

2006 CCGG AGM Chairman's Message

Ladies and Gentlemen:

I would like to welcome you to the public portion of the Canadian Coalition for Good Governance, annual general meeting.

For those that have just joined us, my name is Doug Pearce, and I am the Chairman of the Coalition. Along with my colleague, David Beatty, the Managing Director of CCGG, we will be hosting this afternoon's activities.

The plan for this afternoon is that I will give a few brief remarks about the Coalition and future initiatives and I will be followed by David who will do a synopsis of the year's activities.

David will then introduce our guest speaker Gretchen Morgenson. Following Gretchen's presentation, there will be a question and answer session.

We will end the afternoon by hosting a reception in the adjacent room.

Again, welcome to the Fourth Annual General Meeting of the Canadian Coalition for Good Governance. Your attendance affirms the important role that good governance has in today's capital market.

The Coalition is pursuing new and old issues with enthusiasm and determination with the goal to achieve our mission.

The mission of the Canadian Coalition for Good Governance is to represent Canadian institutional shareholders in the promotion of corporate governance practices that best align the interests of boards and management with those of the shareholder – the owners of the company.

Last year I spoke about how we were accomplishing this mission, by using four distinct strategies:

- Dialogue with companies at the Board and CEO level;
- Publication of guidelines;
- Participation in public policy formation; and
- Investigation and analysis of current practice.

Those strategies are still working well for us.

In the next few minutes I would like to report to you at a high level:

- A) The accomplishments of the year;
- B) Future issues that we need to tackle; and
- C) Changes within the Coalition.

Accomplishments:

Since we last met, the Coalition has been extremely busy tackling a host of new issues and continuing to push on the fundamentals of good governance.

The good news is that the governance of Canadian corporations continues to improve. According to the annual Board Shareholder Confidence Index, published by the Clarkson Centre for Business and Board Effectiveness, 31 additional companies out of 153 surveyed have improved their governance practices to the extent that they are no longer considered to have an elevated governance risk.

The number of companies with High Governance Risk has come down. In 2002, the index categorized 49 companies in the high category, today, it is 29, a decline of 20.

The number of medium Risk Companies has been reduced from 45 in 2002 to 34 today.

More pleasing, is that we have had an increase in the Low Governance Risk category by 20, bringing the total to 29.

And finally, companies with nominal risk have also increased by eleven to 33 companies.

Disclosure Practices Improving:

In 2006, we released the second edition of Best Practices in Shareholder Communications as well as the first edition of its companion document, Best Practices in Compensation Disclosure.

In our annual review of over 150 proxy circulars of Canada's largest companies, we have seen an overall improvement in the quality of disclosure. It is evident that many companies are reviewing our best practices documents.

We would like to recognize these companies and applaud them for the significant improvement.

Over the past two years, we have seen companies address many of the "nuts and bolts" of governance, such as:

- separating the Chair and CEO;
- evaluating the Board, its directors and committees;
- creating independent committees; and
- establishing share ownership requirements for directors.

Many of these governance basics were incorporated in regulations – National Instrument 59-101, Disclosure of Governance Practices and National policy 58-201, Corporate Governance Guidelines.

During the year CCGG did some very important work on Income Trusts. The issue we identified was the inconsistency of Income Trust Indentures in the capital market where there is an absence of laws that protect and give rights to the investor.

A good friend of the Coalition, Mr. Steve Erlichman, worked on this issue along with the policy committee and David Beatty. As we did not see income trust law being developed and passed by the various governments any time soon, we decided, with Steve Erlichmans help, to develop a “Model Income Trust Indenture”. We hope to make this model public in the near future.

Finally, in the list of accomplishments, I’m pleased to report that 72 companies have adopted “Majority Voting” policies or by-laws. This is a significant increase over the previous year.

Now that was a quick high-level summary of accomplishments. David is going to give you more details in a few minutes.

We should be proud of these accomplishments and take the time today to celebrate our success today. Tomorrow, we need to get back to work!

Much of the low hanging fruit has been accomplished. However, we still have some very important and tough issues to deal with.

Excessive Executive Compensation is very much an issue. Yes, we have established guidelines for disclosure and accountability hoping that by shining the light on how much executives are compensated will lead to a better alignment in creating shareholder value. I think that we still have many cases where executive compensation is granted and there hasn't been the corresponding explanation or evidence of shareholder value creations. There are many related issues such as large pensions and extremely favourable change of control provisions for some executives that still needs to be addressed.

Other important issues that CCGG needs to deal with are:

- Break Fees;
- Dual Class Shares; and
- The transparency and accountability of the Proxy Voting System.

These are tough issues, and your board, members of the public policy committee and other coalition members have a broad range of views on how we should approach them and how strident we pursue them.

Let me assure you that your Board feels strongly about these issues and we have the collective energy to be strong advocates for improvement in shareholder alignment and protection.

In four short years, CCGG has built a strong name for itself and respect for the thoughtful positions we put forth. I was at one Annual meeting this year where the Chair of the company mentioned CCGG four times in his report to shareholders on the governance of the company. I might add that these four comments were positive.

This thoughtful, far minded and knowledgeable reputation of CCGG is drawing issues and advice seekers to our door step. Companies, regulators, governments and industry associations are asking for our opinion. From a mandate point of view, this is good - from a workload point of view, this is challenging.

Historically, one of our frustrations has been that the “buy-side” (which is 50% of the market) was rarely asked for our views.

I sense this is changing because of the Coalition.

We need to be involved in many aspects of Canadian capital market reform.

The strength and health of the Canadian Capital Market is strategically important to Canada’s economic prosperity. We need to modernize the regulation and legislation that governs the market on a regular basis to ensure transparency, efficiency and fairness to all participants. And most importantly of all, the protection of investors capital.

CCGG has shown leadership for market reform through our actions by establishing guidance on various issues, commenting on discussion papers, and speaking to industry panels and speaking out on issues.

The task Force to Modernize Securities Legislation in Canada, lead by Tom Allan and the Crawford Panel on a Single Canadian Securities Regulator are two examples of where CCGG and its members contributed last year.

When Purdy Crawford conducted his review, CCGG members across the country appeared before his panel, expressing their concerns of and aspirations for the Canadian Securities Regulatory regime. A common theme expressed was the need for better enforcement, a system that is consistent and transparent and more accountable in providing investor protection.

We think his conclusions are headed in the right direction and therefore, CCGG should support this initiative by providing our thought leadership in shaping the future of the capital market that we as investors want to see.

Should regulatory reform proceed, I would hope that CCGG would either be consulted or be at the table.

This recognition is attributed to the dedication and the wonderful support of CCGG members and friends.

Now I would like to address some of the changes at the Coalition.

You may have noticed some reforms and changes at the Coalition in the last six months. The Board has established one new committee and is about to establish another.

Recently, the Nomination and Governance Committee was established. This was done for two main reasons:

We needed a formalize process to nominate members to the Board and second, a group of Directors to ensure that the CCGG practiced good governance.

Mr. David Denison is Chairing that committee and its members include Don Reed, David Beatty and me.

The second committee being established is a small Advisory Committee that will be initially chaired by Claude Lamoureux. The Committee will be made up of current and former public company Chairs or CEO's that have demonstrated a passion for improving corporate governance. We believe we need an *"inside the boardroom"* view in assisting us in developing strategies to accomplish our goals.

Retiring from our Board this year is Mr. Tony Arrell and Mr. Claude Lamoureux. Both of these gentlemen have been tireless supporters of the Coalition and instrumental in guiding us and providing leadership. Both gentlemen were on the founding Board and in the early days Tony provided the office space for the Coalition.

On behalf of the members and the management team, I would like to extend best wishes and a hearty thank you to Tony and Claude.

Unfortunately, Tony was unable to make it today but Claude will be here and we will be presenting him with a token of our appreciation later.

I would also like to thank my other colleagues on the Board,

- Steven Jarislowskly
- Sian Burgess
- Don Reed
- David Denison
- Emilian Groch
- David Beatty, and
- Gordon Fyfe.

I would also like to welcome our two new board members, Barbara Palk and Kim Shannon.

There are many more members and friends of the Coalition that I would also like to extend my appreciation for their contribution to the success of the CCGG.

Finally, I would like to recognize the efforts and contribution of the staff of the Coalition:

- Mary Stillich
- Paul Schneider
- Bill Mackenzie; and
- David Beatty

You are the ones responsible for executing the strategies that ensure the vision of the Coalition is accomplished.

On behalf of the Board and all the CCGG members, thank you. Any many special thanks for arranging today's event.

In closing, 2006 was a year of many successes and new initiatives.

We have the energy, momentum and determination to make 2007 more successful.

Thank You.