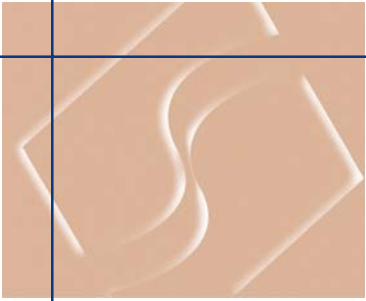




2004 Key Proxy Vote Survey

# Executive Summary

Proxy voting records of  
Canadian money managers  
and proxy voting services  
on key management and  
shareholder proposals from  
the 2004 proxy season



Excessive executive compensation, repricing of stock options, the elimination of dual class share structures, and reporting on environmental liabilities are just some of the important items of business subject to a vote during the 2004 proxy season and included in SHARE's 2004 Key Proxy Vote Survey.

Every year, pension plans, as shareholders, vote on hundreds of items of business at annual shareholder meetings of publicly-traded Canadian companies. Proxies are valuable pension plan assets and how they are voted can affect companies' performance, and ultimately, investment returns.

Now in its fourth year, the SHARE 2004 Key Proxy Vote Survey provides an essential tool to help pension plans evaluate long-term trends in how proxies are managed and voted by voting intermediaries on their behalf. The survey's findings come amidst unprecedented involvement in corporate governance by some shareholders on the one hand, and persistent voter apathy, conflicts of interest within the industry, regulatory non-compliance and lack of agent accountability on the other.

Certain firms continue to demonstrate a strong commitment to a worker-owner view of shareholder value over successive years, while others consistently voted contrary to SHARE's recommendations.

The 2004 Key Proxy Vote Survey polled 67 investment managers and proxy voting services on how they voted the proxies of their pension plan clients at their discretion. Firms were polled on their voting records for 31 management and shareholder proposals, and each firm's discretionary votes were compared with SHARE's vote recommendations, based on SHARE's Model Proxy Voting Guidelines (available at [www.share.ca](http://www.share.ca)). Firms were ranked in quartiles based on how closely their voting record matched SHARE's recommendations. The proposals, which covered a broad range of corporate governance, social and environmental issues, were selected using a long-term, worker-owner view of shareholder value that emphasizes management accountability, good corporate governance, compliance with international labour standards, and corporate social responsibility.

Thirty-seven firms responded to the survey in 2004. Collectively, they manage approximately \$200 billion in Canadian pension assets. This includes 18 of the largest 29 managers of Canadian equities for pension funds, with pension assets under management totalling \$191 billion according to Benefits Canada.

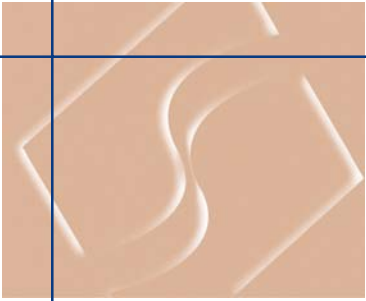
The SHARE Key Proxy Vote Survey was also expanded in 2004 to include information on the 10 largest public pension plans and public investment corporations responsible for managing public pension plan investment portfolios (based on total assets).

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Results from the 2004 survey show that most pension plans continue to delegate responsibility for voting their proxies to intermediaries without providing direction on how their proxies should be voted in violation of their fiduciary obligations. Despite new vote disclosure regulations, government reports on conflicts of interest within the investment industry, and sustained attention to the governance of public companies, investment managers and proxy voting services continue to use their own discretion to vote the vast majority of pension plan proxies.

The disparity in voting records should cause fiduciaries to be concerned about delegation without direction. Certain firms continue to demonstrate a strong commitment to a worker-owner view of shareholder value over successive years, while others consistently voted contrary to SHARE's recommendations. In 2004, only five firms ranked in the first quartile – voting consistent with SHARE's vote recommendations at least 75 per cent of the time – down from eight in 2003. These include Greystone Managed Investments Inc., Groupe Investissement Responsable, Jarislowsky Fraser Limited, Laketon Investment Management Ltd. and Marco Consulting Group. Eighteen firms ranked in the second quartile, up from 15 in the previous year. The number of firms in the lowest quartile increased from four to five.

Specific vote results highlight the need for pension plans to scrutinize the voting records of their voting agents to ensure their proxies are being cast in the best interests of plan members and beneficiaries. Collectively, investment managers and proxy voting services showed leadership amongst shareholders by voting almost uniformly in favour of proposals on the issues of separation of Board Chair and CEO and elimination of dual class share structures. However, survey results show that only half of the 27 investment managers and proxy voting services that held Magna International shares opposed the election of Frank Stronach, despite widespread concerns about the lack of independence on Magna's board and the extremely high levels of compensation that Mr. Stronach continues to receive from the company. In another instance, only two of 20 participating firms voted against the appointment of ATI Technologies' auditor, even though the auditor's fees for non-audit services were more than three times its fees for audit services. Despite support from management at the Bank of Montreal for a shareholder proposal calling for a report on the bank's environmental liabilities, five of 30 participating firms opposed the resolution.



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For the first time, the SHARE 2004 Key Proxy Vote Survey also surveyed a shareholder resolution filed with two different companies where the management of one company supported the resolution and the other did not. The survey results show that six investment managers voted for the resolution when management supported it and against it when management did not. This raises concerns that votes are being decided based solely on management's recommendation rather than on the merits of the proposal. Such concerns are also reflected in an August 2004 report from the U.S. Government Accountability Organization (GAO) that found that "conflicts of interest exist in proxy voting and occur because of the various business relationships that may influence a proxy voter's vote."

The SHARE 2004 Key Proxy Vote Survey is a valuable tool to help pension plans review the voting practices and performance of their current investment managers and proxy voting services, as well as providing insights to assist with the future selection of such service providers. The report includes easy-to-understand tables detailing how investment managers and proxy voting services voted on key issues and how they compare against their peers. It also provides pension plan administrators with current information on their fiduciary obligations to vote proxies. ♦

#### TO ORDER THE SHARE 2004 KEY PROXY VOTE SURVEY

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