Our new push is “Pay-for-Performance” Linkage

S&P/TSX Composite Index
Pay/Performance Linkage (2005-2008)

Change in Bonus

Materials
Health Care
Consumer Discretionary
Financials
Consumer Staples
Energy
Industrials
Utilities
Telecommunication Services

Change in Net Income

-40% -20% 0% 20% 40% 60%

Variance +/- 10% Change in Bonus vs. Change in Net Income
Since 2002, the CCBE has collected and analyzed corporate governance data on Canadian corporations.

2002 S&P/TSX Composite Scores

2008 S&P/TSX Composite Scores
Helping Canada to achieve the GOLD medal for corporate governance

Governance Rankings based on 44 metrics

Basis: 5,296 US firms + 2,235 non-US firms in 23 nations using ISS metrics
Clarkson Centre is involved in an extensive number of projects that examine the Canadian Corporate Governance landscape.

- Monitoring Small and Medium Firm Governance
- Analyzing Pay-for-Performance
- Surveying Canadian Directors’ Concerns
- Comparing Alternative Governance Models (Credit Unions & Not-for-Profits)
- Monitoring Compensation Practices
- Monitoring Governance Practices
  - Board Shareholder Confidence Index
- Good Governance
Board Shareholder Confidence Index: In 2009, we made significant updates to the scoring criteria

New BSCI Scoring Criteria - 2009

- **All Directors Increased Ownership**: All directors have increased their total number of Shares and Deferred Share Units since the last management information circular
- **Director & Company Skills Matrix**: The company has disclosed the areas of expertise for each individual director and the desired skill set of the board as a whole and how directors meet those requirements
- **Continuing Education Process for Directors**: A formal continuing education process has been disclosed with the relevant activities completed in the most recent fiscal year
- **Good Director Meeting Attendance**: All directors standing for re-election attended at least ¾ of all board meetings and at least ¾ of all relevant committee meetings
- **Majority Voting for Director Elections**: Directors that receive a vote “For” on less than 50% of ballots cast will submit their resignation for consideration by the board
- **New CEO Hired Internally**: Companies that have not changed the CEO or the new CEO was hired internally receive full marks
- **CEO Succession Plan Disclosed**: Corporation discloses a formal CEO Succession Plan
Under the new 2009 scoring criteria, only companies that stay ahead of the curve receive top marks.
Compensation Governance Research: We have also continued to examine disclosure and practices surrounding executive compensation.
Pay for Performance: One of our exciting new projects focuses on the alignment of CEO Compensation and Corporate Performance

S&P/TSX Composite Index
Pay/Performance Linkage (2005-2008)

NOTES
- Each point represents all companies on the S&P/TSX Composite Index as of Oct. 15, 2009 from the designated industry that have been publicly traded for the past 5 years or more
- The y-axis is the percent change of 2-years of bonus combined across the industry (change from combined 05/06 bonuses to combined 07/08 bonuses)
- The x-axis is the percent change of 2-year net income combined across the industry (change from combined 05/06 net income to combined 07/08 net income)
Pay for Performance: By collecting the total value of CEO Pay and TSR, among other metrics, we are able to see how closely companies are aligned with Pay-for-Performance

Notes:
- Each marker represents 1 corporation listed on the S&P/TSX Composite Index as of October 15, 2009
- CEO Pay is calculated using Clarkson Centre valuation methods of all equity-based compensation
- Markers within the blue line show a near 1-to-1 relationship of Pay and Performance
Pay for Performance: CCBE has collected 5 years of CEO compensation and performance data for corporations listed on the S&P/TSX Composite Index.

NOTE: With this analysis we can see when pay and performance are moving in the same direction over time.
**SME Governance:** Since 2007, we have also examined corporate governance in Small and Medium-Sized Enterprises (SMEs) using a newly developed methodology that focuses on the needs of smaller corporations.

**2009 Scoring Distribution of SMEs**

- **Number of Companies**
- **Overall SME Governance Score**

The diagram shows the distribution of SMEs across different governance scores. The x-axis represents the overall SME governance score, ranging from 0 to 100, and the y-axis represents the number of companies. The bars indicate the number of companies within each score range, with the following counts:

- 0-10: 2
- 11-20: 5
- 21-30: 7
- 31-40: 7
- 41-50: 9
- 51-60: 15
- 61-70: 19
- 71-80: 13
- 81-90: 9
- 91-100: 9

This distribution provides a clear understanding of how SMEs are performing in terms of governance across the spectrum.
SME Governance: While we have seen some positive change in the SMEs, we still see much room for improvement.
Director Survey: During 2009, we also conducted our first director survey in partnership with PricewaterhouseCoopers to assess the current state of boardrooms in Canada. The following is an example of some of the results.

Most Valued Director Skills

<table>
<thead>
<tr>
<th>Skill</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry expertise</td>
<td>57.1%</td>
</tr>
<tr>
<td>HR experience</td>
<td>16.8%</td>
</tr>
<tr>
<td>Financial Literacy</td>
<td>83.0%</td>
</tr>
<tr>
<td>Experience on other boards</td>
<td>39.4%</td>
</tr>
<tr>
<td>Executive experience</td>
<td>51.7%</td>
</tr>
<tr>
<td>Strong network</td>
<td>22.4%</td>
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<tr>
<td>Independent-minded</td>
<td>77.2%</td>
</tr>
<tr>
<td>Risk Management expertise</td>
<td>45.5%</td>
</tr>
<tr>
<td>Legal/Compliance expertise</td>
<td>17.7%</td>
</tr>
<tr>
<td>Governance expertise</td>
<td>66.7%</td>
</tr>
</tbody>
</table>

**NOTE:** Participants were asked to select the five board skills that they most value in a director. Percentages indicate the percentage of participants that selected each skill.
The success of all of our initiatives depends on your support.