



New Brunswick Investment Management
Corporation / Société de gestion des
placements NB

NBIMC/SGPNB

RESPONSIBLE INVESTMENT GUIDELINES



August, 2008

INTRODUCTION

The following document outlines the Responsible Investment Guidelines used by the New Brunswick Investment Management Corporation (NBIMC) in executing its' ownership responsibilities with both public and private investments.

These guidelines include direction in terms of proxy voting procedures and guidance on socially responsible investment issues. The guidelines are the responsibility of the President and have been formulated with the input of a cross company working group and the NBIMC Board of Directors.

In all cases these guidelines are based on the following two objectives that form the basis of each of the investment policies for our funds under management:

- Maximize risk adjusted investment returns, and
- Protect accumulated assets.

Investment policies for the Pension Plans under our management directly indicate that the voting rights on shares held by NBIMC shall be exercised according to these objectives. The Board of Directors also delegates these voting rights to the President of NBIMC to fulfill. The following guidelines have therefore been produced to further outline how this responsibility will be carried out and accounted for.

As a long term investor, NBIMC is very interested in enhancing shareholder value for the benefit of our funds under management. Good corporate governance is well recognized as contributing to better corporate performance and long-term investment returns.

This interest is shared across a number of peer institutional pension fund managers, and is manifested in a number of industry groups and associations. NBIMC has been an active member in both the Pension Investment Association of Canada (PIAC) and the Canadian Coalition for Good Governance (CCGG). Both of these organizations act as an excellent resource and advocate for governance guidelines and are utilized by NBIMC to help with our activities and direction in corporate governance and proxy voting guidelines.

WHAT IS CORPORATE GOVERNANCE?

The Ontario Teachers Pension Plan Board (OTPPB), who has been a leader in the pension fund governance area, defines corporate governance as follows:

“the system by which companies are directed, controlled and evaluated¹ “

They further point out that this responsibility lies primarily with the board of directors, however it is the shareholders and investors role to appoint those directors and to ensure that a proper governance structure is in place.

NBIMC RESPONSIBLE INVESTMENT GUIDELINES

We have developed the following guidelines to detail how NBIMC will execute its' role as an investor in helping to ensuring that a proper governance structure is in place in companies in which we invest.

It is also to point out that these are guidelines and not strict rules or regulations. All governance related situations will not be identical and therefore will require an open-minded pragmatic approach.

NBIMC will base its actions along the PIAC Corporate Governance Principles and Guidelines that are included in the Appendix, (or at <http://www.piacweb.org/publications/index.html> and click on “PIAC Corporate Governance Principles and Guidelines May 2007”).

As mentioned earlier, PIAC is an institutional pension fund management organization, established in 1977 as a forum in which members can share information and knowledge. Its mission is “to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries”. NBIMC has been an active member in PIAC since the inception of NBIMC.

PIAC was also the first organization in Canada to issue corporate governance standards and works to promote the importance of proxy voting by its members as a means of improving shareholder value in investee corporations.

¹ Good Governance Is Good Business - Corporate Governance Policies and Proxy Voting Guidelines, Ontario Teachers' Pension Plan, 2005.

PROXY VOTING

Proxy voting is the most prominent means in which an investor can participate in the corporate governance process.

NBIMC invests in financial securities by three means; direct purchases, derivative contracts, and through external managers. The proxy process for each of these is outlined below:

Directly Held Shares

In cases where we directly hold securities the proxies received will be directed to the applicable investment team that has invested in the security. They will use the PIAC guidelines to vote the proxy and forward the result to the President (or Designate). The President (or Designate) will review, acknowledge, and have the completed proxy forwarded back to the investee company or appropriate agent.

NBIMC uses the services of a third party agent through which it exercises its voting rights. Records are both paper and electronic. Paper records are maintained for the current fiscal year plus two additional years and subsequently destroyed. Electronic records are kept for seven years and then destroyed. Reports are generated monthly, reviewed by the President and senior management, and available for inspection by our auditors or the Board.

It is possible that cases will arise that will be considered unique and that will require further analysis or interpretation. These will be brought to the attention of the President who may coordinate a number of resources both internal, and external to NBIMC to provide further analysis on the situation. Examples of applicable external resources are outlined in a later section of this document.

It should also be noted that a number of NBIMC investment portfolios participate in securities lending opportunities. These opportunities provide additional income to NBIMC by lending securities to other investors. Securities which are part of the lending program do not however provide NBIMC with the ability to exercise the applicable proxy. In these cases NBIMC always reserves the right to call back securities that are on loan to be able to vote the proxy. In practice however this activity would only be undertaken if it was deemed in advance that a specific proxy related issue was extremely grievous to investors, and that our vote could be a deciding factor in the outcome of the issue.

Derivative Based Exposure

While derivative based exposure, in certain circumstances, provides for a cost efficient means of gaining exposure to various markets, it unfortunately does not provide for the ability for NBIMC to vote proxies of underlying securities. The physical securities are typically held by the counterparty to the derivative transaction.

Through discussions with a number of our derivative counterparties we have found that they typically do not play an active role in the proxy process and therefore take a neutral stance by abstaining from the voting process.

External mandates

NBIMC utilizes the services of external managers for specific mandates. In these cases NBIMC will actively review and discuss the manager's proxy voting process during the initial due diligence process before a manager is retained.

NBIMC also requires the manager to submit its proxy voting history to us on a quarterly basis which is subsequently reviewed by NBIMC management (the President or delegate). This information is filed under the appropriate manager in NBIMC's central files and is available for inspection by NBIMC auditors or the Board.

In specific circumstances NBIMC also reserves the right to discuss our view on a particular proxy related issue with an external manager in advance of a voting deadline. In addition, NBIMC management meets with each external managers at a minimum on an annual basis. These meetings provide an opportunity for NBIMC to discuss proxy voting issues with the external manager.

ENGAGEMENT / ACTIVE DIALOGUE

Direct engagement with public companies is conducted in exceptional circumstances. Organizations such as the CCGG and PIAC have however successfully played an active role in improving governance issues in a number of Canadian public companies, by interacting through quiet moral suasion techniques. This type of participation does not limit us however from a more direct engagement process such as a submission of a formal letter or request, requesting a meeting with company management, or filing a shareholder resolution.

With respect to private investment activities, NBIMC typically participates more directly due to a more significant ownership stake and the private nature of the investment. These

roles may involve a Board of Director position in a direct company investment, or an Investment Advisory Board seat in a private investment partnership.

CLASS ACTIONS

NBIMC participates in class action legal activity directed against investee companies in situations when, by a company's action or omission, we have suffered a loss in investment value and whereby we feel that we can retrieve a significant portion of this loss through legal action.

These situations are monitored by management and reported to the Board of Directors on a quarterly basis.

SOCIAL INVESTING ISSUES

As mentioned in the Introduction, the investment policies for our funds under management outline two main objectives:

- Maximize investment returns, and
- Protect accumulated assets.

The Legislative Act which created NBIMC also designates NBIMC as trustee for the funds under management. Our fiduciary duty as trustee therefore requires NBIMC to invest in opportunities that can obtain the highest possible return for the funds, commensurate with acceptable levels of risk. As a fiduciary it is therefore very important that non-financial investment considerations do not preclude this risk adjusted return obligation.

In most cases we believe that the laws and regulatory agencies of the specific countries in which we invest are the best served to opine on social issues. NBIMC does however believe that responsible corporate behavior is related to good long-term corporate performance. It is therefore important to point out that some social responsibility issues may very well affect our view on a specific company's long-term shareholder value. In those cases we will use any governance related means at our disposal to address the issue with the company in question.

OTHER RESOURCES

While PIAC will provide the main framework for our Governance Guidelines, we have identified a number of other sources who produce both guidelines and provide records of their own proxy voting activities. NBIMC management will periodically use these resources as an aid in analyzing more difficult proxy situations, or in periodically reviewing our own internal policies and guidelines.

Ontario Teachers Pension Plan (<http://www.otpp.com>)

British Columbia Investment Management (<http://www.bcimc.com>)

Ontario Municipal Employees Retirement System (<http://www.omers.com>)

California Public Employee Retirement System (<http://www.calpers.com>)

In addition to the PIAC guidelines, the following organizations are monitored for additional guidelines and industry activity:

Canadian Coalition for Good Governance (CCGG) (<http://www.ccg.ca/>)

International Corporate Governance Network – Statement on Institutional Shareholder Responsibilities (ICGN)
(<http://www.icgn.org/documents/InstShareholderResponsibilities.pdf>)

Organization for Economic Co-operation and Development - Principles of Corporate Governance (OECD)
(http://www.oecd.org/document/49/0,2340,en_2649_34813_31530865_1_1_1_1.00.html)

United Nations Principles for Responsible Investment (UNPRI) (<http://www.unpri.org>)

APPENDIX – PIAC CORPORATE GOVERNANCE STANDARDS

Source : <http://www.piacweb.org/publications/index.html> and click on “PIAC Corporate Governance Principles and Guidelines May 2007”.