

# Proxy Voting by Canadian Mutual Funds 2006-2008

A Survey of Management and Shareholder Resolutions

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## Executive Summary

Mutual funds allow investors to pool their capital and secure professional management of investments. The voting power of shares held by the funds is also pooled: votes are cast by fund companies, not by the owners of fund units. Partly as a result of the indirect way in which fund unitholders invest in voting shares, disclosure of the proxy votes of mutual funds is required in Canada. Fund vote reporting enables unitholders and prospective purchasers of fund units to examine the voting decisions made by fund fiduciaries on their proxy ballots.

The sheer volume of these voting records makes them difficult to peruse, and mutual fund investors would need to expend considerable effort to draw conclusions about the overall voting behaviour of even a small number of funds. This report aggregates, tabulates, and sorts the voting data by ballot issue in order to present a coherent and meaningful picture of how Canadian mutual funds are exercising their franchise.

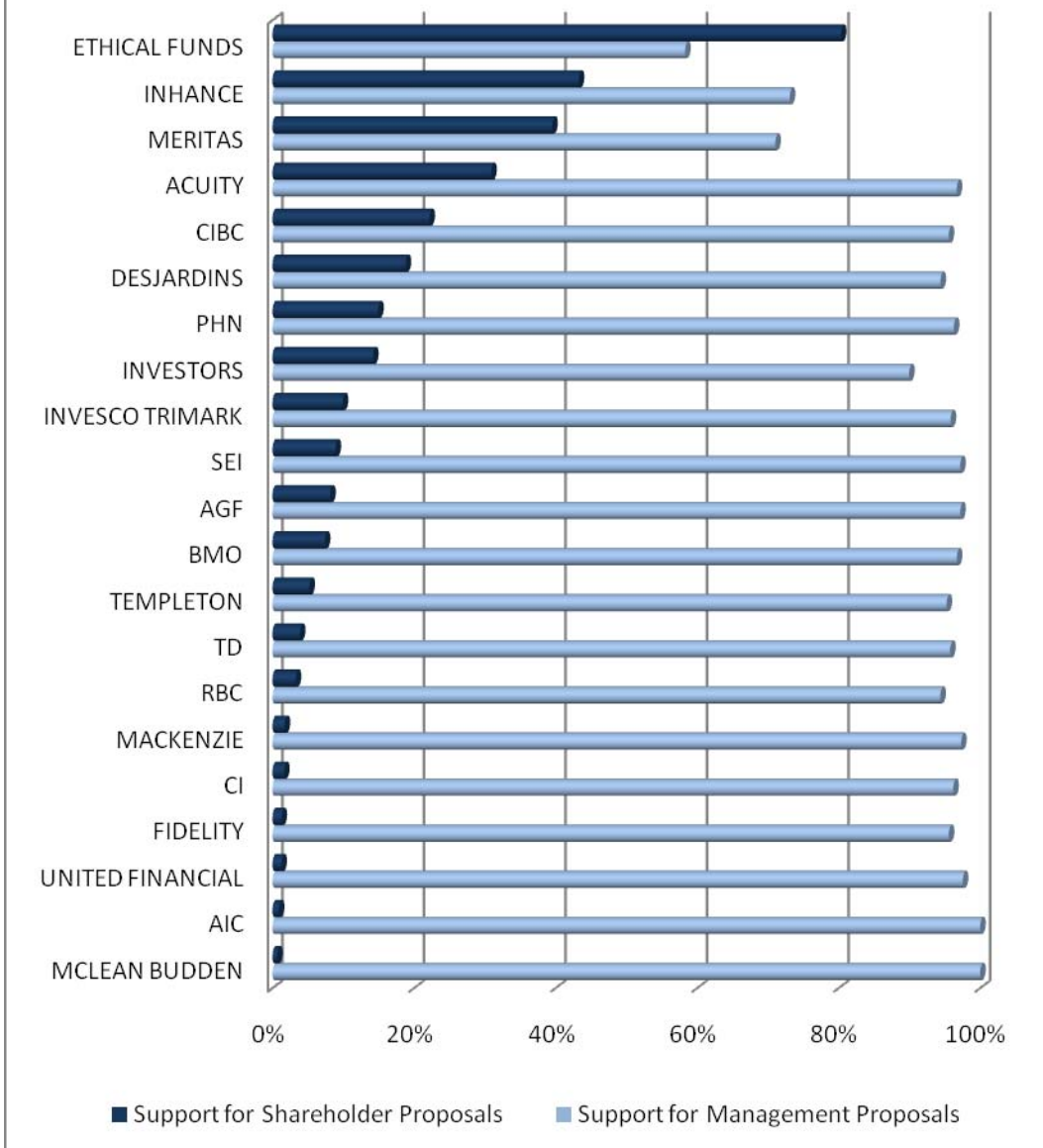
What we have observed in examining the 2006, 2007, and 2008 voting reports is an overall trend toward less support for director nominees, although the downward increments are very small. We found that Canadian mutual funds are strongly supportive of management decisions with respect to the appointment of external audit firms. Our data shows modestly increasing support by mutual funds for the audit firms proposed by issuers over the three years for which fund vote reporting is available.

An examination of voting on all management proposals reveals that the majority of fund families we examined (with "majority" defined by percentage of assets under management) were less supportive of management initiatives collectively than of management proposals on directors and auditors only. However, overall support from most fund families on these other management issues was still very strong.

For each year, we compare the support for shareholder proposals by mutual fund companies in our survey to the total shareholder support the proposals received. The most recent year for which reporting is available, 2008, was significant as the only year in which the funds we examined were more likely overall to support shareholder proposals than were all shareholders that voted.

The shareholder proposals that received strong support from the funds in our survey suggested changes to how executive compensation awards were structured. We found very low support for proposals advocating executive pay caps. We also noted that funds were relatively supportive of proposals looking to bring some democracy to director elections and of those asking Canadian companies for increased monitoring and disclosure of the impacts of their operations on human rights.

## 2008 Fund Family Support Shareholder and Management Proposals



The voting records we examined of funds in the AIC, Fidelity, and Mclean Budden families indicate very low support for shareholder-filed proposals. Funds in each of these families voted hundreds of shareholder proposals on their ballots but voted “for” on just two of them. One of these was a proposal at National Bank of Canada that the bank’s board also supported. Overall, each fund family’s voting record indicates that fewer than 2% of all votes on shareholder proposals were cast in favour.

This year for the first time, we compared the voting behaviour of SRI funds and non-SRI funds within the same fund families. We can assume that purchasers of Socially Responsible

Investment (SRI) funds are motivated by the desire to earn returns from investments in entities that are attentive to the social, environmental, and ethical impacts of their operations. We looked for evidence that SRI funds would report voting in favour of corporate social responsibility proposals more heavily than non-SRI funds in the same family. With notable exceptions, we found that this was not the case.

## **Introduction**

Canada's mutual funds manage approximately 23% of the estimated \$3 trillion in investment-industry assets under management nationwide. Funds holding equity securities with voting rights cast ballots that collectively represent a large stake in Canada's corporations and therefore play a major role in voting outcomes.

Attentiveness to how mutual funds vote is significant to those with an interest in the environmental and social conduct and governance of Canadian companies. Important members of this group are current and prospective holders of mutual fund units. As individuals evaluate their fund investment options, information about how each fund company votes proxies can assist them with their ultimate investment decisions.

The report includes information and analysis with respect to:

1. 154 funds in 21 fund families that collectively manage 85% of mutual fund assets under management in Canada;
2. 31 SRI funds that make up or are included in 9 fund families;
3. votes the funds cast on the proxy ballots of 178 companies
4. fund voting records for 2006, 2007, and 2008; and
5. fund family votes weighted by the relative voting power of each fund family within our sample group.

This is our second annual survey of Canadian mutual fund proxy voting. Mandatory reporting of mutual fund voting records enables us to continue to parse this large and interesting pool of data. We look for overall trends in the support levels that management and shareholder proposals receive from year to year. We identify any significant changes in the voting behaviour of fund families on director elections and auditor votes. We also examine specific shareholder proposals to identify which initiatives are garnering significant support from Canada's mutual funds.

### ***Requirement for Reporting of Proxy Votes by Mutual Funds***

Canadian mutual fund companies must report on all proxies voted by their funds. The first mandated reporting period included voting activity from July 1, 2005, to June 30, 2006. The reporting requirement is set out in National Instrument 81-106 and requires annual, retroactive disclosure. On August 31 of each year fund voting records for the most recent July–June period 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.

Many mutual fund companies argued in 2004 against mandatory disclosure of proxy voting records based on the assertion that most individual investors have little or no interest in proxy

voting by the mutual funds in which they invest.<sup>1</sup> 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 votes ensures that unitholders have the ability to examine the decisions made on their behalf.

### ***Methodology***

This report is an analysis of the proxy votes on a total of 5,560 ballots voted at 178 Canadian companies by 154 funds in 21 mutual fund families. We collected information regarding the votes recorded on all issues that appeared on each company's ballots in 2006, 2007, and 2008.

In order to ensure that our data produced meaningful information about proxy voting by Canadian mutual fund companies, we selected the public companies whose proxy ballots we would analyze by including only those held by funds in at least 10 different fund families in all three reporting years (2006 to 2008). The full list of these companies is set out in Appendix 4.

On proxy ballots, "for" and "withhold" are the voting options available to all shareholders for management proposals to elect directors and appoint or reappoint auditors. The voting records we examined also showed that some funds elected to abstain from voting on director and auditor ballot items by selecting that specific voting option. Some funds also indicated by reporting a non-vote that although they submitted their proxy ballots, 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 the proposal. 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 or reappointment 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. If a fund votes against the election or abstains from voting, the fund has 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 the fund or fund family has expressed no opinion on the proposal or proposals.

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<sup>1</sup> [http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part8/Comments/81-106/com\\_81-106\\_index.jsp](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.



### ***Weighting of Fund Votes by Assets Under Management***

A new feature of the report this year is analysis of fund voting behaviour tabulated by voting power. Mutual funds' reporting of their proxy votes allows us to tabulate the number of proxies the funds in each family voted on any issue, but does not indicate how many shares were voted. The number of votes cast on any issue does not provide us with any indication of the relative voting power of the funds in a family.

In order to gauge voting power, we compiled information about the assets under management (AUM) of all mutual funds of each fund company included in the survey and then calculated the assets by company as a percentage of total assets of all companies in our data set. Percentage of AUM by company is calculated as of June 30 of each year, which is the end of each proxy vote reporting period.

For fund companies that are (or were at the relevant time) members of the Investment Funds Institute of Canada (IFIC), the AUM of each company's mutual funds is reported monthly.<sup>2</sup> For the small number of companies in our survey that are not included in the IFIC figures, we relied on the regulatory filings of each company to determine the AUM of the company's funds.

The chart below sets out the percentage of total AUM accounted for by each mutual fund family in our data set for each of the reporting years: 2006, 2007, and 2008.

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<sup>2</sup> See the Investment Funds Institute of Canada (IFIC) website, Industry Assets & Sales, <http://statistics.ific.ca/English/Reports/MonthlyStatistics.asp>.

Fund Family	AUM as % of Total Fund Assets		
	Jun-06	Jun-07	Jun-08
Acuity Funds Ltd. (ACUITY)	0.69	0.65	0.61
AGF Management Ltd. (AGF)	4.62	5.11	4.63
AIC Ltd. (AIC)	1.57	1.36	0.88
BMO Investments Inc. (BMO)	5.18	5.37	5.51
CI Mutual Funds Inc. (CI)	10.64	9.17	9.37
CIBC Asset Management (CIBC)	8.81	8.57	8.70
Ethical Funds Inc. (ETHICAL FUNDS)	0.36	0.38	0.37
Fidelity Investments Canada Ltd. (FIDELITY)	6.88	7.00	7.55
Fonds Desjardins (DESJARDINS)	1.47	1.65	1.92
Franklin Templeton Investments (TEMPLETON)	4.50	4.61	4.26
Inhance Investment Management (INHANCE)	0.02	0.02	0.02
Invesco Trimark (INVESCO TRIMARK)	8.51	8.57	6.52
Investors Group Inc. (INVESTORS)	10.14	10.28	10.07
Mackenzie Financial Corporation (MACKENZIE)	8.27	8.10	7.76
Mclean Budden Ltd. (MCLEAN BUDDEN)	0.52	0.55	0.62
Meritas Mutual Funds Inc. (MERITAS)	0.02	0.03	0.03
Phillips Hager & North Investment Management Ltd. (PHN)	3.21	3.37	3.29
RBC Asset Management Inc. (RBC)	12.25	13.22	15.45
SEI Investments Canada Co. (SEI)	1.81	1.61	1.57
TD Asset Management Inc. (TD)	8.87	9.29	9.82
United Financial Corp. (UNITED FINANCIAL)	1.67	1.10	1.05
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

Shading key	AUM = > 6% of total
	AUM = 3-6% of total
	AUM = < 3% of total

## Analysis of Fund Voting on Management Resolutions

### Election of Directors

In director elections at Canadian companies, shareholders may vote for the directors, or they may withhold their votes. A shareholder may not vote against a director. Director elections bear little resemblance to democratic political contests. As journalist Duncan Hood recently noted in *Macleans*, if politicians were selected in the manner that corporate directors are, "It would be like introducing new rules for our next federal election that state you can either vote for

Stephen Harper, or not at all. And as long as one person votes for him, he wins.”<sup>3</sup> It is worth adding that the single, deciding vote in favour could come from the candidate himself.

Given the lack of impact of “withhold” votes in director elections, it is interesting to note how rarely shareholders (including mutual funds) express even this largely symbolic objection to a board nominee in Canada. The chart below sets out the average support for director nominees of our selected Canadian companies, tabulated from fund family proxy ballots in each reporting year.

The voting decisions on director elections of mutual fund families we examined are set out in the table below. Note that for ease of viewing we divided the fund families into groups based on their overall level of support. Unwavering or 100% support strikes us as significant because it raises the possibility of an automatic or unquestioning approach to the evaluation of nominees. The majority of funds do not vote for all director nominees, but support is very strong in most cases, and so we subdivide the votes in the 90% to 99.9% range into very strong support at the top end (95% or more) and less strong support (between 90% and 94.9%). A minority of fund families take issue with directors more often, and they are grouped together in the category of less than 90% support for director nominees.

2006			2007			2008		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
ETHICAL FUNDS	50.6	0.36	ETHICAL FUNDS	62.2	0.38	ETHICAL FUNDS	49.7	0.37
INHANCE	81.6	0.02	INHANCE	68.0	0.02	MERITAS	67.5	0.03
PHN	84.9	3.21	MERITAS	78.7	0.03	INHANCE	68.8	0.02
MCLEAN BUDDEN	86.5	0.53	MCLEAN BUDDEN	92.5	0.55	INVESTORS	89.9	10.09
MERITAS	94.1	0.02	TEMPLETON	93.5	4.61	TEMPLETON	94.7	4.27
CIBC	94.1	8.81	SEI	93.8	1.61	INVESCO TRIMARK	95.0	6.53
RBC	94.2	12.25	TD	94.2	9.29	DESJARDINS	95.2	1.93
SEI	94.2	1.81	INVESCO TRIMARK	94.9	8.57	AGF	95.3	4.64
UNITED FINANCIAL	94.7	1.66	ACUITY	95.2	0.65	RBC	95.3	15.49
CI	94.9	10.64	CIBC	95.3	8.57	TD	95.4	9.85
BMO	96.1	5.17	PHN	95.5	3.37	ACUITY	95.7	0.62
TEMPLETON	96.3	4.5	RBC	96.1	13.22	CIBC	96.0	8.72
TD	96.4	8.87	MACKENZIE	96.3	8.10	PHN	96.4	3.29
ACUITY	96.5	0.69	CI	96.4	9.17	SEI	96.9	1.57
FIDELITY	96.9	6.88	DESJARDINS	96.7	1.65	BMO	97.4	5.52
DESJARDINS	97.3	1.47	AGF	97.6	5.11	CI	97.5	9.49
INVESTORS	97.4	10.14	FIDELITY	97.9	7.00	FIDELITY	97.7	7.57
INVESCO TRIMARK	98.5	8.51	INVESTORS	98.7	10.28	MACKENZIE	98.4	7.45
AGF	99.9	4.62	BMO	99.2	5.37	UNITED FINANCIAL	98.7	1.05
AIC	100.0	1.57	UNITED FINANCIAL	99.6	1.10	AIC	100.0	0.88
MACKENZIE	100.0	8.27	AIC	100.0	1.36	MCLEAN BUDDEN	100.0	0.62

Support shading key:

< 90%	90-94.9%	95-99.9%	100%
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<sup>3</sup> “Gluttons at the Gate,” *Macleans*, May 5, 2009. Available at <http://www2.macleans.ca/2009/05/05/gluttons-at-the-gate/2/>.

There are two obvious ways to parse this data: by fund AUM in each range of support and by the average level of support in each range.

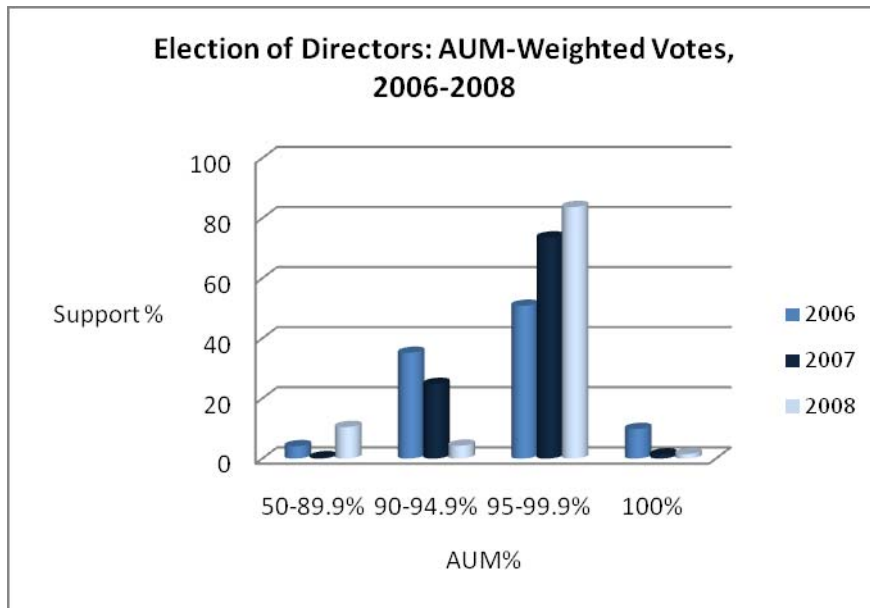
For each year, we found that the majority of fund families were in the 95 to 99% range in terms of overall support for director nominees. The proportion of funds in this range increased steadily from 50.8% in 2006, to 73.6% in 2007, and finally to 83.7% in 2008. As the total AUM of the fund families increased, the overall level of support they delivered with their ballots decreased from 97.3% (2006) to 96.9% (2007) to 96.3% (2008).

We found decreasing fund voting power in the 90% to 94.9% support range. Average support within the range increased (although not in a stepped fashion) from 2006 through 2008. The AUM-weighted constituents in this relatively low support range made up 35.2% of voting power in 2006, decreasing to 24.8% in 2007 and dropping again to 4.27% in 2008. Average support in the range was 94.4% in 2006, fell to 94% in 2007, and increased to its highest level, 94.7%, in 2008.

Mutual funds in the lowest range of support (under 90%) compose a small category when measured by AUM. Voting power in this category decreased from 4.1% in 2006 to 0.4% in 2007, and the average support in the range decreased from 82% to 76.9%. Voting power in the category increased in 2008 to a substantial 10.51%; funds previously more supportive of directors moved into the range, so overall support levels in the range increased to 88.4%.

The AUM of fund families offering unwavering (100%) support for directors decreased significantly from 2006 (9.84%) to 2007 (1.36%), though there was a small uptick in 2008 to 1.5%.

All of these changes are set out in the chart below.



We also calculated the weighted average vote in favour of director nominees for all fund families overall. Weighted average support over the three reporting years decreased very slightly from 2006 (95.93%) to 2007 (95.81%) to 2008 (95.49%).

The 10 fund families with the largest AUM in our data set accounted for about 85% of total assets surveyed in each year: 84.2% in 2006, 84.7% in 2007, and 85.4% in 2008.

Within this group the weighted average vote in favour of director nominees was higher than that of all fund families in each reporting period, but demonstrated a small decrease in each year similar to the decrease for fund families overall: 96.53% in 2006, 96.49% in 2007, and 95.58% in 2008.

The overall trend is toward less support for directors, but the downward increments are well under a percentage point. As decreasing support is not the result of any significant changes to the relative AUM of funds within our data set, we conclude that fund support for directors at Canada's senior issuers has fallen off very slightly from 2006 to 2008.

### **Appointment of Auditors**

Auditor appointments and reappointments are similar to director elections at Canadian companies in that shareholders may vote for the appointments or may withhold their votes. They do not have the option of voting against the audit firm put forward by management. However, as it is common practice for audit firms to bar staff from holding shares in the public companies they audit, the auditors cannot vote for themselves.

2006			2007			2008		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
INHANCE	62.8	0.02	INHANCE	63.8	0.02	MERITAS	40.9	0.03
ETHICAL FUNDS	73.9	0.37	MERITAS	65.5	0.03	INHANCE	44.7	0.02
AIC	95.7	0.88	ETHICAL FUNDS	80.7	0.38	ETHICAL FUNDS	81.3	0.37
PHN	96.6	3.29	SEI	96.2	1.61	PHN	97.9	3.29
MCLEAN BUDDEN	97.8	0.62	PHN	97.7	3.37	TEMPLETON	99.1	4.27
MERITAS	98.2	0.03	CI	98.5	9.17	ACUITY	100	0.62
ACUITY	98.9	0.62	TD	99.4	9.29	AGF	100	4.64
RBC	99.4	15.49	ACUITY	100	0.65	AIC	100	0.88
TD	99.5	9.85	AGF	100	5.11	BMO	100	5.52
AGF	100	4.64	AIC	100	1.36	CI	100	9.49
BMO	100	5.52	BMO	100	5.37	CIBC	100	8.72
CI	100	9.49	CIBC	100	8.57	DESJARDINS	100	1.93
CIBC	100	8.72	DESJARDINS	100	1.65	FIDELITY	100	7.57
DESJARDINS	100	1.93	FIDELITY	100	7	INVESCO TRIMARK	100	6.53
FIDELITY	100	7.57	INVESCO TRIMARK	100	8.57	INVESTORS	100	10.09
INVESCO TRIMARK	100	6.53	INVESTORS	100	10.28	MACKENZIE	100	7.45
INVESTORS	100	10.09	MACKENZIE	100	8.1	MCLEAN BUDDEN	100	0.62
MACKENZIE	100	7.45	MCLEAN BUDDEN	100	0.55	RBC	100	15.49
SEI	100	1.57	RBC	100	13.22	SEI	100	1.57
TEMPLETON	100	4.27	TEMPLETON	100	4.61	TD	100	9.85
UNITED FINANCIAL	100	1.05	UNITED FINANCIAL	100	1.1	UNITED FINANCIAL	100	1.05

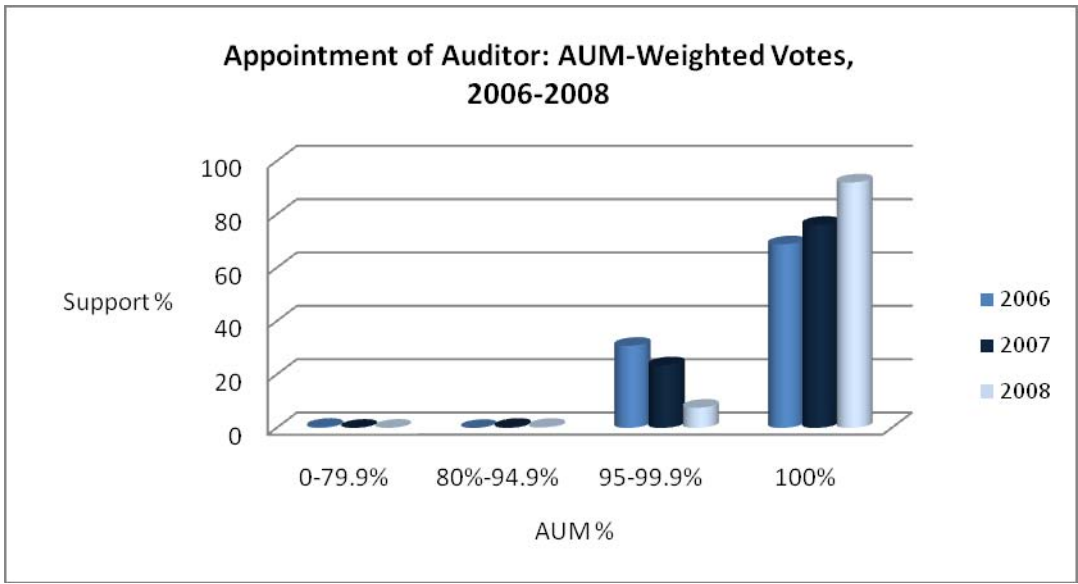
Support shading key:

< 50%	50-94.9%	95-99.9%	100%
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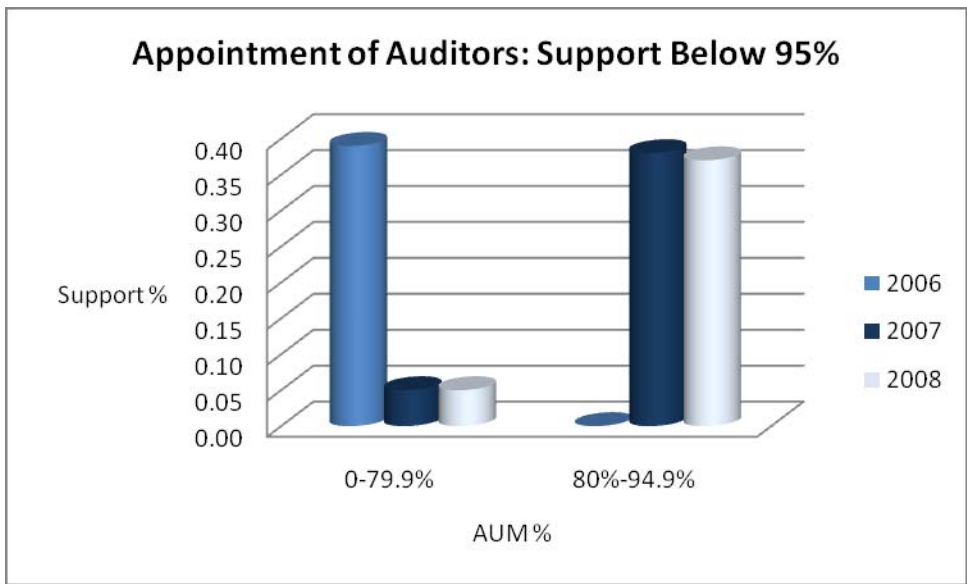
Our examination of proxy voting by mutual funds indicates that the appointment or reappointment of the external audit firm is the least controversial of ballot items. Over the three-year period we examined, AUM behind 100% support for auditors on proxy ballots went up significantly: from 68.8% in 2006 to 76.1% in 2007, reaching 92.0% in 2008. The 2007 and 2008 increases in unwavering support for auditors came from funds that had been only slightly less approving in the prior year, voting in favour with between 95% and 99.9% of votes.

Fund families that expressed significantly more hesitation about auditor appointments made up only 0.39% (2006), 0.43% (2007), and 0.42% (2008) of the AUM in our data set.

The average vote across all funds, weighted by AUM, increased very slightly from year to year: 99.58% in 2006, 99.59% in 2007, and 99.79% in 2008.



In this chart, the total AUM-weighted fund family support below 95% for auditor appointments or reappointments appears flat in the three years we surveyed. When, in the chart below, we isolate fund families that supported auditor appointments with fewer than 95% of votes cast, we see that AUM-weighted support for auditors increased from 2006 to 2007/8.



We see significant increases in approval of audit firms from 2006 to 2007/8 among fund families that voted “for” on fewer than 95% of their ballots.

Increased support for auditors on Canadian corporate ballots over the 2006–8 period may reflect improved disclosures about fees and related issues for the external audit firm in proxy materials. Some investors, including mutual fund companies, object to minimal disclosure and are concerned about the potential for conflict of interest if the audit firm earns a significant portion of all fees billed from non-audit services. Higher votes in favour of auditor appointments

suggest that companies are providing fuller disclosure and that the information they are providing indicates a decrease in non-audit fees paid to the firm that verifies the financial statements.

## Management Proposals

In addition to votes cast with respect to director elections and auditor appointments and reappointments, management proposals that most often appeared on the ballots of Canadian companies were stock option and other equity-based compensation plans, shareholder rights plans (also called “poison pills”), and amendments to company documents such as articles, bylaws, and declarations of trust or the equivalent. In most cases these proposals are on the ballot because companies are required to secure shareholder approval of them under corporate law, securities regulation, or the rules of the Toronto Stock Exchange.

The following table summarizes mutual fund family proxy voting records for all management proposals put forward on the proxies of companies included in our data set.

2006			2007			2008		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
ETHICAL FUNDS	66.8	0.36	INHANCE	72.1	0.02	ETHICAL FUNDS	58.3	0.37
INHANCE	83.9	0.02	ETHICAL FUNDS	73.6	0.38	MERITAS	71.1	0.03
CI	92.3	10.64	MERITAS	77.8	0.03	INHANCE	73.1	0.02
PHN	93.2	3.21	CI	92.4	9.17	INVESTORS	90	10.09
SEI	93.9	1.81	RBC	93.1	13.22	RBC	94.4	15.49
MERITAS	94	0.02	FIDELITY	93.1	7	DESJARDINS	94.4	1.93
UNITED FINANCIAL	95.1	1.66	SEI	93.5	1.61	TEMPLETON	95.3	4.27
FIDELITY	95.2	6.88	TD	94.3	9.29	CIBC	95.6	8.72
RBC	95.3	12.25	INVESTORS	94.3	10.28	FIDELITY	95.6	7.57
INVESTORS	95.9	10.14	CIBC	94.4	8.57	TD	95.8	9.85
CIBC	95.9	8.81	MACKENZIE	94.4	8.1	INVESCO TRIMARK	95.8	6.53
MCLEAN BUDDEN	96.2	0.53	TEMPLETON	94.9	4.61	CI	96.2	9.49
TD	96.3	8.87	MCLEAN BUDDEN	95.1	0.55	PHN	96.3	3.29
TEMPLETON	97	4.5	ACUITY	95.1	0.65	ACUITY	96.7	0.62
BMO	97.9	5.17	INVESCO TRIMARK	95.8	8.57	BMO	96.7	5.52
INVESCO TRIMARK	98.7	8.51	PHN	95.9	3.37	AGF	97.2	4.64
DESJARDINS	98.7	1.47	AGF	95.9	5.11	SEI	97.2	1.57
ACUITY	98.8	0.69	DESJARDINS	96	1.65	MACKENZIE	97.3	7.45
AGF	99.2	4.62	BMO	96.4	5.37	UNITED FINANCIAL	97.6	1.05
AIC	99.6	1.57	UNITED FINANCIAL	97.5	1.1	AIC	100	0.88
MACKENZIE	99.8	8.27	AIC	100	1.36	MCLEAN BUDDEN	100	0.62

Support shading key:

< 90%	90-94.9%	95-99.9%	100%
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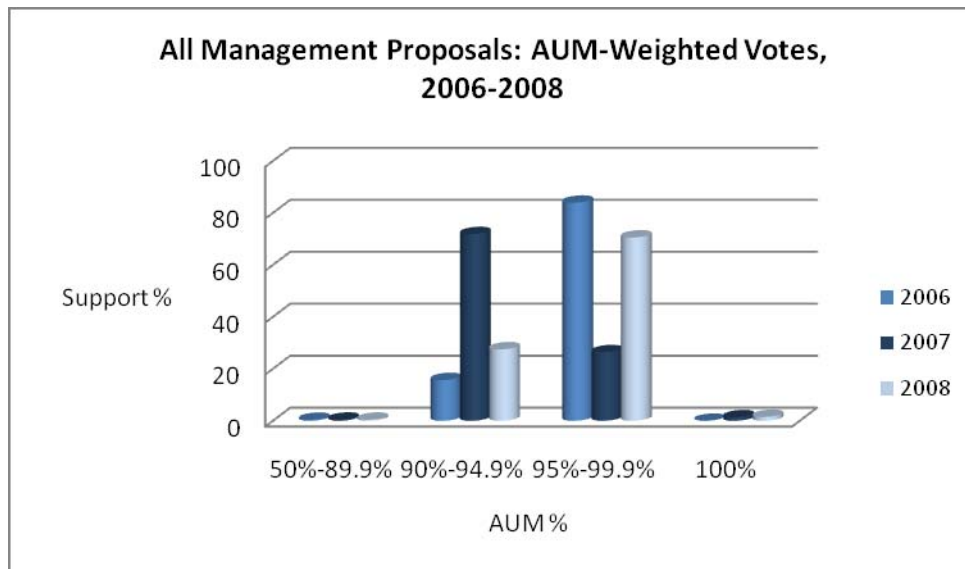


We found that two fund families supported all management proposals on all ballots of the companies in our data set in at least one year: AIC in 2007 and 2008, and Mclean Budden in 2008. All other fund families we examined found some of these proposals unworthy of support.

Fund family support for management was strongest in 2006. In that year no fund families supported 100% of management proposals, but a large percentage (84%) of fund voting power was concentrated in the 95% to 99.9% support range. The percentage of fund AUM in our data set reporting 95% support or higher for management proposals plummeted to 27.7% in 2007 and was 72.1% in 2008.

So while the weighted average of fund support for directors fell slightly, and support for audit appointments rose slightly, the voting pattern with respect to all management proposals is more varied: 97% in 2006, decreasing to 94.3% in 2007, and going back up to 95.1% in 2008. The wider variation in voting on all management proposals is unsurprising given that each year proposals vary widely, from the controversial to the straightforward, to none at all at some companies.

The AUM-weighted distribution of support is graphically represented in the following chart.



What is most evident in a comparison of the management proposal chart and the director and auditor charts is the more even distribution of fund families in the central (90% to 99%) ranges of support. Canadian mutual funds were more likely to reject management proposals that raised matters other than the election or appointment of the corporation's directors and auditors.

## Analysis of Fund Voting on Shareholder Proposals

### Overview

In Canada shareholders may file a proposal with a company and ask that the proposal appear on the company's proxy ballot for voting by all shareholders. Typically, management recommends that shareholders vote against shareholder proposals. Our data set includes all Canadian companies that had shareholder proposals on the ballot for meetings held during the 2006–8 mutual fund proxy vote reporting periods. The following table accumulates the overall levels of support of the funds for shareholder proposals.

2006			2007			2008		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
ETHICAL FUNDS	71.4	0.36	INHANCE	73.5	0.02	ETHICAL FUNDS	80.3	0.37
INHANCE	50	0.02	ETHICAL FUNDS	69.2	0.38	INHANCE	43.3	0.02
MACKENZIE	16.7	8.27	MERITAS	66.1	0.03	MERITAS	39.5	0.03
MERITAS	14.3	0.02	CIBC	20.9	8.57	ACUITY	30.9	0.62
CI	13.5	10.64	ACUITY	19.2	0.65	CIBC	22.2	8.72
SEI	12	1.81	MACKENZIE	13.4	8.1	DESJARDINS	18.8	1.93
CIBC	8.5	8.81	INVESTORS	10.6	10.28	PHN	14.9	3.29
DESJARDINS	7.9	1.47	RBC	10.1	13.22	INVESTORS	14.2	10.09
PHN	7.2	3.21	SEI	9.5	1.61	INVESCO TRIMARK	9.9	6.53
RBC	6	12.25	DESJARDINS	8.1	1.65	SEI	8.9	1.57
TD	5.4	8.87	TEMPLETON	6.9	4.61	AGF	8.2	4.64
BMO	5	5.17	UNITED FINANCIAL	5.9	1.1	BMO	7.4	5.52
TEMPLETON	4	4.5	PHN	4	3.37	TEMPLETON	5.2	4.27
MCLEAN BUDDEN	2.6	0.53	AGF	3.5	5.11	TD	3.9	9.85
INVESCO TRIMARK	2.4	8.51	BMO	2.6	5.37	RBC	3.3	15.49
ACUITY	1.7	0.69	AIC	1.9	1.36	MACKENZIE	1.7	7.45
AGF	1.3	4.62	CI	1.7	9.17	CI	1.6	9.49
INVESTORS	0.9	10.14	INVESCO TRIMARK	0.4	8.57	FIDELITY	1.3	7.57
AIC	0	1.57	FIDELITY	0	7	UNITED FINANCIAL	1.3	1.05
FIDELITY	0	6.88	MCLEAN BUDDEN	0	0.55	AIC	0.9	0.88
UNITED FINANCIAL	0	1.66	TD	0	9.29	MCLEAN BUDDEN	0.7	0.62

Support shading key:

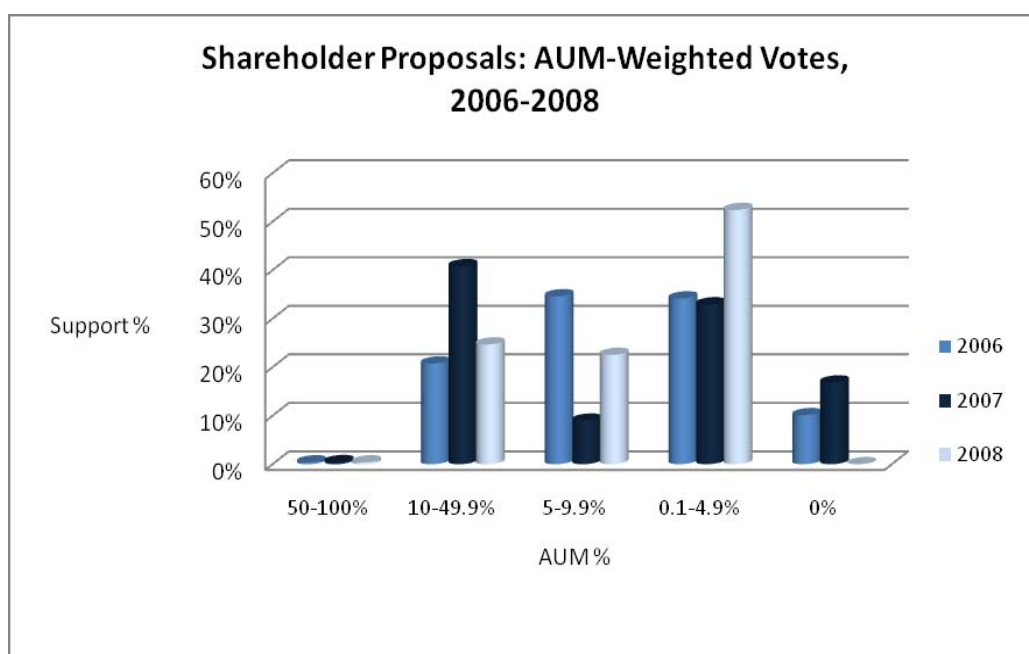
50-100%	10-49.9%	5-9.9%	0.1-4.9%	0%
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For each year, we multiplied the average support for shareholder proposals voted by each fund family by that family's AUM percentage to get the weighted average vote on proposals for that year. We found that overall fund support for shareholder proposals increased from 2006 (6.43%) to 2007 (7.06%) and rose again in 2008 (7.82%). The increase in mutual fund support for shareholder proposals in this period contrasts with the decrease in average support for the

proposals from all shareholders who voted on them.<sup>4</sup> The details of this interesting divergence are presented in the following table.

<b>Comparison of % Support for Shareholder Proposals Mutual Funds Surveyed and All Shareholders</b>			
Year	2006	2007	2008
Average overall shareholder vote	8.8	8.0	6.9
Weighted average of votes by funds included in this report	6.4	7.1	7.8

In 2008, for the first time since fund vote disclosure was mandated, funds representing most mutual fund assets in Canada were more likely to support shareholder proposals than were shareholders overall.



As the chart above indicates, overall mutual fund support for shareholder proposals is relatively modest. In each of the three years we surveyed, we found that fund families representing AUM of about half of the total supported fewer than 5% of all shareholder proposals.

Some significant changes in fund voting behaviour emerged over the three-year period, however.

Fund families that rejected all of the shareholder proposals they voted on represented 10.1% of total fund AUM in 2006, increasing to 16.8% in 2007. In 2008 no fund families rejected all of the shareholder proposals they voted on. At minimum every fund family supported a proposal at National Bank of Canada that the bank's board recommended voting for and one other

<sup>4</sup> We note that overall shareholder vote results are, by definition, asset weighted, because shareholder votes are tabulated in accordance with the voting power of each shareholder's equity stake in the issuer.

shareholder proposal. A detailed examination of votes cast by fund families that supported the lowest number of shareholder proposals in the reporting periods from 2006 to 2008 is provided below under the heading “Fund Families That Supported Few Shareholder Proposals”.

Mutual fund voting power was highly concentrated in the 0.1% to 4.9% support range throughout the 2006 to 2008 reporting periods. Funds representing approximately one-third of AUM in 2006 and 2007 supported fewer than 5% of all shareholder proposals they voted on. In 2008 the AUM of fund families in this low support range increased to over half (52.4%). No fund families voted against all the proposals they voted on in 2008, but overall they were opposed to a high number of the proposals they voted on.

### ***Note about the Classification of Shareholder Proposals***

As in last year’s report, we have elected to sort the shareholder proposals into categories. This enables us to streamline the presentation of the data, identify common subjects of shareholder proposals, and identify the proposal subjects that habitually garner relatively high or low levels of support from Canadian mutual funds.

For each category and year we indicate the number of proposals that were voted by shareholders. Many of the proposals were filed at more than one company in a given year, while others were filed with only one company. A full list of all of the proposals included in each category, along with the overall vote tally on the proposals as reported by each company, is set out in Appendix 3.

The proposals in each category generally differ from year to year, so it is possible for a fund family’s voting record to vary each year without any significant changes in the fund company’s voting policies. Within a category a fund company may judge a high percentage of the proposals voted in one year to be worthy of support, but vote in favour of a low percentage of the proposals the next year as a result of changes in the proposals rather than the fund’s approach to shareholder initiatives.

In some cases we also provide a “proposal focus,” a snapshot of votes cast by each mutual fund family on one or two specific proposals. This finer-grained examination compliments the aggregated approach of the voting breakdown by category.

## The Categories

### Board governance practices

The proposals in this category are shareholder suggestions for changes to the boards of directors such as term limits and the proportion of directors who are women.

2006			2007			2008		
1 proposal			14 proposals			16 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support	AUM %
ACUITY	<i>not held</i>	0.65	ETHICAL FUNDS	100.0	0.38	ETHICAL FUNDS	100.0	0.37
AGF	<i>not held</i>	5.11	INHANCE	100.0	0.02	ACUITY	59.6	0.61
AIC	<i>not held</i>	1.36	MERITAS	100.0	0.03	CIBC	47.7	8.7
BMO	<i>not held</i>	5.37	CIBC	50.8	8.57	INHANCE	37.5	0.02
CI	<i>not held</i>	9.17	ACUITY	50.0	0.65	MERITAS	26.7	0.03
DESJARDINS	<i>not held</i>	1.65	MACKENZIE	16.7	8.10	DESJARDINS	16.2	1.92
ETHICAL FUNDS	<i>not held</i>	0.38	DESJARDINS	10.0	1.65	SEI	8.3	1.57
FIDELITY	<i>not held</i>	7.00	SEI	7.7	1.61	RBC	6.6	15.45
INHANCE	<i>not held</i>	0.02	PHN	5.9	3.37	PHN	6.1	3.29
INVESCO TRIMARK	<i>not held</i>	8.57	RBC	5.8	13.22	AGF	2.1	4.63
INVESTORS	<i>not held</i>	10.28	TEMPLETON	2.0	4.61	INVESCO TRIMARK	2.1	6.52
MACKENZIE	<i>not held</i>	8.10	AGF	0.0	5.11	TEMPLETON	1.6	4.26
MCLEAN BUDDEN	<i>not held</i>	0.55	AIC	0.0	1.36	AIC	0.0	0.88
SEI	<i>not held</i>	1.61	BMO	0.0	5.37	BMO	0.0	5.51
UNITED FINANCIAL	<i>not held</i>	1.10	CI	0.0	9.17	CI	0.0	9.37
CIBC	0.0	8.81	FIDELITY	0.0	7.00	FIDELITY	0.0	7.55
MERITAS	0.0	0.02	INVESCO TRIMARK	0.0	8.57	INVESTORS	0.0	10.07
PHN	0.0	3.21	INVESTORS	0.0	10.28	MACKENZIE	0.0	7.76
RBC	0.0	12.25	MCLEAN BUDDEN	0.0	0.55	MCLEAN BUDDEN	0.0	0.62
TD	0.0	8.87	TD	0.0	9.29	TD	0.0	9.82
TEMPLETON	0.0	4.50	UNITED FINANCIAL	0.0	1.10	UNITED FINANCIAL	0.0	1.05

Support shading key:

100%	50-99.9%	20-49.9%	10-19.9%	0.1-9.9%	0%
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Support for these proposals was very modest. In 2006 all of the funds that voted on the single proposal in this category—establishing a 15-year term limit for independent directors—voted against it.

In 2007 and 2008 at least one fund from each fund family voted on a proposal in this category. In both of these years fund families representing more than 50% of total AUM rejected all of the proposals their funds voted. As a percentage of AUM, 23% and 36% of fund voting power in each year respectively fell into the category of funds that supported proposals on board governance with between 1% and 9.9% of votes cast.

**Proposal Focus: Women on the board**

In 2007 and 2008 proposals seeking an increase in the number of women on the corporate boards of Canadian companies dominated the board governance practices category. The proposals asked that companies adopt policies to increase the number of women sitting on each company’s board. The 2007 proposals for all companies put forward a target of one-third for female board membership; the 2008 proposals increased the requirement to one-half.

All of the fund families in our data set voted on both of these proposals, and most voted against in both years. The votes were as follows:

<b>Fund Family</b>	<b>2007</b>	<b>2008</b>
ACUITY	FOR	FOR
ETHICAL FUNDS	FOR	FOR
CIBC	FOR	FOR
MERITAS	FOR	AGAINST
AGF	AGAINST	AGAINST
AIC	AGAINST	AGAINST
BMO	AGAINST	AGAINST
CI	AGAINST	AGAINST
DESJARDINS	AGAINST	AGAINST
FIDELITY	AGAINST	AGAINST
INHANCE	AGAINST	AGAINST
INVESCO TRIMARK	AGAINST	AGAINST
INVESTORS	AGAINST	AGAINST
MACKENZIE	AGAINST	AGAINST
MCLEAN BUDDEN	AGAINST	AGAINST
PHN	AGAINST	AGAINST
RBC	AGAINST	AGAINST
SEI	AGAINST	AGAINST
TD	AGAINST	AGAINST
TEMPLETON	AGAINST	AGAINST
UNITED FINANCIAL	AGAINST	AGAINST
	<b>17 of 21 AGAINST</b>	<b>18 of 21 AGAINST</b>
<b>AUM Weighted Vote</b>	<b>90.4% AGAINST</b>	<b>90.3% AGAINST</b>
NOTE: Where funds within a family voted some proxies FOR and others AGAINST a proposal, the vote most frequently cast is indicated		

Shading key:

FOR	FOR/AGAINST	AGAINST
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A slightly larger percentage of fund families, as measured by AUM, voted in favour of the 2007 one-third board membership requirement than cast ballots in favour of the 2008 threshold of one-half. Among the ten largest fund families, just one (CIBC) supported both these proposals.

Among Canadian retail mutual funds, especially the largest of them, there is little support for gender diversity proposals with respect to corporate boards.

### **Director election mechanics**

These proposals involve shareholder requests to change the way that companies govern director elections.

The single proposal in this category in 2006 was a request that Abitibi-Consolidated abandon its practice of putting forward a single resolution for election of all directors (referred to as a “slate” director election) in favour of allowing shareholders to vote for directors individually. Individual director election has long been a very basic shareholder expectation in Canada, and the proposal garnered the support of more than 70% of all shareholders. As illustrated in the table below, all mutual funds that voted on this proposal elected to support it.

For 2008 this category includes 18 proposals, but all of the proposals advocated one of two changes to the board election process at the companies where they were filed: the adoption of cumulative voting or the institution of a majority voting policy. Each proposal was filed at several Canadian companies. There were two filers of proposals on majority voting. Mutual fund voting on these two proposals is examined in detail in the Proposal Focus section below.

2006			2008		
1 proposal			18 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
CIBC	100.0	8.81	ETHICAL FUNDS	100.0	0.37
MERITAS	100.0	0.02	INHANCE	60.0	0.02
PHN	100.0	3.21	DESJARDINS	59.5	1.92
RBC	100.0	12.25	MERITAS	58.8	0.03
TD	100.0	8.87	PHN	52.0	3.29
TEMPLETON	100.0	4.50	ACUITY	51.7	0.61
ACUITY	<i>not held</i>	0.69	CIBC	45.2	8.7
AGF	<i>not held</i>	4.62	INVESCO TRIMARK	42.9	6.52
AIC	<i>not held</i>	1.57	BMO	21.7	5.51
BMO	<i>not held</i>	5.18	SEI	14.3	1.57
CI	<i>not held</i>	10.64	RBC	13.3	15.45
DESJARDINS	<i>not held</i>	1.47	TEMPLETON	11.1	4.26
ETHICAL FUNDS	<i>not held</i>	0.36	TD	9.0	9.82
FIDELITY	<i>not held</i>	6.88	UNITED FINANCIAL	5.6	1.05
INHANCE	<i>not held</i>	0.02	CI	2.1	9.37
INVESCO TRIMARK	<i>not held</i>	8.51	AGF	2.0	4.63
INVESTORS	<i>not held</i>	10.14	FIDELITY	1.7	7.55
MACKENZIE	<i>not held</i>	8.27	AIC	0.0	0.88
MCLEAN BUDDEN	<i>not held</i>	0.52	INVESTORS	0.0	10.07
SEI	<i>not held</i>	1.81	MACKENZIE	0.0	7.76
UNITED FINANCIAL	<i>not held</i>	1.67	MCLEAN BUDDEN	0.0	0.62

Support shading key:

100%	50-99.9%	20-49.9%	10-19.9%	0.1-9.9%	0%
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Funds in all of the families in our data set voted on some or all of the 2008 proposals, and tendencies to support the proposals varied widely. Funds with just under 20% of AUM voted against all of the proposals. An additional 32% of voting power supported the proposals with between 1% and 9.9% of votes cast. Nearly one-quarter (22%) of fund voting power was behind a moderately high (10% to 20%) proportion of supportive votes, and funds with another 21% of AUM voted in favour with a significant 20% to 50% of all ballots cast.



***Proposal Focus: Majority voting policy***

As noted above, shareholders of Canadian companies may only vote for a director nominee or withhold their votes from that nominee. Shareholders may not vote against a director. This means that even as long as one vote is cast for a director, he or she is elected, even if all other shareholder votes with respect to the director are withheld. Majority voting, a relatively new approach to director elections at Canadian companies, treats “withhold” votes like “against” votes, so that if a majority of votes are withheld from a director, that director is defeated.

In Canada many senior issuers have adopted majority voting policies, but most of these policies include a provision that if a director is defeated due to a majority of votes being withheld, the board may reject his or her resignation so that the director takes up a board seat regardless of the shareholder vote outcome.

In 2008 two shareholders filed very similar proposals asking that companies adopt a “strict” majority voting policy. Such a policy would not allow the board to overrule a majority shareholder “withhold” vote on a director’s candidacy.

Carpenters’ Local 27 Pension Trust filed its proposal at Power Financial, Great-West Lifeco, Nexen, and Cameco. Power Financial and Great-West Lifeco did not have majority voting policies in place. Nexen and Cameco had policies that enabled boards to reject director resignations.

Robert Verdun filed his proposal at Canada’s largest banks (CIBC, RBC, Bank of Montreal, Bank of Nova Scotia, and TD). Each of these banks had a majority voting policy in place, but again these were not strict application policies, and the bank boards would be able to reject the resignation of a director defeated by a majority of withheld shareholder votes.

Fund Family	2008: Carpenters' Proposal	2008: Verdun Proposal
ETHICAL FUNDS	FOR	FOR
INHANCE	FOR	FOR
MERITAS	FOR	FOR
PHN	FOR	FOR
ACUITY	FOR	AGAINST
BMO	FOR	AGAINST
CIBC	FOR	AGAINST
DESJARDINS	FOR	AGAINST
INVESCO TRIMARK	FOR	AGAINST
TD	FOR	AGAINST
TEMPLETON	FOR	AGAINST
AGF	AGAINST	AGAINST
AIC	AGAINST	AGAINST
CI	AGAINST	AGAINST
FIDELITY	AGAINST	AGAINST
INVESTORS	AGAINST	AGAINST
MACKENZIE	AGAINST	AGAINST
MCLEAN BUDDEN	AGAINST	AGAINST
RBC	AGAINST	AGAINST
SEI	AGAINST	AGAINST
UNITED FINANCIAL	AGAINST	AGAINST
	<b>10 of 21 AGAINST</b>	<b>17 of 21 AGAINST</b>
AUM-Weighted Vote	<b>58.95% AGAINST</b>	<b>96.29% AGAINST</b>
NOTE: Where funds within a family voted some proxies FOR and others AGAINST a proposal, the vote most frequently cast is indicated		

Shading key:

FOR	FOR/AGAINST	AGAINST
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The Carpenters' proposals fared very well, garnering the support of more than half of the mutual fund families in our data set. The proposals were supported by four of the ten largest fund families. The Verdun proposals did not do as well, attracting the support of just 19% of our 21 fund families, none of which were among the ten largest.

Mutual fund proxy vote reporting is not required to include the rationale for each vote cast, and therefore it is not possible to say with certainty why the Carpenters' proposals attracted stronger fund support than the Verdun proposals. Relatively few possible explanations exist, however. The proposals were filed with different companies, so it is probable that the Carpenters' proposals were on the ballots of companies that in some or all cases the funds thought more in need of a strict majority voting policy.

## Financial/corporate disclosure

A significant percentage (13.7%) of all proposals filed by shareholders of Canadian companies in the 2006 to 2008 period are included in this category.

As examples, shareholders have asked for disclosure about all ongoing and recently settled lawsuits, more detailed minutes of annual general meetings, and the inclusion of a company's subsidiaries in its annual financial reports.

2006			2007			2008		
8 proposals			14 proposals			10 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
ETHICAL FUNDS	100.0	0.36	ETHICAL FUNDS	53.9	0.38	ETHICAL FUNDS	100.0	0.37
INHANCE	33.3	0.02	INHANCE	50.0	0.02	INHANCE	100.0	0.02
PHN	13.2	3.21	MERITAS	50.0	0.03	MERITAS	100.0	0.03
ACUITY	0.0	0.69	INVESTORS	38.2	10.28	ACUITY	50.0	0.61
AGF	0.0	4.62	PHN	5.3	3.37	DESJARDINS	50.0	1.92
AIC	0.0	1.57	CI	5.0	9.17	INVESTORS	40.0	10.07
BMO	0.0	5.18	ACUITY	0.0	0.65	CIBC	29.4	8.7
CI	0.0	10.64	AGF	0.0	5.11	PHN	27.0	3.29
CIBC	0.0	8.81	AIC	0.0	1.36	TD	5.6	9.82
DESJARDINS	0.0	1.47	BMO	0.0	5.37	AGF	0.0	4.63
FIDELITY	0.0	6.88	CIBC	0.0	8.57	AIC	0.0	0.88
INVESCO TRIMARK	0.0	8.51	DESJARDINS	0.0	1.65	BMO	0.0	5.51
INVESTORS	0.0	10.14	FIDELITY	0.0	7.00	CI	0.0	9.37
MACKENZIE	0.0	8.27	INVESCO TRIMARK	0.0	8.57	FIDELITY	0.0	7.55
MCLEAN BUDDEN	0.0	0.52	MACKENZIE	0.0	8.10	INVESCO TRIMARK	0.0	6.52
MERITAS	0.0	0.02	MCLEAN BUDDEN	0.0	0.55	MACKENZIE	0.0	7.76
RBC	0.0	12.25	RBC	0.0	13.22	MCLEAN BUDDEN	0.0	0.62
SEI	0.0	1.81	SEI	0.0	1.61	RBC	0.0	15.45
TD	0.0	8.87	TD	0.0	9.29	SEI	0.0	1.57
TEMPLETON	0.0	4.50	TEMPLETON	0.0	4.61	TEMPLETON	0.0	4.26
UNITED FINANCIAL	0.0	1.67	UNITED FINANCIAL	0.0	1.10	UNITED FINANCIAL	0.0	1.05

Support shading key:

100%	50-99.9%	20-49.9%	10-19.9%	0.1-9.9%	0%
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Overall, mutual funds provided relatively low support to the wide variety of proposals in this category from 2006 to 2008. The percentage of AUM held by fund families voting against all of the corporate and financial disclosure requests filed by shareholders was 96.4% in 2006, 76.8% in 2007, and 65.2% in 2008. Strong support for the proposals (20% to 50% of votes cast) was provided by fund families accounting for 0.02% of AUM in 2006, 10.3% in 2007, and 22% in 2008.

**Proposal Focus: Disclosure of participation in hedge funds**

Nearly half of the proposals in this category requested that companies provide additional disclosure of participation in hedge funds (2007) and in hedge funds and high-risk mortgages (2008).

Fund Family	2007	2008
INHANCE	FOR	FOR
INVESTORS	FOR	FOR
MERITAS	FOR	FOR
CIBC	FOR	AGAINST
ETHICAL FUNDS	AGAINST	FOR
ACUITY	AGAINST	AGAINST
AGF	AGAINST	AGAINST
AIC	AGAINST	AGAINST
BMO	AGAINST	AGAINST
CI	AGAINST	AGAINST
DESJARDINS	AGAINST	AGAINST
FIDELITY	AGAINST	AGAINST
INVESCO TRIMARK	AGAINST	AGAINST
MACKENZIE	AGAINST	AGAINST
MCLEAN BUDDEN	AGAINST	AGAINST
PHN	AGAINST	AGAINST
RBC	AGAINST	AGAINST
SEI	AGAINST	AGAINST
TD	AGAINST	AGAINST
TEMPLETON	AGAINST	AGAINST
UNITED FINANCIAL	AGAINST	AGAINST
	<b>17 of 21 AGAINST</b>	<b>17 of 21 AGAINST</b>
AUM-Weighted Vote	<b>81.1% AGAINST</b>	<b>89.5% AGAINST</b>
NOTE: Where funds within a family voted some proxies FOR and others AGAINST a proposal, the vote most frequently cast is indicated		

Shading key:

FOR	FOR/AGAINST	AGAINST
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Within fund families, voting on these nearly identical proposals changed little between 2007 and 2008. The chart above indicates that while CIBC voted all proxies for the requested disclosure in 2007, it voted most proxies against it in 2008. Ethical Funds’ position changed too, from “against” in 2007 to “for” in 2008. Largely as a result of these changes, total mutual fund voting power in opposition to these proposals rose in 2008 to 89.5%, an increase of 8.4% from its relatively low level of 81.1% in 2007.

We note that shareholder support for the proposals, averaged across all companies, was virtually unchanged in the two years the proposals were voted, remaining steady at 12.5%.

## Financial/corporate policy

Proposals in this category tend to not attract significant support from mutual funds or shareholders generally. This is probably because policy is generally thought to be a matter within the purview of management, not shareholders. Of all of the categories of shareholder proposals in this report, this is the largest, including 17.8% of proposals filed and voted from 2006 to 2008.

Proposals in this category typically ask for specific action from the companies where they are filed. In one proposal filed with ten companies, Mouvement d'éducation et de défense des actionnaires (MEDAC) asked that only investors who hold shares for one year or more be entitled to vote. In a related proposal the same filer asked companies to pay larger dividends to shareholders after one year. These proposals were attempts to find a way to encourage long-term investments in companies. Another shareholder filed a proposal asking that National Bank of Canada periodically offer to repurchase odd-lot holdings of the bank's shares, pointing out that disproportionately high administrative costs are associated with small shareholdings.

2006			2007			2008		
4 proposals			5 proposals			34 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support	AUM %
MCLEAN BUDDEN	100.0	0.52	INHANCE	100.0	0.02	ETHICAL FUNDS	52.6	0.37
MACKENZIE	60.0	8.27	ETHICAL FUNDS	20.0	0.38	INHANCE	21.1	0.02
INVESCO TRIMARK	33.3	8.51	MERITAS	20.0	0.03	MERITAS	19.5	0.03
ACUITY	0.0	0.69	ACUITY	0.0	0.65	INVESTORS	18.8	10.07
AGF	0.0	4.62	AGF	0.0	5.11	MACKENZIE	6.3	7.76
CIBC	0.0	8.81	AIC	0.0	1.36	ACUITY	5.5	0.61
DESJARDINS	0.0	1.47	BMO	0.0	5.37	INVESCO TRIMARK	3.4	6.52
ETHICAL FUNDS	0.0	0.36	CI	0.0	9.17	DESJARDINS	3.3	1.92
FIDELITY	0.0	6.88	CIBC	0.0	8.57	AGF	1.8	4.63
INHANCE	0.0	0.02	DESJARDINS	0.0	1.65	CIBC	1.7	8.7
INVESTORS	0.0	10.14	FIDELITY	0.0	7.00	TD	1.5	9.82
MERITAS	0.0	0.02	INVESCO TRIMARK	0.0	8.57	PHN	0.7	3.29
PHN	0.0	3.21	INVESTORS	0.0	10.28	AIC	0.0	0.88
RBC	0.0	12.25	MACKENZIE	0.0	8.10	BMO	0.0	5.51
TD	0.0	8.87	MCLEAN BUDDEN	0.0	0.55	CI	0.0	9.37
TEMPLETON	0.0	4.50	PHN	0.0	3.37	FIDELITY	0.0	7.55
UNITED FINANCIAL	0.0	1.67	RBC	0.0	13.22	MCLEAN BUDDEN	0.0	0.62
AIC	<i>not held</i>	1.57	SEI	0.0	1.61	RBC	0.0	15.45
BMO	<i>not held</i>	5.18	TD	0.0	9.29	SEI	0.0	1.57
CI	<i>not held</i>	10.64	TEMPLETON	0.0	4.61	TEMPLETON	0.0	4.26
SEI	<i>not held</i>	1.81	UNITED FINANCIAL	0.0	1.10	UNITED FINANCIAL	0.0	1.05

Support shading key:

100%	50-99.9%	20-49.9%	0.1-19.9%	0%
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In 2006 and 2007 proposals in this category were very unpopular with Canadian mutual funds. As weighted by AUM, 63.5% of fund voting power supported none of the 2006 proposals, and a full 99.58% rejected all of those they voted in 2007. In those same years support for the proposals, where it came, was relatively enthusiastic. We find no fund families in the 1% to 20% support range in either year, but do find some (17.8% in 2006 and 0.43% in 2007) voting for between 20% and 100% of the proposals they voted.

In 2008 the distribution of voting power was more even: 46.3% supported none of the proposals, while the majority, 53.4%, supported between 1% and 10% of those they voted. As in most categories, strong support continued to be difficult to come by, with just 0.4% of fund family AUM supporting 20% to 100% of the proposals.

### **General governance standards**

The proposals in this category either raise issues that are unusual subjects for shareholder filings or draw attention to an issuer's approach to corporate governance very broadly. They include recommendations that companies protect whistle-blowers, review their internal controls with a view to reducing the imposition of disciplinary fines, and "adhere to industry-leading standards of corporate governance."

2006			2007			2008		
5 proposals			2 proposals			2 proposals		
Fund Family	Support %	AUM %	Fund Family	Support	AUM %	Fund Family	Support %	AUM %
CI	21.10	10.64	ETHICAL FUNDS	50.00	0.38	ETHICAL FUNDS	100.00	0.37
ETHICAL FUNDS	16.70	0.36	MACKENZIE	50.00	8.1	MERITAS	100.00	0.03
ACUITY	0.00	0.69	ACUITY	0.00	0.65	AIC	50.00	0.88
AGF	0.00	4.62	AGF	0.00	5.11	CI	50.00	9.37
AIC	0.00	1.57	CI	0.00	9.17	CIBC	50.00	8.7
BMO	0.00	5.18	CIBC	0.00	8.57	FIDELITY	50.00	7.55
CIBC	0.00	8.81	DESJARDINS	0.00	1.65	INVESTORS	50.00	10.07
DESJARDINS	0.00	1.47	FIDELITY	0.00	7	MCLEAN BUDDEN	50.00	0.62
FIDELITY	0.00	6.88	INVESCO TRIMARK	0.00	8.57	PHN	50.00	3.29
INHANCE	0.00	0.02	INVESTORS	0.00	10.28	TD	50.00	9.82
INVESCO TRIMARK	0.00	8.51	MCLEAN BUDDEN	0.00	0.55	TEMPLETON	50.00	4.26
INVESTORS	0.00	10.14	MERITAS	0.00	0.03	UNITED FINANCIAL	50.00	1.05
MACKENZIE	0.00	8.27	PHN	0.00	3.37	RBC	40.00%	15.45
MCLEAN BUDDEN	0.00	0.52	RBC	0.00	13.22	ACUITY	<i>not held</i>	0.61
MERITAS	0.00	0.02	SEI	0.00	1.61	AGF	<i>not held</i>	4.63
PHN	0.00	3.21	TD	0.00	9.29	BMO	<i>not held</i>	5.51
RBC	0.00	12.25	TEMPLETON	0.00	4.61	DESJARDINS	<i>not held</i>	1.92
SEI	0.00	1.81	UNITED FINANCIAL	0.00	1.1	INHANCE	<i>not held</i>	0.02
TD	0.00	8.87	AIC	<i>not held</i>	1.36	INVESCO TRIMARK	<i>not held</i>	6.52
TEMPLETON	0.00	4.5	BMO	<i>not held</i>	5.37	MACKENZIE	<i>not held</i>	7.76
UNITED FINANCIAL	0.00	1.67	INHANCE	<i>not held</i>	0.02	SEI	<i>not held</i>	1.57

Support shading key:

100%	50-99.9%	40-49.9%	0.1-39.9%	0%
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Mutual fund voting reports indicate that the proposals in this category were rejected by the overwhelming majority of fund families in 2006 and 2007. Funds holding 89% of AUM voted against all the proposals in 2006. In 2007 fund families representing more than 90% of total AUM voting on the proposals rejected the ones they voted.

In 2008 management supported one of the two proposals in this category. No fund families included in our data set failed to support this proposal.

### Identify compensation consultants

A 2007 proposal requesting disclosure with respect to compensation consultants to the board was supported by the board of one of the companies where it was filed, National Bank of

Canada. The proposal received a vote of 80.6% in favour at National Bank. At each of the other six companies that received the proposal, the boards recommended a vote against it. The proposal was relatively popular, however, and an average of 8.5% of all shareholders voted for it throughout all companies.

2007		
7 Proposals		
FUND FAMILY	SUPPORT %	AUM %
ETHICAL FUNDS	100.00	0.38
INHANCE	100.00	0.02
MERITAS	100.00	0.03
CIBC	32.40	8.57
DESJARDINS	30.40	1.65
RBC	26.10	13.22
TEMPLETON	23.80	4.61
SEI	20.00	1.61
UNITED FINANCIAL	18.20	1.1
AIC	16.70	1.36
PHN	13.50	3.37
ACUITY	11.10	0.65
CI	5.90	9.17
INVESCO TRIMARK	4.20	8.57
AGF	0.00	5.11
BMO	0.00	5.37
FIDELITY	0.00	7
INVESTORS	0.00	10.28
MACKENZIE	0.00	8.1
MCLEAN BUDDEN	0.00	0.55
TD	0.00	9.29

Support shading key:

100%	20-99.9%	10-19.9%	0.1-9.9%	0%
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Fund families representing 45.7% of total AUM in our data set rejected the proposal. Three fund families in this group, Fidelity, Investors, and TD, voted against the proposal at all companies in their portfolios, including National Bank.

All but one of the fund families that supported this proposal in some but not all cases voted for it on National Bank and/or Power Financial ballots but not at the other companies where it was filed.



## Set limits on executive compensation

Proposals in this category face the same difficulty with many shareholders as proposals looking for changes in corporate or financial policy: the subject matter is thought by many to be a matter for management, not shareholders, to decide.

Executive compensation is a topic of intense interest to shareholders, however. Many and varied have been the attempts to get some control over the upward spiral of executive-suite pay packages. A significant proportion (13.3%) of all shareholder proposals filed and tracked here are included in this category. It is the fourth largest of the 13 categories into which we sorted the proposals.

Shareholders have suggested various mechanisms by which executive pay might be limited. These range from the very specific (such as excluding bonuses and past service credits from supplemental retirement plans or terminating the severance plan) to the very broad (such as shareholder approval for any increases in executive compensation).

2006			2007			2008		
9 proposals			9 proposals			14 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
INHANCE	100	0.02	INHANCE	100	0.02	ETHICAL FUNDS	68.8	0.37
ETHICAL FUNDS	88.9	0.36	MERITAS	100	0.03	INHANCE	10	0.02
CI	17.9	10.64	ETHICAL FUNDS	33.3	0.38	MERITAS	6.3	0.03
TD	11.8	8.87	RBC	24.4	13.22	AGF	5.3	4.63
DESJARDINS	7.1	1.47	SEI	22.2	1.61	CI	4.8	9.37
ACUITY	0	0.69	UNITED FINANCIAL	21.1	1.1	TD	3.7	9.82
AGF	0	4.62	CIBC	18.4	8.57	INVESCO TRIMARK	1.7	6.52
AIC	0	1.57	BMO	18.2	5.37	ACUITY	0	0.61
BMO	0	5.18	ACUITY	17.1	0.65	AIC	0	0.88
CIBC	0	8.81	TEMPLETON	16.7	4.61	BMO	0	5.51
FIDELITY	0	6.88	AGF	16.3	5.11	CIBC	0	8.7
INVESCO TRIMARK	0	8.51	DESJARDINS	9.1	1.65	DESJARDINS	0	1.92
INVESTORS	0	10.14	AIC	0	1.36	FIDELITY	0	7.55
MACKENZIE	0	8.27	CI	0	9.17	INVESTORS	0	10.07
MCLEAN BUDDEN	0	0.52	FIDELITY	0	7	MACKENZIE	0	7.76
MERITAS	0	0.02	INVESCO TRIMARK	0	8.57	MCLEAN BUDDEN	0	0.62
PHN	0	3.21	INVESTORS	0	10.28	PHN	0	3.29
RBC	0	12.25	MACKENZIE	0	8.1	RBC	0	15.45
SEI	0	1.81	MCLEAN BUDDEN	0	0.55	SEI	0	1.57
TEMPLETON	0	4.5	PHN	0	3.37	TEMPLETON	0	4.26
UNITED FINANCIAL	0	1.67	TD	0	9.29	UNITED FINANCIAL	0	1.05

Support shading key:

100%	50-99.9%	20-49.9%	10-19.9%	0.1-9.9%	0%
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AUM-weighted mutual fund support for shareholder proposals to limit executive compensation was very low across the three reporting periods we examined. In 2006 fund families representing 79% of AUM in our data set offered no support for any of the proposals voted. We found far lower levels of rejection for all proposals in 2007 (58%) and 2008 (68%).

The relatively low mutual fund support for these proposals is in keeping with the similarly modest overall support they received from all shareholders. The significant exception is a proposal filed in 2007 at Manulife by Carpenters' Local 27 Pension Trust looking for limits on that company's supplemental executive retirement plan. Shareholders voted 43% in favour of this proposal. This closely mirrors the support the proposal garnered from the mutual funds we examined.

### **Structural aspects of executive compensation**

Proposals in this category stop short of asking companies to cut executive compensation or provide binding votes on it. Instead, shareholders advocate various practices that they believe will result in board action to more effectively link top compensation and corporate performance. Some of the proposals advocate very specific changes, such as restricting stock option exercise until the end of an executive's tenure at the company, while others simply suggest that a company establish performance criteria for executive compensation. The advisory vote on executive compensation, or "say on pay," is included in this proposal category.

2006			2007			2008		
3 proposals			12 proposals			18 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
ETHICAL FUNDS	50	0.36	ETHICAL FUNDS	90	0.38	ETHICAL FUNDS	100	0.37
INVESTORS	16.7	10.14	MACKENZIE	25	8.1	INHANCE	58.3	0.02
CI	12.5	10.64	MERITAS	22.2	0.03	MERITAS	47.4	0.03
DESJARDINS	12.5	1.47	SEI	10	1.61	AGF	32.8	4.63
ACUITY	0	0.69	RBC	7.7	13.22	INVESTORS	32.8	10.07
AGF	0	4.62	DESJARDINS	5.6	1.65	ACUITY	32.1	0.61
AIC	0	1.57	UNITED FINANCIAL	5	1.1	PHN	29.8	3.29
BMO	0	5.18	INVESTORS	2.6	10.28	SEI	29.4	1.57
CIBC	0	8.81	ACUITY	0	0.65	DESJARDINS	27.5	1.92
FIDELITY	0	6.88	AGF	0	5.11	BMO	25.8	5.51
INHANCE	0	0.02	AIC	0	1.36	CIBC	19.4	8.7
INVESCO TRIMARK	0	8.51	BMO	0	5.37	TEMPLETON	16.1	4.26
MACKENZIE	0	8.27	CI	0	9.17	INVESCO TRIMARK	15.2	6.52
MCLEAN BUDDEN	0	0.52	CIBC	0	8.57	RBC	1.8	15.45
MERITAS	0	0.02	FIDELITY	0	7	AIC	0	0.88
PHN	0	3.21	INHANCE	0	0.02	CI	0	9.37
RBC	0	12.25	INVESCO TRIMARK	0	8.57	FIDELITY	0	7.55
SEI	0	1.81	MCLEAN BUDDEN	0	0.55	MACKENZIE	0	7.76
TD	0	8.87	PHN	0	3.37	MCLEAN BUDDEN	0	0.62
TEMPLETON	0	4.5	TD	0	9.29	TD	0	9.82
UNITED FINANCIAL	0	1.67	TEMPLETON	0	4.61	UNITED FINANCIAL	0	1.05

Support shading key:

100%	50-99.9%	20-49.9%	10-19.9%	0.1-9.9%	0%
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Proposals in this category attracted some support for seeking structural changes to the workings of executive compensation.

In 2006 and 2007 funds with considerable voting power rejected all of the proposals they voted (77.4% in 2006 and 64.6% in 2007), and no fund families supported all proposals voted. In 2008 we see a significant increase in support for the proposals in this category. Fund families representing almost half (47.1%) of total AUM reported supporting the proposals in this category on more than 20% of ballots voted while funds rejecting all of the proposals fell to 37% of AUM.

As in other categories, 100% support was rare. No fund families reported supporting all of the proposals they voted in 2006 or 2007, and Ethical Funds, representing 0.37% of total fund AUM, was the only fund family that invariably voted for the proposals in 2008.

**Proposal Focus: Binding vote on executive pay and advisory vote on executive pay**

Here we examine mutual fund family voting decisions on two 2008 executive compensation proposals. Both ask asked that companies provide shareholders with an annual vote on compensation. One proposed that the vote be binding upon companies. The other, deemed a “say on pay,” proposed that the shareholder vote be advisory to corporate boards.

Fund Family	2008: Binding Pay Vote	2008: Non-Binding Pay Vote
ETHICAL FUNDS	FOR	FOR
ACUITY	AGAINST	FOR
AGF	AGAINST	FOR
BMO	AGAINST	FOR
CIBC	AGAINST	FOR
DESJARDINS	AGAINST	FOR
INHANCE	AGAINST	FOR
INVESTORS	AGAINST	FOR
MERITAS	AGAINST	FOR
PHN	AGAINST	FOR
SEI	AGAINST	FOR
TD	AGAINST	FOR
TEMPLETON	AGAINST	FOR
AIC	AGAINST	AGAINST
CI	AGAINST	AGAINST
FIDELITY	AGAINST	AGAINST
INVESCO TRIMARK	AGAINST	AGAINST
MACKENZIE	AGAINST	AGAINST
MCLEAN BUDDEN	AGAINST	AGAINST
RBC	AGAINST	AGAINST
UNITED FINANCIAL	AGAINST	AGAINST
	<b>20 of 21 AGAINST</b>	<b>8 of 21 AGAINST</b>
AUM-Weighted Vote	<b>99.63% AGAINST</b>	<b>49.2% AGAINST</b>
NOTE: Where funds within a family voted some proxies FOR and others AGAINST a proposal, the vote most frequently cast is indicated		

Shading key:

FOR	FOR/AGAINST	AGAINST
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The AUM-weighted voting record of mutual fund families we surveyed showed that while fund voting power equal to 99.63% opposed a binding pay vote, a bare majority, 50.8%, supported the proposals to give all shareholders an advisory vote.

The vote outcomes reported by companies where these proposals were voted mirror the mutual fund voting decisions. The average of shareholder votes at all companies where a binding vote

was on the ballot was 96.2% against, while a proposed advisory vote was rejected, on average, by 59.5% of shareholders across the five companies where the proposal was voted.

### Shareholder meeting governance

This category contains very specific suggestions for changes to either the scheduling or the proceedings of shareholder meetings. These include a 2006 proposal to hold annual meetings in a different Canadian city each year (filed at National Bank of Canada) and a 2007 proposal to hold the meeting on a fixed day and month of each year (on the ballot at MTS Allstream). One filer suggested that a shareholder who is otherwise unaffiliated with the company be selected to chair the annual meeting. In another proposal the same filer suggested that the secretary of the meeting be selected in the same way.

2006			2007			2008		
1 proposal			2 proposals			3 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
INHANCE	100	0.02	MERITAS	50	0.03	ETHICAL FUNDS	100	0.37
CIBC	0	8.81	ACUITY	0	0.65	MERITAS	33.3	0.03
FIDELITY	0	6.88	AIC	0	1.36	AIC	0	0.88
INVESCO TRIMARK	0	8.51	CIBC	0	8.57	CI	0	9.37
INVESTORS	0	10.14	DESJARDINS	0	1.65	CIBC	0	8.7
MERITAS	0	0.02	ETHICAL FUNDS	0	0.38	FIDELITY	0	7.55
RBC	0	12.25	FIDELITY	0	7	INVESTORS	0	10.07
TD	0	8.87	INVESCO TRIMARK	0	8.57	MCLEAN BUDDEN	0	0.62
ACUITY	<i>not held</i>	0.69	INVESTORS	0	10.28	PHN	0	3.29
AGF	<i>not held</i>	4.62	MCLEAN BUDDEN	0	0.55	RBC	0	15.45
AIC	<i>not held</i>	1.57	RBC	0	13.22	TD	0	9.82
BMO	<i>not held</i>	5.18	SEI	0	1.61	TEMPLETON	0	4.26
CI	<i>not held</i>	10.64	TD	0	9.29	UNITED FINANCIAL	0	1.05
DESJARDINS	<i>not voted</i>	1.47	TEMPLETON	0	4.61	ACUITY	<i>not held</i>	0.61
ETHICAL FUNDS	<i>not held</i>	0.36	AGF	<i>not held</i>	5.11	AGF	<i>not held</i>	4.63
MACKENZIE	<i>not held</i>	8.27	BMO	<i>not held</i>	5.37	BMO	<i>not held</i>	5.51
MCLEAN BUDDEN	<i>not held</i>	0.52	CI	<i>not held</i>	9.17	DESJARDINS	<i>not held</i>	1.92
PHN	<i>not held</i>	3.21	INHANCE	<i>not held</i>	0.02	INHANCE	<i>not held</i>	0.02
SEI	<i>not held</i>	1.81	MACKENZIE	<i>not held</i>	8.1	INVESCO TRIMARK	<i>not held</i>	6.52
TEMPLETON	<i>not held</i>	4.5	PHN	<i>not held</i>	3.37	MACKENZIE	<i>not held</i>	7.76
UNITED FINANCIAL	<i>not held</i>	1.67	UNITED FINANCIAL	<i>not held</i>	1.1	SEI	<i>not held</i>	1.57

Support shading key:

100%	50-99.9%	0.1-49.9%	0%
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The proposals were rejected by fund families exercising total voting power of 99.9% (2006 and 2007) and 99.4% (2008) of AUM of the fund families that voted on the proposals. The proposals were also very unpopular with shareholders, averaging just 1.1% of votes for.

## Compensation “hybrid” proposals

Some shareholders with an interest in the environmental, social, and ethical behaviour of corporations have sought changes in executive compensation policy and practices that are intended to focus more managerial attention on these matters. Each of the two proposals in 2007 asked a single company to better explain particular linkages of pay to performance: safety at Canadian National Railway (CNR) and sustainability at TD Bank. The two 2008 proposals were each filed with several companies. One advocated that the “largest part” of senior executive compensation be directed to charity each year, and the other asked that the companies where it was filed disclose the ratio of the highest compensation awarded by the company to the average earnings at the company.

2007			2008		
2 proposals			14 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
ACUITY	100.0	0.65	ETHICAL FUNDS	100.0	0.37
CIBC	100.0	8.57	INHANCE	100.0	0.02
ETHICAL FUNDS	100.0	0.38	MERITAS	100.0	0.03
INHANCE	100.0	0.02	ACUITY	81.1	0.61
MERITAS	100.0	0.03	CIBC	62.9	8.7
INVESTORS	40.0	10.28	INVESTORS	22.7	10.07
MACKENZIE	20.0	8.10	DESJARDINS	11.1	1.92
RBC	18.2	13.22	PHN	8.1	3.29
TEMPLETON	12.5	4.61	AGF	4.0	4.63
DESJARDINS	11.1	1.65	TD	2.4	9.82
PHN	5.3	3.37	AIC	0.0	0.88
AGF	0.0	5.11	BMO	0.0	5.51
AIC	0.0	1.36	CI	0.0	9.37
BMO	0.0	5.37	FIDELITY	0.0	7.55
CI	0.0	9.17	INVESCO TRIMARK	0.0	6.52
FIDELITY	0.0	7.00	MACKENZIE	0.0	7.76
INVESCO TRIMARK	0.0	8.57	MCLEAN BUDDEN	0.0	0.62
MCLEAN BUDDEN	0.0	0.55	RBC	0.0	15.45
SEI	0.0	1.61	SEI	0.0	1.57
TD	0.0	9.29	TEMPLETON	0.0	4.26
UNITED FINANCIAL	0.0	1.10	UNITED FINANCIAL	0.0	1.05

Support shading key:

100%	50-99.9%	10-49.9%	0.1-9.9%	0%
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The two 2007 proposals in this category fared reasonably well with Canadian mutual funds. Funds that rejected the proposals represented less than half of total voting power (49.1%). AUM-weighted fund support, where it came, was strong: fund companies managing more than 10% of assets in funds we surveyed voted in favour of the proposals with 20% to 50% of their

votes, and another 10% of voting power supported all of the proposals on all of the ballots they voted. Overall, the 2007 proposals garnered 18.7% support from the funds in our survey.

By contrast, mutual fund support for the 2008 proposals was not as enthusiastic. A solid majority (60.5%) rejected all of the proposals they voted, and just three fund families supported them all: Ethical Funds, Inhance, and Meritas.

***Proposal Focus: Report on how sustainability criteria are included in executive compensation performance***

This proposal, filed by Bâtirente, was voted on in 2007 by shareholders of TD Bank. It asked the bank to report on “the way the performance assessment process used to determine the remuneration packages granted to senior executives integrates sustainability criteria.”

<b>Fund Family</b>	<b>TD 2007</b>
ACUITY	FOR
CIBC	FOR
ETHICAL FUNDS	FOR
INHANCE	FOR
INVESTORS	FOR
MERITAS	FOR
AGF	AGAINST
AIC	AGAINST
BMO	AGAINST
CI	AGAINST
DESJARDINS	AGAINST
FIDELITY	AGAINST
INVESCO TRIMARK	AGAINST
MACKENZIE	AGAINST
MCLEAN BUDDEN	AGAINST
PHN	AGAINST
RBC	AGAINST
SEI	AGAINST
TD	ABSTAIN
TEMPLETON	AGAINST
UNITED FINANCIAL	AGAINST
<b>14 of 21 AGAINST</b>	
<b>AUM-Weighted Vote</b>	<b>80% AGAINST</b>
NOTE: Where funds within a family voted some proxies FOR and others AGAINST a proposal, the vote most frequently cast is indicated	

Shading key: 

FOR	AGAINST
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While this proposal was rejected by most fund families, two of Canada’s largest—CIBC and Investors—supported it. As a result the proposal was rejected by funds representing 80% of the AUM of all funds in our data set. The overall shareholder vote on the proposal was also very strong, at 12.8%.

## **Corporate Social Responsibility Proposals**

Each year in Canada, shareholders vote on proposals that articulate their filers’ concerns about the social, environmental, and ethical conduct of public companies. The number of such proposals is small relative to governance proposals, largely because the proposals are very specific to the practices of the single issuer where they are filed. Many governance proposals, by contrast, advocate a more general action and are filed with a number of companies.

### **Human rights/indigenous rights**

Shareholders filing resolutions included in this category are motivated by concerns that companies doing business in countries with a record of systemic human rights violations can jeopardize their reputation. Recommended preventive or remedial action most often involves reporting on the company’s current practices or seeking knowledgeable and independent advisers.



2006			2008		
4 proposals			2 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
ACUITY	100	0.69	ACUITY	100	0.61
BMO	100	5.18	CIBC	100	8.7
CIBC	100	8.81	ETHICAL FUNDS	100	0.37
ETHICAL FUNDS	100	0.36	MERITAS	100	0.03
MERITAS	100	0.02	DESJARDINS	75	1.92
RBC	100	12.25	SEI	50	1.57
SEI	100	1.81	TD	50	9.82
TEMPLETON	100	4.5	TEMPLETON	25	4.26
DESJARDINS	66.7	1.47	AGF	14.3	4.63
CI	40	10.64	INVESCO TRIMARK	12.5	6.52
INVESCO TRIMARK	20	8.51	PHN	12.5	3.29
PHN	13.3	3.21	RBC	6.7	15.45
AGF	0	4.62	BMO	0	5.51
FIDELITY	0	6.88	CI	0	9.37
INVESTORS	0	10.14	FIDELITY	0	7.55
MACKENZIE	0	8.27	INVESTORS	0	10.07
MCLEAN BUDDEN	0	0.52	MCLEAN BUDDEN	0	0.62
TD	0	8.87	UNITED FINANCIAL	0	1.05
UNITED FINANCIAL	0	1.67	AIC	<i>not held</i>	0.88
AIC	<i>not held</i>	1.57	INHANCE	<i>not held</i>	0.02
INHANCE	<i>not held</i>	0.02	MACKENZIE	<i>not held</i>	7.76

Support shading key:

100%	50-99.9%	40-49.9%	10-39.9%	0.1-9.9%	0%
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Mutual fund support for these proposals was relatively strong. In both 2006 and 2008, the years in which proposals in this category were filed and voted, funds representing approximately 60% of voting power cast ballots in favour of at least one of the proposals. Fund families that voted for each proposal on their ballots in this category represent a significant percentage of fund AUM: 34% in 2006 and 10% in 2008.

***Proposal Focus: Human rights proposals in 2006 at Nortel Networks and 2008 at Barrick Gold***

In 2006 a proposal on the ballot at Nortel Networks noted that the company was supplying a digital wireless communications network for China’s Qinghai–Tibet Railway and was therefore involved in meeting the security needs of the Chinese government, a regime that was guilty of ongoing and well-documented human rights abuses. Accordingly, the proposal asked that the company “prepare a report to shareholders... (1) describing Nortel’s policies and management

practices to promote and protect human rights in China and Tibet” and “(2)... cooperate with independent human rights assessments.”

Fund Family	Nortel Networks 2006	Barrick Gold 2008
ACUITY	FOR	FOR
CIBC	FOR	FOR
ETHICAL FUNDS	FOR	FOR
MERITAS	FOR	FOR
BMO	FOR	AGAINST
CI	FOR	AGAINST
DESJARDINS	FOR	AGAINST
INVESCO TRIMARK	not held	AGAINST
MACKENZIE	AGAINST	not held
PHN	AGAINST	not held
RBC	FOR	AGAINST
SEI	FOR	AGAINST
AGF	did not vote	AGAINST
FIDELITY	AGAINST	AGAINST
INVESTORS	AGAINST	AGAINST
MCLEAN BUDDEN	AGAINST	AGAINST
TD	AGAINST	AGAINST
TEMPLETON	not held	AGAINST
UNITED FINANCIAL	not held	AGAINST
AIC	<i>not held</i>	<i>not held</i>
INHANCE	<i>not held</i>	<i>not held</i>
	<b>6 of 15 AGAINST</b>	<b>13 of 17 AGAINST</b>
<b>AUM-Weighted Vote (only fund families that voted)</b>	<b>48.3% AGAINST</b>	<b>89% AGAINST</b>
NOTE: Where funds within a family voted some proxies FOR and others AGAINST a proposal, the vote most frequently cast is indicated		

Shading key:

FOR	FOR/AGAINST	AGAINST/no vote
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The 2008 proposal at Barrick Gold asked that the company hire an independent, expert panel to oversee and report on one of the company's proposed mining sites in order to ensure that appropriate protections were in place for the treatment of nearby populations and their environment.

The Nortel proposal is one of the few where we found a majority of mutual fund voting power in support. The Barrick proposal did not fare as well, garnering just 11% of AUM-weighted fund family support.

Mutual fund support for these proposals mirrored the overall shareholder votes, but was weaker: 32% of shareholders supported the Nortel proposal, and 6.9% voted for the Barrick Gold proposal.

### **Sustainability issues**

There are just four proposals in this category. Each set out a shareholder's concern with a corporate environmental practice, from carbon emissions to genetically modified organisms. The proposals each sought greater disclosure on these issues as a method of drawing both executive and shareholder attention to them.

2006			2007			2008		
1 proposal			1 proposal			2 proposals		
Fund Family	Support %	AUM %	Fund Family	Support %	AUM %	Fund Family	Support %	AUM %
ETHICAL FUNDS	100.0	0.37	CIBC	100.0	8.57	ACUITY	100.0	0.61
INHANCE	100.0	0.02	ETHICAL FUNDS	100.0	0.38	CIBC	100.0	8.7
MERITAS	100.0	0.03	MERITAS	100.0	0.03	INHANCE	100.0	0.02
AGF	25.0	4.63	RBC	100.0	13.22	MERITAS	100.0	0.03
PHN	16.7	3.29	SEI	100.0	1.61	PHN	14.3	3.29
AIC	0.0	0.88	TEMPLETON	100.0	4.61	AGF	0.0	4.63
CI	0.0	9.37	AGF	50.0	5.11	BMO	0.0	5.51
CIBC	0.0	8.7	AIC	0.0	1.36	CI	0.0	9.37
INVESCO TRIMARK	0.0	6.52	CI	0.0	9.17	DESJARDINS	0.0	1.92
INVESTORS	0.0	10.07	INVESCO TRIMARK	0.0	8.57	ETHICAL FUNDS	0.0	0.37
MACKENZIE	0.0	7.76	INVESTORS	0.0	10.28	FIDELITY	0.0	7.55
MCLEAN BUDDEN	0.0	0.62	MACKENZIE	0.0	8.10	INVESCO TRIMARK	0.0	6.52
RBC	0.0	15.45	MCLEAN BUDDEN	0.0	0.55	INVESTORS	0.0	10.07
TD	0.0	9.82	PHN	0.0	3.37	MACKENZIE	0.0	7.76
TEMPLETON	0.0	4.26	TD	0.0	9.29	MCLEAN BUDDEN	0.0	0.62
UNITED FINANCIAL	0.0	1.05	UNITED FINANCIAL	0.0	1.10	RBC	0.0	15.45
ACUITY	not held	0.61	ACUITY	not held	0.65	SEI	0.0	1.57
BMO	not held	5.51	BMO	not held	5.37	TD	0.0	9.82
DESJARDINS	not held	1.92	DESJARDINS	not held	1.65	TEMPLETON	0.0	4.26
FIDELITY	not held	7.55	FIDELITY	not held	7.00	UNITED FINANCIAL	0.0	1.05
SEI	not held	1.57	INHANCE	not held	0.02	AIC	not held	0.88

Support shading key:

100%	50-99.9%	20-49.9%	0.1-19.9%	0%
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Fund families representing a majority of AUM of funds that voted on these proposals rejected them: 90% in 2006, 60.7% in 2007, and 87.2% in 2008. Funds showed considerable support for the single proposal in this category that they voted in 2007, however. Fund families with voting power of 28.4% of those that voted it supported it.

***Proposal Focus: Sustainability reporting at Loblaw Companies***

The 2007 proposal noted above was filed with Loblaw Companies. The proposal asked for a corporate responsibility report. The requested report was to be guided by the *Sustainability Reporting Guidelines* established by the Global Reporting Initiative. As noted in the proposal, “The Sustainability Guidelines provide companies with (1) a set of reporting principles essential to producing a balanced and reasonable report and (2) guidance for report content, including the company’s strategy, governance structure and management systems, and performance

against core indicators in six categories (direct economic impacts, environmental, labour practices and decent work conditions, human rights, society, and product responsibility).”

<b>Fund Family</b>	<b>Loblaw 2007</b>
CIBC	FOR
ETHICAL FUNDS	FOR
MERITAS	FOR
RBC	FOR
SEI	FOR
TEMPLETON	FOR
AGF	AGAINST
AIC	AGAINST
CI	AGAINST
INVESCO TRIMARK	AGAINST
INVESTORS	AGAINST
MACKENZIE	AGAINST
MCLEAN BUDDEN	AGAINST
PHN	AGAINST
TD	AGAINST
UNITED FINANCIAL	AGAINST
ACUITY	not held
BMO	not held
DESJARDINS	not held
FIDELITY	not held
INHANCE	not held
<b>10 of 16 AGAINST</b>	
<b>AUM-Weighted Vote (only fund families that voted)</b>	<b>67.4% AGAINST</b>
NOTE: Where funds within a family voted some proxies FOR and others AGAINST a proposal, the vote most frequently cast is indicated	

Shading key:

FOR	AGAINST
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Fund families that rejected this proposal included seven of the ten largest. There were families representing 32.6% of voting power that supported it. The shareholder vote for this proposal was 5.85%.

### **Workplace health and safety**

Only one proposal filed from 2006 to 2008 involved workplace health and safety. The proposal was filed at Canadian National Railway and asked the company to produce an evaluation of certain operations that were plagued by derailments and spills.

2007		
1 proposal		
Fund Family	Support %	AUM %
ETHICAL FUNDS	100.0	0.38
INHANCE	100.0	0.02
MERITAS	100.0	0.03
MACKENZIE	66.7	8.10
ACUITY	0.0	0.65
AGF	0.0	5.11
BMO	0.0	5.37
CI	0.0	9.17
CIBC	0.0	8.57
DESJARDINS	0.0	1.65
FIDELITY	0.0	7.00
INVESCO TRIMARK	0.0	8.57
INVESTORS	0.0	10.28
MCLEAN BUDDEN	0.0	0.55
PHN	0.0	3.37
RBC	0.0	13.22
SEI	0.0	1.61
TD	0.0	9.29
TEMPLETON	0.0	4.61
AIC	not held	1.36
UNITED FINANCIAL	not held	1.10

Support shading key: 

100%	50-99.9%	0%
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Fund families representing approximately 89% of voting power among the funds in our data set rejected this proposal. There was some support for it from funds in the Mackenzie family, which accounts for 8.1% of voting power. Fund families that voted for the proposal at each opportunity to do so represent well under 1% of the AUM of the fund families we surveyed.

The company reported that this proposal garnered the support of 4.4% of shareholders.

Among the governance-related shareholder proposals filed, we found strongest mutual fund support (or, more accurately, the lowest rejection levels) in voting on proposals related to executive compensation. Specifically, 2008 proposals asking for changes to structural aspects of how compensation decisions are made and 2007 “compensation hybrid” proposals and requests for enhanced disclosure of compensation consultants retained by corporate boards fared well. One other governance proposal also found relative favour with the funds we examined: 2006 and 2008 proposals regarding director election mechanics.

These observations indicate that the requests put forward in shareholder proposals on executive compensation and the conduct of director elections are the ones the voting decision-makers within Canadian mutual fund companies most frequently found attractive.

Another notable finding is that funds we examined showed significant support for shareholder proposals directing corporate attention to the impacts of their operations on human rights. When such proposals appeared on the proxy ballots of Canadian companies (2006 and 2008), the majority of the voting power of the 21 fund families in our data set was somewhat or entirely supportive of proposals filed.

### Fund Families That Support Few Shareholder Proposals

Average support for shareholder proposals among the 21 families included in this report varied widely, as illustrated in the chart below.

Average Support for Shareholder Proposals 2006 to 2008	
Fund Family	Support %
ETHICAL FUNDS	73.7
INHANCE	55.6
MERITAS	40.0
ACUITY	17.3
CIBC	17.2
DESJARDINS	11.6
MACKENZIE	10.6
SEI	10.1
PHN	8.7
INVESTORS	8.6
RBC	6.5
CI	5.6
TEMPLETON	5.4
BMO	5.0
AGF	4.3
INVESCO TRIMARK	4.2
TD	3.1
UNITED FINANCIAL	2.4
MCLEAN BUDDEN	1.1
AIC	0.9
FIDELITY	0.4

Support shading key:

50-100%	20-49.9%	10-19.9%	5-9.9%	0.1-4.9%
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It is interesting to look at which proposals fund families that supported fewer than 2% of the shareholder proposals voted did find worthy of a supportive vote.

Of all of the fund families we examined, Fidelity supported the smallest percentage of shareholder proposals. Fidelity is also one of the largest fund families in our data set as measured by AUM. Fidelity supported fewer than 2% of all shareholder proposals voted in 2006, 2007, and 2008.

Five Fidelity funds supported a proposal at National Bank of Canada that the bank's management also supported. The only other proposal Fidelity supported was filed by Carpenters' Local 27 Pension Fund at Power Financial Corporation in 2008. The proposal asked that the company's board adopt a majority voting policy, and it was voted by one Fidelity fund.

Two AIC Funds in our data set supported the management-backed proposal filed at National Bank. The same two funds also supported a 2007 proposal at National Bank asking for disclosure with respect to the compensation consultants to the bank's board.

Finally, four Mclean Budden funds also supported National Bank's board in voting for the 2008 proposal regarding a commitment to corporate governance standards. The only other shareholder proposal that Mclean Budden supported was a 2006 request that BCE Inc. convert from a corporation to an income trust. This proposal was voted by two funds.

### **Voting on Shareholder Proposals by SRI Funds within Non-SRI Fund Families**

In Canada and elsewhere some mutual funds are marketed as socially responsible investments (SRIs). SRI mutual funds are sold as investments that earn returns through attentiveness to the financial, social, and environmental performance of portfolio holdings. The specific investment approaches of SRI funds will vary, but invariably SRI funds incorporate some screening technique as part of portfolio management. SRI equity funds determine which companies meet (positive screening) or do not meet (negative screening) their investment criteria and purchase, retain, and divest accordingly.

All mutual fund managers have a fiduciary duty to vote proxies in the best interests of the unitholders of the funds. Voting rights are as valuable for SRI mutual funds as they are for non-SRI funds, but we were interested in discovering whether voting decisions of non-SRI funds differed from votes cast by SRI funds within the same fund family.

We noted that the voting records of SRI funds within SRI fund families were completely consistent: all funds voting on a given ballot item voted the same way. We examined the voting records of all funds in fund families that market at least one SRI fund to find out whether votes cast on shareholder proposals by the SRI funds differed from those cast by the other funds in each family. We found a very wide variety of voting patterns, each of which is set out below.



## Phillips Hager & North – Community Values Canadian Equity Fund

Phillips Hager & North (PHN) offers four Community Values funds. These funds “use the same investment process as PH&N’s core funds but also formally integrate environmental, social and governance factors.” PH&N also notes that “The Community Values Funds have their own set of proxy voting guidelines, which are aligned with the Funds’ principles.”<sup>5</sup>

Our data set includes proxy votes cast by the Community Values Canadian Equity Fund. We found that this fund’s voting record did indeed diverge from the record of the other eight PHN Funds in our data set.

In each of 2006, 2007, and 2008, PHN’s Community Values Canadian Equity Fund (CV Fund) and other PHN funds in our data set each voted on a wide variety of shareholder proposals. We found that in several cases the CV Fund voted differently than the other funds.

The CV Fund supported shareholder proposals on both corporate governance and corporate social responsibility (CSR) issues that were rejected by the other PHN funds. Differential votes were cast with respect to 3 of 7 different proposals in 2006, 3 of 15 in 2007, and 6 of 31 in 2008. The details of these votes are set out in the following table.

Year	Proposal	CV Fund Vote	Other PHN Funds Vote
2006	Report on policy re: human rights in China (Nortel, Power Corp.)	FOR	AGAINST
2006	Include subsidiaries in tax havens in annual reports (Canadian banks)	FOR	AGAINST
2006	Report on use and labelling of genetically modified ingredients (Loblaw)	FOR	AGAINST
2007	Increase number of women directors (Canadian banks)	FOR	AGAINST
2007	Include sustainability performance in executive compensation criteria (TD Bank)	FOR	AGAINST
2007	Include subsidiaries in annual financial reports (Canadian banks)	FOR	AGAINST
2008	Disclose ratio of highest compensation to average compensation (Canadian banks)	FOR	AGAINST
2008	Incorporate the cost of carbon emissions into business strategy (EnCana)	FOR	AGAINST
2008	Report on decommissioning Algonquin Park line (CNR)	FOR	AGAINST
2008	Achieve gender parity on the board of directors (Canadian banks, Power Corp., Manulife)	FOR	AGAINST
2008	Disclose participation in hedge funds and high-risk mortgages (Canadian banks, Power Corp.)	FOR	AGAINST
2008	Report on Implications of investment in Burma (Power Corp.)	FOR	AGAINST

<sup>5</sup> Phillips Hager & North, “Socially Responsible Investing,” April 17, 2008, available at [https://www.phn.com/portals/0/pdfs/FinancialAdvisors/FormsandDocuments/PHN\\_Community\\_Values\\_Funds.pdf](https://www.phn.com/portals/0/pdfs/FinancialAdvisors/FormsandDocuments/PHN_Community_Values_Funds.pdf)

### **Mackenzie Financial – Universal Sustainable Opportunities Class**

The voting record of the Mackenzie Universal Sustainable Opportunities Class fund was inconsistent with that of the other seven Mackenzie funds in our data set on three issues in the three reporting periods we examined. The discrepancies form no particular pattern. In two instances the SRI fund supported a shareholder proposal that was rejected by non-SRI funds in the family. In one other case the Universal Sustainable Opportunities Class fund voted against a proposal that the other funds in the family supported. The three proposals on which voting discrepancies were found were all classified by us as CSR proposals.

Year	Proposal	Sustainable Opportunities Fund	Other Funds Vote
2007	Link executive compensation to environmental, social, and governance performance (CNR)	FOR	AGAINST
2007	Audit track safety on former BC Rail lines (CNR)	AGAINST	FOR
2008	Report on decommissioning Algonquin Park line (CNR)	FOR	AGAINST

### **Desjardins Mutual Funds – Environment Fund**

Among the 10 Desjardins mutual funds in our data set is the Environment Fund. We found that the votes cast by the Environment Fund and all other funds in the family were almost entirely uniform. The only exceptions were votes cast for proposals by the Desjardins Canadian Equity Fund that other Desjardins funds voted against.

### **RBC Mutual Funds – Jantzi Canadian Equity Fund and Balanced Fund**

There are three SRI funds among the RBC Asset Management funds in our data set: the RBC Jantzi Canadian Equity Fund, the RBC Jantzi Global Equity Fund, and the RBC Jantzi Balanced Fund. In our examination of the voting records on shareholder proposals for the RBC funds, we found that the votes cast by the three SRI funds were consistent with all of the votes cast by each of the 11 non-SRI funds.

The three RBC Jantzi mutual funds included in our data set were launched in July 2007, which is the beginning of the period for the most recent voting reports. For the 2006 and 2007 reporting periods the RBC fund family did not have an SRI fund offering.

### **Acuity Mutual Funds – Clean Environment Fund, Social Values Balanced Fund, Social Values Canadian Equity Fund, and Social Values Global Equity Fund**

We examined the voting records of 14 Acuity funds, four of which are the SRI funds Clean Environment Equity Fund, Social Values Balanced Fund, Social Values Canadian Equity Fund, and Social Values Global Equity Fund.

Acuity funds voted consistently on all shareholder proposals.<sup>6</sup> Of non-SRI fund families, Acuity has the largest percentage of SRI funds among all funds in our data set (29%), and its voting record was the most supportive of shareholder proposals of all of the non-SRI fund families we examined.

All funds in the Acuity family that are included in our data set supported the majority of CSR shareholder proposals that they voted. The only CSR shareholder proposal that was rejected by the funds in the Acuity family was the 2007 resolution filed at CNR that is classified in this report as a workplace health and safety proposal.

### **Investors Group Mutual Funds – Summa Fund**

Investors Group Summa Fund is marketed as an SRI mutual fund. The proxy voting record for Investors Group indicates that none of the 11 funds we examined supported any of the CSR proposals they voted. The Summa Fund's voting record is identical to that of the other ten Investors Group mutual funds included in our data set.

### **SRI/Non-SRI Fund Votes Summary**

We found four distinct voting patterns when we examined the proxy voting of SRI funds within fund families that also sell non-SRI funds:

1. SRI funds that were more supportive of shareholder proposals than non-SRI funds (PHN);
2. no uniform pattern of voting on shareholder proposals by SRI and non-SRI funds (Mackenzie);
3. consistency of voting decisions across SRI and non-SRI funds, with overall low support for CSR shareholder proposals (Desjardins, Investors, RBC); and
4. consistency of voting decisions across all funds, with a very high overall level of support for CSR shareholder proposals (Acuity).

Only the first and fourth of these voting records appears consistent with the reasonable expectations of SRI fund unitholders. SRI funds are developed and marketed by fund companies to appeal to investors who want to generate returns responsibly, however they define "responsible." It is a reasonable assumption that if such investors turned their attention to proxy voting, they would expect the SRI funds in which they invest to invest in responsible companies and to participate in the ongoing management of those companies in such a way as to encourage the ever-increasing responsibility of their operations. An SRI fund that invariably or occasionally rejects CSR proposals that other funds in the same family support would not appear to be effectively transposing an SRI fund's mandate through to its proxy ballots.

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<sup>6</sup> Consistent voting occurs when all funds in a fund family vote the same way on a proposal at a particular company. Voting is still consistent even if funds vote differently on the same proposal on the ballot at different companies. Inconsistent voting occurs when funds within the same family vote differently on the same proposal at the *same* company.

## Conclusion

Proxy voting is a component of mutual fund investment management. We have set out some notable mutual fund voting tendencies and trends in this report. Mutual funds wield considerable voting power when proxy ballots are tabulated by Canadian companies. As a legal matter, voting shares are held in the name of a mutual fund, so fund companies are the ultimate decision-makers with respect to proxy votes. There is no requirement to consult mutual fund unitholders on voting decisions, and their views are, as a legal matter, only advisory.

We found that most Canadian mutual fund families continue to vote in a management-friendly manner. Some small changes have occurred in voting on management proposals, most notably a decrease in overall fund support for director nominees.

The significant exceptions we found this year are the same ones we described in our inaugural report: fund families identifying all of their funds as socially responsible funds (SRI funds) had markedly different voting records, on all issues examined, than the overwhelming majority of non-SRI fund families. This year we looked for similar voting discrepancies in the voting records of SRI funds managed by fund companies that also market non-SRI funds. We found that with notable exceptions, funds that might well be socially responsible in investment style did not appear to translate this distinct mandate to their proxy ballots.

In closing, we note one recent effort to facilitate the communication of unitholder views to U.S. mutual fund companies. A group of Exxon Mobil shareholders who are supportive of shareholder proposals filed with the company for a vote in 2009 have set up a website that provides mutual fund unitholders who also support the proposals with some simple and convenient tools they can use to communicate their views to funds in which they hold units.<sup>7</sup> The website provides suggested text for messages to mutual funds and tick boxes for funds held by the visitor, to which the selected message will be sent. The clear intention is that unitholders be enabled to exert what influence they can on the voting decisions of the mutual fund companies. The contents of the relevant webpage are set out in Appendix 5.

This development may or may not catch on or work well in the United States and may not appear in Canada at all, but it is particularly significant with respect to proxy voting of SRI funds within non-SRI fund families. We found that although some SRI funds in “mixed” families were voted in such a way as to compliment the responsible investment mandates of the funds, most were not. Communication by fund unitholders with mutual fund companies is one important way that the voting decisions of any mutual fund might be modified to better reflect unitholder sentiments.

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<sup>7</sup> See <http://www.exxonmutualfundshares.org>.

## Appendices

### Appendix 1: Funds and Fund Families

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 Conservative Asset Allocation Fund
- Acuity Dividend Fund
- Acuity Global Dividend Fund
- Acuity Global Equity Fund
- Acuity Growth and Income Fund
- Acuity Growth and Income Trust
- Acuity High Income Fund
- Acuity Natural Resource Fund
- Acuity Pure Canadian Equity Fund
- Acuity Social Values Balanced Fund
- Acuity Social Values Canadian Equity Fund
- Acuity Social Values Global Equity Fund

Total: 18

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
- Harmony Canadian Equity Pool

Total: 8

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

BMO	BMO Canadian Equity class BMO Equity Fund BMO Global Equity Class BMO Resource Fund
Total: 4	
CI	CI Canadian Investment Fund Harbour Fund Signature Canadian Balanced Fund Signature Canadian Resource Fund Signature Select Canadian Fund
Total: 5	
CIBC	CIBC Balanced Fund CIBC Balanced Index Fund CIBC Canadian Equity Fund CIBC Canadian Equity Value Fund CIBC Canadian Index Fund Imperial Canadian Equity Pool
Total: 6	
DESJARDINS	Desjardins Alternative Investments Fund Desjardins Canadian Balanced Fund Desjardins Canadian Equity Fund Desjardins Canadian Equity Value Fund Desjardins Canadian Equity Value Fund 2 Desjardins Dividend Fund Desjardins Enhanced Alternative Investments Fund Desjardins Environment Fund Desjardins Global Equity value Fund Desjardins Québec Balanced Fund
Total: 10	
ETHICAL FUNDS	EFA Balanced Growth Fund CDN EFA Canadian Stock Fund Ethical Balanced Fund EFI Balanced Growth Fund Ethical Canadian Dividend Fund Ethical Global Equity Fund Ethical Growth Fund Ethical International Equity Fund Ethical Monthly Income Fund Ethical Special Equity Fund
Total: 10	

FIDELITY INVESTMENTS

Fidelity Canadian Asset Allocation  
Fidelity Canadian Balanced  
Fidelity Canadian Growth Company  
Fidelity Canadian Large Cap  
Fidelity Global  
Fidelity True North

Total: 6

INVESCO TRIMARK

Trimark Core Canadian Equity Class  
Trimark Core Global Equity Class  
Trimark Canadian Endeavour Fund  
Trimark Canadian Fund  
Trimark Income Growth Fund  
Trimark Select Canadian Growth Fund  
American Mid Cap Growth Class  
Canadian Balanced Fund  
Canadian First Class

Total: 9

INVESTORS

Investors Canadian Balanced Fund  
Investors Canadian Equity Fund  
Investors Canadian Large Cap Value Fund  
Investors Mutual of Canada  
Investors North American Equity Fund  
Investors Summa Fund  
Investors US Small Cap Class

Total: 7

MACKENZIE

Mackenzie Cundill Canadian Security class  
Mackenzie Cundill Canadian Security Fund  
Mackenzie Cundill Value Fund  
Mackenzie Focus Canada Fund  
Mackenzie Universal Canadian Growth Class  
Mackenzie Universal Canadian Growth Fund  
Mackenzie Universal North American Growth Class  
Mackenzie Universal Sustainable Opportunities Class

Total: 8

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  
Mclean Budden High Income Fund

Total: 8

MERITAS  
Meritas International Equity Fund  
Meritas Jantzi Social Index Fund  
Meritas Monthly Dividend and Income Fund  
Meritas US Equity Fund

Total: 4

PHN  
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  
Dividend Income Fund  
Vintage Fund

Total : 11

RBC  
RBC Balanced Fund  
RBC Balanced Growth Fund  
RBC Canadian Dividend Fund  
RBC Canadian Equity Fund  
RBC Canadian Index Fund  
RBC Jantzi Balanced Fund  
RBC Jantzi Canadian Equity Fund  
RBC Jantzi Global Equity Fund  
RBC North American Dividend Fund  
RBC North American Growth Fund  
RBC North American Value Fund  
RBC O'shaughnessy All-Canadian Equity Fund  
RBC O'shaughnessy Canadian Equity Fund  
RBC US Equity Fund

Total: 14

SEI  
Canadian Equity Fund  
Total: 1

TD  
TD Canadian Blue Chip Equity Fund  
TD Canadian Equity Fund  
TD Canadian Index Fund



TD Canadian Value Fund  
TD Dividend Growth Fund  
TD Dividend Income Fund  
TD Emerald Canadian Equity Index Fund  
TD US Equity Fund

Total: 8

TEMPLETON

Bissett All Canadian Focus Fund  
Bissett Canadian Equity Fund  
Bissett Large Cap Fund  
Templeton Balanced Fund  
Templeton Canadian Asset Allocation Fund  
Templeton Canadian Balanced Fund  
Templeton Canadian Stock Fund  
Templeton Growth Fund

Total: 8

UNITED FINANCIAL

Canadian Equity Diversified Pool  
Canadian Equity Growth Pool  
Canadian Equity Value Pool

Total: 3

**Total Funds: 154**

## **Appendix 2: Shareholder Proposal Details**

### ***Board Governance Practices: 31 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 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 Canadian Imperial Bank of Commerce	Robert Verdun	3.47 %
Update definition of independent director	2007	Royal Bank of Canada	MEDAC	4.00 %
Increase number of women directors	2007	Toronto Dominion Bank	MEDAC	4.46 %
Increase number of women directors	2007	National Bank of Canada	MEDAC	4.80 %
Update the definition of independent director	2007	Bank of Montreal Canadian Imperial Bank of Commerce	Robert Verdun	5.60 %
Increase number of women directors	2007	Bank of Nova Scotia	MEDAC	5.90 %
Increase number of women directors	2007	Bank of Montreal	MEDAC	6.22 %
Increase number of women directors	2007	Power Corporation of Canada	MEDAC	8.00 %
Achieve gender parity on the board	2007	Royal Bank of Canada	MEDAC	8.10 %
Achieve gender parity on the board	2008	Bank of Montreal	MEDAC	7.12%
Achieve gender parity on the board	2008	Bank of Nova Scotia Canadian Imperial Bank of Commerce	MEDAC	6.40%
Achieve gender parity on the board	2008	Toronto Dominion Bank	MEDAC	3.29%
Achieve gender parity on the board	2008	National Bank of Canada	MEDAC	5.81%
Achieve gender parity on the board	2008	Laurentian Bank	MEDAC	5.80%
Achieve gender parity on the board	2008	Manulife Financial	MEDAC	4.76%
Achieve gender parity on the board	2008	Power Corporation	MEDAC	5.16%
Achieve gender parity on the board	2008	Bombardier	MEDAC	8.11%
Limit tenure of board committee members	2008	National Bank of Canada	Lowell Weir	10.99%
Consider director nominees' ability to represent Shareholders	2008	Royal Bank of Canada	Robert Verdun	2.17%
Consider director nominees' ability to represent Shareholders	2008	Bank of Montreal	Robert Verdun	0.60%
Consider director nominees' ability to represent Shareholders	2008	Bank of Nova Scotia Canadian Imperial Bank of Commerce	Robert Verdun	7.52%
Consider director nominees' ability to represent Shareholders	2008	Toronto Dominion Bank	Robert Verdun	7.80%
Consider director nominees' ability to represent Shareholders	2008	Toronto Dominion Bank	Robert Verdun	7.64%
Consider director nominees' ability to represent Shareholders	2008	Toronto Dominion Bank	Robert Verdun	12.39%
Consider director nominees' ability to represent Shareholders	2008	Toronto Dominion Bank	Robert Verdun	7.40%

### ***Director Election Mechanics: 19 proposals submitted***

Proposal	Year	Company	Proponent	Vote Result
Abolish slate elections of directors	2006	Abitibi-Consolidated Inc.	Jean-Claude Casavant, Nicole Casavant	70.08 %
Adopt cumulative voting	2008	Bank of Montreal	MEDAC	6.20%

Adopt cumulative voting	2008	Bank of Nova Scotia	MEDAC	4.63%
Adopt cumulative voting	2008	Canadian Imperial Bank of Commerce	MEDAC	6.79%
Adopt cumulative voting	2008	Toronto Dominion Bank	MEDAC	7.60%
Adopt cumulative voting	2008	National Bank	MEDAC	5.61%
Adopt cumulative voting	2008	Laurentian Bank	MEDAC	5.66%
Adopt cumulative voting	2008	Manulife Financial	MEDAC	8.85%
Adopt cumulative voting	2008	Bombardier	MEDAC	9.18%
Adopt cumulative voting	2008	Power Corporation	MEDAC	13.18%
Adopt majority elections for directors	2008	Royal Bank of Canada	Robert Verdun	7.52%
Adopt majority elections for directors	2008	Bank of Montreal	Robert Verdun	7.80%
Adopt majority elections for directors	2008	Bank of Nova Scotia	Robert Verdun	7.64%
Adopt majority elections for directors	2008	Canadian Imperial Bank of Commerce	Robert Verdun	12.39%
Adopt majority elections for directors	2008	Toronto Dominion Bank	Robert Verdun	7.40%
Elect directors by majority vote	2008	Nexen Inc.	Carpenters' Local 27 Pension Trust	16.32%
Elect directors by majority vote	2008	Great-West Lifeco	Carpenters' Local 27 Pension Trust	11.47%
Elect directors by majority vote	2008	Power Financial	Carpenters' Local 27 Pension Trust	11.56%
Elect directors by majority vote	2008	Cameco Corporation	Carpenters' Local 27 Pension Trust	24.51%

### ***Financial/corporate disclosure: 32 Proposals Submitted***

Proposal	Year	Company	Proponent	Vote Result
Provide more detailed AGM minutes to shareholders	2006	National Bank of Canada	Lowell Weir	4.20 %
Include subsidiaries in tax havens in annual reports	2006	Royal Bank of Canada	MEDAC	5.30 %
Include subsidiaries in tax havens in annual reports	2006	Toronto Dominion Bank	MEDAC	2.40 %
Include subsidiaries in tax havens in annual reports	2006	Bank of Montreal	MEDAC	4.20 %
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	Canadian Imperial Bank of Commerce	MEDAC	3.40 %
Include subsidiaries in tax havens in annual reports	2006	Bank of Nova Scotia	MEDAC	2.70 %
Report on Lawsuits in Annual Report	2006	Manitoba Telecom Services Inc.	Gordon Ronald Finlay	3.10 %
Include subsidiaries in annual financial reports	2007	Bombardier Inc.	MEDAC	0.70 %

Include subsidiaries in annual financial reports	2007	Power Corporation of Canada Canadian Imperial Bank of Commerce	MEDAC	0.80 %
Disclose participation in hedge funds	2007	National Bank of Canada	MEDAC	10.80 %
Disclose participation in hedge funds	2007	Royal Bank of Canada	MEDAC	12.20 %
Disclose participation in hedge funds	2007	Bank of Nova Scotia	MEDAC	13.08 %
Disclose participation in hedge funds	2007	Bank of Montreal	MEDAC	14.43 %
Disclose participation in hedge funds	2007	Toronto Dominion Bank	MEDAC	14.80 %
Include subsidiaries in annual financial reports	2007	Royal Bank of Canada	MEDAC	9.50 %
Include subsidiaries in annual financial reports	2007	Toronto Dominion Bank	MEDAC	2.02 %
Include subsidiaries in annual financial reports	2007	National Bank of Canada	MEDAC	2.20 %
Include subsidiaries in annual financial reports	2007	Bank of Nova Scotia Canadian Imperial Bank of Commerce	MEDAC	3.00 %
Include subsidiaries in annual financial reports	2007	Bank of Montreal	MEDAC	3.25 %
Include subsidiaries in annual financial reports	2007	Bank of Montreal	MEDAC	4.10 %
Include subsidiaries in annual financial reports	2007	Bank of Montreal	MEDAC	4.40 %
Disclose participation in hedge funds and high risk mortgages	2008	Royal Bank of Canada	MEDAC	18.28%
Disclose participation in hedge funds and high risk mortgages	2008	Bank of Montreal	MEDAC	19.00%
Disclose participation in hedge funds and high risk mortgages	2008	Bank of Nova Scotia	MEDAC	16.58%
Disclose participation in hedge funds and high risk mortgages	2008	Canadian Imperial Bank of Commerce	MEDAC	15.00%
Disclose participation in hedge funds and high risk mortgages	2008	Toronto Dominion Bank	MEDAC	14.20%
Disclose participation in hedge funds and high risk mortgages	2008	National Bank of Canada	MEDAC	9.03%
Disclose participation in hedge funds and high risk mortgages	2008	Laurentian Bank	MEDAC	8.81%
Disclose participation in hedge funds and high risk mortgages	2008	Power Corporation	MEDAC	1.38%
Disclose participation in hedge funds and high risk mortgages	2008	Manulife Financial	MEDAC	11.11%
Review senior officers' performance related to ABCP investments	2008	National Bank of Canada	Lowell Weir	7.78%

### ***Financial/Corporate Policy: 43 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 %
Management must 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 %
Open CEO position to non-francophone candidates	2007	National Bank of Canada	Lowell Weir Association of Retired Scotiabankers	1.30 %
Reinstate bank pensioners' benefits	2007	Bank of Nova Scotia		2.66 %
Provide 24/7 service to credit card and investment customers	2007	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 %
Increase dividends for long-term shareholders	2008	Royal Bank of Canada	MEDAC	1.71%
Increase dividends for long-term shareholders	2008	Bank of Montreal	MEDAC	1.20%
Increase dividends for long-term shareholders	2008	Bank of Nova Scotia Canadian Imperial Bank of Commerce	MEDAC	0.87%
Increase dividends for long-term shareholders	2008	Bank of Montreal	MEDAC	4.43%

Increase dividends for long-term shareholders	2008	Toronto Dominion Bank	MEDAC	0.70%
Increase dividends for long-term shareholders	2008	National Bank of Canada	MEDAC	0.77%
Increase dividends for long-term shareholders	2008	Laurentian Bank	MEDAC	1.02%
Increase dividends for long-term shareholders	2008	Manulife Financial	MEDAC	2.35%
Increase dividends for long-term shareholders	2008	Power Corporation	MEDAC	0.45%
Increase dividends for long-term shareholders	2008	Bombardier	MEDAC	0.47%
Limit voting rights for short-term shareholders	2008	Royal Bank of Canada	MEDAC	1.65%
Limit voting rights for short-term shareholders	2008	Bank of Montreal	MEDAC	1.10%
Limit voting rights for short-term shareholders	2008	Bank of Nova Scotia	MEDAC	1.61%
Limit voting rights for short-term shareholders	2008	Canadian Imperial Bank of Commerce	MEDAC	4.28%
Limit voting rights for short-term shareholders	2008	Toronto Dominion Bank	MEDAC	0.70%
Limit voting rights for short-term shareholders	2008	National Bank of Canada	MEDAC	0.71%
Limit voting rights for short-term shareholders	2008	Laurentian Bank	MEDAC	0.91%
Limit voting rights for short-term shareholders	2008	Manulife Financial	MEDAC	1.83%
Limit voting rights for short-term shareholders	2008	Power Corporation	MEDAC	0.44%
Limit voting rights for short-term shareholders	2008	Bombardier	MEDAC	0.37%
Increase employee pension contributions in a merger or acquisition	2008	Royal Bank of Canada	MEDAC	1.98%
Increase employee pension contributions in a merger or acquisition	2008	Bank of Montreal	MEDAC	1.30%
Increase employee pension contributions in a merger or acquisition	2008	Bank of Nova Scotia	MEDAC	1.20%
Increase employee pension contributions in a merger or acquisition	2008	Canadian Imperial Bank of Commerce	MEDAC	4.58%
Increase employee pension contributions in a merger or acquisition	2008	Toronto Dominion Bank	MEDAC	0.90%
Increase employee pension contributions in a merger or acquisition	2008	National Bank of Canada	MEDAC	1.47%
Increase employee pension contributions in a merger or acquisition	2008	Laurentian Bank	MEDAC	2.19%
Increase employee pension contributions in a merger or acquisition	2008	Manulife Financial	MEDAC	2.08%
Increase employee pension contributions in a merger or acquisition	2008	Power Corporation	MEDAC	0.51%
Increase employee pension contributions in a merger or acquisition	2008	Bombardier	MEDAC	0.37%
Indemnify minority shareholders of Natcan	2008	National Bank of Canada	Lowell Weir	1.48%
Investigate ABCP acquisitions	2008	National Bank of Canada	Lowell Weir	3.52%
Offer to repurchase odd lot shareholdings	2008	National Bank of Canada	Philip L. MacDonald	1.31%
Review policy on press releases	2008	National Bank of Canada	Lowell Weir	1.93%

### ***General Governance Standards: 9 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	Royal Bank of Canada	Robert Verdun	8.70 %
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 %
Reaffirm commitment to corporate governance standards*	2008	National Bank of Canada	Lowell Weir	97.44%
Review internal controls	2008	National Bank of Canada	Lowell Weir	1.72%

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

### ***Identify Compensation Consultants: 7 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: 32 Proposals Submitted***

Proposal	Year	Company	Proponent	Vote Result
Shareholder approval for increases in executive compensation	2006	Power Corporation of Canada	MEDAC	0.30 %
Shareholder approval for increases in executive compensation	2006	Bombardier Inc.	MEDAC	0.76 %
Shareholder approval for increases in executive compensation	2006	Canadian Imperial Bank of Commerce	MEDAC	2.80 %
Shareholder approval for increases in executive compensation	2006	Royal Bank of Canada	MEDAC	3.80 %
Shareholder approval for increases in executive compensation	2006	Bank of Montreal	MEDAC	4.70 %
Shareholder approval for increases in executive compensation	2006	National Bank of Canada	MEDAC	6.90 %
Shareholder approval for increases in executive compensation	2006	Toronto Dominion Bank	MEDAC	7.10 %
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 %
Link executive compensation to workers' pay	2007	Power Corporation of Canada	MEDAC	0.30 %
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 %
Exclude bonuses, past service credits, from SERPS	2008	Imperial Oil	Carpenters' Local 27 Pension Trust	3.00%
Exclude bonuses, past service credits, from SERPS	2008	Catalyst Paper Corporation	Carpenters' Local 27 Pension Trust	25.30%
Exclude bonuses, past service credits, from SERPS	2008	Potash Corporation	Carpenters' Local 27 Pension Trust	7.53%
Exclude bonuses, past service credits, from SERPS	2008	Toronto Dominion Bank	Carpenters' Local 27 Pension Trust	9.30%
Submit executive compensation plans for shareholder approval	2008	Royal Bank of Canada	MEDAC	5.03%

Submit executive compensation plans for shareholder approval	2008	Bank of Montreal	MEDAC	5.20%
Submit executive compensation plans for shareholder approval	2008	Bank of Nova Scotia	MEDAC	5.06%
Submit executive compensation plans for shareholder approval	2008	Canadian Imperial Bank of Commerce	MEDAC	8.21%
Submit executive compensation plans for shareholder approval	2008	Toronto Dominion Bank	MEDAC	2.50%
Submit executive compensation plans for shareholder approval	2008	National Bank of Canada	MEDAC	3.51%
Submit executive compensation plans for shareholder approval	2008	Laurentian Bank	MEDAC	3.09%
Submit executive compensation plans for shareholder approval	2008	Bombardier	MEDAC	0.67%
Submit executive compensation plans for shareholder approval	2008	Manulife Financial	MEDAC	3.59%
Submit executive compensation plans for shareholder approval	2008	Power Corporation	MEDAC	1.02%

### ***Structure of Executive Compensation: 33 Proposals Submitted***

Proposal	Year	Company	Proponent	Vote Result
Establish performance criteria for executive compensation	2006	Extencicare	Carpenters Local 27 Pension Trust	4.00 %
Establish performance criteria for executive compensation	2006	Nortel Networks Corp.	Carpenters Local 27 Pension Trust	10.38 %
Senior officer compensation proportional to dividends	2006	Sun Life Financial Inc.	Robert Verdun	3.30 %
Link executive stock option awards to EVA	2007	Royal Bank of Canada	MEDAC	2.72 %
Link executive stock option awards to EVA	2007	Toronto Dominion Bank	MEDAC	3.40 %
Executive pay for performance	2007	Nortel Networks Corp.	Carpenters Local 27 Pension Trust	38.50 %
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 %
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 %
Advisory vote on executive compensation	2008	Royal Bank of Canada	Meritas Mutual Funds	42.13%
Advisory vote on executive compensation	2008	Bank of Montreal	Meritas Mutual Funds	34.70%
Advisory vote on executive compensation	2008	Bank of Nova Scotia	Meritas Mutual Funds	39.24%
Advisory vote on executive compensation	2008	Canadian Imperial Bank of Commerce	Meritas Mutual Funds	44.96%
Advisory vote on executive compensation	2008	Toronto Dominion Bank	Meritas Mutual Funds	41.50%
Re-examine executive compensation for proper disclosure	2008	Royal Bank of Canada	Robert Verdun	4.32%
Re-examine executive compensation for proper disclosure	2008	Bank of Nova Scotia	Robert Verdun	3.93%
Re-examine executive compensation for proper disclosure	2008	Canadian Imperial Bank of Commerce	Robert Verdun	9.39%
Re-examine executive compensation for proper disclosure	2008	Toronto Dominion Bank	Robert Verdun	2.30%
Restrict executives' exercise of options to end of tenure	2008	Royal Bank of Canada	MEDAC	4.88%
Restrict executives' exercise of options to end of tenure	2008	Bank of Montreal	MEDAC	4.90%

Restrict executives' exercise of options to end of tenure	2008	Bank of Nova Scotia	MEDAC	3.93%
Restrict executives' exercise of options to end of tenure	2008	Bombardier	MEDAC	0.92%
Restrict executives' exercise of options to end of tenure	2008	Toronto Dominion Bank	MEDAC	4.20%
Restrict executives' exercise of options to end of tenure	2008	National Bank of Canada	MEDAC	3.51%
Restrict executives' exercise of options to end of tenure	2008	Laurentian Bank	MEDAC	4.12%
Restrict executives' exercise of options to end of tenure	2008	Manulife Financial	MEDAC	4.92%
Restrict executives' exercise of options to end of tenure	2008	Power Corporation	MEDAC	1.11%

### ***Shareholder Meeting Governance: 6 Proposals Submitted***

Proposal	Year	Company	Proponent	Vote Result
Adopt a Fixed Day and Month to Hold the Annual Shareholder Meeting	2006	Manitoba Telecom Services Inc.	Gordon Ronald Finlay	2.40%
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 %
Adhere to regulations regarding supplemental shareholders' material	2008	National Bank of Canada	Lowell Weir	1.59%
Select shareholder to be Secretary of the AGM	2008	National Bank of Canada	Lowell Weir	0.93%
Select shareholder to chair the AGM	2008	National Bank of Canada	Lowell Weir	0.91%

### ***Compensation Hybrid Proposals: 16 Proposals Submitted***

Proposal	Year	Company	Proponent	Vote Result
Link executive compensation to sustainability	2007	Toronto Dominion Bank	Batirente	12.80%
Link executive compensation to ESG performance	2007	Canadian National Railway	Ethical Funds Co.	7.85%
Disclose ratio of highest compensation to average compensation	2008	Royal Bank of Canada	MEDAC	6.54%
Disclose ratio of highest compensation to average compensation	2008	Bank of Montreal	MEDAC	6.60%
Disclose ratio of highest compensation to average compensation	2008	Bank of Nova Scotia	MEDAC	3.56%
Disclose ratio of highest compensation to average compensation	2008	Canadian Imperial Bank of Commerce	MEDAC	8.52%
Disclose ratio of highest compensation to average compensation	2008	Toronto Dominion Bank	MEDAC	4.40%
Disclose ratio of highest compensation to average compensation	2008	National Bank of Canada	MEDAC	4.49%
Disclose ratio of highest compensation to average compensation	2008	Laurentian Bank	MEDAC	6.67%
Disclose ratio of highest compensation to average compensation	2008	Bombardier	MEDAC	2.05%
Disclose ratio of highest compensation to average compensation	2008	Manulife Financial	MEDAC	7.09%
Direct part of executive compensation to charities	2008	Royal Bank of Canada	Robert Verdun	1.63%
Direct part of executive compensation to charities	2008	Bank of Montreal	Robert Verdun	1.00%
Direct part of executive compensation to charities	2008	Bank of Nova Scotia	Robert Verdun	0.59%
Direct part of executive compensation to charities	2008	Canadian Imperial Bank of Commerce	Robert Verdun	4.31%
Direct part of executive compensation to charities	2008	Toronto Dominion Bank	Robert Verdun	1.40%

### ***Human Rights/Indigenous Rights: 6 Proposals Submitted***

Proposal	Year	Company	Proponent	Vote Result
Report on policy re human rights in China	2006	Power Corporation of Canada	Ethical Funds Co.	10.20 %
Report on policy re 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 des Syndics	36.80%
Establish human rights policy and report on compliance	2006	Bombardier Inc.	Apostoliques des freres mineurs or Franciscains	9.70 %
Ensure best practices at Pascua Lama project	2008	Barrick Gold	Les Sœurs de Sainte-Anne	6.90%
Report on implications of investment in Burma	2008	Power Corporation	Ethical Funds Co.	10.83%

### ***Sustainability Issues: 4 Proposals Submitted***

Proposal	Year	Company	Proponent	Vote Result
Report on use, labelling of genetically modified ingredients	2006	Loblaw Companies Ltd.	Ethical Funds Co.	1.60 %
Report on sustainability	2007	Loblaw Companies Ltd.	Ethical Funds Co. Michael L. Wilton,	5.85 %
Report on decommissioning Algonquin Park Line	2008	Canadian National Railway	Marjorie M. Wilton	10.05%
Incorporate cost of carbon emissions into business strategy	2008	Encana Corp	Ethical Funds Co.	8.64%

### ***Workplace Health and Safety: 1 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 3: Companies**

Aastra Technologies Limited  
Aber Diamond Corporation  
ACE Aviation Holdings Inc.  
Addax Petroleum Corporation  
Aeroplan Income Fund  
Agnico-Eagle Mines Ltd.  
Agrium Inc.  
Alcan Inc.  
Alimentation Couche-Tard Inc.  
AltaGas Income Trust  
ARC Energy Trust  
ATS Automation Tooling Systems Inc.  
Bank of Montreal  
Bank of Nova Scotia (The)  
Barrick Gold Corporation  
Baytex Energy Trust  
BCE Inc.  
BFI Canada Income Fund  
Biovail Corporation  
Boardwalk Real Estate Investment Trust  
Bombardier Inc.  
Bonavista Energy Trust  
Brookfield Asset Management Inc.  
Brookfield Properties Corporation  
Calfrac Well Services Ltd.  
Cameco Corporation  
Canadian Hydro Developers Inc  
Canadian Imperial Bank Of Commerce  
Canadian National Railway Company  
Canadian Natural Resources Limited  
Canadian Oil Sands Trust  
Canadian Pacific Railway Limited  
Canadian Tire Corporation, Limited  
Canadian Western Bank  
Canam Group Inc  
CanWest Global Communications Corp.  
Cascades Inc.  
CCS Income Trust  
Celestica Inc.  
CGI Group Inc.  
CHC Helicopter Corporation  
CI Financial Income Fund

CML Healthcare Income Fund  
Cogeco Cable Inc.  
Cognos Incorporated  
Cott Corporation  
Crescent Point Energy Trust  
Cyries Energy Inc.  
Denison Mines Corp.  
Dorel Industries Inc.  
Dundee Real Estate Investment Trust  
Duvernay Oil Corp.  
Eldorado Gold Corporation  
Enbridge Inc.  
EnCana Corporation  
Energy Savings Income Fund  
Enerplus Resources Fund  
Ensign Energy Services Inc.  
Equinox Minerals Limited  
Extencicare Real Estate Investment Trust  
Fairfax Financial Holdings Limited  
Finning International Inc.  
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)  
Gabriel Resources Ltd.  
Galleon Energy Inc.  
Gammon Lake Resources Inc.  
George Weston Limited  
Gerdau AmeriSteel Corporation  
Gildan Activewear Inc.  
GMP Capital Trust  
Goldcorp Inc.  
Golden Star Resources Ltd.  
Great-West Lifeco Inc.  
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  
IPSCO Inc.  
Jean Coutu Group (PJC) Inc. (The)  
Keyera Facilities Income Fund  
Kingsway Financial Services Inc.  
Kinross Gold Corporation  
Labrador Iron Ore Royalty Income Fund  
Laurentian Bank Of Canada  
Linamar Corporation  
Loblaw Companies Limited  
MacDonald, Dettwiler and Associates Ltd.  
Magna International Inc.  
Major Drilling Group International Inc  
Manitoba Telecom Services Inc.  
Manulife Financial Corporation  
MDS Inc.  
MEGA Brands Inc.  
Merrill Lynch & Co. Canada Ltd.  
Methanex Corporation  
Metro Inc.  
Mullen Group Income Fund  
National Bank of Canada  
Newalta Income Fund  
Nexen Inc.  
Niko Resources Ltd.  
Norbord Inc.  
Nortel Networks Corporation  
Northbridge Financial Corporation  
NOVA Chemicals Corporation  
NuVista Energy Ltd.  
ONEX Corporation  
Open Text Corporation  
OPTI Canada Inc.  
Pan American Silver Corp.  
Paramount Resources Ltd.  
Pason Systems Inc.  
Penn West Energy Trust  
Petrobank Energy And Resources Ltd.  
Petro-Canada  
Peyto Energy Trust

Potash Corporation of Saskatchewan Inc.  
Power Corporation of Canada  
Power Financial Corporation  
Precision Drilling Trust  
Progress Energy Trust  
Quebecor Inc.  
Real Resources Inc.  
Research In Motion Limited  
RONA inc.  
Rothmans Inc.  
Royal Bank of Canada  
Russel Metals Inc.  
Saputo Inc.  
Saskatchewan Wheat Pool Inc.  
Savanna Energy Services Corp.  
Shaw Communications Inc.  
ShawCor Ltd.  
Sherritt International Corporation  
Shoppers Drug Mart Corporation  
Shore Gold Inc.  
Silver Wheaton Corp.  
SNC-Lavalin Group Inc.  
Stantec Inc.  
Sun Life Financial Inc.  
Suncor Energy Inc.  
Superior Plus Income Fund  
Talisman Energy Inc.  
Teck Cominco Limited  
TELUS Corporation  
Thomson Corporation (The)  
TimberWest Forest Corp.  
Toromont Industries Ltd.  
Toronto-Dominion Bank (The)  
TransAlta Corporation  
Transat A.T. Inc.  
TransCanada Corporation  
Transcontinental Inc.  
Trican Well Service Ltd.  
Trinidad Energy Services Income Trust  
TSX Group Inc.  
UTS Energy Corporation  
Vermilion Energy Trust  
West Fraser Timber Co. Ltd.  
Western Oil Sands, Inc.

WestJet Airlines Ltd.  
Westshore Terminals Income Fund  
Yamana Gold Inc.  
Yellow Pages Income Fund

## Appendix 4: ExxonMutualFundShares Webpage (May, 2009)

ExxonMutualFundShares.org

### STEP 1: LEARN ABOUT THE ISSUES

[Click here to read about shareholder resolutions at Exxon Mobil.](#)

### STEP 2: CHECK OFF THE MUTUAL FUND FAMILIES WHERE YOU OWN SHARES

- |   |  |   |   |
|---|--|---|---|
| <input type="checkbox"/> Allianz                      | <input type="checkbox"/> American Century          | <input type="checkbox"/> American Funds       | <input type="checkbox"/> Ameriprise Financial       |
| <input type="checkbox"/> BlackRock                    | <input type="checkbox"/> Charles Schwab Corp.      | <input type="checkbox"/> Columbia Management  | <input type="checkbox"/> Davis Funds                |
| <input type="checkbox"/> Fidelity Advisor             | <input type="checkbox"/> Fidelity Investments      | <input type="checkbox"/> Franklin Templeton   | <input type="checkbox"/> Goldman Sachs              |
| <input type="checkbox"/> Invesco Aim Management Group | <input type="checkbox"/> Janus                     | <input type="checkbox"/> JPMorgan Chase       | <input type="checkbox"/> Legg Mason                 |
| <input type="checkbox"/> Lord Abbett & Co.            | <input type="checkbox"/> MFS Investment Management | <input type="checkbox"/> Oppenheimer Holdings | <input type="checkbox"/> Princor Financial Services |
| <input type="checkbox"/> Putnam Investments           | <input type="checkbox"/> Royce Funds               | <input type="checkbox"/> T. Rowe Price Group  | <input type="checkbox"/> The Vanguard Group         |
| <input type="checkbox"/> Van Kampen Investments       |  |   |   |

### STEP 3: Tell Your Mutual Fund to Send Exxon Mobil a Message!

I am an investor in one or more of your mutual funds. Since I have entrusted you to buy and sell the shares in which I invest indirectly, I am taking this opportunity to encourage you to vote in support of four resolutions now before you at ExxonMobil.

Specifically, I urge you to vote FOR proxy items #6, #11, #12 and #13. All four of these resolutions would put pressure on ExxonMobil to become much more proactive in dealing with climate change, renewable energy and board independence. As the world's largest publicly traded oil company, ExxonMobil could be setting a shining example on all of these fronts, instead of bringing up the rear as it does today.

As a mutual fund shareholder, I am concerned about both the future of the environment and the future of my retirement nest egg. As long as you invest in ExxonMobil as a major long-term position for millions of retirees (including me), I want to make sure that the company takes the steps today to ensure that it will be around tomorrow when I will need it most.

As you know, we have seen all too much evidence in recent months about how even the biggest, the most powerful and

\*Email:

\*First Name:

\*Last Name:

Title:

Organization:

Phone:

\*Address:

\*City:

\*State:

\*Postal Code:

\*Country:

\*Denotes a mandatory field.





[www.share.ca](http://www.share.ca)

The Shareholder Association for Research and Education (SHARE) is a non-profit organization based in Vancouver, British Columbia. Since its creation in 2000, SHARE has provided leadership, expertise and advocacy in the area of responsible investment and active share ownership. SHARE assists institutional investors in implementing responsible investment strategies through our Active Ownership Services, including:

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