THE UPDATE

GOODMANS
www.goodmans.ca

Corporate Securities

NOVEMBER 11, 2003

CANADIAN COALITION FOR GOOD GOVERNANCE RELEASES CORPORATE GOVERNANCE GUIDELINES

Adding to the vast landscape of corporate governance reforms, the Canadian Coalition for Good Governance released a set of twelve guidelines this Fall that it hopes will improve corporate governance practices. The Coalition represents over 20 Canadian institutional investors, including Ontario Teachers' Pension Plan Board, OPSEU Pension Trust and CPP Investment Board.

The guidelines are based largely on, but in many cases go further than, the standards established under the existing legislative and regulatory framework. The Coalition's twelve guidelines include "minimum standards", which the Coalition would normally expect a public company to meet, and "best practices", which the Coalition believes are a combination of best practices of high performing boards that should be more prevalent and innovative ideas from outstanding boards that may be appropriate for other boards.

The Coalition's guidelines focus on three areas:

- Selecting individual directors of "extraordinary qualities",
- Structuring boards to create "team governance strengths", and
- Improving board performance to ensure good governance processes.

In summary, the Coalition's guidelines establish the following benchmarks:

Selecting Individual Directors of "Extraordinary Qualities"

Guideline 1:	Minimum Standards	Additional "Best Practices"
Ensure Quality Motivation of Board Members	• Demonstrate integrity and high ethical standards. • Have career experience and expertise relevant to the company's business, purpose, financial responsibilities and risk profile. • Have proven understanding of fiduciary duty. • Be financially literate and/or have financial accreditation. • Demonstrate well developed listening, communicating and influencing skills so directors can actively participate in board discussions and debate. • Limit commitments to other corporate and not-for-profit boards that may preclude being an effective director.	• Create a formal, rigorous and transparent procedure for the appointment of new directors. • Maintain a "matrix" of director talents and board requirements to identify skill gaps on the board. • Build an "ever-green" list of candidates to ensure outstanding candidates with the needed talents can be identified to fill vacancies. • Ensure plans are in place for orderly succession of directors to keep the board balanced in terms of skills and experience. • Establish a formal, tailored induction program for each new director. • Encourage directors to continuously update their skills and knowledge of the company, its businesses and executives.

Selecting Individual Directors of "Extraordinary Qualities" cont'd

Guideline 2:	Minimum Standards	Additional "Best Practices"
Require Director Share Ownership	• Require directors to own at least three years' annual fees in the form of shares or deferred share units after five years on the board. • Maintain share ownership at this minimum market value. • Stop stock option grants. • Define and disclose the share ownership requirements.	• Require directors to own at least five years' annual fees in the form of shares or deferred share units after five years on the board. • Continue to invest a significant portion of annual compensation in shares once the required multiple is met. • Provide full disclosure of each director's compensation, percent of total compensation taken in deferred share units, and changes in share ownership.

Guideline 3:	Minimum Standards	Additional "Best Practices"
Appoint Majority of Independent Directors	• Majority of directors should be independent of management and have no material relationship with the company other than director fees and share ownership. • Former employees and professionals who provided services to the company should not serve on the board until at least three years after the end of the relevant affiliation. • Define and disclose the company's definition of "independence".	• At least two-thirds of directors should be independent of management and have no material relationship with the company other than director fees and share ownership. • Define and disclose the number of board interlocks and the number the board considers appropriate.

Structuring Boards to Create "Team Governance Strengths"

Guideline 4:	Minimum Standards	Additional "Best Practices"
Separate Chair and CEO	• Where Chair and CEO are the same, appoint a lead director. • Define and disclose the responsibilities of the lead director. • Lead director should set board agendas with the Chair/CEO and be responsible for the quality of the information sent to directors. • Lead director should call and chair quarterly meetings of independent directors without management present. • Former CEOs should leave the board following retirement.	• Appoint an independent director as Chair. • Define and disclose the responsibilities of the Chair. • Establish and disclose the annual review process for the Chair. • Chair should set board agendas with the CEO and be responsible for the quality of the information sent to directors. • Chair should hold *in camera* sessions of independent directors, without management present, at every board and committee meeting.

Structuring Boards to Create "Team Governance Strengths" cont'd

Guideline 5: Establish Independence and Mandates of Board Committees	**Minimum Standards** • Nominating/governance and compensation committees should be composed of a majority of independent directors. • Disclose mandate of each committee. Nominating/governance committee should be responsible for the response to the TSX guidelines and develop policies and procedures to allow a director to engage outside advisors at the expense of the board in appropriate circumstances. • Hold *in camera* sessions, of independent directors, without management present, at every committee meeting.	
Guideline 6: Follow New Audit Committee Requirements	**Minimum Standards** • Comply fully with the enacted and emerging regulatory standards governing audit committees.	

Improving Board Performance to Ensure Good Governance Processes

Guideline 7: Evaluate Performance of Board and Committees	**Minimum Standards** • Publish a charter of expectations for directors. • On an annual basis, review and disclose the results of the performance of the board and its committees measured against criteria defined in their mandates. • Manage succession planning to keep the board balanced in terms of skills and experience. • Disclose each director's experience, expertise and other directorships. • Allow shareholders to vote (or withhold their vote) for individual directors annually; no slates.	**Additional "Best Practices"** • Governance committee should monitor the emerging best practices at leading companies.
Guideline 8: Review Performance of Individual Board Members	**Minimum Standards** • Establish a minimum attendance expectation for directors. • Disclose the attendance of each director. • Establish the criteria that normally would require a director to resign.	**Additional "Best Practices"** • Evaluate the performance of individual directors annually through surveys conducted by the independent Chair. • Evaluate the performance of the Chair annually. • Disclose the performance review process with sufficient detail to indicate there is a strong and viable system in use.

Improving Board Performance to Ensure Good Governance Processes cont'd

Guideline 9: Assess CEO and Plan Succession	**Minimum Standards** • Develop and disclose a CEO job description and short-term and long-term CEO objectives. • Develop an annual CEO review process and review the CEO succession plan.	**Additional "Best Practices"** • Directors should visit the senior executives in their workplace. • Create opportunities for senior executives to make presentations to the board and to meet socially with the board.
Guideline 10: Provide Management Oversight and Strategic Planning	**Minimum Standards** • Review annually the company's strategic plan in depth. • Review annually human, technological and capital resources required to implement the company's growth strategy and the regulatory, cultural or governmental constraints on the business. • Monitor the execution of the strategy and the achievement of objectives.	**Additional "Best Practices"** • Review at every board meeting recent developments, if any, that may impact growth strategy. • Evaluate management's analysis of the strategies of competitors.
Guideline 11: Oversee Management Evaluation and Compensation	**Minimum Standards** • Compensation committee to consist of a majority of independent directors. • Authorize compensation committee to seek independent compensation advice. • Link management compensation to meaningful and measurable performance targets. • Disclose overall compensation philosophy for senior executives, explaining the rationale for salary levels, incentive payments, stock grants, stock options, pensions and all other components of executive compensation. • Have *in camera* sessions of independent directors, without management present, and at every compensation committee meeting and at the full board meeting when executive compensation issues are discussed. • Limit stock options strictly in number and ensure those that are granted are focused on long-term remuneration and subject to vesting periods. • Ensure all equity-based compensation plans are subject to shareholder approval.	**Additional "Best Practices"** • Include at least one director experienced in executive compensation on the compensation committee. • Have the Chair of the compensation committee answer questions at the annual meeting that relate to executive compensation. • Require senior executives to hold shares throughout their tenure with the company. • Design options that have performance hurdles so the pulmonary success alone does not determine their vesting. • Consider establishing holding conditions for options to ensure that the stock ownership targets are met and exceeded.

Improving Board Performance to Ensure Good Governance Processes cont'd

Guideline 12:	Minimum Standards
Disclosure	• Provide disclosure as to substantive compliance with the other 11 guidelines, the governance requirements of regulators and exchanges, the company's governance philosophy, practices and monitoring processes, substantive issues, changes and developments in those practices that could affect shareholder interests, actual compensation of each director (including percentage of compensation taken in shares or deferred stock units) and changes in director share ownership.

It is unclear how the guidelines will affect the voting behaviour of the members of the Coalition or how the guidelines will be rationalized with other standards used by those members to assess "good governance" (such as the governance rating system used by the Rotman School of Management at the University of Toronto). It is likely, however, that issuers can expect to be publicly critiqued against these guidelines.

All issuers for which the views of the Coalition may be relevant should consider performing an internal assessment of their current practices (for which the Coalition has provided a form) to determine whether it would be appropriate to alter those practices before their annual materials are next filed. Certain issuers also may wish to consider whether it would be constructive to engage in a "dialogue" with members of the Coalition to demonstrate their commitment to governance and shareholder value through structures that may not neatly fit with the Coalition's guidelines.

Please do not hesitate to contact any member of the Goodmans corporate/securities team to discuss your governance structures as market expectations regarding corporate governance continue to evolve.

Toronto

Sheldon Freeman 416.597.6256
sfreeman@goodmans.ca

Allan Goodman 416.597.4243
agoodman@goodmans.ca

Francesca Guolo 416.597.4238
fguolo@goodmans.ca

Stephen Halperin 416.597.4115
shalperin@goodmans.ca

Tim Heeney 416.597.4195
theeney@goodmans.ca

Jonathan Lampe 416.597.4128
jlampe@goodmans.ca

Dale Lastman 416.597.4129
dlastman@goodmans.ca

David Matlow 416.597.4147
dmatlow@goodmans.ca

Neill May 416.597.4187
nmay@goodmans.ca

Stephen Pincus 416.597.4104
spincus@goodmans.ca

William Rosenfeld 416.597.4145
wrosenfeld@goodmans.ca

Meredith Roth 416.597.6260
meroth@goodmans.ca

Neil Sheehy 416.597.4229
nsheehy@goodmans.ca

Bob Vaux 416.597.6265
rvaux@goodmans.ca

Kenneth Wiener 416.597.4106
kwiener@goodmans.ca

Vancouver

Paul Goldman 604.608.4550
pgoldman@goodmans.ca

Steven Robertson 604.608.4552
srobertson@goodmans.ca

Bruce Wright 604.608.4551
bwright@goodmans.ca

Hong Kong

Leo Seewald 852.2522.1061
lseewald@goodmans.ca