1. Board Structure

QUESTION 1: Director Independence
In developing our criteria for director independence, we have taken into consideration the need for independence from management, as well as the advantages of having family representatives on the board. As a result, we have applied different criteria depending on whether or not the CEO is a family member.

The company will receive full credit for board independence if:
- At least 50% of board members are independent from management. This includes anyone with kinship ties to the CEO
- The percentage of family representatives on the board is no more than 10% greater than the family’s voting control.
- In cases where the family is entitled to select a certain number of nominees, this number does not represent a percentage of nominees that is more than 10% greater than the family’s voting control.

Definition of Independence: A director is considered to be non-independent if he or she:
- Is a member of management, or is otherwise employed by the corporation within the past 3 years.
- Is a member of management, or is otherwise employed by an affiliated corporation within the past 3 years.
- Has received any fees from the corporation as a service provider (e.g. consultant, lawyer) within the past 3 years.
- Is an employee or Partner of a service provider that has received fees from the corporation within the past 3 years.
- Has kinship ties to any members of management, or any other non-independent director.

QUESTION 2: Audit Committee Independence
All members of the audit committee must be fully independent from management. No family members on the audit committee.

QUESTION 3: Compensation Committee Independence
No more than 50% of members may be related to the family. All members must be fully independent from management, except:
- Parent company executives are allowed; up to 50% of the committee
QUESTION 4: Nominating Committee Independence
No more than 50% of members may be related to the family. All committee members must be fully independent from management, except:
- One related director is permitted on the committee, regardless of the nature of their relationship.

QUESTION 5: CEO/Chair Split
Full credit is given if:
- Chair and CEO positions are held by different people and chair is fully independent from management, OR
- Chair and CEO positions are not split or chair is not independent, and an independent lead director has been appointed (can be a family member if all family members are independent from management).

QUESTION 6: Director Interlocks
A director interlock occurs when two directors sit on more than one board of directors together. Full credit is given if no more than one director interlock exists on the board. Interlocks with the issuer’s affiliated companies are not considered here.

QUESTION 7: Board Skills Matrix
Full credit is given if the company provides an explanation of the skills of each director, showing any potential gaps or redundancies, and compares this to the skills needed by the board.

2. Share Ownership

Even in family-controlled corporations, it is important for directors’ interests to be aligned with those of shareholders, both inside and outside the family. Our criteria measure the implementation of processes and policies to ensure that directors own a significant number of shares and/or share units.

QUESTION 8: Director Share Ownership Guideline
Does the company requiring board members to own a minimum number of shares? CCBE gives full credit if the issuer requires directors to own any minimum amount of shares and/or DSU.
**QUESTION 9: CEO Share Ownership**

**QUESTION 9a: How Many Shares Does the CEO Own?**

To receive full credit, the CEO must own at least 3 times the value of his or her annual salary in either shares or DSU that cannot be exercised until the end of a CEO’s tenure. The CEO’s option holdings are not counted toward this total. Family members are exempt from this requirement. We use year-end share prices to value CEO share ownership.

**QUESTION 9b: CEO Share Ownership Guideline**

Does the company require the CEO to own at least 3 times the value of his or her annual salary in shares and/or DSU? If the CEO is a family member, credit will be given even if a formal requirement is not in place. We use year-end share prices to value CEO share ownership.

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**4. Board Processes**

**QUESTION 10: Board and Director Evaluations**

**QUESTION 10a: Board Evaluations**

Does the company disclose a formal and regular process for the evaluation of the effectiveness of the board as a whole? Full credit is given if the issuer provides an indication of the frequency of the evaluation process, as well as specific details describing the evaluation process itself.

**QUESTION 10b: Director Evaluations**

Does the company disclose a formal and regular process for the evaluation of the effectiveness of individual directors? Full credit is given if the issuer provides an indication of the frequency of the evaluation process, as well as specific details describing the evaluation process itself.

**QUESTION 11: Meetings without Management**

**QUESTION 11a: In Camera Sessions at Every Board Meeting**

Do the independent members of the board hold in camera sessions at every board meeting, including ad-hoc and special board meetings? CCBE gives full credit if the board held in camera sessions without management at every board meeting in the past fiscal year.

CCBE does not expect in camera sessions to be held at board meetings that are purely transactional (e.g. a short phone meeting to vote on an item that has already been discussed in person by the board). If the issuer provides full detail of which meetings were transactional
only, then CCBE will give full credit even if the board did not meet without management at those meetings, as long as in camera sessions were held at all other board meetings.

**QUESTION 11b: Policy to Meet without Family Members**

Does the board have a policy to allow independent board members to meet without family members? CCBE gives full credit if the issuer provides a full description of such a policy. These sessions do not need to be at every board meeting.

CCBE also gives full credit here if:

A) All family members on the board are considered non-independent, AND

B) The board has a policy whereby the independent directors regularly meet in camera

**QUESTION 12: CEO Succession Planning**

**QUESTION 12a: Succession Plan Details**

Does the company describe the process undertaken by the board to plan for the succession of the CEO? CCBE gives full credit if the issuer provides a description of a formal CEO succession planning process.

**QUESTION 12b: Who is Responsible for Succession Planning?**

Does the company disclose who is responsible for CEO succession planning (e.g. the board as a whole, HR Committee, etc.)? CCBE gives full credit if the issuer clearly discloses who is responsible for overseeing CEO succession planning.

**QUESTION 13: Director Retirement Policy**

CCBE gives full credit if the company describes a formal process for director retirement/renewal. Examples include director term limits and age limits. Credit is also given if the company explicitly discloses that it has not adopted such a policy.

**QUESTION 14: Director Attendance**

CCBE gives full credit if each director attended at least 75% of all board meetings and 75% of all committee meetings over the past year. No penalty is given if directors missed meetings due to illness or emergency.
5. Disclosure

QUESTION 15: Description of Director Independence
Does the company provide a clear description of all material and potentially material director conflicts of interest and relationships to management? We do not expect the company’s disclosure to reflect the CCBE’s definition of independence. However, if the company’s description of director independence fails to mention a relationship that CCBE considers material, the company will not get full credit.

QUESTION 16: Director Bios
CCBE gives full credit if the issuer provides a detailed biography for each board nominee. A list of recent positions held is not sufficient to receive credit for this question.

QUESTION 17: Director Ages
CCBE gives full credit if the age of each board nominee is fully disclosed.

QUESTION 18: Related-Party Transactions
CCBE gives full credit if the company discloses the process for ensuring the independence of the process for approving related-party transactions. Credit is also given if the issuer clearly discloses that no related-party transactions have taken place.

QUESTION 19: Detailed Voting Results
Does the company provide details on the results of votes cast at the annual meeting? CCBE gives credit for full disclosure of these results including a total number or percentage of votes cast in favour of each item on the agenda, except for the approval of the auditor.