

**Canadian Coalition for
GOOD GOVERNANCE**

2008 ANNUAL GENERAL MEETING

June 16, 2008

Chair's Address to Members

Good afternoon and thank you all for coming today.

In 2008, the Canadian Coalition for Good Governance celebrates its fifth anniversary. Looking back at our first five years, our members should all be very proud, as I am, of the Coalition's many successes. Corporate governance in Canada has dramatically improved.

The Coalition's founding members decided that a strong, unified shareholder voice could be valuable to the Canadian capital markets. They were right. Canadian companies have generally responded very positively to the governance dialogue and support the Coalition has given to directors and executive managers since our organization was established in 2003.

I've had the opportunity and great pleasure to serve as Chair of the Coalition's board for the past two years, and in this time, the Coalition has continued to work on several "core" initiatives, such as, majority voting in director elections and disclosure practices.

The Managing Director, David Beatty, will report out on these CCGG activities in his message. I'd like to talk about some of the governance reform work yet to be done, and what we believe lies ahead for the Coalition.

As we entered our fifth year, the Coalition's board of directors took time to reflect on the state of corporate governance in Canada, and where our work and energy should be focused in the future. There was unanimous agreement that much had been achieved and that the Coalition's approach of thoughtful, encouraging engagement with company chairs and CEOs was producing the intended results for our members – *to align the interests of boards and management with those of the shareholder.*

In planning the Coalition's next steps, the board looked at significant governance themes and issues within the boardrooms of corporate Canada and beyond; notably the regulatory framework in this country.

There are five critical areas identified by the board as requiring corporate governance progress. These areas are:

- (1) **Compensation** – the Coalition would like to see a tighter linkage between company pay and long-term performance outcomes and the shareholder. Until now, our emphasis has been on effective disclosure of compensation policies and programs. This year, through our members, we will hold direct, private discussions with directors and chairs of companies where we have a significant stake to help ensure compensation is clearly tied to company and shareholder success. These discussions will be helped by a CCGG staff project to frame the principles and features of an “optimal compensation plan”. The optimal compensation plan will be developed from our member’s thinking and experiences with plans that work and don’t work. Your input and ideas are vital to how the CCGG approaches this critical issue, and I’ll say more on member participation in a moment.

- (2) **Deterring serious capital markets crimes** – the Coalition believes that investors in the Canadian capital markets should have adequate and effective protection. Accordingly, we will advocate for improvements in the policing and prosecution of the Criminal Code provisions relating to the securities markets. In our view, deterring serious capital markets crimes through better enforcement is an important building block in a national regulatory structure.
- (3) **Member participation** – our 45 Coalition members play a vital role in ensuring we continue to be a strong and important presence in Canada’s capital markets. The relevance, quality, and impact of the work we do depends on the energy and commitment of our members. It is essential that we are all engaged and, therefore, the board and staff will be encouraging more member participation.

(4) **Industry outreach** – although the Coalition represents a substantial portion of Canada’s “buy side” community, the investment industry and marketplace is made up of many other key players such as accounting firms, compensation consultants, trade associations, legal experts, regulators, governments, global custodians, and proxy voting agencies.

The Coalition will engage these groups to build governance solutions together. In our view, the best solutions are ones that can involve and bring to bear the perspectives, capabilities and networks of a diversity of stakeholders and industry participants.

(5) **Proxy voting** – currently, proxy voting in Canada is characterized by complexity, inefficiency, and a lack of transparency in both meeting agendas and results. This is why the Coalition will closely examine the entire proxy voting-lifecycle, from the notification of the meeting, through voting

and confirmation of voting, to the dissemination of the final results of the meeting. Through this analysis, we expect to better understand the problems, so we can begin to develop solutions.

The results of these initiatives and the improvements expected may not manifest themselves in the near term. But, the Coalition intends to pursue these strategic governance goals, believing that fundamental improvements are necessary to ensure a strong, efficient capital market framework in Canada.

In closing, I would like to thank the Coalition members, my fellow board members, and the staff of the Coalition (Mary Stillich, Paul Schneider, Bill Mackenzie and Stephen Griggs) for all their hard work last year. In particular, I want to recognize David Beatty who has announced his retirement and will be leaving the Coalition after our Annual General Meeting this year. David is the founding

Executive Director of the Coalition, and through his leadership, we have achieved many impressive results in our first five years. Also, it is important to thank the many “friends of the Coalition” who provide time and resources to further our initiatives.

The Canadian Coalition for Good Governance is making a difference, and with the solid footing we have gained in our first five years, we will continue to make progress in the years ahead – raising awareness of corporate governance issues, and building integrity and confidence in the marketplace for the benefit of all participants.

Thank you.