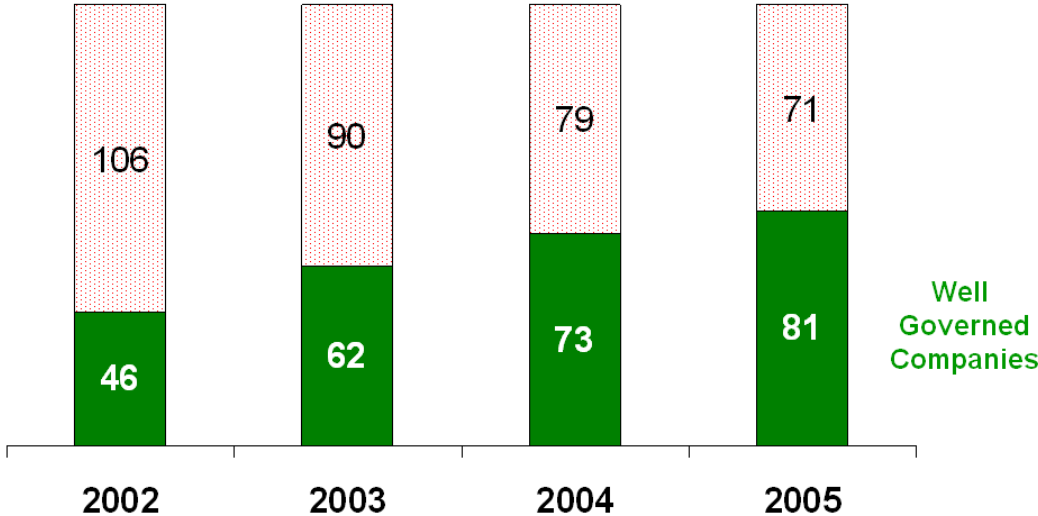




SECOND ANNUAL REPORT

Working to Improve Corporate Governance in Canada

The number of well governed companies continues to grow



Source: Rotman School of Management Board-Shareholder Confidence Index

152 companies on the S&P/TSX Index, owned by Coalition members, measured on a consistent set of metrics over the last four years.

Message from the Chair



Michael Wilson

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

On the basis of the preliminary results of the Rotman School of Management Board-Shareholder Confidence Index, (seen on the cover), I am confident that Canadian boards of directors are working hard to improve their effectiveness.

We fulfill our mission with three principal strategies:

1. Broadcasting our guidelines to the people and public companies of Canada through our website, the media, and many professional organizations
2. Engaging directly with company chairs, CEOs and corporate secretaries to promote good corporate governance policies and practices
3. Participating in the evolution of public policy to influence the future shape of the investment industry

The Managing Director's report provides more detail on the activities of the last twelve months. I would like to report to you on an important new subject: director education.

Interest in formal education for directors continues to grow. Programs at six universities have graduated over 200 attendees while another 350 are either in a course of study at the moment, or registered. These courses are offered across the country:

- The Rotman School of Management (University of Toronto) partnered with the Institute of Corporate Directors for a program in Toronto
- The Rotman/ICD partnership has also developed programs in:
 - Calgary with the Haskayne School
 - Vancouver with the Sauder School at UBC and the Simon Fraser Business School
 - Montreal with McGill Management
- The DeGroote School of Business (McMaster University) has offered courses in partnership with the Conference Board of Canada
- The Caisse de dépôt et placement du Québec, the Faculty of Administrative Science of Université Laval and the Autorité des marchés financiers have recently partnered to create the Collège des administrateurs de sociétés

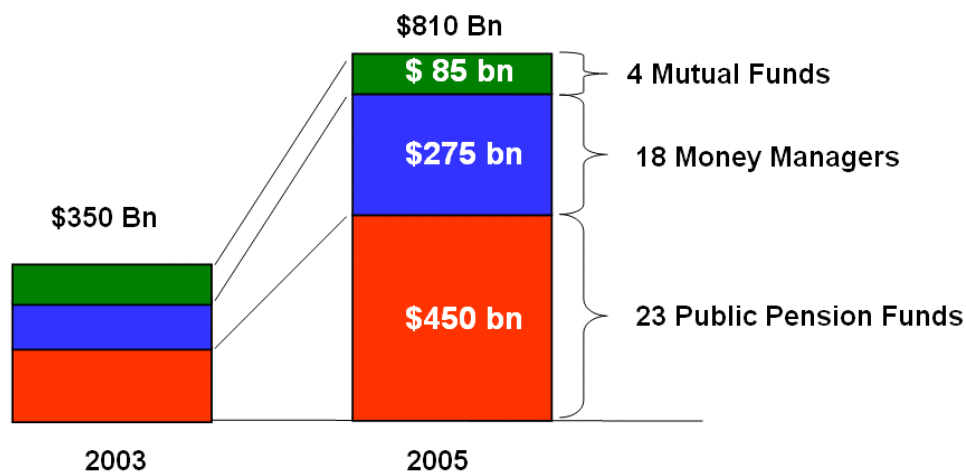
These programs are important additions to corporate governance in Canada. No longer is being a director a lifelong achievement award but a disciplined and arduous profession. The Coalition is pleased to see that these programs are being well attended by both current and aspiring directors and are being well rated by the participants.

With all of our success over the past year, we must keep in mind that there is still a great deal of work to be done. You will note from our cover that while we now count 81 well governed companies there are 71 who still have improvement opportunities.

We will continue to “walk softly and carry a big stick”. We walk softly, preferring to do our work outside of the media glare. The “stick” we carry really belongs to our members who, should they be unhappy about the governance progress at any particular company, may choose to speak publicly or vote their shares accordingly.

We now have 45 members whose Assets Under Management total some \$810 billion.

Assets Under Management have grown significantly



I would like to take this opportunity to thank our Board of Directors for all their hard work in getting the Coalition off to such a good start over the past two years. In particular, I want to pay tribute to Morgan Eastman of OPSEU Pension Trust and Emilian Groch of Alberta Teachers’ Retirement Fund Board who will be stepping down at our Annual General Meeting this year. Both have played a vital role in the establishment of the CCGG and both will continue to be strong supporters of our efforts.

Michael Wilson

Chair

Report of the Managing Director

In our second year we have continued to play a significant role in the improvement of Canadian corporate governance.

This report highlights the work we have done this year. We continue to employ the three principal strategies described in the Chairman’s letter. In addition we have:

1. Developed a set of tools for compensation committees. The tools are included in our Working Paper “Good Governance Guidelines for Principled Executive Compensation”
2. Started work on promoting “majority” voting for directors to ensure that shareholders really do elect directors
3. Continued to participate in policy arenas as “the voice of the shareholder”

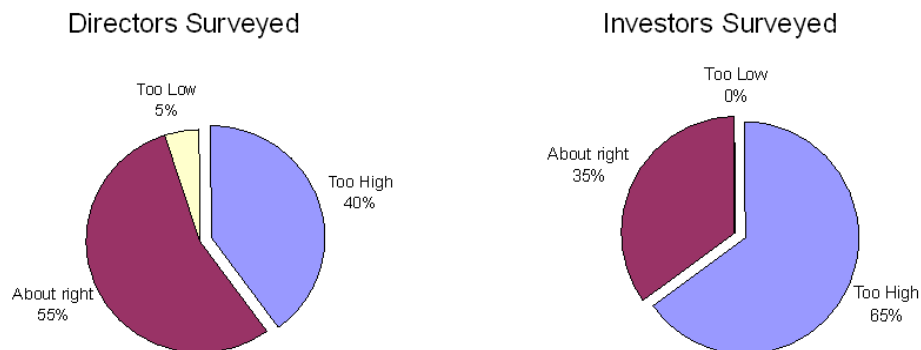
It has been a busy but effective 12 months. With our members’ support and encouragement as well as their own direct contact with the boards and management of the companies they own, we will continue to improve governance and shareholder returns in Canada.

1. We developed a set of tools for compensation committees

Over the year, members of the Coalition stated repeatedly that the priorities should be: compensation, compensation and compensation. The Coalition members feel that “compensation is just plain out of control”.

Directors are concerned as well. McKinsey & Company and HRI Corporation undertook a survey of our members and of senior Canadian directors. Significant numbers of directors and investors thought CEO compensation was too high.

How would you describe CEO compensation today?



In response we have worked with the leading professionals in the compensation field, senior directors and the Coalition members themselves to develop some tools to assist directors serving on compensation committees to do their jobs more effectively.

The Working Paper will be published shortly and will include tools for directors to assess the degree to which the compensation programmes they have established are effective in linking pay to performance.

The Working Paper proposes three tables to confirm that pay is linked to performance:

1. A three year comparative table that summarizes every component of the compensation package (at the time it was granted) so that shareholders know the full annual cost of the CEO¹
2. A “look back – total take” table that accrues the total consideration paid to the CEO since the CEO’s appointment up to that point in time²
3. A “pay for performance” table that relates the total consideration derived from the “look back” table to absolute and relative performance measures³

Combined with the other guidelines for a strongly independent, knowledgeable and hard working compensation committee, the Coalition believes that senior executive compensation may yet be brought under control.

Next Steps

To help compensation committees gain perspective on their work the coalition will:

1. Write to every board chair and compensation committee chair to build an inventory of innovative tools and best practices.
2. Encourage Coalition members to appraise compensation plans and vote their proxies accordingly.
3. Sponsor the Rotman School of Management to begin the systematic evaluation of compensation programs and compensation disclosure. These results will be published as compensation governance scores.

Many shareholders believe compensation in Canadian public companies must be brought under control and linked much more closely with shareholder returns. There is a lot of work to be done for compensation committees to achieve this goal.

¹ See APPENDIX ONE for examples of such a table for both CIBC and CN. The prescribed table under Form 51-102F6 “Statement of Executive Compensation” called “Summary Compensation Table” does not meet this test.

² See APPENDIX TWO for a theoretical “look back – total take” at the “total take” of a CEO since being appointed.

³ See APPENDIX THREE for a theoretical comparison of “look back – total take” to market capitalization changes in absolute terms and compared to the industry returns.

2. Started work on “majority” voting for directors

Directors represent shareholders and it is only at an Annual General Meeting that shareholders get a chance to vote on the men and women who are being nominated as directors. There are three fundamental problems with Canadian “elections”:

- a) Most companies do not give shareholders a chance to vote for individual directors
- b) All companies give shareholders only the right to WITHOLD their vote from a director; shareholders cannot vote AGAINST a director
- c) All companies are required to disclose voting results but performance to date has been erratic

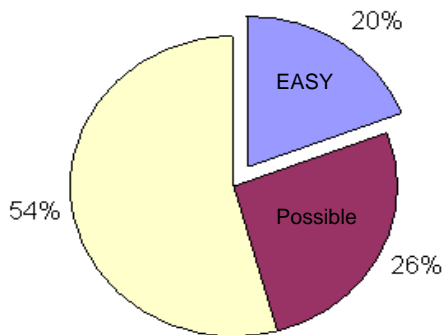
The following paragraphs explain these problems in more detail.

Changing the way directors are elected will significantly improve the effectiveness of corporate boards of directors.

a) Most companies do not give shareholders a chance to vote for individual directors

In a study undertaken this year, the Coalition discovered that only 20% of companies on the S&P/TSX made it easy to vote for individual directors. Another 26% made it “possible” but some shareholder ingenuity was often needed.

Ability to vote for individual directors
215 companies of the S&P/TSX composite



As a result, the Coalition published a set of Best Practices Guidelines to help corporate secretaries design proxy circulars that would facilitate informed voting by shareholders. Over 150 corporate secretaries were contacted directly by the Coalition.

These guidelines can be downloaded at:

www.ccgq.ca/web/website.nsf/web/ccgqbestpractices

b) All companies give shareholders only the right to WITHOLD their vote from a director; shareholders cannot vote AGAINST a director

In Canada shareholders can vote “FOR” a director but can only “WITHOLD” their vote. One “FOR” vote ensures election. This voting system is called the **plurality** system.

In the United Kingdom, Australia, Germany and France shareholders vote FOR or AGAINST each director. Failure to receive a majority of votes cast results in a director not being elected. This voting system is called the **majority** system.

As the election of directors is the shareholder’s most fundamental right, (besides the election of the shareholder’s auditor), it is essential to ensure that voting counts.

c) All companies are required to disclose voting results but performance to date has been erratic

In a study of initial compliance with Section 11.3 of National Instrument 51-102 on Continuous Disclosure the Coalition found that while 86% of the companies who did report did so on a timely basis, some 24 companies did not comply in a timely manner or at all.

Of equal concern was the huge variability in the form of compliance. Most companies did not provide the actual voting results having decided the issue by a show of hands at the Annual General Meeting.

Voting results on director elections (and on all shareholder resolutions) must be the actual votes cast. See Manulife Financial’s results as posted on our website: www.ccg.ca/web/website.nsf/web/ccggbestpractices

Next Steps

1. Canadian companies must be encouraged to amend their by-laws to allow shareholders to vote FOR or AGAINST individual directors.
2. Large institutional shareholders should consider introducing “shareholder resolutions” to force companies to move to majority voting.
3. The Coalition will undertake another survey of disclosure compliance with Section 11.3 of National Instrument 51-102 early in the Fall.

Allowing shareholders a “majority” voting opportunity in director elections is a long overdue return to basic governance principles.

3. We continued to be the “voice of the shareholder” in the evolution of the public policy, legal and regulatory frameworks that shape the investment industry

The **Public Policy Subcommittee** under the chairmanship of Claude Lamoureux of the Ontario Teachers’ Pension Plan continued its fine work. This group has responded to a number of regulatory proposals including:

- The Civil Liability provisions of Ontario Bill 198, which established the creation of a statutory right for investors in the secondary market to sue companies and other responsible persons for oral or written misrepresentations, or a failure to make timely disclosure
- The Ontario and Alberta Government’s proposals to remove the contingent liability of investors inherent in owning units of an income trust
- The Federal Government’s request for comments on amendments to the Canada Business Corporations Act

The subcommittee has also worked diligently with the Canadian Institute of Chartered Accountants (CICA), the big four accounting firms and the International Corporate Governance Network (ICGN) on creating a model “audit engagement letter” on which shareholders can rely.

The **Accounting and Audit Policy Subcommittee** is under the leadership of Richard Rooney, President of Burgundy Asset Management. Accounting, the core of securities analysis, is a complex and expert subject. The increasingly frequent changes to accounting principles are of vital importance to those who purchase securities – the “buy side.”

This subcommittee has met with leading officials from the Canadian Institute of Chartered Accountants (CICA), the Accounting Standards Board (AcSB) and the newly established Accounting Standards Oversight Council (AcSOC).

Canadian accounting standards are not established in isolation, but are shaped with regard to the activities in the United States with the Financial Accounting Standards Board (FASB) and in Europe with the International Accounting Standards Board (IASB).

There is a strong belief in these vital bodies that the Coalition should play a part in determining the future evolution of accounting standards. To provide a voice from the “buy side” this subcommittee is seeking to acquire expert assistance.

After meeting with the many groups and individuals representing the various aspects of the accounting landscape, the subcommittee decided the best approach was to focus its efforts at a higher level as opposed to becoming involved in the highly technical setting of standards.

To this end, the committee has established the following work themes for 2005:

1. Consistently raise long-standing concerns such as lease accounting, options accounting, insurance accounting and cash flow statements with the Accounting Standards Oversight Council (AcSOC), Accounting Standards Board (AcSB) and the Ontario Securities Commission (OSC).
2. Schedule regular meetings with the Chief Accountant of the OSC and the Chair of the AcSOC.
3. Develop an “Accounting Users Bill of Rights”, which would detail six to ten principles that users of accounting information should expect from the financial statements they read.
4. Support useful initiatives to improve transparency, such as making SEDAR an addressable database (much like EDGAR), to improve comparability, disclose errors and manipulations.
5. Wherever appropriate, respond to requests for comments on CICA exposure drafts.

The work of these two committees has contributed significantly to the evolution of the public policy, legal and regulatory frameworks that shape the investment industry.

We have a powerful program for 2005/6

The year has been busy and we believe that the Coalition has contributed effectively to the development of improved governance standards across the range of Canadian public companies owned in the portfolios of Coalition members. Looking forward we will continue to:

1. Broadcast our governance and compensation guidelines to the public companies of Canada through our website, the media, and many professional organizations
2. Engage directly with company chairs, CEOs and corporate secretaries to promote good governance policies and practices and sensible compensation practices
3. Participate in the evolution of public policy frameworks that shape the investment industry

We have three additional areas of interest to develop as we proceed into our third year. We intend to:

1. Press boards to strengthen the linkage between top management compensation and longer term company performance
2. Encourage the adoption of majority voting for directors
3. Work with audit committees to review their audit engagement letters to ensure shareholders get audited financial statements that they can rely upon

We look forward to working with our members and the many company boards and directors we have come to know over our first 24 months.



[Paul Schneider, Mary Stillich, David Beatty](#)

CANADIAN COALITION FOR GOOD GOVERNANCE

Audited Financial Statements January 1, 2004 to December 31, 2004

Statement of Operations For the Year Ended December 31, 2004

	Twelve Months Ended <u>December 31, 2004</u>	Ten Months Ended <u>December 31, 2003</u>
Revenue		
Full memberships	\$ 663,668	\$ 326,439
Observer memberships	64,327	14,014
Interest	179	57
	<hr/>	<hr/>
	728,174	340,510
	<hr/>	<hr/>
Expenses		
Advertising and promotion	-	3,345
Amortization	4,017	2,645
Consulting fees – external	77,265	16,458
Consulting fees – managing director	117,700	71,333
Fees, dues and training	5,351	1,489
Insurance	10,153	-
Legal and audit	17,133	2,140
Office and general	23,780	11,955
Rent	38,212	25,742
Telecommunications	2,941	2,598
Travel and entertainment	20,185	11,861
Wages and benefits	149,112	86,470
	<hr/>	<hr/>
	465,849	236,036
	<hr/>	<hr/>
Excess of Revenue over Expenses	\$ 262,325	\$ 104,474
	<hr/> <hr/>	<hr/> <hr/>

MADGETT, ROBERTS, MARLOWE, JACKSON & ASSOCIATES Chartered Accountants

CANADIAN COALITION FOR GOOD GOVERNANCE

Statement of Financial Position

As at December 31, 2004

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current		
Cash	\$ 433,651	\$ 353,069
Memberships receivable	3,245	61,276
Prepaid expenses	6,900	3,403
	<hr/>	<hr/>
	443,796	417,748
	<hr/>	<hr/>
Property and equipment (Note 3)	5,388	7,275
	<hr/>	<hr/>
	\$ 449,184	\$ 425,023
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued charges	\$ 41,465	\$ 35,497
Withholding taxes	6,153	5,471
Deferred revenue (Note 4)	34,767	279,581
	<hr/>	<hr/>
	82,385	320,549
	<hr/>	<hr/>
<u>FUND BALANCE</u>	366,799	104,474
	<hr/>	<hr/>
	\$ 449,184	\$ 425,023
	<hr/> <hr/>	<hr/> <hr/>

MADGETT, ROBERTS, MARLOWE, JACKSON & ASSOCIATES Chartered Accountants

CANADIAN COALITION FOR GOOD GOVERNANCE

Statement of Cash Flows For the Year Ended December 31, 2004

	Twelve Months Ended <u>December 31, 2004</u>	Ten Months Ended <u>December 31, 2003</u>
Cash flows from operating activities		
Excess of revenue over expenses	\$ 262,325	\$ 104,474
Add:		
Amortization	4,017	2,645
Changes in non-cash working capital	61,183	(23,711)
(Decrease) increase in deferred revenue	(244,814)	279,581
	<hr/>	<hr/>
Net change in cash from operations	82,711	362,989
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property and equipment	(2,129)	(9,920)
	<hr/>	<hr/>
Increase in cash during the year	80,582	353,069
Cash beginning of year	353,069	-
	<hr/>	<hr/>
Cash end of year	\$ 433,651	\$ 353,069
	<hr/>	<hr/>

MADGETT, ROBERTS, MARLOWE, JACKSON & ASSOCIATES Chartered Accountants

CANADIAN COALITION FOR GOOD GOVERNANCE

Notes to the Financial Statements

As at December 31, 2004

1. Status and Nature of Activities

The Canadian Coalition for Good Governance was incorporated without share capital on March 18, 2003 under the Canada Corporations Act.

The mission of the corporation is to represent Canadian institutional shareholders through the promotion of best governance practices and to align the interest of boards and management with those of the shareholder.

For Canadian income tax purposes, the corporation qualifies as a not-for-profit organization, which is exempt from income tax under the Income Tax Act.

2. Significant Accounting Policies

(a) Accounting Policy

The financial statements of the corporation have been prepared using the accrual method of accounting. Under this method, revenue is recognized when earned and expenses are charged to operations as incurred.

(b) Property and Equipment

Property and equipment is recorded at cost. Amortization charges are calculated on a straight-line basis at the following rates.

Computer hardware	33 1/3%
Computer software	33 1/3%

(c) Contributed Services

Volunteers contribute significantly to the activities of the Coalition. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

MADGETT, ROBERTS, MARLOWE, JACKSON & ASSOCIATES Chartered Accountants

CANADIAN COALITION FOR GOOD GOVERNANCE

Notes to the Financial Statements

As at December 31, 2004

3. Property and Equipment

Property and equipment is stated as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2004 Net</u>	<u>2003 Net</u>
Computer hardware	\$ 9,221	\$ 5,401	\$ 3,820	\$ 6,399
Computer software	2,829	1,261	1,568	876
	<u>12,050</u>	<u>6,662</u>	<u>5,388</u>	<u>7,275</u>

4. Deferred Revenue

Deferred revenue represents that portion of membership fees received in the current fiscal period that apply to the next fiscal year.

Deferred revenue is comprised of:

Full memberships	\$ 11,441
Observer memberships	23,326
	<u>34,767</u>

5. Rental and Office Administration Costs

During the year, the Coalition paid rent of \$38,212 and office administration expenses in the amount of \$2,619 to Burgundy Asset Management Ltd.

MADGETT, ROBERTS, MARLOWE, JACKSON & ASSOCIATES Chartered Accountants

CANADIAN COALITION FOR GOOD GOVERNANCE

Mission Statement

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

Objectives

1. Ensuring that all public corporations have highly qualified boards of directors who understand that they are accountable only to the shareholders in the carrying out of their fiduciary duties.
2. Ensuring that boards of directors insist on excellent and ethical management.
3. Ensuring that the boards of directors supervise management proactively.
4. Ensuring that all committees of the boards of directors are independent from management and highly qualified.
5. Ensuring that external auditors follow policies of transparent accounting, reporting directly to the audit committee thereby ensuring independence from the management of the company.
6. Supporting compensation schemes that reward employees for superior performance.
7. Developing a common position on acceptable accounting standards and financial disclosure through input with the various regulators and standard setting organizations.

Visit our website www.ccgq.ca. There you will find our Corporate Governance Guidelines for Building High Performance Boards, a Self-Appraisal tool, best practices and an expanding number of speeches as well as our latest policy submissions.

Board of Directors

Chair



Michael Wilson
Chairman, UBS Canada
Toronto, Ontario
Board Member since 2003

Michael Wilson is Chairman of UBS Canada. He has been the Federal Minister for Finance, Industry, Science & Technology, and International Trade in the Government of Canada. Mr. Wilson also serves as a director of Manulife Financial and BP p.l.c. He is Chairman of NeuroScience Canada and the Canadian Council for Public-Private Partnerships.

Mr. Wilson graduated with a B.Comm from the University of Toronto. He is currently the Chancellor of Trinity College and was awarded the Order of Canada in 2003.

Directors



H. Anthony (Tony) Arrell
Chairman and Chief Executive Officer, Burgundy Asset Management Ltd.
Toronto, Ontario
Board Member since 2003

Tony Arrell has had a career in the securities industry with Gardiner Watson, Wood Gundy and Midland Walwyn Inc.

In late 1992, Mr. Arrell became Chairman of Burgundy Asset Management Ltd.

He is a current Director of Gardiner Group Capital and Garbell Holdings as well as a Governor of the University of Guelph and of St. Michael's Hospital. Mr. Arrell has been active for many years with the Canadian Cystic Fibrosis Foundation and The Canadian Opera Company.

Mr. Arrell has a B.Sc. degree from the University of Guelph and an MBA from York University. In 1998, he received the York University Award for Outstanding Executive Leadership.



W. Sian Burgess
Senior Vice President, General Counsel and Corporate Secretary
Mackenzie Financial Corporation
Board Member since 2004

W. Sian Burgess is Senior Vice President, General Counsel and Corporate Secretary for Mackenzie Financial Corporation and subsidiaries. Ms. Burgess heads up the legal and compliance departments for the Mackenzie and the MRS Group of Companies and has worked for Mackenzie since 1991. She was previously an associate with a large downtown Toronto law firm and was seconded to The Toronto Stock Exchange.

Ms. Burgess is a past chairman of the Regulatory Steering Committee at the Investment Funds Institute of Canada and has been involved in numerous industry committees and initiatives to forward regulatory matters in the mutual fund industry.



Morgan Eastman
Chief Investment Officer, OPSEU Pension Trust
Toronto, Ontario
Board Member since 2003

Morgan Eastman is a graduate of York University in Toronto, with a B.A. degree in Political Science. He has twenty years of experience in the investment industry; in the derivatives, structured finance, and investment management areas. Prior to joining the OPSEU Pension Trust in 2001, a pension plan with over 73,000 members and pensioners, Mr. Eastman was Vice-President of an investment management firm.



Emilian Groch
Executive Director, Alberta Teachers' Retirement Fund Board
Edmonton, Alberta
Board Member since 2003

Emilian Groch joined the Alberta Teachers' Retirement Fund Board (ATRF) in 1994 as Executive Director and is responsible for the operation and management of ATRF. ATRF provides retirement benefits, information services and asset management for 64,000 Alberta teachers, inactive teachers and pensioners.

Mr. Groch was the Alberta Superintendent of Pensions from 1984 to 1994 and has worked in the pension industry for over 25 years. He obtained a B.Sc. Honours (Applied Mathematics in Statistics) and a Certificate of Employee Benefits Administration from the University of Alberta. Mr. Groch is a recent graduate of the Directors Education Program at the Haskayne School of Business at the University of Calgary. He is Chair of the Government Relations Committee of the Pension Investment Association of Canada, and Chair of the Edmonton Firefighters' Supplementary Pension Plan Committee.



Stephen A. Jarislowsky
Chief Executive Officer, Jarislowsky Fraser Limited
Montréal, Québec
Board Member since 2003

Stephen A. Jarislowsky is the former President and current Chairman and Chief Executive Officer of Jarislowsky Fraser Limited, a firm he started 49 years ago. Over that time, he has directed the growth of the company to become one of the largest and most successful investment management firms in Canada. Throughout his career, Mr. Jarislowsky has been a strong advocate for shareholder rights.

Mr. Jarislowsky has been active in other corporations, participated in educational, cultural and charitable activities of many kinds, endowed eleven University S.A. Jarislowsky Chairs and contributes frequently to television, radio, magazines and newspapers.

Mr. Jarislowsky has a MA with Phi Beta Kappa Honours from the University of Chicago as well as a MBA from Harvard University.

He is a recipient of the Order of Canada, a Chevalier de l' Ordre National du Québec, Honorary LL.D. from Queen's, the University of Alberta, the Université de Montréal, McMaster University, Concordia University, Assumption University and l' Université Laval.



Claude Lamoureux

President and Chief Executive Officer, Ontario Teachers' Pension Plan
Toronto, Ontario
Board Member since 2003

As head of the Ontario Teachers' Pension Plan, Claude Lamoureux is responsible for overseeing the investment of the plan's assets and the administration of the pensions of 255,000 current and retired teachers in Ontario.

Before joining Teachers', Mr. Lamoureux spent 25 years as a financial executive with Metropolitan Life in Canada and the U.S., rising through the ranks to head the company's operations in Canada.

Mr. Lamoureux serves on the boards of directors of Domtar, the Art Gallery of Ontario Foundation, the OSC Investor Education Fund, The Canadian Institute for Advanced Research and the Canadian Institute of Chartered Accountants. As well, Mr. Lamoureux is Chair of the Accounting and Auditing Practices Committee of the International Corporate Governance Network; Chair of the Nominating Committee of the Public Sector Pension Investment Board; and a member of the International Pensions Conference.

Mr. Lamoureux holds a BA from the University of Montreal and a B.Comm. (Actuarial Science) from Laval University. He is a Fellow of the Canadian Institute of Actuaries, the Society of Actuaries and the Institute of Corporate Directors.



Donald F. Reed

President and Chief Executive Officer, Franklin Templeton Investments Corp.
Toronto, Ontario
Board Member since 2003

Donald F. Reed, President and Chief Executive Officer of Franklin Templeton Investments Corp., as well as Chief Executive Officer of Templeton Investment Counsel, LLC, is responsible for managing international global portfolios and currently manages institutional accounts in addition to a retail mutual fund for Templeton. Mr. Reed is also

President, Chief Executive Officer, and a director of Templeton Growth Fund, Ltd. In addition, he serves on the Planning Committee of Franklin Resources, Inc.

Prior to joining Templeton in 1989, Mr. Reed was President and Director of Reed Monahan Nicolish Investment Counsel, a pension fund investment management company based in Toronto. He was a co-founder of the International Society of Financial Analysts. In 2000, Mr. Reed was the recipient of the Thomas L. Hansberger Award for Leadership in Global Investing. He currently serves on the Board of Governors for Acadia University. Mr. Reed earned a B.Comm. from Acadia University. In 1980, he became a Chartered Financial Analyst (CFA) Charterholder. Mr. Reed is also a Chartered Investment Counselor (CIC).



David R. Beatty O.B.E.

Managing Director of the Canadian Coalition for Good Governance
Conway Director of the Clarkson Centre for Business Ethics and Board Effectiveness and
Professor of Strategic Management
Joseph L. Rotman School of Management, University of Toronto
Toronto, Ontario
Board Member since 2003

David Beatty became Managing Director of the Canadian Coalition for Good Governance at its inception in May 2003. He has been a Professor at the University of Toronto's Rotman School of Management for the last decade. From 1984 to 1993, Mr. Beatty was president of Weston Foods, a division of George Weston Limited. He is an experienced corporate director serving with the boards of companies in Canada, Australia, Mexico and London (UK).

Mr. Beatty has a BA in Political Science & Economics (University of Toronto), an MA in Economics (Cambridge University) and is a Chartered Financial Analyst. In 1992 he was awarded the Order of the British Empire. Mr. Beatty was named a Fellow of the Institute of Corporate Directors in 2005.

CCGG Members as of June 2005

Acuity Investment Management Inc.
Alberta Teachers' Retirement Fund Board
AMI Partners Inc.
Aurion Capital Management Inc.
Barclays Global Investors Canada Limited
British Columbia Investment Management Corporation (bcIMC)
Burgundy Asset Management Ltd.
CPP Investment Board
Capital Guardian Trust Co.
Colleges of Applied Arts and Technology Pension Plan (CAAT)
Connor, Clark & Lunn Investment Management Ltd.
Ethical Funds Company (The)
Fonds commun de placement des Régimes de retraite de l'Université Laval
Fonds de solidarité FTQ
Franklin Templeton Investments Corp.
Greystone Managed Investments Inc.
Hospitals of Ontario Pension Plan (HOOPP)
Jarislowsky Fraser Limited
J.P. Morgan Fleming Asset Management (Canada) Inc.
KBSH Capital Management Inc.
Legg Mason Canada Inc.

Leith Wheeler Investment Counsel Ltd.
MFC Global Investment Management
Mackenzie Financial Corporation
McLean Budden Ltd.
National Bank of Canada
New Brunswick Investment Management Corporation
Ontario Municipal Employees Retirement Board (OMERS)
Ontario Pension Board
Ontario Teachers' Pension Plan (OTPP)
OPSEU Pension Trust
Phillips Hager & North Investment Management Ltd.
Public Sector Pension Investment Board (PSP Investments)
RBC Asset Management Inc.
Scotia Cassels Investment counsel Limited
SEAMARK Asset Management Ltd.
Signature Funds (CI Funds)
Sionna Investment Managers Inc.
Standard Life Investments Inc.
State Street Global Advisors Ltd.
TD Asset Management Inc.
UBS Global Asset Management
Workers' Compensation Board – Alberta
York University

Disclosing Annual CEO Compensation

Both CN Rail and CIBC have done a complete cost estimate and it is this model, which should be followed.

From the CN Rail 2004 information circular⁴:

Summary Compensation Table

Name and Principal Position ⁽²⁾	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (US\$)
		Salary (US\$)	Bonus ⁽⁴⁾ (US\$)	Other Annual Compensation ⁽⁵⁾ (US\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Shares or Units subject to Resale Restrictions ⁽⁸⁾ (US\$)	Long-Term Incentive Plan Payouts (US\$)	
E. Hunter Harrison	2004	1,250,000	3,500,000	1,162,823 ⁽⁶⁾	Nil	8,100,000 ⁽⁹⁾	1,592,779 ⁽¹⁰⁾	550,823 ⁽¹²⁾
President and Chief Executive Officer	2003	1,100,000	1,430,000	50,001	540,000	Nil	Nil	263,250 ⁽¹²⁾
	2002	935,000	238,600	68,875	337,500	Nil	605,364 ⁽¹¹⁾	252,690 ⁽¹²⁾

CN have provided a much more meaningful summary for the total estimated compensation for its CEO:

Compensation	Value (US\$)
Base salary	1,250,000
Bonus	3,500,000
Other annual compensation	1,162,823 ⁽¹⁾
Grant of 180,000 restricted share units under the annual grant	5,078,000 ⁽²⁾
Grant of 202,500 restricted share units pursuant to the 2004 CEO Employment Agreement allocated to 2004	1,453,000 ⁽³⁾
Value of defined contribution pension plans accrued in 2004	550,823 ⁽¹⁾
Total compensation	12,994,646

- ⁽¹⁾ Detailed information on these amounts is presented in the "Summary Compensation Table".
- ⁽²⁾ Represents the expected value of the 180,000 performance-based restricted share units granted in 2004. At the time of the grant, the expected value of the award was estimated at US\$5,078,000. See "Long-Term Incentive Plan – Awards in the Last Financial Year".
- ⁽³⁾ Represents one fifth of the expected value of the 202,500 restricted share units granted in 2004. At the time of the grant the expected value of the award was estimated at US\$7,265,000, which was spread over a five-year term. See footnote (9) of "Summary Compensation Table".

The following page provides the CIBC example.

⁴ From the 2004 CN proxy statement pages 22 and 34

From the CIBC 2004 information circular⁵:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS		
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Securities Under Options/SARs Granted ⁽²⁾ (#)	Restricted Shares Or Restricted Share Awards ⁽³⁾ (\$)	All Other Compensation ⁽⁴⁾ (\$)
J. S. Hunkin	2004	1,000,000	3,050,000	Nil	50,560	4,207,500	6,393
President and Chief Executive Officer	2003	900,000	3,450,000	Nil	Nil	3,150,000	26,926
	2002	900,000	Nil	Nil	Nil ⁽⁶⁾	Nil	26,926

CIBC have provided a much more meaningful summary for the total estimated compensation for its CEO:

J. S. Hunkin Chief Executive Officer and President	2004	2003	2002
	\$	\$	\$
CASH			
Annualized Base Salary ⁽¹⁾	1,000,000	900,000	900,000
Cash Bonus	3,050,000	3,450,000	Nil
Total Cash	4,050,000	4,350,000	900,000
EQUITY			
Restricted Shares Awards ⁽²⁾	4,207,500	3,150,000	Nil
Stock Options ⁽³⁾	742,500	Nil	Nil
Retirement Special Incentive Plan ⁽⁴⁾	Nil	2,870,249	2,348,386
Total Equity	4,950,000	6,020,249	2,348,386
Total Direct Compensation	9,000,000	10,370,249	3,248,386
Annual Pension Service Cost ⁽⁵⁾	343,000	319,000	320,000
Total	9,343,000	10,689,249	3,568,386

Notes:

- (1) Based on an annual base salary rate of \$900,000 through December 31, 2003, and \$1,000,000 thereafter.
- (2) This item represents the portion of total direct compensation that was granted as Restricted Share Awards. RSAs vest one third annually or at the end of three years and are distributed in the form of one CIBC common share for each RSA, commencing on the first anniversary of the end of the fiscal year to which the award relates, unless the recipient elects to defer receipt of shares until the end of the third year. Dividend equivalents are paid on a quarterly basis.
- (3) For 2002, represents the dollar value of 115,000 options that were renounced by Mr. Hunkin. No option award was made in the 2003 fiscal year. For the 2004 fiscal year, represents the Black Scholes value of 50,560 options granted under ESOP at an option price of \$73.10. Awards vest 1/4 per year, starting on the first anniversary of the grant date.
- (4) Represents the dollar value at the time of conversion of 5,000 units in RSIP awarded in 2000, converted into RSIP deferred share units ("RSIP DSUs") in the years shown, that vested on October 31, 2003 upon certain long-term performance criteria being met. RSIP DSUs will be distributed in the form of CIBC common shares upon retirement or termination of employment with CIBC. RSIP DSUs earn dividend equivalents that are reinvested into additional RSIP DSUs. For 2003, the amount represents 55% of the allocated gains from the 2002 fiscal year. The remaining 45% of the gains from 2002 are shown in 2002.
- (5) Annual pension service cost is the value of the projected pension earned for the year of service credited for the specific fiscal year. For comparability and consistency, this value is determined using the same actuarial assumptions as for determining the year-end pension plan liabilities disclosed in the financial statements, in accordance with generally accepted accounting principles.

⁵ From the 2004 CIBC proxy statement pages 24 and 29

“Look Back – Total Take” CEO Compensation

In this theoretical example the annual total pay package is added to the liability increases in the Special Executive Retirement Plan (the SERP) and the “in the money” stock options in the four years of the CEO’s tenure.

	2001-2004	2004	2003	2002	2001
CEO Annual Compensation	TOTAL				
Base Salary	\$4,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Bonus	\$6,100,000	\$2,000,000	\$2,000,000	\$1,100,000	\$1,000,000
Mid-term Performance share units (PSUs) at target	\$10,000,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Grants of restricted share units (RSUs)	na	na	na	na	na
Option Gains realised	\$19,500,000	\$6,500,000	\$6,000,000	\$7,000,000	\$0
sub-total annual	\$39,600,000				
CEO Longer Term Compensation	CHANGE				
Total SERP value estimate	\$6,500,000	\$20,000,000	\$17,000,000	\$15,000,000	\$13,500,000
Year end "in the money" stock option value	\$27,000,000	\$45,000,000	\$35,000,000	\$20,000,000	\$18,000,000
sub-total long term	\$33,500,000				
TOTAL CONSIDERATION PAID/OWING TO CEO	\$73,100,000				
ANNUAL AVERAGE	\$18,275,000				

In the current Ontario Securities Commission Form 51-102F6 there are no requirements to “pull together” all the various strands of the compensation package. The elements are all there but there is no requirement to aggregate the total considerations thus far paid, realized and/or owing in the future.

Pay for Performance Tables

Millions per Billion

In this theoretical example the “look back – total take” is related first to the increase in market capitalization (adjusted for shares outstanding).

	2001- 2004	2004	2003	2002	2001	
CEO Annual Compensation	TOTAL					
Base Salary	\$4,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	
Bonus	\$6,100,000	\$2,000,000	\$2,000,000	\$1,100,000	\$1,000,000	
Mid-term Performance share units (PSUs) at target	\$10,000,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	
Grants of restricted share units (RSUs)	na	na	na	na	na	
Option Gains realised	\$19,500,000	\$6,500,000	\$6,000,000	\$7,000,000	\$0	
sub-total annual	\$39,600,000					
CEO Longer Term Compensation	CHANGE					
Total SERP value estimate	\$6,500,000	\$20,000,000	\$17,000,000	\$15,000,000	\$13,500,000	
Year end "in the money" stock option value	\$27,000,000	\$45,000,000	\$35,000,000	\$20,000,000	\$18,000,000	
sub-total long term	\$33,500,000					
TOTAL CONSIDERATION PAID/OWING TO CEO	\$73,100,000					
ANNUAL AVERAGE	\$18,275,000					
Year End Market Capitalization in BILLIONS		\$28	\$25	\$22	\$20	Start 2001
Change over 2001-2004	\$10					\$18
\$7,310,000	Millions per billion					
0.73%	Sales commission					

The compensation committee of this theoretical company over the four years of this executive’s tenure paid \$7,310,000 per billion of market capitalization achieved. This is equivalent to a CEO “sales commission” of 0.73% of the increase in market capitalization.

But, more important for the compensation committee and the shareholder is the relation of the “look back – total take” to the relative market performance. In this theoretical example, the industry in which the company competed grew its market capitalization at 10% per year over this period.

TOTAL CONSIDERATION PAID/OWING TO CEO	\$73,100,000					
ANNUAL AVERAGE	\$18,275,000					
COMPANY						Start 2001
Year End Market Capitalization in BILLIONS		\$28	\$25	\$22	\$20	\$18
Change over 2001-2004	\$10					
INDUSTRY average growth 10% per year		\$26				
Excess above market growth	\$1.65					
\$44,406,297	Millions per billion					
3.7%	Sales commission					

The compensation committee of this theoretical company over the four years of this CEO’s tenure paid \$44,406,297 per billion of “above average” market capitalization achieved.

This is equivalent to a CEO “sales commission” of 3.7% of the “excess” in market capitalization achieved by management.