

Special Quarterly Report

ESG Issues Management relating to the Natcan Social Value Fund

As at March 31, 2009



CARBON DISCLOSURE PROJECT

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ESG Highlights

Corporate Update

Barrick Gold

Employee Safety: Mudslide Kills 10 People at Exploration Camp

In December 2008, five employees and five residents from a local village were killed in a mudslide at the Kora exploration camp near the Kainantu mine in Papua New Guinea. While the landslide was triggered by extreme rainfall, a member of the Papua New Guinea parliament raised concerns that extensive exploration drilling in the area may have contributed to the landslide and questioned whether the camp should have been built at the site in the first place. According to this MP, the camp was located in a disaster-prone area because it was at the bottom of a hillside while the company was conducting exploration activities on the top. As of the end of December, PNG authorities were investigating the cause of the landslide, which covered about one square kilometre.

Community Relations: Local Villagers Invade North Mara Mine

In December 2008, more than 200 local villagers invaded Barrick Gold's North Mara mine in Tanzania, clashing with security personnel and setting equipment ablaze. The incident resulted in the death of one civilian and approximately \$8.7 million in equipment damage. According to some non-governmental organizations, the North Mara site has been the scene of several confrontations between the company and local villagers, many of whom are artisanal miners who claim they were displaced when the mine was acquired in 2001.

EnCana Corporation

Community Relations: Fourth Attack on Infrastructure in BC

A fourth bombing occurred at an EnCana facility in January 2009. The incident was discovered after gas line workers found a partially destroyed metering shed at a sour gas wellhead site near the community of Tomslake, B.C. There were no injuries or gas leakage as a result of the blast, however the RCMP have referred to the attacks as increasingly violent, targeting a sour gas pipe 250 metres from the residence of two small children. EnCana announced a reward of \$500,000 for information leading to the arrest and prosecution of whoever has been bombing its gas wells. The RCMP investigation continues.

Nexen Inc.

Potential Environmental Impacts: Long Lake Ownership and First Production

In late January 2009, Nexen Inc. acquired an additional 15% interest in the Long Lake in-situ oil sands project from OPTI Canada Inc. As a result, Nexen is the majority owner with 65% of the project, and is the operator of the steam-assisted gravity drainage (SAGD) facility and the upgrader. Also in late January, the project's upgrader began production and is currently producing synthetic crude at a rate of 10,000 to 15,000 barrels per day. Nexen expects the upgrader to increase production to 60,000 barrels per day over the next 12 to 18 months.

ESG Highlights

Corporate Update

Petro-Canada

Union Relations: Thirteen-Month Lockout Concludes

In late December, 260 unionized employees of Petro-Canada's Montreal refinery, which had been locked out for 13 months, voted 94.6% in favour of a new labour agreement. The three-year agreement provides for retroactive wage increases of 5.0%, 4.5% and 4.5%, a one-time bonus and other benefits. The Communications, Energy and Paperworkers Union (CEP) claimed a victory over key issues since the settlement provides for an automatic extension of the collective agreement when it expires in 2010 based on the union's national energy bargaining settlement achieved at Petro-Canada's Edmonton refinery.

Research In Motion Limited

Corporate Governance: RIM Settles with the OSC over Backdating of Options

On February 5, 2009, RIM and its top four executives announced a settlement agreement with the Ontario Securities Commission (OSC) to resolve its investigation of backdated options. Among other provisions, the company agreed to submit to an independent review of its governance practices and procedures and the top four executives agreed to contribute \$92 million Cdn to the settlement to cover, among other things, a \$9.1 million Cdn administrative penalty to the OSC towards the costs of its investigation. Messrs Balsillie, Kavelman and Loberto have also been prohibited from acting as directors of any Canadian reporting issuer for a year and until RIM publicly discloses how it will address the recommendations arising from the independent review. In addition, RIM announced plans to settle a separate investigation by the U.S. Securities and Exchange Commission.

Suncor Energy

Regulatory Compliance: Cooling Water Released to Athabasca


In early February 2009, Suncor released hundreds of thousands of litres of contaminated water into the Athabasca River from the oil sands plant's cooling water retention pond. The company received sample results showing levels of oil and grease above the allowable discharge levels, and reacted by attempting to close the valve that controlled the discharges, however some difficulty resulted. Alberta Environment confirmed the discharges had ceased 12 hours after the sample results were known to the company. Alberta Environment also confirmed the water was not from a tailings pond. The size of the release is not known.


Source: Jantzi Research


ESG Highlights

Rating Changes and Responsibility Reports

Companies whose social rating has changed and nature of the change

Agrium Inc. 

Corus Entertainment Inc. 

Loblaw Companies Limited 

Canadian Pacific Railway Limited 

Companies that issued a corporate responsibility report during the quarter

Bank of Nova Scotia (March 2009)

Royal Bank of Canada (February 2009)

Talisman Energy Inc. (March 2009)

Sources: Jantzi Research, CorporateRegister.com

Top Five Overweights

Astral Media Inc.

Astral Media operates primarily in the areas of specialty, pay, and pay-per-view television, radio and outdoor advertising in English and French-language media. The firm ranks seventh out of ten media companies in its peer group with a score of 4.8.

Company	Indexed score	Community and society	Corporate governance	Customers	Employees	Environment	Human rights
Astral Media	0.96	0.8	1.1	0.9	0.9	1.0	1.9

Petro-Canada

Petro-Canada is one of Canada's largest integrated oil and gas companies, operating in both the upstream and downstream sectors of the industry in Canada and internationally. Upstream activities are conducted through four business segments: North American Natural Gas, Oil Sands, East Coast Canada, and International. Downstream operations comprise the company's fifth major business segment. The firm ranks first out of five companies in its peer group with a score of 6.6.

Company	Indexed score	Community and society	Corporate governance	Customers	Employees	Environment	Human rights
Petro-Canada	1.13	1.3	1.1	1.0	1.0	1.1	1.3

RONA Inc.

RONA is a distributor and retailer of hardware, home improvement, and gardening products with a network of affiliated, franchised, and corporate stores across Canada. The firm ranks third out of six companies in its peer group with a score of 5.1.

Company	Indexed score	Community and society	Corporate governance	Customers	Employees	Environment	Human rights
RONA Inc.	1.01	1.1	1.1	1.0	1.0	1.0	1.0

Top Five Overweights

Magna International Inc.

Magna International designs, develops and manufactures automotive components, assemblies, modules and systems, and engineers and assembles whole vehicles for manufacturers of cars and light trucks in North America, Europe, South America, Asia and Africa. The firm ranks third and last in its peer group with a score of 4.5.

Company	Indexed score	Community and society	Corporate governance	Customers	Employees	Environment	Human rights
Magna International Inc.	0.81	1.1	0.7	0.8	0.8	0.8	0.8

Canadian Imperial Bank of Commerce

The CIBC Bank is the fifth-largest bank in Canada in terms of asset size (\$342 billion as of year end FY 2007). CIBC has two strategic business lines: CIBC Retail Markets and CIBC World Markets. The firm ranks sixth out of eight banks in its peer group with a score of 6.5.

Company	Indexed score	Community and society	Corporate governance	Customers	Employees	Environment	Human rights
CIBC Bank	0.96	1.1	1.0	0.5	1.0	1.3	n.a.

Source: Jantzi Research

Proxy Voting

Social Responsibility Component

	Management position	SAS ¹ Position	Natcan
Proposal for the meeting held on January 27, 2009 -CGI Group Inc.			
<i>Election of directors and approval of auditors</i>			
Shareholders are asked to elect directors Claude Boivin, Bernard Bourigeaud, Jean Brassard, Claude Chamberland, Robert Chevrier, Thomas P. D'Aquino, Paule Doré, Serge Godin, André Imbeau, David L. Johnston, Eileen A. Mercier, Michael E. Roach, Gerald T. Squire and Robert Tessier. They are also asked to approve the choice of Deloitte & Touche LLP as auditors, and to authorize the Board to fix their remuneration.	FOR	FOR	FOR
Proposal for the meeting held on January 27, 2009 - Metro Inc.			
<i>Election of directors and approval of auditors</i>			
Shareholders are asked to elect directors Pierre Brunet, Marc DeSerres, Claude Dussault, Serge Ferland, Paule Gauthier, Paul Gobeil, Christian W.E. Haub, Michel Labonté, Éric La Flèche, Pierre Lessard, Marie-José Nadeau, Réal Raymond, Michael T. Rosicki and Bernard A. Roy. They are also asked to approve the choice of Ernst & Young LLP as auditors, and to authorize the Board to fix their remuneration.	FOR	FOR	FOR
<i>Amendment to the Employee Stock Option Plan</i>			
It is proposed to consider and, if deemed appropriate, approve the increase in the number of Class A Subordinate Shares reserved for the grant of new options under the Company's Stock Option Plan.	FOR	FOR	FOR
Proposal for the meeting held on February 17, 2009 - BCE Inc.			
<i>Election of directors and approval of auditors</i>			
Shareholders are asked to elect directors A. Bérard, R.A. Brenneman, G.A. Cope, A.S. Fell, D. Soble Kaufman, B.M. Levitt, E.C. Lumley, T.C. O'Neill, J.A. Pattison, P.M. Tellier and V.L. Young. They are also asked to approve the choice of Deloitte & Touche LLP as auditors.	FOR	FOR	FOR
<i>Increase of 10% in the dividend paid to shareholders who hold their shares for two years and more</i>			
It is proposed that Bell Canada Enterprises encourages the continuity of its shareholding by increasing by 10% the dividend normally paid on shares held for more than two years.	AGAINST	AGAINST	AGAINST

¹Social Advisory Services (SAS) est une division de ISS.

Proxy Voting

Social Responsibility Component

	Management position	SAS Position	Natcan
Proposal for the meeting held on February 17, 2009 - BCE Inc. (cont'd)			
<i>Voting right after a minimal holding period of one year</i> It is proposed that shareholder voting rights be conferred after a minimum holding period of one year.	AGAINST	AGAINST	AGAINST
<i>Compensation benefits to employees</i> It is proposed that, in the event of a merger or acquisition, the by-laws of Bell Canada Enterprises provide for paying an amount into the employee pension fund equal to twice the bonuses and compensation benefits paid to officers and directors.	AGAINST	AGAINST	AGAINST
<i>Men-women parity on the board of directors</i> It is proposed that there be the same number of men and women on the board of directors of Bell Canada Enterprises, three years from the adoption of this proposal. Though we are in favour of greater diversity among company boards, we believe competency should prevail. As such, having to comply with this criteria when assessing a potential candidate could jeopardize the mix of skills and talents required for the overall effectiveness of the Board.	AGAINST	FOR	AGAINST
<i>Information on compensation equity</i> It is proposed that the annual report and management proxy circular disclose the equity ratio between the aggregate compensation of the highest paid executive of Bell Canada Enterprises, including annual salary, bonuses, gratuities, payments under long-term bonus programs and any other form of compensation, and that of average employee compensation.	AGAINST	FOR	FOR
<i>Prior shareholder approval of the compensation policy for senior executives</i> It is proposed that the compensation policy for the five highest-paid executives of Bell Canada Enterprises and the retainers paid to board members be pre-approved by shareholders.	AGAINST	AGAINST	AGAINST
<i>Restrict executives' exercise of options to end of tenure</i> It is proposed that Bell Canada Enterprises regulate the exercise of options allocated to senior executives and directors of our companies by stipulating that such options may not be exercised by those concerned before the end of their tenure.	AGAINST	AGAINST	AGAINST

Proxy Voting

Social Responsibility Component

	Management position	SAS Position	Natcan
Proposal for the meeting held on February 17, 2009 - BCE Inc. (cont'd)			
<i>Disclosure of holdings in hedge funds and subprime mortgages</i>			
Given the grave concerns voiced by many observers and regulators on the effects of hedge funds and subprime mortgages on the stability of the financial system, it is proposed that the bank disclose information on its direct or indirect holdings in this type of activity.	AGAINST	AGAINST	AGAINST
<i>Cumulative voting to elect directors</i>			
It is proposed that Bell Canada Enterprises amend its articles to introduce a cumulative voting mechanism to elect members of the board of directors. We believe this measure could confer too much power to a minority of shareholders whose objectives could differ from the majority.	AGAINST	FOR	AGAINST
Proposal for the meeting held on February 26, 2009 - Canadian Imperial Bank of Commerce (CIBC)			
<i>Election of directors and approval of auditors</i>			
Shareholders are asked to elect directors Brent S. Belzberg, Jalynn H. Bennett, Gary F. Colter, Luc Desjardins, William L. Duke, Gordon D. Giffin, Linda S. Hasenfratz, Nicholas D. Le Pan, John P. Manley, Gerald T. McCaughey, Jane L. Peverett, Leslie Rahl, Charles Sirois, Stephen G. Snyder, Robert J. Steacy and Ronald W. Tysoe. They are also asked to approve the choice of Ernst & Young LLP as auditors.	FOR	FOR	FOR
<i>Advisory vote to ratify named executive officers' compensation</i>			
It is proposed that the board of directors adopt a governance rule stipulating that the executive compensation policy be subject to an advisory shareholder vote.	AGAINST	FOR	FOR
<i>Adopt policy to increase number of women directors</i>			
It is proposed that the board of directors adopt a policy stipulating that 50% of new nominees for the board of directors must be women until parity between men and women is attained. Though we are in favour of greater diversity among company boards, we believe competency should prevail. As such, having to comply with this criteria when assessing a potential candidate could jeopardize the mix of skills and talents required for the overall effectiveness of the Board.	AGAINST	FOR	AGAINST

Proxy Voting

Social Responsibility Component

	Management position	SAS Position	Natcan
Proposal for the meeting held on February 26, 2009 - Canadian Imperial Bank of Commerce (CIBC) (cont'd)			
<i>Adopt policy Limiting the number of board seats per director</i> It is proposed that the Board of directors adopt a governance rule limiting the number of boards on which any of its directors may sit to four (4). As stated in our proxy voting rights policy, we support proposals that limit the number of boards of public companies on which a director may sit.	AGAINST	AGAINST	FOR
<i>Advisory vote to ratify named executive officers' compensation</i> Resolved, that shareholders urge the board of directors to adopt a policy that shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by Canadian Imperial Bank of Commerce's management, to ratify the report of the Management Resources and Compensation Committee set forth in the proxy statement.	AGAINST	FOR	FOR
<i>Review executive compensation programs</i> The shareholders recommend to the board of directors that it undertake a comprehensive review of executive compensation to ensure that incentives do not encourage extreme risks, and that bonuses are paid out only when long-term performance has been proven to be sound and sustainable.	AGAINST	AGAINST	AGAINST
<i>Review short-selling programs</i> The shareholders recommend to the board of directors that a comprehensive review be undertaken with respect to short-selling. If warranted, the Board shall bring forward a policy for consideration by the shareholders, and, if necessary, for submission to the legislators and regulators.	AGAINST	AGAINST	AGAINST
<i>Review director recruitment policies</i> The shareholders recommend to the board of directors that it review its policies on director recruitment, especially with regard to the number of current and former Chief Executive Officers of other corporations who are nominated.	AGAINST	AGAINST	AGAINST

Proxy Voting

Social Responsibility Component

	Management position	SAS Position	Natcan
Proposal for the meeting held on February 26, 2009 -Royal Bank of Canada			
<i>Election of directors and approval of auditors</i>			
Shareholders are asked to elect directors W.G. Beattie, D.T. Elix, J.T. Ferguson, P. Gauthier, T.J. Hearn, A.D. Laberge, J. Lamarre, B.C. Louise, M.H. McCain, G.M. Nixon, D.P. O'Brien, J.P. Reinhard, E. Sonshine, K.P. Taylor et V.L. Young. They are also asked to approve the choice of Deloitte & Touche LLP as auditors and to approve, in accordance with the requirements of the Toronto Stock Exchange (TSX), the The Royal Bank of Canada Umbrella Savings and Securities Purchase Plan.	FOR	FOR	FOR
<i>Consultative vote by the shareholders on the compensation policy for executive officers</i>			
It is proposed that the board of directors adopt a rule of governance stipulating that the compensation policy of their executive officers be submitted to a consultative vote by the shareholders.	AGAINST	FOR	FOR
<i>Presence of women on boards of directors</i>			
It is proposed that the board of directors adopt a policy stipulating that 50% of the new candidates nominated as directors be women until parity between men and women is achieved. Though we are in favour of greater diversity among company boards, we believe competency should prevail. As such, having to comply with this criteria when assessing a potential candidate could jeopardize the mix of skills and talents required for the overall effectiveness of the Board.	AGAINST	FOR	AGAINST
<i>Independence of the members of the compensation committee and of outside compensation consultants</i>			
It is proposed that the board of directors adopt the same policy on independence for the members of the compensation committee and outside compensation consultants as for the members of the audit committee and the external auditors. As stated in our proxy voting rights policy, we support the election of directors in the compensation committee when it consists solely of independent directors. We believe it is appropriate to support the proposals calling for the adoption of policies to this end.	AGAINST	AGAINST	FOR
<i>Adopt policy Limiting the number of board seats per director</i>			
It is proposed that the Board of directors adopt a governance rule limiting the number of boards on which any of its directors may sit to four (4). As stated in our proxy voting rights policy, we support proposals that limit the number of boards of public companies on which a director may sit.	AGAINST	AGAINST	FOR

Proxy Voting

Social Responsibility Component

	Management position	SAS Position	Natcan
Proposal for the meeting held on February 26, 2009 –Royal Bank of Canada (cont'd)			
<p><i>Shareholder advisory vote on report of the Human Resources Committee</i></p> <p>Shareholders urge the board of directors to adopt a policy that shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by Royal Bank of Canada's management, to ratify the report of the Human Resources Committee set forth in the proxy statement.</p>	AGAINST	FOR	FOR
<p><i>Fundamental review of executive compensation</i></p> <p>The shareholders recommend to the board of directors that it undertake a comprehensive review of executive compensation to ensure that incentives do not encourage extreme risks, and that bonuses are paid out only when long-term performance has been proven to be sound and sustainable.</p>	AGAINST	AGAINST	AGAINST
<p><i>Short-selling to be thoroughly reviewed</i></p> <p>The shareholders recommend to the board of directors that a comprehensive review be undertaken with respect to short-selling. If warranted, the Board shall bring forward a policy for consideration by the shareholders, and, if necessary, for submission to the legislators and regulators.</p>	AGAINST	AGAINST	AGAINST
<p><i>Director recruitment policies to be reviewed</i></p> <p>The shareholders recommend to the board of directors that it review its policies on director recruitment, especially with regard to the number of current and former Chief Executive Officers of other corporations who are nominated.</p>	AGAINST	AGAINST	AGAINST
Proposal for the meeting held on March 3, 2009 - Bank of Nova Scotia			
<p><i>Election of directors and approval of auditors</i></p> <p>Shareholders are asked to elect directors Ronald A. Brenneman, C.J. Chen, N. Ashleigh Everett, John C. Kerr, Michael J. L. Kirby, John T. Mayberry, Thomas C. O'Neill, Elizabeth Parr-Johnston, A. E. Rovzar De La Torre, Indira V. Samarasekera, Allan C. Shaw, Paul D. Sobey, Barbara S. Thomas and Richard E. Waugh. They are also asked to approve the choice of KPMG LLP as auditor.</p>	FOR	FOR	FOR

Proxy Voting

Social Responsibility Component

	Management position	SAS Position	Natcan
Proposal for the meeting held on March 3, 2009 - Bank of Nova Scotia (cont'd)			
<p><i>Regulatory structure for long term incentive plans further to a change of control</i></p> <p>It is proposed that the board of directors adopt a policy stating that, further to a change of control, executives benefiting from a variable pay program linked to the stock price of the Company may only realize its proceeds at the average closing price of the stock during the fourth month preceding the announcement of the transaction. Since the proposal is similar to the clause relating to the change of control in the regional stock options section of our proxy voting rights policy, we believe it is justified to support it.</p>	AGAINST	AGAINST	FOR
<p><i>Advisory shareholder vote on senior executive compensation</i></p> <p>It is proposed that the board of directors adopt a governance rule whereby senior executive compensation policy be the subject of an advisory vote by shareholders.</p>	AGAINST	FOR	FOR
<p><i>Women on boards of directors</i></p> <p>It is proposed that the board of directors adopt a policy that requires that 50% of the new applicants proposed as members of the board be women until gender parity is reached. Though we are in favour of greater diversity among company boards, we believe competency should prevail. As such, having to comply with this criteria when assessing a potential candidate could jeopardize the mix of skills and talents required for the overall effectiveness of the Board.</p>	AGAINST	FOR	AGAINST
<p><i>Independence of members of the compensation committee and external compensation consultants</i></p> <p>It is proposed that the board of directors adopt, for members of the compensation committee and external compensation consultants, the same independence policy as the one governing the members of the audit committee and external auditors.</p>	AGAINST	FOR	FOR
<p><i>Adopt policy Limiting the number of board seats per director</i></p> <p>It is proposed that the board of directors adopt a governance rule limiting the number of boards on which any of its directors may sit to four (4). As stated in our proxy voting rights policy, we support proposals that limit the number of boards of public companies on which a director may sit.</p>	AGAINST	AGAINST	FOR

Proxy Voting

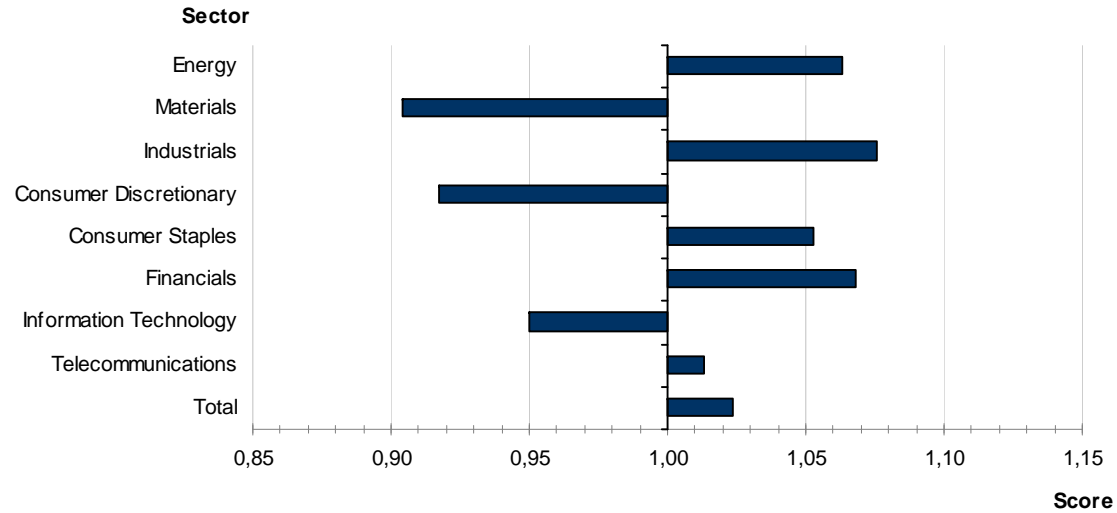
Social Responsibility Component

	Management position	SAS Position	Natcan
Proposal for the meeting held on March 3, 2009 - Bank of Nova Scotia (cont'd)			
<p><i>Advisory vote on executive compensation</i></p> <p>Resolved, that shareholders of Bank of Nova Scotia urge the board of directors to adopt a policy that Bank of Nova Scotia's shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by Bank of Nova Scotia's Scotiabank 48 management, to ratify the report of the Human Resources Committee set forth in the proxy statement.</p>	AGAINST	FOR	FOR
<p><i>Fundamental review of executive compensation</i></p> <p>The shareholders recommend to the board of directors that it undertake a comprehensive review of executive compensation to ensure that incentives do not encourage extreme risks, and that bonuses are paid out only when long-term performance has been proven to be sound and sustainable.</p>	AGAINST	AGAINST	AGAINST
<p><i>Short-selling to be thoroughly reviewed</i></p> <p>The shareholders recommend to the board of directors that a comprehensive review be undertaken with respect to short-selling. If warranted, the Board shall bring forward a policy for consideration by the shareholders, and, if necessary, for submission to the legislators and regulators.</p>	AGAINST	AGAINST	AGAINST
<p><i>Director recruitment policies to be reviewed</i></p> <p>The shareholders recommend to the board of directors that it review its policies on director recruitment, especially with regard to the number of current and former Chief Executive Officers of other corporations who are nominated.</p>	AGAINST	AGAINST	AGAINST

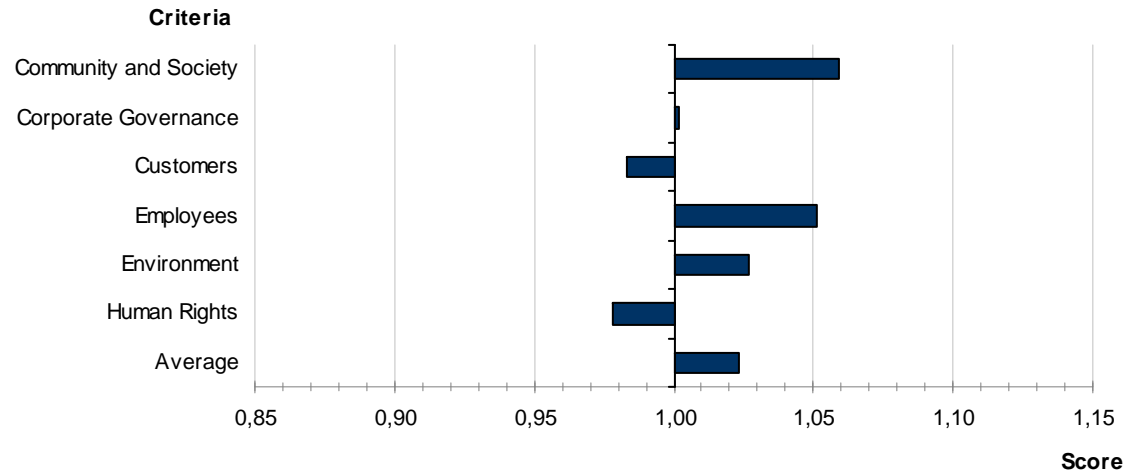
ESG Score Average of Portfolio

As at March 31, 2009

PER SECTOR



PER EVALUATION CRITERIA



Note: a 1.0 score represents the average of the peer group.