcontinental Inc.

TransForce Income Fund

Trican Well Service Ltd.

Trilogy Energy Trust

Trinidad Energy Services Income Trust

Trizec Canada Inc.

True Energy Trust

TSX Group Inc.

UE Waterheater Income Fund

UEX Corp

Ultra Petroleum Corp.

UTS Energy Corporation

Vermillion Energy Trust

West Fraser Timber Co. Ltd.

Western Oil Sands Inc

WestJet Airlines Ltd.

Westshore Terminals Income Fund

Yamana Gold Inc.

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