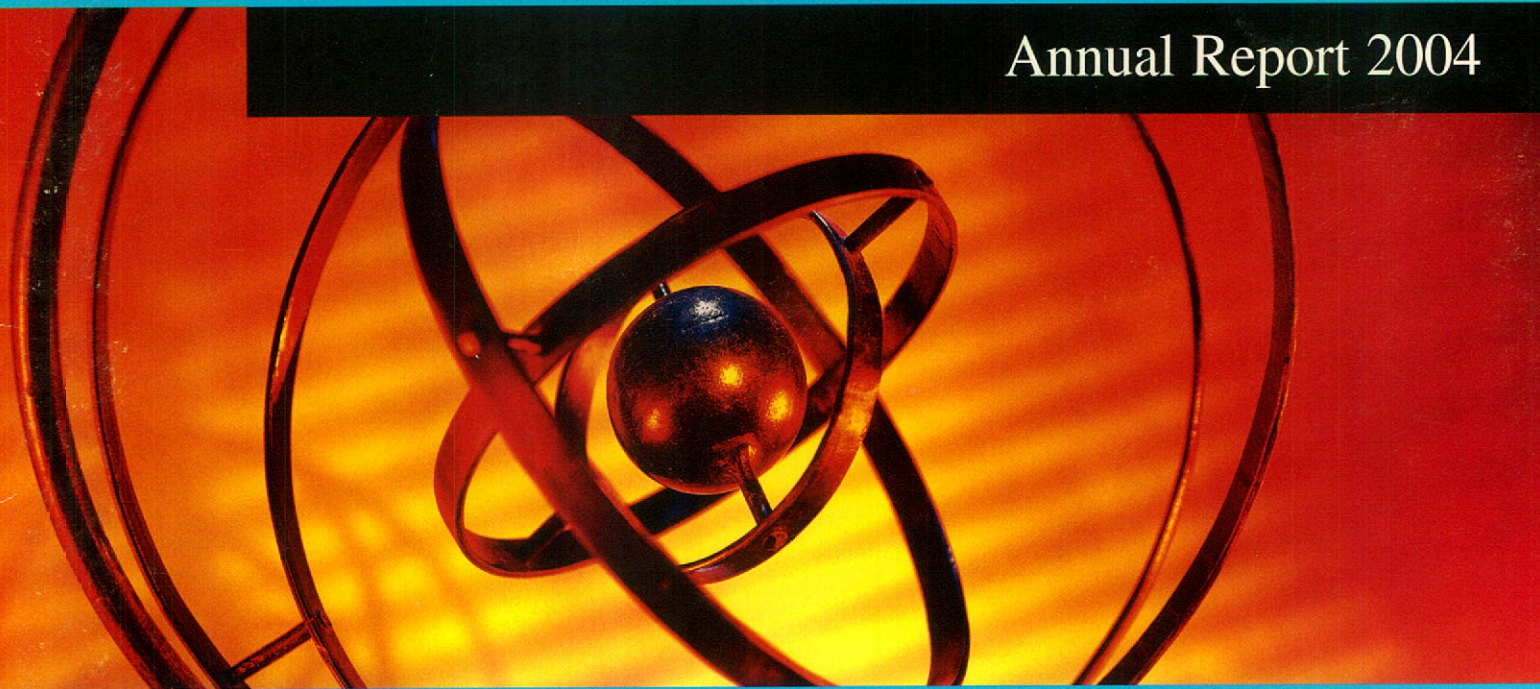


The Conference Board of Canada
Insights You Can Count On



Annual Report 2004



An Insightful and
Balanced Perspective

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CANADIAN COMPANIES A.R.

Celebrating 50 Years



About The Conference Board of Canada

We are:

- A not-for-profit Canadian organization that competes for business like any other.
- Objective and non-partisan. We do not lobby for specific interests.
- Funded exclusively through the fees we charge for services to the private and public sectors.
- Experts in running conferences but also at conducting, publishing and disseminating research, helping people network, developing individual leadership skills and building organizational capacity.
- Specialists in economic trends, as well as organizational performance and public policy issues.
- Not a government department or agency, although we are often hired to provide services for all levels of government.
- Independent from, but affiliated with, The Conference Board, Inc. of New York, which serves some 2,500 companies in 60 nations and has offices in Brussels and Hong Kong.

Vision

The Conference Board will be recognized as Canada's most influential, independent source of insights for leaders.

Mission

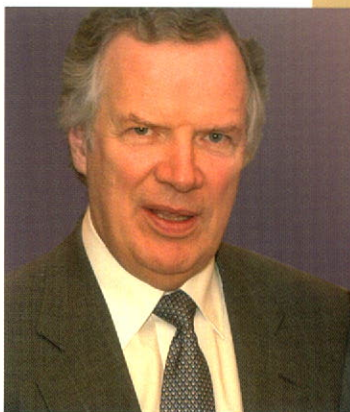
The Conference Board builds leadership capacity for a better Canada by creating and sharing insights on economic trends, public policy and organizational performance.





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MESSAGE FROM THE CHAIR AND THE CEO

Fresh at Fifty

THE CONFERENCE BOARD OF CANADA'S GOLDEN ANNIVERSARY

As this year marks the 50th anniversary of The Conference Board of Canada, it's worth taking a moment to reflect on the changes that have taken place over the last half century. It's striking how rare this longevity is among organizations. As *Fortune* magazine notes, getting on the Fortune 500 list may be hard, but staying on the list is a Herculean feat.

Of the 1,877 companies that have made the list since it began in 1955, only 71 have managed to stay there for a full 50 years.

Immortality is not guaranteed for not-for-profit organizations either. Looking back, it is clear that the longevity of the Conference Board stems from its ability to remain relevant and develop quality products for Canadian leaders, both private and public sector.

The National Industrial Conference Board opened a small office in Montréal in 1954 to meet the needs of a growing roster of Canadian members, as well as to satisfy corporate demand in the United States for information about Canada—including the tax system, labour laws, business prospects and government policies. Following a near-death experience, the profile of the Board in Canada greatly expanded in the 1970s, with a move to Ottawa, a major investment to create an independent economic

forecasting capability, and the establishment of the Compensation Research Centre.

By the end of that decade, The Conference Board in Canada had become both well known and respected, yet it still operated as a branch of The Conference Board Inc. In 1980, with the encouragement of the Canadian business community, the management in New York agreed to create a separate Canadian organization, and our name changed to The Conference Board of Canada. Over the next two decades, the Conference Board flourished. Building on its established expertise in economic analysis and organizational performance, the Board enhanced its public policy profile and earned increasing respect from all levels of government as a source of independent and thoughtful advice.

The Conference Board has thrived for a half century by staying ahead of the curve.

In 2004, the demand for information on Canada is as strong as ever, but both the type of insights we provide and the needs of our customers have changed. Globalization means that our private and public sector customers visualize Canada within a wider frame of reference. They need value-added insights with a global perspective on subjects as diverse as economic performance, innovation, taxation and corporate governance. Leaders face ever-increasing time pressures. They expect us to provide them with real-

time, practical insights that will make them more effective decision-makers.

The Conference Board has thrived for a half century by staying ahead of the curve. The 2003–04 fiscal year provided many business challenges—including the impact of SARS, delays in government contracts and softening demand for some of our services. Despite the tough environment, the Board achieved its financial performance targets and maintained high levels of customer satisfaction.

Key to our success is close alignment between what keeps our customers awake at night and the content of our programs. This past year we sought to more rigorously situate our research and publication program within the emerging global context. We did so by defining the mega-issues shaping Canada's future public policy and business climates:

- securing Canada's place in the global economy;
- managing the Canada–U.S. relationship;
- competing for the best human capital;
- turning more innovations into marketable products;
- protecting the environment;
- liberating and financing our cities;
- providing accountable, affordable, high-quality health care; and
- building trust in our public and private institutions.

We are building our internal capacity to ensure that we have the requisite knowledge and skills in each of these areas.

Over the next two years, The Canada Project will yield a rich harvest of research findings.

The Canada Project, the Conference Board's flagship research and dialogue initiative, has begun to bear fruit. Our 2003–04 report on Canada's *Performance and Potential* generated almost twice the media coverage of the previous year. We showed that Canada has made significant strides in improving its economic performance, opening up opportunities to make needed investments. But we also underscored the importance of making strategic choices and avoiding complacency, as some aspects of Canada's performance remain cause for concern. For instance, Canada does not do as well as many believe in the categories of "health" and "society."

Over the next two years, The Canada Project will yield a rich harvest of research findings, generating innovative ideas that will identify concrete policy choices to improve Canada's standard of living and strengthen our place in North America and the world.

This year, we were pleased to launch the Canadian Industrial Outlook Service, responding to customer demand for detailed and deepened analysis of trends in 10 major sectors of the economy. We also released our fifth *Annual Innovation Report*—our most widely read publication after *Performance and Potential*—which noted that while Canada's most innovative firms import ideas from

around the world, they still face problems in commercialization—or “cashing in on creativity.”

In addition to our active research program, the Conference Board continues to be the convener of choice for Canadian leaders. Our ability to bring together key players from all sectors to discuss the major issues of the day—ranging from leadership to diversity to corporate social responsibility—

facilitates the sharing of best management practices and influences how leaders understand choices.

During the past year we held 262 learning events, including 37 conferences, regular meetings of some 40 executive networks and 122 leadership development programs. A highlight was the launch of The Directors College, in partnership with the DeGroote School of Business at McMaster University.

The Conference Board of Canada’s ability to create “insights you can count on” and to build bridges linking diverse groups is as highly valued today as at any time in our 50-year history. We are confident that the Conference Board will continue to make a distinctive contribution to building leadership capacity for a better Canada for decades to come.



Jacques Lamarre
Chair, Board of Directors



Anne Golden
President and Chief Executive Officer

P.S. Jacques Lamarre, our chair for the past two years, will be stepping down at our Oct. 7, 2004, Annual General Meeting. I would like to thank Jacques for the invaluable advice and counsel that he has provided me during this period. I will always treasure the close personal bond that we developed. I look forward to the opportunity to work with Steve Snyder, our incoming chair.

50 YEARS OF THE CONFERENCE BOARD

The Conference Board was founded in the United States in 1916 when industry faced unprecedented problems of production, financing and employee relations. Magnus Washington Alexander was the driving force behind the creation of an organization that would provide unbiased fact-finding and analysis.

1954

In the years after World War II, about 40 large Canadian companies and Canadian subsidiaries of U.S. companies subscribed to the services of the New York-based National Industrial Conference Board. Inquiries about Canada's tax system, labour laws, economic outlooks and government policies were also increasing. A Canadian office opened in the fall of 1954 in Montréal. Monteith Douglas was named the first director.

1971

Arthur Smith was appointed the first President of the Conference Board in Canada, and the offices moved from Montréal to Ottawa.

1974

The Board introduced the Provincial Outlook forecast.

1976

The establishment of the Compensation Research Centre broadened the Board's focus beyond economics. Robert de Cotret became President.

1978

Jim Nininger became President.

1980

A separate Canadian legal entity was incorporated. The Conference Board in Canada became The Conference Board of Canada. The Board introduced the Honorary Associate Award, presented annually to a Canadian leader who has served both organization and country with distinction.

1981

The Board held its first annual general meeting.

1983

The International Business Research Centre was launched.

1985

The Conference Board moved into its current location at 255 Smyth Road in Ottawa.

1988

The Board released the first major economic analysis of the Canada-U.S. free trade scenario. The analysis concluded that the impact of the agreement would not be as significant as the federal government claimed.

1989

The first in-depth examination of the federal government's proposed Goods and Services Tax was published, influencing the government to lower the tax from 9 per cent to 7 per cent.

1991

The National Business and Education Centre was formed to help members develop strategies to prepare the workforce of the future.

1996

Performance and Potential, an annual assessment of Canada's socio-economic performance, was published for the first time.

The Board implemented control over capital spending and improved internal controls, and it developed a competitive compensation plan.

1997

The Board eliminated capital leases and introduced a variable compensation plan.

1998

The Board launched the Metropolitan Outlook service.

2001

Anne Golden became President and CEO.

The Conference Board re-articulated its vision and mission, revitalized its branding and introduced a new business model focusing on fee-for-service value to customers.

2002

The Board retired its long-term debt.

Benchmarking in *Performance and Potential* was expanded.

With TD Bank Financial Group, the Conference Board co-organized the TD Forum on Canada's Standard of Living, which set a goal of surpassing the U.S. standard of living within 15 years.

2003

The Conference Board launched The Canada Project, a three-year program of research and dialogue to help improve Canada's standard of living and place in North America and the world.

A formal quality process was adopted.



THE YEAR IN REVIEW

Getting from Good to Great

INTRODUCTION

The Conference Board remains fresh and fit as it celebrates its 50th birthday. As well-known business author Jim Collins discovered, the keys to institutional longevity lie in an organization's ability to remain true to its purpose and preserve its core values, while constantly adapting its strategies and operations to the changes going on around it. That was the central message of the best-seller *Built to Last*, published in the mid-1990s. In 2001,

Collins released another best-seller, entitled *Good to Great*, based on the thesis that "being good" is the enemy of "becoming great." As we celebrate our golden anniversary, The Conference Board of Canada is confronting that dilemma and the challenge it presents.

From the day in 1954 when we opened the doors of our Montréal office with just three employees, to today's operations at five locations with over 200 employees and close to 100 associates, the Conference

Board has provided its customers with practical research-based insights to support their decision-making. Our reports and learning events are respected for their balanced perspectives on the issues of the day. But while we are proud of what we have achieved, we recognize the need to continually improve in order to fulfill our mission of building leadership capacity for a better Canada. Over the past three years, we have focused on how to make the leap from good to great, and we have done so in a business environment that has become

more volatile, both for us and for our customers, than ever before.

The past year provides a textbook case of how quickly changes envelop the business environment. Canada's economy has rebounded from the shocks of the previous year. In central Canada, the impact of SARS is behind us, for example, though the effects of mad cow disease are still being felt in agricultural communities in the West. Exporters are adjusting to the impact of a higher dollar. The disruption of the blackout that shut down the northeastern part of North America is largely forgotten, but it nevertheless casts a long shadow on the energy and regulatory policy environment.

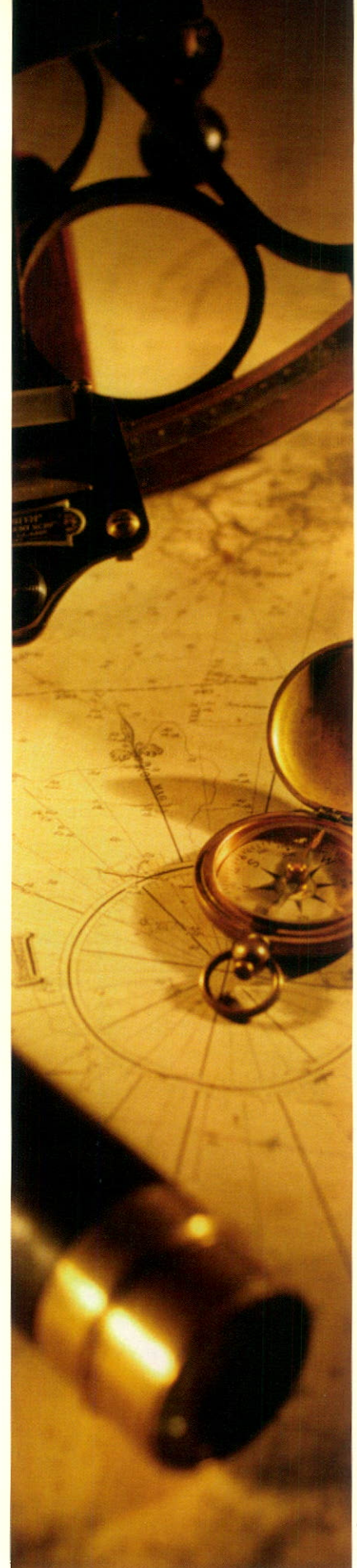
Managements are addressing traditional challenges while confronting changes in the global economy.

Within Canadian organizations, managements are addressing traditional challenges, such as how to compete

effectively for talent, while confronting the impact of more fundamental structural changes in the global economy, most notably the intensified competition resulting from the rapid rise of new players, in particular China.

Since our last annual report, Canadians have elected new leadership within all three levels of government—federal, provincial and municipal. The democratic process led to a slowdown in the operations of government, which created some real challenges for the management of the Board's contracts business. At the same time, the fluid situation led to opportunities for us to put our stamp on the public policy environment.

As it has done in the previous 49 years, in 2003–04 the Conference Board helped its members to identify the risks and opportunities presented by their environments and to respond to both more effectively. The Board also took steps to develop new products and services and to build internal capacity so that it can contribute even more effectively to Canada's success in the decades to come.





PART I

2003–04 THE YEAR IN REVIEW

Fiscal year 2003–04 was another highly productive period for The Conference Board of Canada. Consistent with its program plan, the Board published 150 research reports and periodicals and delivered 262 learning events, including 37 conferences, 40 networks and 122 leadership development programs.

ECONOMIC FORECASTING AND ANALYSIS

Building on a Tradition of Excellence

Economic forecasting is a core strength of the Conference Board that remains highly valued by customers. In addition to producing its regular suite of products and services (which include quarterly national, provincial, metropolitan and global forecasts, as well as business and consumer confidence indices), over the past year the Conference Board closely followed the changing fiscal position of Canada's governments. We published a comprehensive analysis of the 2004 federal budget, entitled *The 2004 Federal Budget: A Prudent Fiscal Plan*, which outlined the government's decision to forgo significant tax cuts and new expenditures in favour of an emphasis on fiscal responsibility. The Board's analysis of the May 2004 Ontario budget highlighted that province's efforts to reorder the priorities for provincial spending toward education and away from health care. An updated *Fiscal Prospects for the Federal and*

Provincial/Territorial Governments demonstrated that, assuming no changes in current fiscal policy, federal government surpluses would rise steadily through to 2019–20, whereas the aggregate provincial and territorial budgets would stay in deficit.

Building on our established competencies in preparing economic outlooks for Canada's census metropolitan areas, the Economic Forecasting division provided specific insights into serious challenges facing Canada's cities. A report for L'Union des municipalités du Québec found that Quebec municipalities alone face a \$17.9-billion infrastructure gap. An analysis of the impact of the City of Winnipeg's proposed New Deal concluded that the city would be unable to finance its infrastructure requirements under current fiscal arrangements.

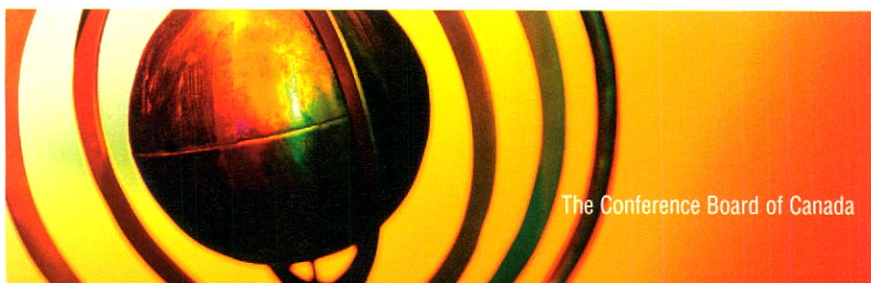
Throughout this work, we have emphasized that these challenges are not simply the problem of urban dwellers. How effectively Canadian cities work determines the overall success of Canada, because cities are the incubators of learning and innovation, which are the keys to sustaining high rates of economic growth in today's knowledge economy. The Conference Board publicly supported federal investment in Canada's cities in several high-profile commentaries published in the *Toronto Star* and the *National Post*.

The Conference Board's Economic Services group also produced a number of influential research reports on specific

issues. For example, *Insights on Western Canada: A Socio-Economic Report* applied the Board's benchmarking analysis to the four western provinces and compared their performance with that of the rest of Canada, several U.S. states and other countries. The report found that Western Canadians enjoy a high quality of life today, but they need to address the impacts of rural depopulation and use innovation to diversify the economy as traditional industries decline in importance.

A Major New Initiative: The Canadian Industrial Outlook Service

To help customers establish better operational plans, the Board launched its unique Canadian Industrial Outlook Service (CIOS) in 2004. This product provides forecasts of profitability, prices, output and employment in 10 important national industries. Each industry outlook is based on a single set of macroeconomic assumptions for such key drivers as interest rates, the exchange rate and tax policy—not only in Canada, but worldwide. As a result, cross-industry comparisons can be made on an internally consistent basis. Initially, five industry outlooks were released in the spring of 2004: aircraft and aircraft parts manufacturing, construction, food manufacturing, oil and gas, and tourism. The service will be fully launched in 2004–05 with five more industries: auto and auto parts manufacturing, information technology and communications, paper products, retail trade and wood products.



PUBLIC POLICY

With new governments in place at the federal, provincial and municipal levels, last year presented an unprecedented opportunity for the Board to inform policy-making in this country.

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The Canada Project

Our top priority in the public policy arena is The Canada Project, now in its second year. This three-year, \$3-million flagship program focuses on how to improve Canada's standard of living and how to strengthen our position within North America and the world. We have undertaken The Canada Project in response to what many perceive as a drift in public policy—the strong sense that Canadian leaders are not confronting the fundamental issues that challenge our future prosperity and security.

Our annual *Performance and Potential* report is the primary vehicle for the dissemination of research from The Canada Project, supplemented by stand-alone reports on key structural issues that Canada needs to address. In 2003–04, we published four research reports under the auspices of The Canada Project. As well, through our partnership with the Social Sciences and Humanities Research Council, we undertook a competition resulting in the awarding of three academic research grants, which will provide additional in-depth research to supplement our own analyses.

The Conference Board's eighth annual socio-economic report, *Performance and Potential 2003–04: Defining the Canadian Advantage*, warned Canadian leaders that they must overcome lingering complacency to address structural deficiencies affecting Canadians' quality of life. The report received unprecedented exposure, including six days of in-depth coverage in Canada's national newspaper, *The Globe and Mail*, which reaches a daily readership of more than 300,000 people.

The report noted the strengthening of our economic performance since the difficult years of the 1990s, with resources more fully utilized and our standard of living apparently improving relative to that of the United States, along with labour productivity, its underlying driver. We know what the issues facing Canada are; whether Canadian leaders will rise to the challenges and set a sustainable course for the future remains the key question.

Other key outputs of The Canada Project this year addressed foreign investment and the role of clusters. Canada is becoming less attractive as a destination for foreign direct investment. The report *Open for Business? Canada's Foreign Direct Investment Challenge* revealed that Canada's share of global foreign direct investment fell from almost 8 per cent in 1980 to about 3 per cent in 2002. Some, but not all, of the decline can be attributed to our diminishing competitive advantage in attracting resource-based investment and the impact of free trade. Indeed, the report documented that the international business community views Canada as only an average place to



invest. Recommendations included addressing infrastructure, regulatory and skills deficiencies, and building on our comparative advantages, such as producing high-quality niche products with small production runs.

We have undertaken The Canada Project in response to a drift in public policy.

Knowledge-based clusters are often touted as powerful engines of regional economic growth and as the drivers of innovation, investment, employment and wealth. In *Clusters of Opportunity, Clusters of Risk*, the Conference Board concluded that, while clusters can add value to the economy and society, they also pose risks that should make governments cautious about using public monies to create clusters from scratch. The report recommends that a more appropriate role for government is supporting the building blocks of knowledge, skills and infrastructure.

The Future of Health Care

The recent federal election confirmed that the future of the health care system is the number-one issue on the minds of Canadians. Across the country, governments are struggling to meet patients' expectations, while containing the relentless rise in health care costs. The Conference Board made a

number of important contributions to the debate during 2003–04, and we are very pleased that our research on the future financial capacity of the system has been frequently cited.

Our research on the future financial capacity of the system has been frequently cited.

The report *Canada's Health Care System Through 2020: Challenging Provincial and Territorial Financial Capacity* isolates the sectors of the health care system where significant cost increases are occurring, and it projects that pharmaceutical and home care expenditures will account for a growing share of public health spending. A report for Alberta Health and Wellness, *Understanding Health Care Cost Drivers and Escalators*, stresses that, contrary to the perception of many, the Canadian system is only an average performer compared with those in other developed countries. Canada's system requires an additional \$5 billion annually just to maintain the status quo.

Further research, published last summer, reviewed the systems of six other developed countries that achieve stronger health outcomes than Canada. The results underscore the need for Canadians to look beyond North America when searching for innovative approaches to system reform.

Our research reports are complemented by dialogue to build understanding and stimulate action. A new Conference Board network, the Leaders' Forum on Acute Care Services, was created to bring together 25 leaders from the hospital sector to collaborate and share insights on issues relevant to the acute care sector.

Energy Policy Reform

In 2003–04, we completed our six-part series on electricity restructuring, highlighting what can be learned from the experiences of North American and British initiatives over the past decade. During the year, briefings dealt with the risks associated with the interconnected North American electricity transmission system, as well as with the key role of pricing in the successful implementation of restructuring. A special report following the Ontario blackout, *Shedding Light on Power Solutions*, presented several recommendations to governments, including lifting the artificially low price cap, supporting conservation efforts, and encouraging investment in both generation and the transmission grid.

ORGANIZATIONAL PERFORMANCE

The Board's organizational issues program is built on our core strength in human resources research. An ongoing feature is our annual and biennial outlooks, which provide customers with "just in time" information for their own business planning. These

include *Compensation Planning Outlook*, *Industrial Relations Outlook*, *Compensation of Boards of Directors* and *Training and Development Outlook*. Conference Board members have come to rely on these reports to benchmark their organizations against best Canadian practice. As well as initiatives addressing competitiveness issues, our programs in 2003–04 focused on the key themes of leadership, governance and innovation.

The Conference Board is helping to put the foreign credentialling issue on the front burner.

Leadership

Leadership is an essential element in building organizational capacity and for achieving Canada's potential. For more than 30 years, the Niagara Institute has helped Canadian executives to understand the nature of leadership and their own strengths and challenges. Long recognized as an expert in adult experiential learning, Niagara is the exclusive provider in Canada of the Leadership Development Program® (LDP) of the Greensboro, North Carolina-based Center for Creative Leadership. The Center was ranked among the world's top providers of executive education by the *Financial Times*, and it is the only such institution that specializes exclusively in leadership.

Programming at the Niagara Institute was revitalized this year with a review of the Working with Others program and the refreshing of the flagship LDP. We launched two new programs, the Executive Leadership Program and Leaders Coaching Leaders, to



help executives expand their personal coaching and team-building skills.

Building on the outcomes of the June 2003 National Summit on Leadership, the Conference Board undertook a major three-part research project consisting of an assessment of visible minorities' economic contribution to Canada, focus groups with successful visible minority managers and professionals, and a Leaders' Summit with executives from the public and private sectors. Outcomes from the Summit included five key messages: leadership matters, accountability is key, integration is essential, strategic messages should drive change and aggressive steps are needed.

The Conference Board is helping to put the foreign credentialing issue on the front burner. A February session, facilitated by the Board, brought together the federal and Ontario ministers of Citizenship and Immigration and 14 municipal leaders from across the province to discuss the challenges of integrating immigrants into Ontario communities and ways to recognize their skills. An important output of the discussion was agreement on the need for co-ordinated approaches involving all levels of government.

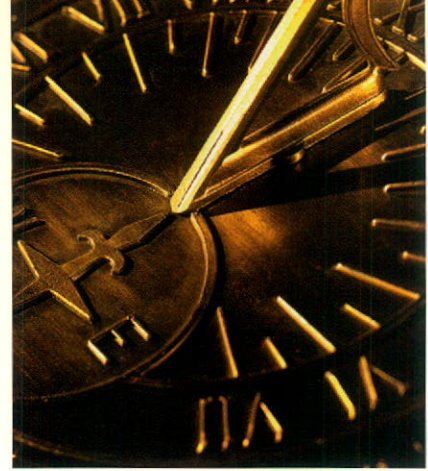
Governance

The annual Conference Board of Canada/Spencer Stuart National Awards in Governance publicizes governance innovations by Canadian organizations. **EPCOR Utilities Inc.** of Edmonton was the overall winner of the 2004 National Awards in Governance, as well as the public

sector award winner. The private sector winner was Ballard Power Systems Inc., the world leader in the proton exchange membrane fuel cell market, and the not-for-profit sector winner was the Canadian Council on Health Services Accreditation.

Launched in November 2003 as a partnership between the Conference Board and McMaster University, The Directors College is the only university-accredited director education program in Canada. The inaugural class completed four program modules during 2004 and neared final accreditation for the Chartered Director (C. Dir.) designation. The Directors College has had more than 100 registrants, including two full corporate boards, as well as numerous individuals from private, public and not-for-profit boards.

Governance and corporate social responsibility (CSR) are inextricably linked, as illustrated in the first *National Corporate Social Responsibility Report: Managing Risks, Leveraging Opportunities*. A survey of large Canadian companies showed that those operating in heavily regulated or intensely political industries are most likely to have strong CSR management and disclosure practices. Canadian companies are making progress in CSR, but the progress is slow and not universal. Two issues of concern arise from the research: first, just one-third of Canada's 300 largest companies publicly disclose their CSR activities. Second, companies focus on their processes instead of measuring the outcomes of CSR conduct when reporting.



Innovation

The Board's fifth *Annual Innovation Report: Trading in the Global Ideas Market* found that Canada's most innovative companies import ideas from anywhere in the world and break down barriers between researchers and users to commercialize those ideas. Our science and technology community has an admirable record of expanding knowledge, but it has less success at turning scientific advances into marketable products. While governments could do more, the onus falls upon Canadian business leaders to increase their investments in R&D and skills development and to improve the commercialization of new products and services.

The Directors College is the only university-accredited director education program in Canada.

The Board's Index of Corporate Innovation is a "global best" diagnostic tool that measures organizations' innovation capabilities and performance via an on-line survey of employees. Launched in the summer of 2004, it helps organizations understand their innovation capacity, assess their performance against internal and external counterparts, and take actions that will increase competitiveness and prosperity.



PART 2

ADDRESSING BUSINESS CHALLENGES

Five lines of business—executive networks, leadership development, subscriptions, conferences and contracts—drive the Conference Board’s revenue. In keeping with Canada’s dynamic business environment, each faced unique pressures and opportunities in 2003–04.

The value of networking continues to be recognized as a key to success in business.

Executive Networks

Bringing executives together to learn from one another and share best practices has always been a central feature of the Conference Board’s work. But the network business has been under pressure for the last few years, as fewer senior executives are available to participate in traditional meeting activities. Yet the value of networking continues to be recognized as a key to success in business. In response to this changing climate, the Board conducted a strategic review, which resulted in the closure of 10 networks and the creation of four new ones. As a result of these changes, operating margins are healthier and the overall program more closely reflects the pressing issues facing members.

Leadership Development

Revenues from Niagara leadership programs fell significantly last year following several years of strong growth,

as large-scale custom programs for two major clients wound down. The Board conducted an extensive review of Niagara operations, including a survey of past participants. This review concluded that the Niagara programs and faculty are highly effective and are rated very positively by participants. However, it also identified opportunities for improvement, including the need to improve marketing practices, broaden the sales effort and build synergies with the rest of the Conference Board. The review confirmed the need for ongoing investments in new program offerings and upgrading of the venue and facilities; both these issues are being addressed in 2004–05.

Subscriptions

The Board’s investment in overhauling this business two years ago is paying off, as revenues are bouncing back from the downward trend of the last several years. Past improvements focused on providing timely distribution of research using electronic delivery and converting general memberships to specific fee-for-service offers. Last year’s enhancements included upgrading research content, facilitating the sale of individual publications and providing customers with feedback on the extent to which organizations use our research.

Conferences

Conferences experienced a very successful year, driven by a big increase in sponsorship revenue. Operating margins benefited from the focus on fewer, more popular events. Average conference registrations improved, aided by the introduction of new, topical events and successful testing with new marketing lists and creative delivery.

Contracts

Revenues from contracts can be volatile because of external economic conditions and internal priorities. Last year, contract revenues were down somewhat. Much more cautious spending by governments drove this slowdown, first as political mandates were about to expire and then as new governments took office and reassessed priorities.

Eight issues provide a framework that will shape the Board’s future program plans.

STAYING AHEAD OF THE CURVE

Thought Leadership

Ensuring we stay relevant is key to the Board’s success. In 2003–04, we conducted a strategic program planning process, delineating the likely future global environment and its impact on Canadian leaders’ needs for insights. As a result, we identified eight “mega-trends” facing Canada as follows:

1. Global economy: Securing Canada’s place in an expanding international marketplace.
2. Canada and the United States: Managing the bilateral relationship given the competing priorities of defence and trade.
3. Human capital: Competing with the rest of the world for top talent.
4. Innovation: Turning more good ideas into marketable products.
5. Healthy environment: Taking action to protect Canada’s air and water quality and address climate change.



PART 3

PRIORITIES FOR 2004–05

6. Competitive cities: Liberating our cities and financing them properly.
7. Health care: Making the changes to ensure that the system is accountable, affordable and of high quality in the future.
8. Governance: Building more trust in our institutions, our business and government leaders, and each other.

The Conference Board briefing, entitled *Will We Rise to the Challenge? Eight Mega Issues Facing Canada*, summarized this analysis and was featured in the *Toronto Star*. The eight issues provide a framework that will shape the Board's future program plans beginning in 2004–05.

Addressing Operational Issues

A number of other initiatives were undertaken aimed at improving the Board's overall operations. Prior to Jan. 1, 2004, the Board's privacy policy was expanded to cover all products and services, thus ensuring compliance with new federal legislation. A new code of ethics was developed with input from staff. And a comprehensive information technology review and audit was conducted, resulting in decisions to outsource non-core functions.

THE RESEARCH AGENDA

The Canada Project

Our top priority in the public policy arena remains The Canada Project. In addition to publishing findings in *Performance and Potential*, which will continue to be the primary vehicle for the dissemination of this research, the Board will release individual reports on the future of Canada–U.S. relations, industry-level productivity analyses, barriers to competition and Canada's place in the emerging global supply chain.

Global Economy

The rapid structural changes taking place in the global economy create opportunities and give rise to serious competitive challenges for Canadian business. As such, they will be an increasing focus of the Board's work. Several new activities are planned for 2004–05, including the following:

- our *World Outlook* publication, which will include selected analyses of emerging markets;
- an international forum on China, which will be held in the fall of 2004 in partnership with the Canadian Manufacturers and Exporters. The Conference Board has considerable knowledge of and experience in China, having managed Canadian government development co-operation projects

to assist China with policy reform since 1992;

- a survey of Canadian business leaders on their use of offshoring and the practices being adopted by firms that are outsourcing functions to other countries;
- a multi-year capacity-building project, which will be in full swing beginning this year, to help countries in southeast Asia integrate into the global economy. The project, which is being undertaken in partnership with the Estey Centre for Law and Economics in International Trade, will provide us with first-hand experience in dealing with the World Trade Organization. It will also be an important building block for launching the Centre for the Study of International Trade and Investment, a new entity dedicated to helping Canadian leaders understand the dynamics of the global economy.

Our top priority in the public policy arena remains The Canada Project.

Canada and the United States

Given the competing priorities of security and trade, Canada absolutely must manage its relationship with the United States effectively. The Board will extend its analysis of the Canada–U.S. productivity gaps in key industries, and it will publish a major report on renewing the bilateral relationship, based in part on a binational leaders' roundtable, held in June 2004. A special

executive briefing is planned for November in partnership with The Canadian American Business Council on the implications for Canada of the outcome of the U.S. election.

The Board will extend its analysis of the Canada–U.S. productivity gaps in key industries.

Human Capital

Canadian organizations must compete with the rest of the world for top talent. As the population ages, Canada must address longstanding labour-market rigidities, such as the lack of recognition of foreign credentials, and better integrate newcomers into our workplaces and communities. The Conference Board's recently completed research project on maximizing the talents of visible minorities will culminate with the publication of an employers' guide entitled *Business Critical: How to Maximize the Talents of Visible Minorities*. A complementary new initiative will help to more effectively integrate people into the labour force: The National Credit Review Service Pilot Project generates post-secondary credentials through workplace training programs. Insights on management from both academics and practitioners will be featured twice yearly in the new *Organizational*

Performance Review, while the Board's new *Annual Leadership Report* will strengthen the linkages between research and leadership development programs in the field.

Innovation

For Canada to prosper, businesses must turn more good ideas into marketable products. As noted previously, the Conference Board has designed an international benchmarking tool to help organizations take stock of their capabilities and identify areas for improvement: the Index of Corporate Innovation goes to market in 2004 following extensive testing. Sustaining successful innovation-based growth, especially by small and medium-sized enterprises, will be the focus of the Board's sixth *Annual Innovation Report*. A new Leaders' Roundtable on Commercialization will promote action-oriented dialogue, while a research report on commercialization will examine how leading companies turn ideas into products.

Healthy Environment

Canada must take action to protect its air and water quality and address climate change; how to address these challenges will be the priorities of the Board's environment programs in the coming year. In *Performance and Potential 2004–05*, a refined and expanded environmental benchmarking will assess Canada's outcomes compared with those of other leading Organisation for Economic Co-operation and Development countries, identifying both areas of considerable strength and areas of concern. Upcoming research will focus on public policy strategies to deal with

the tensions between the adequacy of the energy supply and environmental objectives. A new program of research and dialogue on water issues will investigate policies to properly manage this increasingly important resource. Finally, a report on developing long-term climate change strategies—consistent with Canada's economic, environmental and social policy goals—will build on previous Board research.

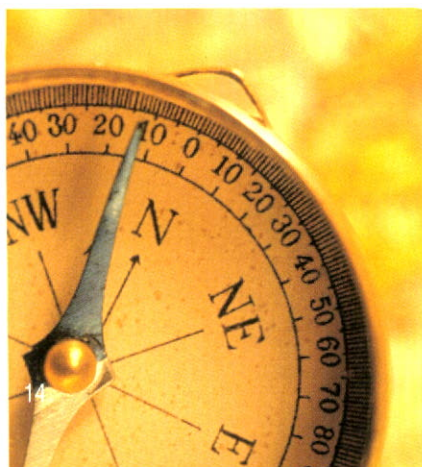
A new program on water issues will investigate policies to properly manage this increasingly important resource.

Competitive Cities

Canada needs to allow its major cities to prosper and must begin by financing them properly. *Performance and Potential 2004–05* includes a chapter examining the fiscal sustainability of cities, which concludes that a partnership involving all levels of government can solve the underlying problem. A study of Canada's public infrastructure requirements and an analysis of transportation issues are also part of the research program this year, complementing the already-noted work related to the settlement of new immigrants and recognition of foreign credentials.

Health Care

As Canadians know, major changes are required to ensure our health care system is accountable, affordable and of high quality. As the debate on the sustainability of the health care system becomes more focused, the Conference Board is well positioned to bring forward practical solutions



through a number of new, action-oriented initiatives. Examples include the Enhancing Interdisciplinary Collaboration in Primary Health Care (EICP) Initiative, which brings together 10 national associations of primary health care providers and one coalition on enhancing preventative practices, to develop a set of principles and framework to help them work together, and the planned leaders' forums on home care and pharmacare, which will complement the recently established Acute Care network.

Governance

Canadians must build more trust in our institutions, business, government leaders and one another. The Conference Board has planned a slate of activities to address this issue. This year the Board will launch a program of research and dialogue on rebuilding trust in Canadian institutions. The program will provide organizations with insights about regaining the confidence of investors, consumers and employees. Building on the Board's expertise in providing custom governance seminars, assessments and recommendations, a new Governance Centre will provide customized services, learning events and leading-edge research to its members.

The Conference Board is well positioned to bring forward practical solutions through a number of new, action-oriented initiatives.



OUR HUMAN RESOURCES: KEY TO THE BOARD'S SUCCESS

In *Good to Great*, Jim Collins notes that great companies start by putting in place teams with the right talent—even before they know exactly where they want to go.

One of the enduring strengths of the Conference Board throughout its 50-year history has been the quality and the dedication of the staff we have been able to recruit and retain. Building on this tradition, we have made several strategic staffing decisions to add to our bench strength.

Glen Hodgson has joined as new Vice-President and Chief Economist, with Paul Darby becoming Deputy Chief Economist. Glen's background includes extensive experience and expertise in international trade (both goods and services), foreign direct investment and the management of global supply chains by multinational firms, areas where our customers are asking for deepened research. Prior to joining the Conference Board, he spent 10 years at Export Development Canada, where he rose to become Vice President and Deputy Chief Economist.

Jean-Pierre Boisclair succeeded the retiring Doug Beggs as our Chief Financial Officer. J.-P. brings 30 years of experience, including a partnership in a national professional services firm and senior management roles in the not-for-profit and business sectors. As someone who has spent 24 years at the

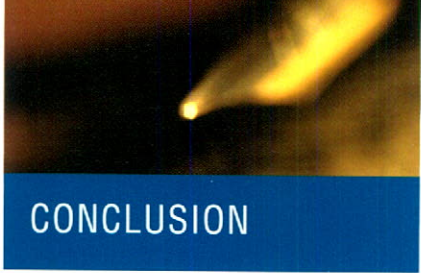
Canadian Comprehensive Auditing Foundation, including 10 years as its president, he is highly qualified to continue to build upon the strong stewardship foundation established by his predecessor over the previous eight years.

The Board is well into its third year of major organizational transformation.

The Board also made some important changes among its research directors, with highly skilled professionals joining us to head up key areas of our work. John Roberts has become Director of Environment, Energy and Transportation, while Greg Nogler has become Director of Marketing and Sales at the Niagara Institute. In addition, we promoted some talented, experienced staff into key positions, with Brenda Lafleur becoming Director of The Canada Project and Denise McLean becoming Director of the Niagara Institute. Together these appointments place the Conference Board in a much stronger position to address immediate business challenges and opportunities.

OPERATIONAL ISSUES

The Board is well into its third year of major organizational transformation. Whereas the first two years focused largely on fundamental issues such as business strategy and human resource capacity, the Board is now focusing on building internal capability. Several new projects will maximize opportunities and streamline processes.



Information Technology

Many operational improvements will require changes to the Board's information technology (IT) infrastructure. The long-term IT strategy combines these requirements with customer-focused improvements. Early deliverables will include the following:

- outsourcing of non-strategic IT functions;
- major investments in upgrading our customer-relationship management capability; and
- improving our web delivery and making it more user-friendly.

Marketing and Sales

We will continue to fine-tune our marketing and sales. Last year's investments in improving product, testing, branding and list modelling are already paying dividends. Future initiatives to build on this success will include:

- increasing and quantifying the Board's impact on Canadian leaders;
- introducing product and service enhancements that address the expressed needs of customers;
- integrating the marketing efforts of the Niagara Institute and the Conference Board; and
- optimizing the Board's rapidly growing member database to reach organizations more broadly and deeply.

CONCLUSION

The Conference Board is proud of the contributions it has made to Canada over the last 50 years. We have injected key insights into numerous public policy debates. We have provided executives with timely economic outlooks using rigorous methodologies, and we have tracked both emerging trends and best practices in a variety of organizational performance areas.

Remaining relevant to our members is pivotal to the Board's success over the years. This year we will remain focused on providing valuable insights on the critical issues of the day. In doing so, we will continue to refresh our programs and our organization, so that we can truly move from being "good" to being "great," and continue to provide Canadian leaders with "Insights You Can Count On" for another 50 years and beyond.

Delivering Insights

The Conference Board delivers insights through publications, conferences, executive networks, executive education and custom services.

CANADA'S SOCIO-ECONOMIC PERFORMANCE

Publications of The Canada Project

- Clusters of Opportunity, Clusters of Risk
- Explaining the Canada-U.S. Income Gap (chapter in Performance and Potential)
- Open for Business? Canada's Foreign Direct Investment Challenge
- Performance and Potential 2003-04: Defining the Canadian Advantage

Special Publication

- Will We Rise to the Challenge? Eight Mega Issues Facing Canada

CORPORATE

Conferences

- 23rd Annual General Meeting and Honorary Associate Dinner
- 44th Executive Weekend Conference
- 45th Executive Weekend Conference

Publications

- Annual Report 2003: Leading from a Position of Trust
- InsideEdge (quarterly newsletter highlighting Conference Board activities and research)

CORPORATE FINANCE AND RISK MANAGEMENT

Conferences

- Intergovernmental Forum on Risk Management: Building Risk Management Capacity Across the Public Service
- Integrated Corporate Security Conference: How to Ensure Business Continuity Through Effective Physical and Information Security
- Risk Management: Enhancing Your Organization's Credibility

Executive Networks

- Council of Chief Risk Officers
- Council of Senior Legal Executives
- Council on Risk Management
- National Council of Financial Executives

Publications

- Getting Reputation Right: A Risky Business
- Risk Management: Moving the Framework to Implementation

ECONOMIC PERFORMANCE AND TRENDS

Canadian Industrial Outlook Service

- Canada's Aircraft and Aircraft Parts Industry: Industrial Outlook
- Canada's Construction Industry: Industrial Outlook
- Canada's Food Industry: Industrial Outlook
- Canada's Oil and Gas Industry: Industrial Outlook
- Canada's Tourism Industry: Industrial Outlook

Canadian Tourism Research Institute

- Outbound Subscription
- Outbound Tracking Service
- Tourism Economic Assessment Model (TEAM)
- Travel Exclusive
- Travel Markets Outlook: Metropolitan Focus
- Travel Markets Outlook: National Focus

Conferences

- 2004 Business Outlook Conference Toronto
- 2004 Western Business Outlook Conference Calgary
- Business Outlook Conference

Custom Economic Services

- The Contribution of the Canadian North to Economic Activity in the Northwest Territories, Nunavut and Canada
- Examination of the GNWT's Core Programs and Services Affecting Economic Growth
- Infrastructure Investment in Nunavut
- Sustainable Infrastructure: Making the Socio-economic and Environmental Case for Infrastructure Investment in Nunavut

Economic Outlooks

- Canadian Outlook Economic Forecast
- Canadian Outlook Long-Term Economic Forecast
- Index of Business Confidence
- Index of Consumer Confidence
- Metropolitan Outlook: Economic Insights into 25 Canadian Metropolitan Economies
- Month at a Glance
- Note de conjoncture canadienne
- Note de conjoncture provinciale
- Provincial Outlook Economic Forecast
- Provincial Outlook Long-Term Economic Forecast
- Survey of Forecasters
- World Outlook: Global Economic Trends and Prospects

Special Publications

- The 2004 Federal Budget: A Prudent Fiscal Plan
- The 2004 Ontario Budget: Taming the Health Care Tiger
- Fiscal Prospects for the Federal and Provincial/Territorial Governments
- The Fiscal Situation of the City of Gatineau
- The Fiscal Situation of the Communauté Métropolitaine de Montréal

- Infrastructure Planning for Nunavut's Communities (Interim Report)
- Insights on Western Canada: A Socio-economic Report
- Making a Visible Difference: The Contribution of Visible Minorities to Canadian Economic Growth
- Metropolitan Housing Outlook
- Les minorités visibles: Elles contribuent visiblement à la croissance de l'économie canadienne
- A New Deal for the City of Winnipeg
- Projection des équilibres financiers des gouvernements du Canada et des provinces et territoires

Weblinx (e-Data)

- Subscription-based website that enables users to incorporate all the Conference Board's economic information

EDUCATION AND LEARNING

Awards

- Awards for Excellence in Workplace Literacy
- Community Learning Awards
- Global Best Awards for Partnerships

Executive Networks

- National Council on Education and Learning
- National Education and Learning Centre
- Quality Network for Universities
- Skills Solutions Forum

Learning Tools

- Employer's Guide to Employability Skills
- General Innovation Skills Aptitude Test (GISAT) Beta version

- Websites for U.S. Department of Education
 - www.scorecardforskills.com
 - www.work-basedlearning.org
 - www.workplacebasicskills.com

Publications

- Business and Education Ideabook: 2003
- Case studies:
 - Awards for Excellence in Workplace Literacy, Large Business Winner, 2003: Mining for Performance Excellence at BHP Billiton Diamonds Inc.
 - Awards for Excellence in Workplace Literacy, Medium Business Winner, 2003: Administrative Professionalism at J.D. Irving, Limited
 - Awards for Excellence in Workplace Literacy, Small Business Winner, 2003: Solving the Training Puzzle at La Ronge Motor Hotel
- Innovation Skills Profile
- Solving Canada's Innovation Conundrum: How Public Education Can Help

Special Projects

- Ministers' Roundtable with Ontario Municipal Leaders
- National Employability Skills Program—"Train the Trainer" workshops

Symposia

- Partners 2004 Symposium: Finding the Power of Partnerships
- Workplace Education and Learning Symposium: The Power of Performance

GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

Awards

- The Conference Board of Canada/Spencer Stuart 2004 National Awards in Governance

Conferences

- 2004 Corporate Governance Conference: From Crisis to Confidence
- 2004 Corporate Social Responsibility: From Dilemmas to Solutions
- The Western Corporate Governance Forum: Operationalizing Governance Standards and Practices

Executive Education

- Certificate in Corporate Social Responsibility—program with St. Michael's College, University of Toronto
- The Directors College—new national chartered director program, in partnership with McMaster University

Executive Networks

- Business Network on the Environment
- Corporate Community Investment Council
- Corporate Ethics Management Council
- Council on Corporate–Aboriginal Relations
- Public Enterprise Governance Centre

Publications

- Civil Society and Public Governance: Getting a Fix on Legitimacy

- Corporate Governance and Risk Management: A Guide to the Integrated Tool
- Corporate Governance and Risk Management: The Integrated Tool
- The National Corporate Social Responsibility Report: Managing Risks, Leveraging Opportunities
- Organizational Innovation: The Link with Stakeholder Engagement
- The Privacy Challenge: From Compliance to Competitive Advantage
- Risk-based Reporting: Delivering Results in a New World of Reporting
- Strengthening Corporate–Aboriginal Relations: The Influence of Public Policies and Institutions

Special Projects

- Benchmarking Board Compensation
- Benchmarking Crown Corporation Governance Practices
- Benchmarking Disclosure and Accountability in Annual Reports
- Corporate governance diagnostics, recommendations and presentations to boards and executives
- Corporate governance seminars and roundtables
- Corporate social responsibility seminars
- Custom research on corporate governance practices and structures
- Installation of Integrated Risk Management Tool

HEALTH, HEALTH CARE AND WELLNESS

Executive Networks

- Leaders' Forum on Acute Care Services
- Leaders' Roundtable on Health, Health Care and Wellness

Publications

- Canada's Public Health Care System Through 2020: Challenging Provincial and Territorial Financial Capacity
- Understanding Health Care Cost Drivers and Escalators

HUMAN RESOURCE MANAGEMENT

Conferences

- 2003 Employment Equity Awards
- 2003 Quebec Compensation Outlook and HR Best Practices Conference/Nouvelles perspectives en matière de rémunération et de ressources humaines
- 2004 Government Human Resources: Talent Management Strategies for the Public Service of Tomorrow
- Compensation Outlook and Best Practices Conference
- Human Resources Conference: Talent Management Solutions
- Leaders' Summit on Maximizing the Talents of Visible Minorities
- Western Compensation and Human Resources Outlook Conference
- Workplace Health and Well-being: Strategic Solutions for Workplace Stress (Calgary, Toronto)

Executive Networks

- Canadian Centre for Learning and Development
- Compensation Research Centre
- Council of Industrial Relations Executives
- Council on Workplace Health and Wellness
- Council of Human Resource Executives—National
- Council of Human Resource Executives—East

- Council of Human Resource Executives—West
- Effective Work Environments Research Centre
- Human Resource Development Centre
- Maximizing Talents of Visible Minorities Advisory Committee
- Strategic Human Resources Management Council

Publications

- Beyond Band-Aid Solutions: Managing Organizations' Health Benefit Costs
- The Canadian Industrial Relations System: Current Challenges and Future Options
- Compensation Planning Outlook 2004
- Compensation of Boards of Directors: 15th Edition
- Industrial Relations Outlook 2004: Job Security versus Productivity
- Mentorat: Trouver la combinaison parfaite pour le perfectionnement des employés
- Mentoring: Finding a Perfect Match for People Development
- Le système canadien des relations du travail: Problèmes d'aujourd'hui et possibilités de demain
- Toward Maximizing the Talents of Visible Minorities: Potential, Performance and Organizational Practices

Special Projects

- Customized report on training and development expenditures
- Customized briefings and presentations:
 - Workplace stress and workload
 - Leadership
 - Gender diversity
 - Learning and development
- Roundtables—Creating welcoming work environments for people with disabilities

INNOVATION AND KNOWLEDGE MANAGEMENT

Conferences

- Innovation and Commercialization: Accessing Global Knowledge, Growing Global Markets

Executive Networks

- Council for Information Technology Executives
- Council of Chief Information Officers
- Innovation Council
- Knowledge Strategy Council

Publications

- Annual Innovation Report 2003: Trading in the Global Ideas Market
- Connecting Canadians—4th Annual Report
- Cashing in on Canadian Connectedness: The Move to Demonstrating Value
- Exploring Canada's Innovation Character: Benchmarking Against Global Best
- Miser sur la connectivité au Canada: Vers une démonstration de la valeur
- On-line Procurement: Another Tool in the Toolbox
- Trading in the Global Ideas Market

Special Project

- Index of Corporate Innovation—output reports for beta phase testers

LEADERSHIP

Conference

- 2003 National Summit on Leadership

Executive Education

The Niagara Institute

Public Programs

- Coaching for Peak Performance
- Executive Leadership Program
- Leaders Coaching Leaders
- Leadership Development Program®
- Leadership: Impact et influence
- Optimizing Change
- Le programme de leadership
- Reaching Agreement
- Working with Others

Custom and Client Programs

- Communicating for Change
- Fundamentals of Leadership
- Executive Teams
- Global Leadership
- Leading Change
- Leveraging Innovation

Publications

- Leaders on Leadership—The Conference Board's Leaders' Dialogue on Leadership
- Leaders on Leadership—Pat Daniel: An Authentic Voice

The Leadership Development Program® is a registered trademark of the Center for Creative Leadership.

ORGANIZATIONAL EXCELLENCE

Conferences

- 2003 Strategic Project Management Conference: Aligning Your Project Portfolio
- 2004 Customer Relationship Management Conference: Profitable Strategies for Building the Customer-focused Enterprise
- Building the Real Time Enterprise: Using Business Intelligence to Build the Agile Enterprise

- Business Process Outsourcing: Managing Risk, Realizing Value
- Change Management 2004: Business Transformation Strategies for Organizational Success
- Culture: The New Benchmark for Organizational Excellence

Custom Management Services

- Assessing corporate social responsibility reporting practices
- Building an integrated risk management strategy
- Building leadership and management capacity in Canadian small and medium-sized enterprises

Executive Networks

- Centre for Business Excellence
- Centre for Customer Market Leadership
- Council for Chief Privacy Officers
- Council for Performance Excellence
- Council for Security Executives
- Council of Public Affairs Executives
- Council of Senior Legal Executives
- Government Performance and Accountability Council
- Project Management Forum
- Public Sector Executives Network

Facilitating Dialogue

- Account Planning
- Business Transformation
- Operations Review
- Strategic Alliances
- Strategic Planning
- Team Development

Special Projects

- Business Transformation—change processes in large public and private sector organizations
- Case study on the Change Journey
- Workshop—Benchmarking and Corporate Governance

REGULATORY POLICY AND TAXATION

Conferences

- Developing the Business of Coalbed Methane
- The Exploration Management Forum
- The Impact of Royalty Trusts on the Oilpatch Landscape
- New Disclosure Rules for Oil and Gas Companies
- The North American Power Markets Conference: Where Will the Capacity Come From?
- Pensions Summit: Strategies to Build Sustainability into Pension Plans
- Securing Access for Pipeline Projects

Executive Networks

- Council on Regulatory Impact Analysis
- Energy Policy Forum
- Financial Services Research Program
- Tax Research Centre

Publications

- The Canadian Financial Services Industry: The Year in Review
- Electricity Restructuring Series:
 - Electricity Restructuring: Acting on Principles
 - Electricity Restructuring: Improving Policy Coherence
 - Electricity Restructuring: Letting Prices Work
 - Electricity Restructuring: Opening Power Markets
 - Electricity Restructuring: Securing Clean Power
 - Shedding Light on Power Solutions
- Foreign Direct Investment: Decisions, Determinants, and the Role of Taxation—A Survey
- What Drives Foreign Direct Investment? The Role of Taxation and Other Factors

Special Projects

- Renewable Energy in Canada
- Workshop—Increasing Investment in Industrial Energy Efficiency: The Role of Financial Incentives

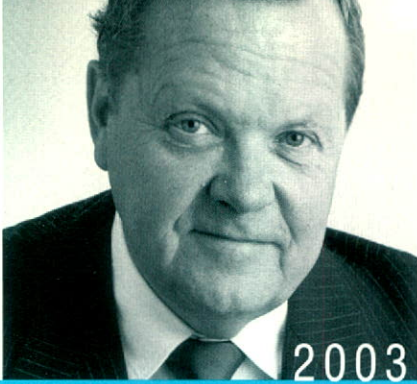
TRADE, INVESTMENT POLICY AND INTERNATIONAL CO-OPERATION

Conference

- International Forum on Latin America: Enhancing the Leadership Potential of Canada's Investors and Exporters

International Partnerships

- Asia-Pacific Economic Co-operation Economic Integration Project (APEC EIP) Southeast Asia and APEC Report Program—Canadian International Development Agency
- APEC Tourism Working Group Tourism Impediments Study
- APEC World Trade Organization (WTO) Capacity Building Project
- Economic Modelling and Forecasting in Ukraine—Phase II Follow-up—Ensuring Sustainability
- National Human Resources Development Plan and Policy for Brunei Darussalam
- Public Policy Options Project—China Program, Canadian International Development Agency
- Thailand Development Research Institute—Support for Research and Professional Networking in Canada
- World Competitiveness Yearbook 2004: Survey and update of Canadian data



2003 HONORARY ASSOCIATE

Purdy Crawford, O.C.

DEMONSTRATING LEADERSHIP

Purdy Crawford has channelled his passion, conviction and confidence into stellar accomplishments as a lawyer, business executive, corporate philanthropist, advocate for education, teacher and mentor. Mr. Crawford, Counsel at Osler, Hoskin & Harcourt LLP, received The Conference Board of Canada's 2003 Honorary Associate Award on Oct. 16, 2003, in Toronto. The Honorary Associate Award is the Board's highest honour and is conferred annually on an individual who has served both organization and country with distinction.

Born in Five Islands, Nova Scotia, Mr. Crawford developed his lifelong zeal for learning in a two-room primary school and a four-room secondary school. He graduated from Mount Allison University with a bachelor of arts degree and obtained law degrees from Dalhousie and Harvard before joining Osler, Hoskin & Harcourt. In just a dozen years, Mr. Crawford rose from associate lawyer to senior partner, all the while teaching law at Osgoode Hall and becoming a revered teacher and mentor to young lawyers.

In 1985, Mr. Crawford became President and Chief Executive Officer of Imasco Ltd. He built a diversified, profitable conglomerate during his 10 years as CEO, before retiring in 1995. He continued to serve as Imasco's non-executive chairman until 2000, when he returned to Osler, Hoskin & Harcourt.

Mr. Crawford holds directorships with several large public companies and is an outspoken advocate for higher standards of corporate governance. He played a key role in developing Ontario's securities legislation and is the Chairman of the Five-Year Review Advisory Committee under the *Securities Act* of Ontario. In 1999, he was honoured with a Fellowship in the Institute of Corporate Directors. Mr. Crawford served on the Conference Board's board of directors from 1988 to 1994 and is Chairman Emeritus of the Atlantic Institute for Market Studies.

Mr. Crawford demonstrates a strong interest in developing human talent. He played an active role on three university boards of governors and is Chancellor Emeritus of Mount Allison University. Mr. Crawford also lends his expertise to educating

future corporate leaders. He believes that great leaders can emerge from appropriate experiences, training and mentoring—those who have received his tutelage say that he does not instruct; he teaches by example, and pupils learn by osmosis.

He has been widely praised for his corporate philanthropic support of many organizations, such as Mount Allison, Dalhousie and Waterloo universities, Centraide of Greater Montréal and the United Way of Greater Toronto. Mr. Crawford received the United Way of Canada Volunteerism Award for outstanding contribution to Canadian society in 1995.

Mr. Crawford was invested as an Officer of the Order of Canada in 1996. He was inducted into the Nova Scotia Business Hall of Fame in 1997 and the Canadian Business Hall of Fame in 2000.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has ensured that the Consolidated Financial Statements are presented fairly in all material respects. The financial information presented elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

The Conference Board of Canada maintains adequate systems of internal accounting and administrative controls consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that assets are appropriately accounted for and adequately safeguarded.

The Board of Directors of the Corporation is responsible for reviewing and approving the Consolidated Financial Statements and, primarily through its Audit Committee, ensures management fulfills its responsibilities for financial reporting.

The Audit Committee is appointed by the Board and is composed of directors who are not employees of the Corporation. The Audit Committee meets periodically with management and with external auditors to discuss internal controls, auditing matters and financial and reporting issues to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the Consolidated Financial Statements and the external auditors' report and also considers, for approval by the Board, the engagement or reappointment of the external auditors. The Audit Committee reports its findings to the Board for its consideration when approving the Consolidated Financial Statements for issuance.

The Consolidated Financial Statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. KPMG LLP has full and free access to the Audit Committee.



Anne Golden
President and Chief Executive Officer



Douglas A. Beggs
Vice-President, Corporate Services

June 28, 2004

AUDITOR'S REPORT

To the Members of The Conference Board of Canada

We have audited the consolidated statement of financial position of The Conference Board of Canada as at May 31, 2004, and the consolidated statements of operations and net assets, changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at May 31, 2004, and the results of its operations and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles. As required by the *Canada Corporations Act*, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.



Chartered Accountants
Ottawa, Canada

June 28, 2004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>As at May 31 (\$ thousands)</i>	Notes	2004	2003
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 2,427	4,110
Marketable securities	B	8,336	6,859
Accounts receivable		2,794	2,414
Prepaid expenses		550	800
		<u>14,107</u>	<u>14,183</u>
Capital Assets	C	5,016	5,107
		<u>19,123</u>	<u>19,290</u>
LIABILITIES			
Current Liabilities			
Accounts payable		6,657	6,907
Deferred revenue		4,904	5,084
		<u>11,561</u>	<u>11,991</u>
		<u>\$ 7,562</u>	<u>7,299</u>
Commitments	D		

See accompanying notes to financial statements

On behalf of the Board:


Director


Director

CONSOLIDATED STATEMENT OF OPERATIONS AND NET ASSETS

<i>For the year ended May 31 (\$ thousands)</i>	2004	2003
Revenues	\$ 29,323	30,614
Expenses		
Compensation	16,880	16,727
Other	11,782	12,640
Depreciation	744	759
	<u>29,406</u>	<u>30,126</u>
Operational earnings	(83)	488
Interest income, net	346	315
Excess of revenues over expenses	263	803
Net Assets, beginning of year	7,299	6,496
Net Assets, end of year	<u>\$ 7,562</u>	<u>7,299</u>

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

<i>For the year ended May 31 (\$ thousands)</i>	Invested in Capital Assets	Unrestricted	2004	2003
Net Assets, beginning of year	\$ 5,107	2,192	7,299	6,496
Excess of revenues over expenses	–	263	263	803
Depreciation	(744)	744	–	–
Investment in capital assets	653	(653)	–	–
Net Assets, end of year	\$ 5,016	2,546	7,562	7,299

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>For the year ended May 31 (\$ thousands)</i>	2004	2003
Operating activities:		
Excess of revenues over expenses	\$ 263	803
Depreciation	744	759
	1,007	1,562
Changes in non-cash components of operating working capital	(560)	1,227
	447	2,789
Financing and investing activities:		
Change in marketable securities, net	(1,477)	(680)
Purchase of capital assets	(653)	(702)
	(2,130)	(1,382)
Increase (decrease) in cash and cash equivalents	(1,683)	1,407
Cash and cash equivalents, beginning of year	4,110	2,703
Cash and cash equivalents, end of year	\$ 2,427	4,110

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at May 31, 2004 (in \$ thousands, unless otherwise stated)

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

AERIC Inc. is incorporated under the *Canada Corporations Act* and conducts its operations under the firm name and style as The Conference Board of Canada, pursuant to an annual licence agreement with The Conference Board, Inc.

Basis of Consolidation

The consolidated financial statements include the accounts of The Conference Board of Canada and The Niagara Institute for International Studies. The proportionate consolidation method is used to account for joint venture activities. All significant intercompany transactions and balances are eliminated.

Revenue Recognition

Revenues from memberships are recorded on a proportionate basis over the subscription period. Revenues from fee-paid services are recognized when earned, with the exception of long-term research contracts, which are recognized on an estimated percentage of work-completed basis.

Capital Assets

Capital assets are recorded at cost. Depreciation is calculated by the straight-line method. The estimated useful lives of the assets are:

- Furniture and fixtures 5 years
- Computer and other equipment 3 years
- Software 2 years
- Building 40 years

Use of Estimates

The preparation of financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from these estimates. These estimates are reviewed on an annual and quarterly basis. Changes in estimates are recorded in the financial period in which such adjustments are determined.

B: MARKETABLE SECURITIES

Marketable securities include accrued interest and primarily comprise government, government-guaranteed and bank fixed-income securities.

C: CAPITAL ASSETS

	2004	2003
Land	\$ 621	621
Building	4,591	4,587
Furniture and fixtures	2,531	2,557
Computer and other equipment	2,821	2,869
Software	864	744
	11,428	11,378
Less accumulated depreciation	6,412	6,271
Net book value	\$ 5,016	5,107

D: COMMITMENTS

The approximate future minimum payments for operating lease obligations are as follows:

2005	27
	<u>\$ 27</u>

E: FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, marketable securities, accounts receivable and accounts payable approximate their fair value.

GOVERNANCE AND MANAGEMENT

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Douglas A. Beggs
Vice-President
Corporate Services

Prem P. Benimadhu
Vice-President
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Perry Eisenschmid
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Gilles Rhéaume
Vice-President
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¹ Member of the Audit Committee

² Member of the Executive Committee



Left to right: Gilles Rhéaume, Prem P. Benimadhu, Anne Golden, Charles A. Barrett, Douglas A. Beggs, Perry Eisenschmid, Paul Darby.

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