UPCOMING PROXY VOTES

February 20, 2008

Bank Shareholder Proposals Address a Wide Variety of Issues

COMPANY: Canadian Imperial Bank of Commerce
Symbol: CM (TSX, NYSE)
Annual Meeting Date: February 28, 2008

COMPANY: National Bank of Canada
Symbol: NA (TSX)
Annual Meeting Date: February 29, 2008

COMPANY: Royal Bank of Canada
Symbol: RY (TSX, NYSE)
Annual Meeting Date: February 29, 2008

COMPANY: Bank of Montreal
Symbol: BMO (TSX, NYSE)
Annual Meeting Date: March 4, 2008

COMPANY: Bank of Nova Scotia
Symbol: BNS (TSX, NYSE)
Annual Meeting Date: March 4, 2008

COMPANY: Laurentian Bank of Canada
Symbol: LB (TSX)
Annual Meeting Date: March 11, 2008

Proposal #1: Disclose Interest in Hedge Funds and High-Risk Mortgage Loans

Proponent: Mouvement d'éducation et de défense des actionnaires (MEDAC)

Filed with: *Bank of Nova Scotia, Bank of Montreal, National Bank of Canada, Canadian Imperial Bank of Commerce, Laurentian Bank of Canada, Royal Bank of Canada*

This proposal asks that the banks publicly disclose information about their interest, direct and indirect, in any hedge fund(s) and high-risk mortgage loans.

With respect to hedge funds, the proponent points to the well-publicised financial losses of some hedge funds and the lack of direct regulation that applies to them. In addition, the proposal argues that because hedge funds are regulated only through the legislation that governs their bankers, information about the risks they present to shareholders must be reported by the banks.

The proponent is also concerned about the recent and widespread economic fallout that is commonly attributed to investment vehicles with exposure to subprime mortgages and other consumer loans. Like hedge funds, it argues, exposure to these assets is a source of substantial losses and ongoing risk for "certain Canadian financial institutions".

In support of their recommendations that shareholders vote against this proposal, the banks argue that the disclosure they currently provide about enterprise-wide and investment-specific risks are sufficient. A representative comment is set out in the Bank of Montreal's circular: "Transactions involving hedge funds are subject to the same risk management procedures which the Bank uses with all counterparties". CIBC points to various sources of information about its business, "including its credit portfolio and credit risk management", by way of quarterly and annual reports to shareholders, quarterly supplementary financial information, executive presentations and webcasts and other disclosure.

The risks presented by assets with exposure to subprime mortgages and loans and the very real losses recently attributed to these investments have been the subject of enormous media and investor attention in recent months. Investors have been concerned about corporate exposure to hedge fund investments for some years now. These types of investments carry the possibility of substantial financial losses. A lack of direct regulation of hedge funds makes risk reporting by corporate investors in such funds extremely important. The failure of corporate investors to communicate the high risks of investments that include subprime mortgage loans presents a similar problem.

With respect to hedge fund exposure, the current reporting provided by the banks is insufficient because it either incorporates all business risks in one report or addresses specific risks in documents other than the annual report. Information about investment risk can in fact be found in a variety of regulatory filings and other investor materials. Disclosure of subprime exposure is generally better that risk attributable to hedge funds in that it is outlined by some banks separately and in detail.

A report by each bank that is specific to its exposure to hedge fund and high-risk mortgage lending activities would be helpful to investors who are concerned about the risks associated with these particular investment vehicles.

This proposal appears on the ballots of the following banks: Canadian Imperial Bank of Commerce (Proposal #9), National Bank (Proposal #19), Royal Bank of Canada (Proposal # 12), Bank of Nova Scotia (Proposal #8), Bank of Montreal (Proposal # 8) and Laurentian Bank (Proposal # 8).

RECOMMENDATION

SHARE recommends voting FOR this proposal.

Proposal #2: Majority Voting be Given Full Effect

Proponent: J. Robert Verdun

Filed with: *Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada*

More than 70 Canadian companies, including the four banks that have this proposal on their ballots, have adopted a majority voting policy in director elections. What this proposal asks is that majority voting be more strictly applied than the version of it that is currently in place.

Majority voting requires that any director who fails to receive a majority of "for" votes from shareholders at the annual meeting must resign. The banks in question have adopted a variant on majority voting, in which directors who fail to receive a majority of "for" votes must submit their resignation to the board, but the board retains discretion to reject the resignation. Majority voting, as originally conceived, allows shareholders to vote a director off the board.

This proposal, if approved and implemented, would require that director resignations take effect "unconditionally".

Each of the four banks that have received this proposal argues that the qualified nature of their majority voting policies is warranted. Two banks indicate that board discretion is necessary. The Bank of Montreal notes that its policy "allows for consideration of the specific circumstances involved at the time". Similarly, Bank of Nova Scotia indicates that a resignation will be accepted "except in situations where extenuating circumstances would warrant the applicable Director to continue to serve on the Board".

CIBC and the Royal Bank do not appear to reject the strict application of majority voting. Instead, they take issue with what they infer to be the immediacy of the unconditional nature of director resignations. The Royal Bank notes that "Situations may arise in which it would not be in the best interests of the Bank and its shareholders for a particular director to leave the board immediately". Similarly, CIBC's response is that the board may wish a director to continue to sit on the Bank's board "…on an interim basis so that the Board continues to function until other arrangements are made". These responses muddy the issue in failing to directly respond to the proposal.

If a bank director fails to win the support of a majority of the shareholders who cast ballots with respect to his or her candidacy, shareholders have a right to expect that the other directors will not overturn their majority view.

This proposal appears on the ballots of the following banks: Canadian Imperial Bank of Commerce (Proposal #14), Royal Bank of Canada (Proposal # 4), Bank of Nova Scotia (Proposal #14) and Bank of Montreal (Proposal #11).

RECOMMENDATION

SHARE recommends voting FOR this proposal

Proposal #3: Contributions to Employee Pension Assets equal to twice Executive Severance Payments

Proponent: Mouvement d'éducation et de défense des actionnaires

Filed with: *Bank of Nova Scotia, Bank of Montreal, National Bank of Canada, Canadian Imperial Bank of Commerce, Laurentian Bank of Canada, Royal Bank of Canada*

This proposal asks that when a merger or acquisition of the bank occurs and executives are awarded severance and/or other lump sum payments as a result of the deal, an amount equal to two times the total payments granted to the executives be added to the bank's employee pension plan.

Mergers and acquisitions are often accompanied by large payments for departing executives and wage cuts and job losses for non-executive employees. Such unfairness can harm shareholders by leaving them with an investment in a company that has huge payouts to make to its departing executives and a demoralized workforce responsible for the bulk of the work of integrating operations.

SHARE agrees with the proponent's argument that when ownership of a public company changes significantly, there is a serious imbalance between the consequences for the executives and the non-executives. We applaud this shareholder for focusing attention on the imbalance. We are not able, however, to support the action set out in this proposal.

We are skeptical that the proposal can be implemented in a way that benefits employees. For pension plan members and beneficiaries of defined benefit pension plans, the type most common at the banks, adding extra money to the pension fund does not necessarily create a corresponding benefit to them. Improving the funded status of a plan is more likely to lead to employer contribution holidays than to the meaningful enrichment of employees.

We also do not believe that this proposal sets out a remedy that will address the negative consequences of a merger or acquisition for the majority of workers affected by such corporate changes. For employees, job loss is the most significant consequence of a major corporate change. The addition of funds to an employee pension plan will not address the significant trauma of redundancy.

Although SHARE cannot support this proposal, we believe that it has real value in that it turns the minds of all shareholders to the significantly asymmetrical situations of executives and non-executive employees in the event of a merger or acquisition.

This proposal appears on the ballots of the following banks: Canadian Imperial Bank of Commerce (Proposal #4), National Bank (Proposal #14), Royal Bank of Canada (Proposal #7), Bank of Nova Scotia (Proposal #4), Bank of Montreal (Proposal #3) and Laurentian Bank (Proposal #3).

RECOMMENDATION

SHARE recommends voting AGAINST this proposal

FOR MORE INFORMATION

SHARE's proxy voting guidelines provide a comprehensive set of voting policies. SHARE also issues an annual key proxy vote survey. For more information on SHARE and proxy voting contact:

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