Annual Reporting & Continuous Disclosure Rules Book

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This publication includes amendments in effect as of January 31, 2019 and does not reflect proposed amendments not yet in force.

To contact a lawyer in our Securities & Capital Markets Group please visit our website at BLG.com.

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This document is an unofficial consolidation of all amendments to National Instrument 51-102 *Continuous Disclosure Obligations*, effective as of June 12, 2018. This document is for reference purposes only. The unofficial consolidation of the Instrument is not an official statement of the law.

National Instrument 51-102
Continuous Disclosure Obligations

National Instrument 51-102
Continuous Disclosure Obligations

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions and Interpretation

(1) In this Instrument:

"acquisition date" has the same meaning as in the issuer's GAAP;

"AIF" means a completed Form 51-102F2 *Annual Information Form* or, in the case of an SEC issuer, a completed Form 51-102F2 or an annual report or transition report under the 1934 Act on Form 10-K or Form 20-F;

"asset-backed security" means a security that is primarily serviced by the cash flows of a discrete pool of mortgages, receivables or other financial assets, fixed or revolving, that by their terms convert into cash within a finite period and any rights or other assets designed to assure the servicing or the timely distribution of proceeds to securityholders;

"board of directors" means, for a person or company that does not have a board of directors, an individual or group that acts in a capacity similar to a board of directors;

"business acquisition report" means a completed Form 51-102F4 *Business Acquisition Report;*

"class" includes a series of a class;

"common share" means an equity security to which are attached voting rights exercisable in all circumstances, irrespective of the number or percentage of securities owned, that are not less, per security, than the voting rights attached to any other outstanding securities of the reporting issuer;

"corporate law" has the same meaning as in section 1.1 of NI 54-101;

"date of transition to IFRS" means the date of transition to IFRSs as that term is defined in Canadian GAAP applicable to publicly accountable enterprises;

"designated rating organization" [repealed]

"DRO affiliate" [repealed];

"electronic format" has the same meaning as in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;

"equity investee" means a business that the issuer has invested in and accounted for using the equity method;

"exchange-traded security" means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

"executive officer" means, for a reporting issuer, an individual who is

(a) a chair, vice-chair or president;

(a.1) a chief executive officer or chief financial officer;

(b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or

(c) performing a policy-making function in respect of the issuer;

"financial outlook" means forward-looking information about prospective financial performance, financial position or cash flows that is based on assumptions about future economic conditions and courses of action and that is not presented in the format of a historical statement of financial position, statement of comprehensive income or statement of cash flows;

"financial statements" includes interim financial reports;

"first IFRS financial statements" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"FOFI", or "future-oriented financial information", means forward-looking information about prospective financial performance, financial position or cash flows, based on assumptions about future economic conditions and courses of action, and presented in the format of a historical statement of financial position, statement of comprehensive income or statement of cash flows;

"form of proxy" means a document containing the information required under section 9.4 that, on completion and execution by or on behalf of a securityholder, becomes a proxy;

"forward-looking information" means disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action and includes future-oriented financial information with respect to prospective financial performance, financial position or cash flows that is presented as a forecast or a projection;

"information circular" means a completed Form 51-102F5 *Information Circular*;
"informed person" means

(a) a director or executive officer of a reporting issuer;

(b) a director or executive officer of a person or company that is itself an informed person or subsidiary of a reporting issuer;

(c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of a reporting issuer or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the reporting issuer other than voting securities held by the person or company as underwriter in the course of a distribution; and

(d) a reporting issuer that has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities;

"inter-dealer bond broker" means a person or company that is approved by the Investment Industry Regulatory Organization of Canada under its Rule 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its Rule 36 and its Rule 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

"interim period" means,

(a) in the case of a year other than a non-standard year or a transition year, a period commencing on the first day of the financial year and ending nine, six or three months before the end of the financial year;

(a.1) in the case of a non-standard year, a period commencing on the first day of the financial year and ending within 22 days of the date that is nine, six or three months before the end of the financial year; or

(b) in the case of a transition year, a period commencing on the first day of the transition year and ending

(i) three, six, nine or twelve months, if applicable, after the end of the old financial year; or

(ii) twelve, nine, six or three months, if applicable, before the end of the transition year;

"issuer's GAAP" has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;
"MD&A" means a completed Form 51-102F1 *Management's Discussion & Analysis* or, in the case of an SEC issuer, a completed Form 51-102F1 or management's

discussion and analysis prepared in accordance with Item 303 of Regulation S-K under the 1934 Act;

"marketplace" means

(a) an exchange;

(b) a quotation and trade reporting system;

(c) a person or company not included in paragraph (a) or (b) that

(i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities;

(ii) brings together the orders for securities of multiple buyers and sellers; and

(iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade; or

(d) a dealer that executes a trade of an exchange-traded security outside of a marketplace,

but does not include an inter-dealer bond broker;

"material change" means

(a) a change in the business, operations or capital of the reporting issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the reporting issuer; or

(b) a decision to implement a change referred to in paragraph (a) made by the board of directors or other persons acting in a similar capacity or by senior management of the reporting issuer who believe that confirmation of the decision by the board of directors or any other persons acting in a similar capacity is probable;

"material contract" means any contract that an issuer or any of its subsidiaries is a party to, that is material to the issuer;

"mineral project" has the same meaning as in National Instrument 43-101 *Standards for Disclosure for Mineral Projects;*

"new financial year" means the financial year of a reporting issuer that immediately follows a transition year;

"NI 54-101" means National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

"non-standard year" means a financial year, other than a transition year, that does not have 365 days, or 366 days if it includes February 29;

"non-voting security" means a restricted security that does not carry the right to vote generally, except for a right to vote that is mandated, in special circumstances, by law;

"notice-and-access" has the same meaning as in section 1.1 of NI 54-101;

"old financial year" means the financial year of a reporting issuer that immediately precedes a transition year;

"operating income" means gross revenue minus royalty expenses and production costs;

"preference share" means a security to which is attached a preference or right over the securities of any class of equity securities of the reporting issuer, but does not include an equity security;

"principal obligor" means, for an asset-backed security, a person or company that is obligated to make payments, has guaranteed payments, or has provided alternative credit support for payments, on financial assets that represent one-third or more of the aggregate amount owing on all of the financial assets servicing the asset-backed security;

"private enterprise" has the same meaning as in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"profit or loss attributable to owners of the parent" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"profit or loss from continuing operations attributable to owners of the parent" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises";

"proxy" means a completed and executed form of proxy by which a securityholder has appointed a person or company as the securityholder's nominee to attend and act for the securityholder and on the securityholder's behalf at a meeting of securityholders;

"proxy-related materials" means securityholder material relating to a meeting of securityholders that a person or company that solicits proxies is required under

corporate law or securities legislation to send to the registered holders or beneficial owners of the securities;
"publicly accountable enterprise" has the same meaning as in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"recognized exchange" means

(a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange;

(a.1) in Québec, a person or company authorized by the securities regulatory authority to carry on business as an exchange; and

(b) in every other jurisdiction, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

"recognized quotation and trade reporting system" means

(a) in every jurisdiction other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system; and

(b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

"restricted security" means an equity security of a reporting issuer if any of the following apply:

(a) there is another class of securities of the reporting issuer that, to a reasonable person, appears to carry a greater number of votes per security relative to the equity security;

(b) the conditions attached to the class of equity securities, the conditions attached to another class of securities of the reporting issuer, or the reporting issuer's constating documents have provisions that nullify or, to a reasonable person, appear to significantly restrict the voting rights of the equity securities; or

(c) the reporting issuer has issued another class of equity securities that, to a reasonable person, appears to entitle the owners of securities of that other class to participate in the earnings or assets of the reporting issuer to a greater extent, on a per security basis, than the owners of the first class of equity securities;

"restricted security term" means each of the terms "non-voting security", "subordinate voting security" and "restricted voting security";

"restricted voting security" means a restricted security that carries a right to vote subject to a restriction on the number or percentage of securities that may be voted by one or more persons or companies, unless the restriction is

(a) permitted or prescribed by statute; and

(b) is applicable only to persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the reporting issuer to be non-Canadians;

"restructuring transaction" means

(a) a reverse takeover;

(b) an amalgamation, merger, arrangement or reorganization;

(c) a transaction or series of transactions involving a reporting issuer acquiring assets and issuing securities that results in

(i) new securityholders owning or controlling more than 50% of the reporting issuer's outstanding voting securities; and

(ii) a new person or company, a new combination of persons or companies acting together, the vendors of the assets, or new management

(A) being able to materially affect the control of the reporting issuer; or

(B) holding more than 20% of the outstanding voting securities of the reporting issuer, unless there is evidence showing that the holding of those securities does not materially affect the control of the reporting issuer; and

(d) any other transaction similar to the transactions listed in paragraphs (a) to (c),

but does not include a subdivision, consolidation, or other transaction that does not alter a securityholder's proportionate interest in the issuer and the issuer's proportionate interest in its assets;

"retrospective" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"retrospectively" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;
"reverse takeover" means

(a) a reverse acquisition, which has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises; or

(b) a transaction where an issuer acquires a person or company by which the securityholders of the acquired person or company, at the time of the transaction, obtain control of the issuer, where, for purposes of this paragraph, "control" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"reverse takeover acquiree" means the legal parent in a reverse takeover;

"reverse takeover acquirer" means the legal subsidiary in a reverse takeover;

"SEC issuer" means an issuer that

(a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act; and

(b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America, as amended;

"solicit", in connection with a proxy, includes

(a) requesting a proxy whether or not the request is accompanied by or included in a form of proxy;

(b) requesting a securityholder to execute or not to execute a form of proxy or to revoke a proxy;

(c) sending a form of proxy or other communication to a securityholder under circumstances that to a reasonable person will likely result in the giving, withholding or revocation of a proxy; or

(d) sending a form of proxy to a securityholder by management of a reporting issuer;

but does not include

(e) sending a form of proxy to a securityholder in response to a unsolicited request made by or on behalf of the securityholder;

(f) performing ministerial acts or professional services on behalf of a person or company soliciting a proxy;

(g) sending, by an intermediary as defined in NI 54-101, of the documents referred to in NI 54-101;

(h) soliciting by a person or company in respect of securities of which the person or company is the beneficial owner;

(i) publicly announcing, by a securityholder, how the securityholder intends to vote and the reasons for that decision, if that public announcement is made by

(i) a speech in a public forum; or

(ii) a press release, an opinion, a statement or an advertisement provided through a broadcast medium or by a telephonic, electronic or other communication facility, or appearing in a newspaper, a magazine or other publication generally available to the public;

(j) communicating for the purposes of obtaining the number of securities required for a securityholder proposal under the laws under which the reporting issuer is incorporated, organized or continued or under the reporting issuer's constating or establishing documents; or

(k) communicating, other than a solicitation by or on behalf of the management of the reporting issuer, to securityholders in the following circumstances:

(i) by one or more securityholders concerning the business and affairs of the reporting issuer, including its management or proposals contained in a management information circular, and no form of proxy is sent to those securityholders by the securityholder or securityholders making the communication or by a person or company acting on their behalf, unless the communication is made by

(A) a securityholder who is an officer or director of the reporting issuer if the communication is financed directly or indirectly by the reporting issuer;

(B) a securityholder who is a nominee or who proposes a nominee for election as a director, if the communication relates to the election of directors;

(C) a securityholder whose communication is in opposition to an amalgamation, arrangement, consolidation or other transaction recommended or approved by the board of directors of the reporting issuer and who is proposing or intends to propose an

alternative transaction to which the securityholder or an affiliate or associate of the securityholder is a party;

(D) a securityholder who, because of a material interest in the subject-matter to be voted on at a securityholder's meeting, is likely to receive a benefit from its approval or non-approval, which benefit would not be shared pro rata by all other holders of the same class of securities, unless the benefit arises from the securityholder's employment with the reporting issuer; or

(E) any person or company acting on behalf of a securityholder described in any of clauses (A) to (D);

(ii) by one or more securityholders and concerns the organization of a dissident's proxy solicitation, and no form of proxy is sent to those securityholders by the securityholder or securityholders making the communication or by a person or company acting on their behalf;

(iii) as clients, by a person or company who gives financial, corporate governance or proxy voting advice in the ordinary course of business and concerns proxy voting advice if

(A) the person or company discloses to the securityholder any significant relationship with the reporting issuer and any of its affiliates or with a securityholder who has submitted a matter to the reporting issuer that the securityholder intends to raise at the meeting of securityholders and any material interests the person or company has in relation to a matter on which advice is given;

(B) the person or company receives any special commission or remuneration for giving the proxy voting advice only from the securityholder or securityholders receiving the advice; and

(C) the proxy voting advice is not given on behalf of any person or company soliciting proxies or on behalf of a nominee for election as a director; or

(iv) by a person or company who does not seek directly or indirectly the power to act as a proxyholder for a securityholder;

"special meeting" has the same meaning as in section 1.1 of NI 54-101;

"special resolution" has the same meaning as in section 1.1 of NI 54-101;

"stratification" has the same meaning as in section 1.1 of NI 54-101;

"subordinate voting security" means a restricted security that carries a right to vote, if there are securities of another class outstanding that carry a greater right to vote on a per security basis;

"transition year" means the financial year of a reporting issuer or business in which the issuer or business changes its financial year-end;

"U.S. AICPA GAAS" has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"U.S. GAAP" has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"U.S. laws" means the 1933 Act, the 1934 Act, all enactments made under those Acts and all SEC releases adopting the enactments, as amended;

"U.S. marketplace" means an exchange registered as a "national securities exchange" under section 6 of the 1934 Act, or the Nasdaq Stock Market;

"U.S. PCAOB GAAS" has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*; and

"venture issuer" means a reporting issuer that, as at the applicable time, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc; where the "applicable time" in respect of

(a) Parts 4 and 5 of this Instrument and Form 51-102F1, is the end of the applicable financial period;

(b) Parts 6 and 9 of this Instrument and Form 51-102F6, is the end of the most recently completed financial year;

(c) Part 8 of this Instrument and Form 51-102F4, is the acquisition date; and

(d) section 11.3 of this Instrument, is the date of the meeting of the securityholders.

(2) **Affiliate** – In this Instrument, an issuer is an affiliate of another issuer if

(a) one of them is the subsidiary of the other, or

(b) each of them is controlled by the same person.

(3) **Control** – For the purposes of subsection (2), a person (first person) is considered to control another person (second person) if

(a) the first person beneficially owns, or controls or directs, directly or indirectly, securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation,

(b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership, or

(c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

PART 2 APPLICATION

2.1 Application

This Instrument does not apply to an investment fund.

PART 3 LANGUAGE OF DOCUMENTS

3.1 French or English

(1) A person or company must file a document required to be filed under this Instrument in French or in English.

(2) Despite subsection (1), if a person or company files a document only in French or only in English but delivers to securityholders a version of the document in the other language, the person or company must file that other version not later than when it is first delivered to securityholders.

(3) In Québec, a reporting issuer must comply with linguistic obligations and rights prescribed by Québec law.

3.2 Filings Translated into French or English

If a person or company files a document under this Instrument that is a translation of a document prepared in a language other than French or English, the person or company must

(a) attach a certificate as to the accuracy of the translation to the filed document; and

(b) make a copy of the document in the original language available to a registered holder or beneficial owner of its securities, on request.

PART 4 FINANCIAL STATEMENTS

4.1 Comparative Annual Financial Statements and Audit

(1) Subject to subsection 4.8(6), a reporting issuer must file annual financial statements that include

(a) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for

(i) the most recently completed financial year; and

(ii) the financial year immediately preceding the most recently completed financial year, if any;

(b) a statement of financial position as at the end of each of the periods referred to in paragraph (a);

(c) in the following circumstances, a statement of financial position as at the beginning of the financial year immediately preceding the most recently completed financial year:

(i) the reporting issuer discloses in its annual financial statements an unreserved statement of compliance with IFRS, and

(ii) the reporting issuer

(A) applies an accounting policy retrospectively in its annual financial statements,

(B) makes a retrospective restatement of items in its annual financial statements, or

(C) reclassifies items in its annual financial statements;

(d) in the case of the reporting issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS; and

(e) notes to the annual financial statements.

(2) Annual financial statements filed under subsection (1) must be audited.

(3) If a reporting issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under subsection (1).

4.2 Filing Deadline for Annual Financial Statements

The audited annual financial statements required to be filed under section 4.1 must be filed

(a) in the case of a reporting issuer other than a venture issuer, on or before the earlier of

(i) the 90th day after the end of its most recently completed financial year; and

(ii) the date of filing, in a foreign jurisdiction, annual financial statements for its most recently completed financial year; or

(b) in the case of a venture issuer, on or before the earlier of

(i) the 120th day after the end of its most recently completed financial year; and

(ii) the date of filing, in a foreign jurisdiction, annual financial statements for its most recently completed financial year.

4.3 Interim Financial Report

(1) Subject to sections 4.7 and 4.10, a reporting issuer must file an interim financial report for each interim period ended after it became a reporting issuer.

(2) Subject to subsections 4.7(4), 4.8(7), 4.8(8) and 4.10(3), the interim financial report required to be filed under subsection (1) must include

(a) a statement of financial position as at the end of the interim period and a statement of financial position as at the end of the immediately preceding financial year, if any;

(b) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows, all for the year-to-date interim period, and comparative financial information for the corresponding interim period in the immediately preceding financial year, if any;

(c) for interim periods other than the first interim period in a reporting issuer's financial year, a statement of comprehensive income for the three month period ending on the last day of the interim period and comparative financial

information for the corresponding period in the immediately preceding financial year, if any;

(d) in the following circumstances, a statement of financial position as at the beginning of the immediately preceding financial year:

(i) the reporting issuer discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting,* and

(ii) the reporting issuer

(A) applies an accounting policy retrospectively in its interim financial report,

(B) makes a retrospective restatement of items in its interim financial report, or

(C) reclassifies items in its interim financial report;

(e) in the case of the reporting issuer's first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS; and

(f) notes to the interim financial report.

(2.1) If a reporting issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under subsection (2).

(3) **Disclosure of Auditor Review of an Interim Financial Report**

(a) If an auditor has not performed a review of an interim financial report required to be filed under subsection (1), the interim financial report must be accompanied by a notice indicating that the interim financial report has not been reviewed by an auditor.

(b) If a reporting issuer engaged an auditor to perform a review of an interim financial report required to be filed under subsection (1) and the auditor was unable to complete the review, the interim financial report must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial report and the reasons why the auditor was unable to complete the review.

(c) If an auditor has performed a review of the interim financial report required to be filed under subsection (1) and the auditor has expressed a reservation of

opinion in the auditor's interim review report, the interim financial report must be accompanied by a written review report from the auditor.

(4) **SEC Issuer – Restatement of an Interim Financial Report**

If an SEC issuer that is a reporting issuer

(a) has filed an interim financial report prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises for one or more interim periods since its most recently completed financial year for which annual financial statements have been filed; and

(b) prepares its annual financial statements or an interim financial report for the period immediately following the periods referred to in paragraph (a) in accordance with U.S. GAAP,

the SEC issuer must

(c) restate the interim financial report for the periods referred to in paragraph (a) in accordance with U.S. GAAP; and

(d) file the restated interim financial report referred to in paragraph (c) by the filing deadline for the financial statements referred to in paragraph (b).

4.4 Filing Deadline for an Interim Financial Report

An interim financial report required to be filed under subsection 4.3(1) must be filed

(a) in the case of a reporting issuer other than a venture issuer, on or before the earlier of

(i) the 45th day after the end of the interim period; and

(ii) the date of filing, in a foreign jurisdiction, an interim financial report for a period ending on the last day of the interim period; or

(b) in the case of a venture issuer, on or before the earlier of

(i) the 60th day after the end of the interim period; and

(ii) the date of filing, in a foreign jurisdiction, an interim financial report for a period ending on the last day of the interim period.

4.5 Approval of Financial Statements

(1) The annual financial statements a reporting issuer is required to file under section 4.1 must be approved by the board of directors before the statements are filed.

(2) The interim financial report a reporting issuer is required to file under section 4.3 must be approved by the board of directors before the report is filed.

(3) In fulfilling the requirement in subsection (2), the board of directors may delegate the approval of the interim financial report to the audit committee of the board of directors.

4.6 Delivery of Financial Statements

(1) Subject to subsection (2), a reporting issuer must send annually a request form to the registered holders and beneficial owners of its securities, other than debt instruments, that the registered holders and beneficial owners may use to request any of the following:

(a) a paper copy of the reporting issuer's annual financial statements and MD&A for the annual financial statements;

(b) a copy of the reporting issuer's interim financial reports and MD&A for the interim financial reports.

(2) For the purposes of subsection (1), the reporting issuer must, applying the procedures set out in NI 54-101, send the request form to the beneficial owners of its securities who are identified under that Instrument as having chosen to receive all securityholder materials sent to beneficial owners of securities.

(3) If a registered holder or beneficial owner of securities, other than debt instruments, of a reporting issuer requests the issuer's annual financial statements or interim financial reports, the reporting issuer must send a copy of the requested financial statements to the person or company that made the request, without charge, by the later of,

(a) in the case of a reporting issuer other than a venture issuer, 10 calendar days after the filing deadline in subparagraph 4.2(a)(i) or 4.4(a)(i), section 4.7, or subsection 4.10(2), as applicable, for the financial statements requested;

(b) in the case of a venture issuer, 10 calendar days after the filing deadline in paragraph 4.2(b)(i) or 4.4(b)(i), section 4.7, or subsection 4.10(2), as applicable, for the financial statements requested; and

(c) 10 calendar days after the issuer receives the request.

(4) A reporting issuer is not required to send copies of annual financial statements or interim financial reports under subsection (3) that were filed more than one year before the issuer receives the request.

(5) Subsection (1) and the requirement to send annual financial statements under subsection (3) do not apply to a reporting issuer that sends its annual financial statements to its securityholders, other than holders of debt instruments, within 140 days of the issuer's financial year-end and in accordance with NI 54-101.

(6) If a reporting issuer sends financial statements under this section, the reporting issuer must also send, at the same time, the annual or interim MD&A relating to the financial statements.

4.7 Filing of Financial Statements After Becoming a Reporting Issuer

(1) Despite any provisions of this Part other than subsections (2), (3) and (4) of this section, the first annual financial statements and interim financial reports that a reporting issuer must file under sections 4.1 and 4.3 are the financial statements for the financial year and interim periods immediately following the periods for which financial statements of the issuer were included in a document filed

(a) that resulted in the issuer becoming a reporting issuer; or

(b) in respect of a transaction that resulted in the issuer becoming a reporting issuer.

(2) If, under subsection (1), a reporting issuer is required to file annual financial statements for a financial year that ended before the issuer became a reporting issuer, those annual financial statements must be filed on or before the later of

(a) the 20th day after the issuer became a reporting issuer; and

(b) the filing deadline in section 4.2.

(3) If, under subsection (1), a reporting issuer is required to file an interim financial report for an interim period that ended before the issuer became a reporting issuer, that interim financial report must be filed on or before the later of

(a) the 10th day after the issuer became a reporting issuer; and

(b) the filing deadline in section 4.4.

(4) A reporting issuer is not required to provide comparative interim financial information for periods that ended before the issuer became a reporting issuer if

(a) to a reasonable person it is impracticable to present prior-period information on a basis consistent with subsection 4.3(2);

(b) the prior-period information that is available is presented; and

(c) the notes to the interim financial report disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent interim financial information.

4.8 Change in Year-End

(1) **Exemption from Change in Year-End Requirements** – An SEC issuer satisfies this section if

(a) it complies with the requirements of U.S. laws relating to a change of fiscal year; and

(b) it files a copy of all materials required by U.S. laws relating to a change of fiscal year at the same time as, or as soon as practicable after, they are filed with or furnished to the SEC and, in the case of financial statements, no later than the filing deadlines prescribed under sections 4.2 and 4.4.

(2) **Notice of Change** – If a reporting issuer decides to change its financial year-end by more than 14 days, it must file a notice containing the information set out in subsection (3) as soon as practicable, and, in any event, not later than the earlier of

(a) the filing deadline, based on the reporting issuer's old financial year-end, for the next financial statements required to be filed, either annual or interim, whichever comes first; and

(b) the filing deadline, based on the reporting issuer's new financial year-end, for the next financial statements required to be filed, either annual or interim, whichever comes first.

(3) The notice referred to in subsection (2) must state

(a) that the reporting issuer has decided to change its year-end;

(b) the reason for the change;

(c) the reporting issuer's old financial year-end;

(d) the reporting issuer's new financial year-end;

(e) the length and ending date of the periods, including the comparative periods, of each interim financial report and the annual financial statements to be filed for the reporting issuer's transition year and its new financial year; and

(f) the filing deadlines, prescribed under sections 4.2 and 4.4, for the annual financial statements and interim financial reports for the reporting issuer's transition year.

(4) **Maximum Length of Transition Year** – For the purposes of this section,

(a) a transition year must not exceed 15 months; and

(b) the first interim period after an old financial year must not exceed four months.

(5) **Interim Period Ends Within One Month of Year-End** – Despite subsection 4.3(1), a reporting issuer is not required to file an interim financial report for any period in its transition year that ends not more than one month

(a) after the last day of its old financial year; or

(b) before the first day of its new financial year.

(6) **Comparative Financial Information in Annual Financial Statements for New Financial Year** – If a transition year is less than nine months in length, the reporting issuer must include as comparative financial information to its annual financial statements for its new financial year

(a) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to the financial statements for its transition year;

(b) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements for its old financial year;

(c) in the following circumstances, a statement of financial position as at the beginning of the old financial year:

(i) the reporting issuer discloses in its annual financial statements an unreserved statement of compliance with IFRS, and

(ii) the reporting issuer

(A) applies an accounting policy retrospectively in its annual financial statements,

(B) makes a retrospective restatement of items in its annual financial statements, or

(C) reclassifies items in its annual financial statements; and

(d) in the case of the reporting issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS.

(7) **Comparative Financial Information in each Interim Financial Report if Interim Periods Not Changed in Transition Year** – If interim periods for the reporting issuer's transition year end three, six, nine or twelve months after the end of its old financial year, the reporting issuer must include

(a) as comparative financial information in each interim financial report during its transition year, the comparative financial information required by subsection 4.3(2), except if an interim period during the transition year is 12 months in length and the reporting issuer's transition year is longer than 13 months, the comparative financial information must be the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows for the 12 month period that constitutes its old financial year;

(b) as comparative financial information in each interim financial report during its new financial year

(i) a statement of financial position as at the end of its transition year; and

(ii) the statement of comprehensive income, statement of changes in equity and statement of cash flows for the periods in its transition year or old financial year, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the new financial year;

(c) in the following circumstances, a statement of financial position as at the beginning of the earliest comparative period:

(i) the reporting issuer that discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, and

(ii) the reporting issuer

(A) applies an accounting policy retrospectively in its interim financial report,

(B) makes a retrospective restatement of items in its interim financial report, or

(C) reclassifies items in its interim financial report; and

(d) in the case of the reporting issuer's first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS.

(8) **Comparative Financial Information in Interim Financial Reports if Interim Periods Changed in Transition Year** – If interim periods for a reporting issuer's transition year end twelve, nine, six or three months before the end of the transition year, the reporting issuer must include

(a) as comparative financial information in each interim financial report during its transition year

(i) a statement of financial position as at the end of its old financial year; and

(ii) the statement of comprehensive income, statement of changes in equity and statement of cash flows for periods in its old financial year, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the transition year;

(b) as comparative financial information in each interim financial report during its new financial year

(i) a statement of financial position as at the end of its transition year; and

(ii) the statement of comprehensive income, statement of changes in equity and statement of cash flows in its transition year or old financial year, or both, as appropriate, for the same calendar months as, or as close as possible to, the calendar months in the interim period in the new financial year;

(c) in the following circumstances, a statement of financial position as at the beginning of the earliest comparative period:

(i) the reporting issuer discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, and

(ii) the reporting issuer

(A) applies an accounting policy retrospectively in its interim financial report,

(B) makes a retrospective restatement of items in its interim financial report, or

(C) reclassifies items in its interim financial report; and

(d) in the case of the reporting issuer's first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS.

4.9 Change in Corporate Structure

If an issuer is party to a transaction that resulted in,

(a) the issuer becoming a reporting issuer other than by filing a prospectus; or

(b) if the issuer was already a reporting issuer, in

(i) the issuer ceasing to be a reporting issuer,

(ii) a change in the reporting issuer's financial year end, or

(iii) a change in the name of the reporting issuer;

the issuer must, as soon as practicable, and in any event not later than the deadline for the first filing required under this Instrument following the transaction, file a notice stating

(c) the names of the parties to the transaction;

(d) a description of the transaction;

(e) the effective date of the transaction;

(f) the name of each party, if any, that ceased to be a reporting issuer after the transaction and of each continuing entity;

(g) the date of the reporting issuer's first financial year-end after the transaction if paragraph (a) or subparagraph (b)(ii) applies;

(h) the periods, including the comparative periods, if any, of the interim financial reports and the annual financial statements required to be filed for the reporting issuer's first financial year after the transaction, if paragraph (a) or subparagraph (b)(ii) applies; and

(i) what documents were filed under this Instrument that described the transaction and where those documents can be found in electronic format, if paragraph (a) or subparagraph (b)(ii) applies.

4.10 Reverse Takeovers

(1) **Change in Year End** – If a reporting issuer must comply with section 4.9 because it was a party to a reverse takeover, the reporting issuer must comply with section 4.8 unless

(a) the reporting issuer had the same year-end as the reverse takeover acquirer before the transaction; or

(b) the reporting issuer changes its year-end to be the same as that of the reverse takeover acquirer.

(2) **Financial Statements of the Reverse Takeover Acquirer for Periods Ending Before a Reverse Takeover** – If a reporting issuer completes a reverse takeover, it must

(a) file the following financial statements for the reverse takeover acquirer, unless the financial statements have already been filed:

(i) financial statements for all annual and interim periods ending before the date of the reverse takeover and after the date of the financial statements included in an information circular or similar document, or under Item 5.2 of the Form 51-102F3 *Material Change Report*, prepared in connection with the transaction; or

(ii) if the reporting issuer did not file a document referred to in subparagraph (i), or the document does not include the financial statements for the reverse takeover acquirer that would be required to be included in a prospectus, the financial statements prescribed under securities legislation and described in the form of prospectus that the reverse takeover acquirer was eligible to use prior to the reverse takeover for a distribution of securities in the jurisdiction;

(b) file the annual financial statements required by paragraph (a) on or before the later of

(i) the 20th day after the date of the reverse takeover;

(ii) the 90th date after the end of the financial year; and

(iii) the 120th day after the end of the financial year if the reporting issuer is a venture issuer; and

(c) file each interim financial report required by paragraph (a) on or before the later of

(i) the 10th day after the date of the reverse takeover;

(ii) the 45th day after the end of the interim period;

(iii) the 60th day after the end of the interim period if the reporting issuer is a venture issuer; and

(iv) the filing deadline in paragraph (b).

(3) **Comparative Financial Information in each Interim Financial Report after a Reverse Takeover** – A reporting issuer is not required to provide comparative interim financial information for the reverse takeover acquirer for periods that ended before the date of a reverse takeover if

(a) to a reasonable person it is impracticable to present prior-period information on a basis consistent with subsection 4.3(2);

(b) the prior-period information that is available is presented; and

(c) the notes to the interim financial report disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent interim financial information.

4.11 Change of Auditor

(1) **Definitions** – In this section

"appointment" means, in relation to a reporting issuer, the earlier of

(a) the appointment as its auditor of a different person or company than its predecessor auditor; and

(b) the decision by the board of directors of the reporting issuer to propose to holders of qualified securities to appoint as its auditor a different person or company than its predecessor auditor;

"consultation" means advice provided by a successor auditor, whether or not in writing, to a reporting issuer during the relevant period, which the successor auditor concluded was an important factor considered by the reporting issuer in reaching a decision concerning

(a) the application of accounting principles or policies to a transaction, whether or not the transaction is completed;

(b) a report provided by an auditor on the reporting issuer's financial statements;

(c) scope or procedure of an audit or review engagement; or

(d) financial statement disclosure;

"disagreement" means a difference of opinion between personnel of a reporting issuer responsible for finalizing the reporting issuer's financial statements and the personnel of a predecessor auditor responsible for authorizing the issuance of audit reports on the reporting issuer's financial statements or authorizing the communication of the results of the auditor's review of the reporting issuer's interim financial report, if the difference of opinion

(a) resulted in a modified opinion in the predecessor auditor's audit report on the reporting issuer's financial statements for any period during the relevant period;

(b) would have resulted in a modified opinion in the predecessor auditor's audit report on the reporting issuer's financial statements for any period during the relevant period if the difference of opinion had not been resolved to the predecessor auditor's satisfaction, not including a difference of opinion based on incomplete or preliminary information that was resolved to the satisfaction of the predecessor auditor upon the receipt of further information;

(c) resulted in a qualified or adverse communication or denial of assurance in respect of the predecessor auditor's review of the reporting issuer's interim financial report for any interim period during the relevant period; or

(d) would have resulted in a qualified or adverse communication or denial of assurance in respect of the predecessor auditor's review of the reporting issuer's interim financial report for any interim period during the relevant period if the difference of opinion had not been resolved to the predecessor auditor's satisfaction, not including a difference of opinion based on incomplete or preliminary information that was resolved to the satisfaction of the predecessor auditor upon the receipt of further information;

"predecessor auditor" means the auditor of a reporting issuer that is the subject of the most recent termination or resignation;

"qualified securities" means securities of a reporting issuer that carry the right to participate in voting on the appointment or removal of the reporting issuer's auditor;

"relevant information circular" means

(a) if a reporting issuer's constating documents or applicable law require holders of qualified securities to take action to remove the reporting issuer's auditor or to appoint a successor auditor

(i) the information circular required to accompany or form part of every notice of meeting at which that action is proposed to be taken; or

(ii) the disclosure document accompanying the text of the written resolution provided to holders of qualified securities; or

(b) if paragraph (a) does not apply, the information circular required to accompany or form part of the first notice of meeting to be sent to holders of qualified securities following the preparation of a reporting package concerning a termination or resignation;

"relevant period" means the period

(a) commencing at the beginning of the reporting issuer's two most recently completed financial years and ending on the date of termination or resignation; or

(b) during which the predecessor auditor was the reporting issuer's auditor, if the predecessor auditor was not the reporting issuer's auditor throughout the period described in paragraph (a);

"reportable event" means a disagreement, a consultation, or an unresolved issue;

"reporting package" means

(a) the documents referred to in subparagraphs (5)(a)(i) and (6)(a)(i);

(b) the letter referred to in clause (5)(a)(ii)(B), if received by the reporting issuer, unless an updated letter referred to in clause (6)(a)(iii)(B) has been received by the reporting issuer;

(c) the letter referred to in clause (6)(a)(ii)(B), if received by the reporting issuer; and

(d) any updated letter referred to in clause (6)(a)(iii)(B) received by the reporting issuer;

"resignation" means notification from an auditor to a reporting issuer of the auditor's decision to resign or decline to stand for reappointment;

"successor auditor" means the person or company

(a) appointed;

(b) that the board of directors have proposed to holders of qualified securities be appointed; or

(c) that the board of directors have decided to propose to holders of qualified securities be appointed,

as the reporting issuer's auditor after the termination or resignation of the reporting issuer's predecessor auditor;

"termination" means, in relation to a reporting issuer, the earlier of

(a) the removal of its auditor before the expiry of the auditor's term of appointment, the expiry of its auditor's term of appointment without reappointment, or the appointment of a different person or company as its auditor upon expiry of its auditor's term of appointment; and

(b) the decision by the board of directors of the reporting issuer to propose to holders of its qualified securities that its auditor be removed before, or that a different person or company be appointed as its auditor upon, the expiry of its auditor's term of appointment;

"unresolved issue" means any matter that, in the predecessor auditor's opinion, has, or could have, a material impact on the financial statements, or reports provided by the auditor relating to the financial statements, for any financial period during the relevant period, and about which the predecessor auditor has advised the reporting issuer if

(a) the predecessor auditor was unable to reach a conclusion as to the matter's implications before the date of termination or resignation;

(b) the matter was not resolved to the predecessor auditor's satisfaction before the date of termination or resignation; or

(c) the predecessor auditor is no longer willing to be associated with any of the financial statements;

(2) **Meaning of "Material"** – For the purposes of this section, the term "material" has a meaning consistent with the discussion of the term "materiality" in the issuer's GAAP.

(3) **Exemption from Change of Auditor Requirements** – This section does not apply if

(a) the following three conditions are met:

(i) a termination, or resignation, and appointment occur in connection with an amalgamation, arrangement, takeover or similar transaction involving the reporting issuer or a reorganization of the reporting issuer;

(ii) the termination, or resignation, and appointment have been disclosed in a news release that has been filed or in a disclosure document that has been delivered to holders of qualified securities and filed; and

(iii) no reportable event has occurred;

(b) the change of auditor is required by the legislation under which the reporting issuer exists or carries on its activities; or

(c) the change of auditor arises from an amalgamation, merger or other reorganization of the auditor.

(4) **Exemption From Change of Auditor Requirements** – SEC Issuers - An SEC issuer satisfies this section if it

(a) complies with the requirements of U.S. laws relating to a change of auditor;

(b) files a copy of all materials required by U.S. laws relating to a change of auditor at the same time as, or as soon as practicable after, they are filed with or furnished to the SEC;

(c) issues and files a news release describing the information disclosed in the materials referred to in paragraph (b), if there are any reportable events; and

(d) includes the materials referred to in paragraph (b) with each relevant information circular.

(5) **Requirements Upon Auditor Termination or Resignation** – Upon a termination or resignation of its auditor, a reporting issuer must

(a) within 3 days after the date of termination or resignation

(i) prepare a change of auditor notice in accordance with subsection (7) and deliver a copy of it to the predecessor auditor; and

(ii) request the predecessor auditor to

(A) review the reporting issuer's change of auditor notice;

(B) prepare a letter, addressed to the regulator or securities regulatory authority, stating, for each statement in the change of auditor notice, whether the auditor

(I) agrees,

(II) disagrees, and the reasons why, or

(III) has no basis to agree or disagree; and

(C) deliver the letter to the reporting issuer within 7 days after the date of termination or resignation;

(b) within 14 days after the date of termination or resignation

(i) have the audit committee of its board of directors or its board of directors review the letter referred to in clause (5)(a)(ii)(B) if received by the reporting issuer, and approve the change of auditor notice;

(ii) file a copy of the reporting package with the regulator or securities regulatory authority;

(iii) deliver a copy of the reporting package to the predecessor auditor;

(iv) if there are any reportable events, issue and file a news release describing the information in the reporting package; and

(c) include with each relevant information circular

(i) a copy of the reporting package as an appendix; and

(ii) a summary of the contents of the reporting package with a cross-reference to the appendix.

(6) **Requirements upon Auditor Appointment** – Upon an appointment of a successor auditor, a reporting issuer must

(a) within 3 days after the date of appointment

(i) prepare a change of auditor notice in accordance with subsection (7) and deliver it to the successor auditor and to the predecessor auditor;

(ii) request the successor auditor to

(A) review the reporting issuer's change of auditor notice;

(B) prepare a letter addressed to the regulator or securities regulatory authority, stating, for each statement in the change of auditor notice, whether the auditor

(I) agrees,

(II) disagrees, and the reasons why, or

(III) has no basis to agree or disagree; and

(C) deliver that letter to the reporting issuer within 7 days after the date of appointment; and

(iii) request the predecessor auditor to, within 7 days after the date of appointment,

(A) confirm that the letter referred to in clause (5)(a)(ii)(B) does not have to be updated; or

(B) prepare and deliver to the reporting issuer an updated letter to replace the letter referred to in clause (5)(a)(ii)(B);

(b) within 14 days after the date of appointment,

(i) have the audit committee of its board of directors or its board of directors review the letters referred to in clauses (6)(a)(ii)(B) and (6)(a)(iii)(B) if received by the reporting issuer, and approve the change of auditor notice;

(ii) file a copy of the reporting package with the regulator or securities regulatory authority;

(iii) deliver a copy of the reporting package to the successor auditor and to the predecessor auditor; and

(iv) if there are any reportable events, issue and file a news release disclosing the appointment of the successor auditor and describing the information in the reporting package or referring to the news release required under subparagraph (5)(b)(iv).

(7) **Change of Auditor Notice Content** – A change of auditor notice must state

(a) the date of termination or resignation;

(b) whether the predecessor auditor

(i) resigned on the predecessor auditor's own initiative or at the reporting issuer's request;

(ii) was removed or is proposed to holders of qualified securities to be removed during the predecessor auditor's term of appointment; or

(iii) was not reappointed or has not been proposed for reappointment;

(c) whether the termination or resignation of the predecessor auditor and any appointment of the successor auditor were considered or approved by the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors;

(d) whether the predecessor auditor's report on any of the reporting issuer's financial statements relating to the relevant period expressed a modified opinion and, if so, a description of each modification;

(e) if there is a reportable event, the following information:

(i) for a disagreement,

(A) a description of the disagreement;

(B) whether the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors discussed the disagreement with the predecessor auditor; and

(C) whether the reporting issuer authorized the predecessor auditor to respond fully to inquiries by any successor auditor concerning the disagreement and, if not, a description of and reasons for any limitation;

(ii) for a consultation,

(A) a description of the issue that was the subject of the consultation;

(B) a summary of the successor auditor's oral advice, if any, provided to the reporting issuer concerning the issue;

(C) a copy of the successor auditor's written advice, if any, received by the reporting issuer concerning the issue; and

(D) whether the reporting issuer consulted with the predecessor auditor concerning the issue and, if so, a summary of the predecessor auditor's advice concerning the issue; and

(iii) for an unresolved issue,

(A) a description of the issue;

(B) whether the audit committee of the reporting issuer's board of directors or the reporting issuer's board of directors discussed the issue with the predecessor auditor; and

(C) whether the reporting issuer authorized the predecessor auditor to respond fully to inquiries by any successor auditor concerning the issue and, if not, a description of and reasons for any limitation; and

(f) if there are no reportable events, a statement to that effect.

(8) **Predecessor Auditor's Obligations to Report Non-Compliance** – If a reporting issuer does not file the reporting package required to be filed under subparagraph (5)(b)(ii) or the news release required to be filed under subparagraph (5)(b)(iv), the predecessor auditor must, within 3 days of the required filing date, advise the reporting issuer in writing of the failure and deliver a copy of the letter to the regulator or, in Quebec, the securities regulatory authority.

(9) **Successor Auditor's Obligations to Report Non-Compliance** – If a reporting issuer does not file the reporting package required to be filed under subparagraph (6)(b)(ii) or the news release required to be filed under subparagraph (6)(b)(iv), the successor auditor must, within 3 days of the required filing date, advise the reporting issuer in writing of the failure and deliver a copy of the letter to the regulator or, in Quebec, the securities regulatory authority.

PART 4A FORWARD-LOOKING INFORMATION

4A.1 Application

This Part applies to forward-looking information that is disclosed by a reporting issuer other than forward-looking information contained in oral statements.

4A.2 Reasonable Basis

A reporting issuer must not disclose forward-looking information unless the issuer has a reasonable basis for the forward-looking information.

4A.3 Disclosure

A reporting issuer that discloses material forward-looking information must include disclosure that

(a) identifies forward-looking information as such;

(b) cautions users of forward-looking information that actual results may vary from the forward-looking information and identifies material risk factors that could cause actual results to differ materially from the forward-looking information;

(c) states the material factors or assumptions used to develop forward-looking information; and

(d) describes the reporting issuer's policy for updating forward-looking information if it includes procedures in addition to those described in subsection 5.8(2).

PART 4B FOFI AND FINANCIAL OUTLOOKS

4B.1 Application

(1) Subject to subsection (2), this Part applies to FOFI or a financial outlook that is disclosed by a reporting issuer.

(2) This Part does not apply to disclosure that is

(a) subject to requirements in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* or National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

(b) made to comply with the conditions of any exemption from the requirements referred to in paragraph (a) that a reporting issuer received from a regulator or securities regulatory authority unless the regulator or securities regulatory authority orders that this Part applies to disclosure made under the exemption; or

(c) contained in an oral statement.

4B.2 Assumptions

(1) A reporting issuer must not disclose FOFI or a financial outlook unless the FOFI or financial outlook is based on assumptions that are reasonable in the circumstances.

(2) FOFI or a financial outlook that is based on assumptions that are reasonable in the circumstances must, without limitation,

(a) be limited to a period for which the information in the FOFI or financial outlook can be reasonably estimated; and

(b) use the accounting policies the reporting issuer expects to use to prepare its historical financial statements for the period covered by the FOFI or the financial outlook.

4B.3 Disclosure

In addition to the disclosure required by section 4A.3, if a reporting issuer discloses FOFI or a financial outlook, the issuer must include disclosure that

(a) states the date management approved the FOFI or financial outlook, if the document containing the FOFI or financial outlook is undated; and

(b) explains the purpose of the FOFI or financial outlook and cautions readers that the information may not be appropriate for other purposes.

PART 5 MANAGEMENT'S DISCUSSION & ANALYSIS

5.1 Filing of MD&A

(1) A reporting issuer must file MD&A relating to its annual financial statements and each interim financial report required under Part 4.

(1.1) Despite subsection (1), a reporting issuer does not have to file MD&A relating to the annual financial statements and interim financial reports required under sections 4.7 and 4.10 for financial years and interim periods that ended before the issuer became a reporting issuer.

(2) Subject to section 5.2, the MD&A required to be filed under subsection (1) must be filed on or before the earlier of

(a) the filing deadlines for the annual financial statements and each interim financial report set out in sections 4.2 and 4.4, as applicable; and

(b) the date the reporting issuer files the financial statements under subsections 4.1(1) or 4.3(1), as applicable.

5.2 Filing of MD&A for SEC Issuers

(1) If an SEC issuer that is a reporting issuer is filing its annual or interim MD&A prepared in accordance with Item 303 of Regulation S-K under the 1934 Act, the SEC issuer must file that document on or before the earlier of

(a) the date the SEC issuer would be required to file that document under section 5.1; and

(b) the date the SEC issuer files that document with the SEC.

5.3 Additional Disclosure for Venture Issuers without Significant Revenue

(1) A venture issuer that has not had significant revenue from operations in either of its last two financial years, must disclose in its MD&A, for each period referred to in subsection (2), a breakdown of material components of

(a) exploration and evaluation assets or expenditures;

(b) expensed research and development costs;

(c) intangible assets arising from development;

(d) general and administration expenses; and

(e) any material costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (d);

and if the venture issuer's business primarily involves mining exploration and development, the analysis of exploration and evaluation assets or expenditures must be presented on a property-by-property basis.

(2) The disclosure in subsection (1) must be provided for the following periods:

(a) in the case of annual MD&A, for the two most recently completed financial years; and

(b) in the case of interim MD&A for an issuer that is not providing disclosure in accordance with section 2.2.1 of Form 51-102F1, for the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial report.

(3) Subsection (1) does not apply if the information required under that subsection has been disclosed in the financial statements to which the MD&A relates.

5.4 Disclosure of Outstanding Share Data

(1) A reporting issuer must disclose in its annual MD&A and, if the issuer is not providing disclosure in accordance with section 2.2.1 of Form 51-102F1, its interim MD&A, the designation and number or principal amount of

(a) each class and series of voting or equity securities of the reporting issuer for which there are securities outstanding;

(b) each class and series of securities of the reporting issuer for which there are securities outstanding if the securities are convertible into, or exercisable or exchangeable for, voting or equity securities of the reporting issuer; and

(c) subject to subsection (2), each class and series of voting or equity securities of the reporting issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the reporting issuer.

(2) If the exact number or principal amount of voting or equity securities of the reporting issuer that are issuable on the conversion, exercise or exchange of outstanding securities of the reporting issuer is not determinable, the reporting issuer must disclose the maximum number or principal amount of each class and series of voting or equity securities that are issuable on the conversion, exercise or exchange of outstanding securities of the reporting issuer and, if that maximum number or principal amount is not determinable, the reporting issuer must describe the exchange or conversion features and the manner in which the number or principal amount of voting or equity securities will be determined.

(3) The disclosure under subsections (1) and (2) must be prepared as of the latest practicable date.

5.5 Approval of MD&A

(1) The annual MD&A that a reporting issuer is required to file under this Part must be approved by the board of directors before being filed.

(2) The interim MD&A that a reporting issuer is required to file under this Part must be approved by the board of directors before being filed.

(3) In fulfilling the requirement in subsection (2), the board of directors may delegate the approval of the interim MD&A required to be filed under this Part to the audit committee of the board of directors.

5.6 Delivery of MD&A

(1) If a registered holder or beneficial owner of securities, other than debt instruments, of a reporting issuer requests the reporting issuer's annual or interim MD&A, the reporting issuer must send a copy of the requested MD&A to the person or company that made the request, without charge, by the delivery deadline set out in subsection 4.6(3) for the annual financial statements or interim financial report to which the MD&A relates.

(2) A reporting issuer is not required to send copies of any MD&A under subsection (1) that was filed more than two years before the issuer receives the request.

(3) The requirement to send annual MD&A under subsection (1) does not apply to a reporting issuer that sends its annual MD&A to its securityholders, other than holders

of debt instruments, within 140 days of the issuer's financial year-end and in accordance with NI 54-101.

(4) If a reporting issuer sends MD&A under this section, the reporting issuer must also send, at the same time, the annual financial statements or interim financial report to which the MD&A relates.

5.7 Additional Disclosure for Reporting Issuers with Significant Equity Investees

(1) A reporting issuer that has a significant equity investee must disclose in its MD&A for each period referred to in subsection (2),

(a) summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss; and

(b) the reporting issuer's proportionate interest in the equity investee and any contingent issuance of securities by the equity investee that might significantly affect the reporting issuer's share of profit or loss.

(2) The disclosure in subsection (1) must be provided for the following periods:

(a) in the case of annual MD&A, for the two most recently completed financial years; and

(b) in the case of interim MD&A for an issuer that is not providing disclosure in accordance with section 2.2.1 of Form 51-102F1, for the most recent year-to-date interim period and the comparative year-to-date period presented in the interim financial report.

(3) Subsection (1) does not apply if

(a) the information required under that subsection has been disclosed in the financial statements to which the MD&A relates; or

(b) the issuer files separate financial statements of the equity investee for the periods referred to in subsection (2).

5.8 Disclosure Relating to Previously Disclosed Material Forward-Looking Information

(1) **Application** – This section applies to material forward-looking information that is disclosed by a reporting issuer other than

(a) forward-looking information contained in an oral statement; or

(b) disclosure that is

(i) subject to the requirements in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* or National Instrument 43-101 *Standards of Disclosure for Mineral Projects*; or

(ii) made to comply with the conditions of any exemption from the requirements referred to in subparagraph (i) that a reporting issuer received from a regulator or securities regulatory authority unless the regulator or securities regulatory authority orders that this Part applies to disclosure made under the exemption.

(2) **Update** – A reporting issuer must discuss in its MD&A

(a) events and circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information for a period that is not yet complete that the reporting issuer previously disclosed to the public; and

(b) the expected differences referred to in paragraph (a).

(3) **Exemption** – Subsection (2) does not apply if the reporting issuer

(a) includes the information required by subsection (2) in a news release issued and filed by the reporting issuer before the filing of the MD&A referred to in subsection (2); and

(b) includes disclosure in the MD&A referred to in subsection (2) that

(i) identifies the news release referred to in paragraph (a);

(ii) states the date of the news release; and

(iii) states that the news release is available at www.sedar.com.

(4) **Comparison to Actual** – A reporting issuer must disclose and discuss in its MD&A material differences between

(a) actual results for the annual or interim period to which the MD&A relates; and

(b) any FOFI or financial outlook for the period referred to in paragraph (a) that the reporting issuer previously disclosed.

(5) **Withdrawal** – If during the period to which its MD&A relates, a reporting issuer decides to withdraw previously disclosed material forward-looking information,

(a) the reporting issuer must disclose in its MD&A the decision and discuss the events and circumstances that led the reporting issuer to that decision, including a discussion of the assumptions underlying the forward-looking information that are no longer valid; and

(b) subsection (4) does not apply to the reporting issuer with respect to the MD&A

(i) if the reporting issuer complies with paragraph (a); and

(ii) the MD&A is filed before the end of the period covered by the forward-looking information.

(6) **Exemption** – Paragraph 5(a) does not apply if the reporting issuer

(a) includes the information required by paragraph (5)(a) in a news release issued and filed by the reporting issuer before the filing of the MD&A referred to in subsection (5); and

(b) includes disclosure in the MD&A referred to in subsection (5) that

(i) identifies the news release referred to in paragraph (a);

(ii) states the date of the news release; and

(iii) states that the news release is available at www.sedar.com.

PART 6 ANNUAL INFORMATION FORM

6.1 Requirement to File an AIF

A reporting issuer that is not a venture issuer must file an AIF.

6.2 Filing Deadline for an AIF

An AIF required to be filed under section 6.1 must be filed,

(a) subject to paragraph (b), on or before the 90th day after the end of the reporting issuer's most recently completed financial year; or

(b) in the case of a reporting issuer that is an SEC issuer filing its AIF on Form 10-K or Form 20-F, on or before the earlier of

(i) the 90th day after the end of the reporting issuer's most recently completed financial year; and

(ii) the date the reporting issuer files its Form 10-K or Form 20-F with the SEC.

6.3 [Repealed]

PART 7 MATERIAL CHANGE REPORTS

7.1 Publication of Material Change

(1) Subject to subsection (2), if a material change occurs in the affairs of a reporting issuer, the reporting issuer must

(a) immediately issue and file a news release authorized by an executive officer disclosing the nature and substance of the change; and

(b) as soon as practicable, and in any event within 10 days of the date on which the change occurs, file a Form 51-102F3 *Material Change Report* with respect to the material change.

(2) Subsection (1) does not apply if,

(a) in the opinion of the reporting issuer, and if that opinion is arrived at in a reasonable manner, the disclosure required by subsection (1) would be unduly detrimental to the interests of the reporting issuer; or

(b) the material change consists of a decision to implement a change made by senior management of the reporting issuer who believe that confirmation of the decision by the board of directors is probable, and senior management of the reporting issuer has no reason to believe that persons with knowledge of the material change have made use of that knowledge in purchasing or selling securities of the reporting issuer,

and the reporting issuer immediately files the report required under paragraph (1)(b) marked so as to indicate that it is confidential, together with written reasons for non-disclosure.

(3) [Repealed]

(4) [Repealed]

(5) If a report has been filed under subsection (2), the reporting issuer must advise the regulator or securities regulatory authority in writing if it believes the report should continue to remain confidential, within 10 days of the date of filing of the initial report and every 10 days thereafter until the material change is generally disclosed in the manner referred to in paragraph (1)(a), or, if the material change consists of a

decision of the type referred to in paragraph (2)(b), until that decision has been rejected by the board of directors of the reporting issuer.

(6) Despite subsection (5), in Ontario, the reporting issuer must advise the securities regulatory authority.

(7) If a report has been filed under subsection (2), the reporting issuer must promptly generally disclose the material change in the manner referred to in subsection (1) upon the reporting issuer becoming aware, or having reasonable grounds to believe, that persons or companies are purchasing or selling securities of the reporting issuer with knowledge of the material change that has not been generally disclosed.

PART 8 BUSINESS ACQUISITION REPORT

8.1 Interpretation and Application

(1) In this Part,

"acquisition" includes an acquisition of an interest in a business that is consolidated for accounting purposes or accounted for by another method, such as the equity method;

"acquisition of related businesses" means the acquisition of two or more businesses if

(a) the businesses were under common control or management before the acquisitions were completed;

(b) each acquisition was conditional upon the completion of each other acquisition; or

(c) the acquisitions were contingent upon a single common event;

"business" includes an interest in an oil and gas property to which reserves, as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, have been specifically attributed; and

"specified profit or loss" means profit or loss from continuing operations attributable to owners of the parent, adjusted to exclude income taxes.

(2) This Part does not apply to a transaction that is a reverse takeover.

8.2 Obligation to File a Business Acquisition Report and Filing Deadline

(1) If a reporting issuer completes a significant acquisition, as determined under section 8.3, it must file a business acquisition report within 75 days after the acquisition date.

(2) Despite subsection (1), if the most recently completed financial year of the acquired business ended 45 days or less before the acquisition date, a reporting issuer must file a business acquisition report

(a) within 90 days after the acquisition date, in the case of an issuer other than a venture issuer, or

(b) within 120 days after the acquisition date, in the case of a venture issuer.

8.3 Determination of Significance

(1) **Significant Acquisitions** – Subject to subsection (3) and subsections 8.10(1) and 8.10(2), an acquisition of a business or related businesses is a significant acquisition,

(a) for a reporting issuer that is not a venture issuer, if the acquisition satisfies any of the three significance tests set out in subsection (2); and

(b) for a venture issuer, if the acquisition satisfies either of the significance tests set out in paragraphs (2)(a) or (b) if "20 percent" is read as "100 percent".

(2) **Required Significance Tests** – For the purposes of subsection (1) and subject to subsections (4.1) and (4.2), the significance tests are:

(a) **The Asset Test.** The reporting issuer's proportionate share of the consolidated assets of the business or related businesses exceeds 20 percent of the consolidated assets of the reporting issuer calculated using the audited annual financial statements of each of the reporting issuer and the business or the related businesses for the most recently completed financial year of each that ended before the acquisition date.

(b) **The Investment Test.** The reporting issuer's consolidated investments in and advances to the business or related businesses as at the acquisition date exceeds 20 percent of the consolidated assets of the reporting issuer as at the last day of the most recently completed financial year of the reporting issuer ended before the acquisition date, excluding any investments in or advances to the business or related businesses as at that date.

(c) **The Profit or Loss Test.** The reporting issuer's proportionate share of the consolidated specified profit or loss of the business or related businesses exceeds 20 percent of the consolidated specified profit or loss of the reporting issuer calculated using the audited annual financial statements of each of the reporting issuer and the business or related businesses for the most recently completed financial year of each ended before the acquisition date.

(3) **Optional Significance Tests** – Despite subsection (1) and subject to subsections 8.10(1) and 8.10(2), if an acquisition of a business or related businesses is significant based on the significance tests in subsection (2),

(a) a reporting issuer that is not a venture issuer may re-calculate the significance using the optional significance tests in subsection (4); and

(b) a venture issuer may re-calculate the significance using the optional significance tests in paragraphs (4)(a) or (b) if "20 percent" is read as "100 percent".

(4) For the purposes of subsection (3) and subject to subsections (4.1) and (4.2), the optional significance tests are:

(a) **The Asset Test.** The reporting issuer's proportionate share of the consolidated assets of the business or related businesses exceeds 20 percent of the consolidated assets of the reporting issuer, calculated using the financial statements of each of the reporting issuer and the business or the related businesses for the most recently completed interim period or financial year of each, without giving effect to the acquisition.

(b) **The Investment Test.** The reporting issuer's consolidated investments in and advances to the business or related businesses as at the acquisition date exceeds 20 percent of the consolidated assets of the reporting issuer as at the last day of the most recently completed interim period or financial year of the reporting issuer, excluding any investments in or advances to the business or related businesses as at that date.

(c) **The Profit or Loss Test.** The specified profit or loss calculated under the following subparagraph (i) exceeds 20 percent of the specified profit or loss calculated under the following subparagraph (ii):

(i) the reporting issuer's proportionate share of the consolidated specified profit or loss of the business or related businesses for the later of

(A) the most recently completed financial year of the business or related businesses; or

(B) the 12 months ended on the last day of the most recently completed interim period of the business or related businesses;

(ii) the reporting issuer's consolidated specified profit or loss for the later of

(A) the most recently completed financial year, without giving effect to the acquisition; or

(B) the 12 months ended on the last day of the most recently completed interim period of the reporting issuer, without giving effect to the acquisition.

(4.1) For the purposes of subsections (2) and (4), the reporting issuer must not remeasure its previously held equity interest in the business or related businesses.

(4.2) For the purposes of paragraphs (2)(b) and (4)(b), the reporting issuer's investments in and advances to the business or related businesses must include

(a) the consideration transferred for the acquisition, measured in accordance with the issuer's GAAP,

(b) payments made in connection with the acquisition which do not constitute consideration transferred but which would not have been paid unless the acquisition had occurred, and

(c) contingent consideration for the acquisition measured in accordance with the issuer's GAAP.

(5) If an acquisition does not meet any of the significance tests under subsection (4), the acquisition is not a significant acquisition.

(6) Despite subsection (3), the significance of an acquisition of a business or related businesses may be re-calculated using financial statements for periods that ended after the acquisition date only if, after the acquisition date, the business or related businesses remained substantially intact and were not significantly reorganized, and no significant assets or liabilities were transferred to other entities.

(7) **Application of the Profit or Loss Test if a Loss Occurred** – For the purposes of paragraphs (2)(c) and (4)(c), if any of the reporting issuer, the business or the related businesses has incurred a loss, the significance test must be applied using the absolute value of the loss from continuing operations attributable to owners of the parent, adjusted to exclude income taxes.

(8) **Application of the Profit or Loss Test if Lower Than Average Profit or Loss for the Most Recent Year** – For the purposes of paragraph (2)(c) and clause (4)(c)(ii)(A), if the reporting issuer's consolidated specified profit or loss for the most recently completed financial year was lower by 20 percent or more than its average consolidated specified profit or loss for the three most recently completed financial years, the issuer may, subject to subsection (10), substitute the average consolidated specified profit or loss for the three most recently completed financial years in determining whether the significance test set out in paragraph (2)(c) or (4)(c) is satisfied.

(9) **Application of the Optional Profit or Loss Test if Lower Than Average Profit or Loss for the Most Recent Year** – For the purpose of clause (4)(c)(ii)(B) if the reporting issuer's consolidated specified profit or loss for the most recently completed 12-month period was lower by 20 percent or more than its average consolidated specified profit or loss for the three most recently completed 12-month periods, the issuer may, subject to subsection (10), substitute the average consolidated specified profit or loss for the three most recently completed 12-month periods in determining whether the significance test set out in paragraph (4)(c) is satisfied.

(10) **Lower than Average Profit or Loss of the Issuer if a Loss Occurred** – If the reporting issuer's consolidated specified profit or loss for either of the two earlier financial periods referred to in subsections (8) and (9) is a loss, the reporting issuer's specified profit or loss for that period is considered to be zero for the purposes of calculating the average consolidated specified profit or loss for the three financial periods.

(11) **Application of Significance Tests – Multiple Investments in the Same Business** – If a reporting issuer has made multiple investments in the same business, then for the purposes of applying subsections (2) and (4),

(a) if the initial investment and one or more incremental investments were made during the same financial year, the investments must be aggregated and tested on a combined basis;

(b) if one or more incremental investments were made in a financial year subsequent to the financial year in which an initial or incremental investment was made and the initial or previous incremental investments are reflected in audited annual financial statements of the reporting issuer previously filed, the reporting issuer must apply the significance tests set out in subsections (2) and (4) on a combined basis to the incremental investments not reflected in audited financial statements of the reporting issuer previously filed; and

(c) if one or more incremental investments were made in a financial year subsequent to the financial year in which the initial investment was made and the initial investment is not reflected in audited annual financial statements of the reporting issuer previously filed, the reporting issuer must apply the significance tests set out in subsections (2) and (4) to the initial and incremental investments on a combined basis.

(11.1) **Application of the Optional Profit or Loss Test based on Pro Forma Financial Information** – For the purposes of calculating the optional profit or loss test under clause (4)(c)(ii)(A), a reporting issuer may use pro forma consolidated specified profit or loss for its most recently completed financial year that was included in a previously filed document if

(a) the reporting issuer has made a significant acquisition of a business after its most recently completed financial year; and

(b) the previously filed document included

(i) audited annual financial statements of that acquired business for the periods required by this Part; and

(ii) the pro forma financial information required by subsection 8.4(5) or (6).

(12) **Application of Significance Tests – Related Businesses** – In determining whether an acquisition of related businesses is a significant acquisition, related businesses acquired after the ending date of the most recently filed audited annual financial statements of the reporting issuer must be considered on a combined basis.

(13) **Application of Significance Tests – Accounting Principles and Currency** – For the purposes of calculating the significance tests in subsections (2) and (4), the amounts used for the business or related businesses must

(a) subject to subsection (13.1), be based on the issuer's GAAP, and

(b) be translated into the same presentation currency as that used in the reporting issuer's financial statements.

(13.1) **Application of Significance Tests – Exemption - Canadian GAAP Applicable to Private Enterprises** – Paragraph 8.3(13)(a) does not apply to a venture issuer if

(a) the financial statements for the business or related businesses referred to in subsections 8.3(2) and (4)

(i) are prepared in accordance with Canadian GAAP applicable to private enterprises, and

(ii) are prepared in a manner that consolidates any subsidiaries and accounts for significantly influenced investees and joint ventures using the equity method; and

(b) none of the accounting principles described in paragraphs 3.11(1)(a) through (e) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* were used to prepare financial statements for the business or related businesses referred to in subsections 8.3(2) and (4).

(14) **Application of Significance Tests – Use of Unaudited Financial Statements** – Despite subsections (2) and (4), the significance of an acquisition of a business or related businesses may be calculated using unaudited financial statements of the

business or related businesses that comply with section 3.11 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* if the financial statements of the business or related businesses for the most recently completed financial year have not been audited.

(15) **Application of Significance Tests – Use of Previous Audited Financial Statements** – Despite subsections (2) and (4), the significance of an acquisition of a business or related businesses may be calculated using the audited financial statements for the financial year immediately preceding the reporting issuer's most recently completed financial year if the reporting issuer has not been required to file, and has not filed, audited financial statements for its most recently completed financial year.

8.4 Financial Statement Disclosure for Significant Acquisitions

(1) **Comparative Annual Financial Statements** – If a reporting issuer is required to file a business acquisition report under section 8.2, subject to sections 8.6 through 8.11, the business acquisition report must include the following for each business or related businesses:

(a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the following periods:

(i) if the business has completed one financial year,

(A) the most recently completed financial year ended on or before the acquisition date; and

(B) the financial year immediately preceding the most recently completed financial year, if any; or

(ii) if the business has not completed one financial year, the financial period commencing on the date of formation and ending on a date not more than 45 days before the acquisition date;

(b) a statement of financial position as at the end of each of the periods specified in paragraph (a); and

(c) notes to the financial statements.

(2) **Audit** – The most recently completed financial period referred to in subsection (1) must be audited.

(3) **Interim Financial Report** – Subject to subsection (4) and sections 8.6 through 8.11, if a reporting issuer is required to include financial statements in a business acquisition report under subsection (1), the business acquisition report must include financial statements for

(a) the most recently completed interim period or other period that started the day after the date of the statement of financial position specified in paragraph (1)(b) and ended,

(i) in the case of an interim period, before the acquisition date; or

(ii) in the case of a period other than an interim period, after the interim period referred to in subparagraph (i) and on or before the acquisition date; and

(b) a comparable period in the preceding financial year of the business.

(3.1) **Contents of Interim Financial Report - Canadian GAAP Applicable to Private Enterprises** – If a reporting issuer is required under subsection (3) to include an interim financial report in a business acquisition report and the financial statements for the business or related businesses acquired are prepared in accordance with Canadian GAAP applicable to private enterprises, as permitted under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, the interim financial report must include

(a) a balance sheet as at the end of the interim period and a balance sheet as at the end of the immediately preceding financial year, if any;

(b) an income statement, a statement of retained earnings and a cash flow statement, all for the year-to-date interim period, and comparative financial information for the corresponding interim period in the immediately preceding financial year, if any; and

(c) notes to the financial statements.

(4) **Earlier Financial Statements Permitted** – Despite subsection (3), the business acquisition report may include financial statements for a period ending not more than one interim period before the period referred to in subparagraph (3)(a)(i) if

(a) the business does not, or related businesses do not, constitute a material departure from the business or operations of the reporting issuer immediately before the acquisition; and

(c) either

(i) the acquisition date is, and the reporting issuer files the business acquisition report, within the following time after the business's or related businesses' most recently completed interim period:

(A) 45 days, if the reporting issuer is not a venture issuer; or

(B) 60 days, if the reporting issuer is a venture issuer; or

(ii) the reporting issuer filed a document before the acquisition date that included financial statements for the business or related businesses that would have been required if the document were a prospectus, and those financial statements are for a period ending not more than one interim period before the interim period referred to in subparagraph (3)(a)(i).

(5) **Pro Forma Financial Statements Required in a Business Acquisition Report** – If a reporting issuer other than a venture issuer is required to include financial statements in a business acquisition report under subsection (1) or (3), the business acquisition report must include

(a) a pro forma statement of financial position of the reporting issuer,

(i) as at the date of the reporting issuer's most recent statement of financial position filed, that gives effect, as if they had taken place as at the date of the pro forma statement of financial position, to significant acquisitions that have been completed, but are not reflected in the reporting issuer's most recent statement of financial position for an annual or interim period; or

(ii) if the reporting issuer has not filed a statement of financial position for any annual or interim period, as at the date of the acquired business's most recent statement of financial position, that gives effect, as if they had taken place as at the date of the pro forma statement of financial position, to significant acquisitions that have been completed;

(b) a pro forma income statement of the reporting issuer that gives effect to significant acquisitions completed since the beginning of the financial year referred to in clause (i)(A) or (ii)(A), as applicable, as if they had taken place at the beginning of that financial year, for each of the following financial periods:

(i) the reporting issuer's

(A) most recently completed financial year for which it has filed financial statements; and

(B) interim period for which it has filed an interim financial report that started after the period in clause (A) and ended immediately before the acquisition date or, in the reporting issuer's discretion, after the acquisition date; or

(ii) if the reporting issuer has not filed a statement of comprehensive income for any annual or interim period, for the business's or related businesses'

(A) most recently completed financial year that ended before the acquisition date; and

(B) period for which financial statements are included in the business acquisition report under paragraph (3)(a); and

(c) pro forma earnings per share based on the pro forma financial statements referred to in paragraph (b).

(6) **Pro Forma Financial Statements based on Earlier Financial Statements Permitted** – Despite paragraph (5)(a) and clauses (5)(b)(i)(B) and (5)(b)(ii)(B), if the reporting issuer relies on subsection (4), the business acquisition report may include

(a) a pro forma statement of financial position as at the date of the statement of financial position filed immediately before the reporting issuer's most recent statement of financial position filed; and

(b) a pro forma income statement for the period ending not more than one interim period before the interim period referred to in clause (5)(b)(i)(B) or (5)(b)(ii)(B), as applicable.

(7) **Preparation of Pro Forma Financial Statements** – If a reporting issuer is required to include pro forma financial statements in a business acquisition report under subsection (5),

(a) the reporting issuer must identify in the pro forma financial statements each significant acquisition, if the pro forma financial statements give effect to more than one significant acquisition;

(b) the reporting issuer must include in the pro forma financial statements

(i) adjustments attributable to each significant acquisition for which there are firm commitments and for which the complete financial effects are objectively determinable,

(ii) adjustments to conform amounts for the business or related businesses to the issuer's accounting policies, and

(iii) a description of the underlying assumptions on which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment;

(c) if the financial year-end of the business differs from the reporting issuer's year-end by more than 93 days, for the purpose of preparing the pro forma income statement for the reporting issuer's most recently completed financial year, the reporting issuer must construct an income statement of the business for a period of 12 consecutive months ending no more than 93 days before or after the reporting issuer's year-end, by adding the results for a subsequent interim period to a completed financial year of the business and deducting the comparable interim results for the immediately preceding year;

(d) if a constructed income statement is required under paragraph (c), the pro forma financial statements must disclose the period covered by the constructed income statement on the face of the pro forma financial statements and must include a note stating that the financial statements of the business used to prepare the pro forma financial statements were prepared for the purpose of the pro forma financial statements and do not conform with the financial statements for the business included elsewhere in the business acquisition report;

(e) if a reporting issuer is required to prepare a pro forma income statement for an interim period required by paragraph (5)(b), and the pro forma income statement for the most recently completed financial year includes results of the business which are also included in the pro forma income statement for the interim period, the reporting issuer must disclose in a note to the pro forma financial statements the revenue, expenses and profit or loss from continuing operations included in each pro forma income statement for the overlapping period; and

(f) a constructed period referred to in paragraph (c) does not have to be audited.

(8) **Financial Statements of Related Businesses** – If a reporting issuer is required under subsection (1) to include financial statements for more than one business because the significant acquisition involves an acquisition of related businesses, the financial statements required under subsection (1) must be presented separately for each business, except for the periods during which the businesses have been under common control or management, in which case the reporting issuer may present the financial statements of the businesses on a combined basis.

8.5 [Repealed]

8.6 Exemption for Significant Acquisitions Accounted for Using the Equity Method

A reporting issuer is exempt from the requirements in section 8.4 if

(a) the acquisition is, or will be, of an equity investee;

(b) the business acquisition report includes disclosure for the periods for which financial statements are otherwise required under subsection 8.4(1) that

(i) summarizes financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss; and

(ii) describes the reporting issuer's proportionate interest in the equity investee and any contingent issuance of securities by the equity investee that might significantly affect the reporting issuer's share of profit or loss;

(c) the financial information provided under paragraph (b) for the most recently completed financial year

(i) has been derived from audited financial statements of the equity investee; or

(ii) has been audited; and

(d) the business acquisition report

(i) identifies the financial statements referred to in subparagraph (c)(i) from which the disclosure provided under paragraph (b) has been derived; or

(ii) discloses that the financial information provided under paragraph (b), if not derived from audited financial statements, has been audited; and

(iii) discloses that the auditor expressed an unmodified opinion with respect to the financial statements referred to in subparagraph (i) or the financial information referred to in subparagraph (ii).

8.7 [Repealed]

8.8 Exemption for Significant Acquisitions if Financial Year End Changed

If under section 8.4 a reporting issuer is required to provide financial statements for a business acquired and the business changed its financial year end during either of the financial years required to be included, the reporting issuer may include financial statements for the transition year in satisfaction of the financial statements for one of the years, provided that the transition year is at least nine months.

8.9 Exemption from Comparatives if Financial Statements Not Previously Prepared

A reporting issuer is not required to provide comparative information for an interim financial report required under subsection 8.4(3) for a business acquired if

(a) to a reasonable person it is impracticable to present prior-period information on a basis consistent with the most recently completed interim period of the acquired business;

(b) the prior-period information that is available is presented; and

(c) the notes to the interim financial report disclose the fact that the prior-period information has not been prepared on a basis consistent with the most recent interim financial information.

8.10 Acquisition of an Interest in an Oil and Gas Property

(1) **Asset Test** – Despite subsections 8.3(2) and 8.3(4), the asset tests in paragraphs 8.3(2)(a) and 8.3(4)(a) do not apply to an acquisition

(a) of a business that is an interest in an oil and gas property or related businesses that are interests in oil and gas properties; and

(b) that is not of securities of another issuer, unless the vendor transferred the business referenced in paragraph (1)(a) to the other issuer and that other issuer

(i) was created for the sole purpose of facilitating the acquisition; and

(ii) other than assets or operations relating to the transferred business, has no

(A) substantial assets; or

(B) operating history.

(2) **Profit or Loss Test** – Despite subsections 8.3(2), 8.3(4), 8.3(8), 8.3(9), 8.3(10) and 8.3(11.1), a reporting issuer must substitute "operating income" for "specified profit or loss" for the purposes of the profit or loss test in paragraphs 8.3(2)(c) and 8.3(4)(c) if the acquisition is one described in subsection (1).

(3) **Exemption from Financial Statement Disclosure** – A reporting issuer is exempt from the requirements in section 8.4 if

(a) the significant acquisition is an acquisition described in subsection (1);

(b) the reporting issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required under this Part because those financial statements do not exist or because the reporting issuer does not have access to those financial statements;

(c) the acquisition does not constitute a reverse takeover;

(d) [Repealed];

(e) subject to subsection (4), in respect of the business or related businesses, for each of the financial periods for which financial statements would, but for this section, be required under section 8.4, the business acquisition report includes

(i) an operating statement for the business or related businesses prepared in accordance with subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

(ii) a pro forma operating statement of the reporting issuer that gives effect to significant acquisitions completed since the beginning of the reporting issuer's most recently completed financial year for which financial statements are required to have been filed, as if they had taken place at the beginning of that financial year, for each of the financial periods referred to in paragraph 8.4(5)(b);

(iii) a description of the property or properties and the interest acquired by the reporting issuer; and

(iv) disclosure of the annual oil and gas production volumes from the business or related businesses;

(f) the operating statement for the most recently completed financial period referred to in subsection 8.4(1) is audited; and

(g) the business acquisition report discloses

(i) the estimated reserves and related future net revenue attributable to the business or related businesses, the material assumptions used in preparing the estimates and the identity and relationship to the reporting issuer or to the vendor of the person who prepared the estimates; and

(ii) the estimated oil and gas production volumes from the business or related businesses for the first year reflected in the estimates disclosed under subparagraph (i).

(4) **Exemption from Alternative Disclosure** – A reporting issuer is exempt from the requirements of subparagraphs (3)(e)(i), (ii) and (iv), if

(a) production, gross sales, royalties, production costs and operating income were nil for the business or related businesses for each financial period; and

(b) the business acquisition report discloses this fact.

8.11 Exemption for Multiple Investments in the Same Business

Despite section 8.4, a reporting issuer is exempt from the requirements to file financial statements for an acquired business, other than the pro forma financial statements required by subsection 8.4(5), in a business acquisition report if the reporting issuer has made multiple investments in the same business and the acquired business has been consolidated in the reporting issuer's most recent annual financial statements that have been filed.

PART 9 PROXY SOLICITATION AND INFORMATION CIRCULARS

9.1 Sending of Proxies and Information Circulars

(1) If management of a reporting issuer gives notice of a meeting to its registered holders of voting securities, management must, at the same time as or before giving that notice, send to each registered holder of voting securities who is entitled to notice of the meeting a form of proxy for use at the meeting.

(2) Subject to section 9.2, a person or company that solicits proxies from registered holders of voting securities of a reporting issuer must,

(a) in the case of a solicitation by or on behalf of management of a reporting issuer, send an information circular with the notice of meeting to each registered securityholder whose proxy is solicited; or

(b) in the case of any other solicitation, concurrently with or before the solicitation, send an information circular to each registered securityholder whose proxy is solicited.

(3) [Repealed]

9.1.1 Notice-and-Access

(1) A person or company soliciting proxies may use notice-and-access to send proxy-related materials to a registered holder of voting securities of a reporting issuer if all of the following apply:

(a) the registered holder of voting securities is sent a notice that contains the following information and no other information:

(i) the date, time and location of the reporting issuer’s meeting for which the proxy-related materials are being sent;

(ii) a description of each matter or group of related matters identified in the form of proxy to be voted on, unless that information is already included in a form of proxy that is being sent to the registered holder of voting securities under paragraph (b);

(iii) the website addresses for SEDAR and the non-SEDAR website where the proxy-related materials are posted;

(iv) a reminder to review the information circular before voting;

(v) an explanation of how to obtain a paper copy of the information circular and, if applicable, the documents in paragraph (2)(b) from the person or company;

(vi) a plain-language explanation of notice-and-access that includes the following information:

(A) if the person or company is using stratification, a list of the types of registered holders or beneficial owners who will receive paper copies of the information circular and, if applicable, the documents in paragraph (2)(b);

(B) the estimated date and time by which a request for a paper copy of the information circular and, if applicable, the documents in paragraph (2)(b), is to be received in order for the requester to receive the paper copy in advance of any deadline for the submission of the proxy and the date of the meeting;

(C) an explanation of how the registered holder is to return the proxy, including any deadline for return of the proxy;

(D) the sections of the information circular where disclosure regarding each matter or group of related matters identified in the notice can be found;

(E) a toll-free telephone number the registered holder can call to get information about notice-and-access;

(b) the registered holder of voting securities is sent, by prepaid mail, courier or the equivalent, the notice required by paragraph (a) and a form of proxy for use at the meeting and, in the case of a solicitation by or on behalf of management of the reporting issuer, the notice and form of proxy are sent at least 30 days before the date of the meeting;

(c) in the case of a solicitation by or on behalf of management of the reporting issuer, the reporting issuer files on SEDAR the notification of meeting and record dates in the manner and within the time specified by NI 54-101;

(d) public electronic access to the information circular, form of proxy and the notice in paragraph (a) is provided on or before the date that the person or company soliciting proxies sends the notice in paragraph (a) to registered holders in the following manner:

(i) the documents are filed on SEDAR as required by section 9.3;

(ii) the documents are posted until the date that is one year from the date that the documents are posted, on a website other than the website for SEDAR;

(e) a toll-free telephone number is provided for use by the registered holder of voting securities to request a paper copy of the information circular and, if applicable, the documents in paragraph (2)(b), at any time from the date that the person or company soliciting proxies sends the notice in paragraph (a) to the registered holder up to and including the date of the meeting, including any adjournment;

(f) if a request for a paper copy of the information circular and, if applicable, the documents in paragraph (2)(b), is received at the toll-free telephone number provided under paragraph (e) or by any other means, a paper copy of any such document requested is sent free of charge by the person or company soliciting proxies to the requester at the address specified in the request in the following manner:

(i) in the case of a request received prior to the date of the meeting, within 3 business days after receiving the request, by first class mail, courier or the equivalent;

(ii) in the case of a request received on or after the date of the meeting, and within one year of the information circular being filed, within 10 calendar days after receiving the request, by prepaid mail, courier or the equivalent.

(2) Unless an information circular is included with the proxy-related materials, a reporting issuer that sends proxy-related materials to a registered holder of voting securities using notice-and-access must not include with the proxy-related materials any information or document that relates to the particulars of any matter to be submitted to the meeting, except for the following:

(a) the information required to be included in the notice under paragraph (1)(a);

(b) financial statements of the reporting issuer to be approved at the meeting and MD&A related to those financial statements, which may be part of an annual report.

(3) A notice under paragraph (1)(a) and the form of proxy may be combined in a single document.

9.1.2 Posting materials on non-SEDAR website

(1) A person or company that posts proxy-related materials in the manner referred to in subparagraph 9.1.1(1)(d)(ii) must also post on the website the following documents:

(a) any disclosure material regarding the meeting that the person or company has sent to registered holders or beneficial owners of voting securities;

(b) any written communications the person or company soliciting proxies has made available to the public regarding each matter or group of matters to be voted upon at the meeting, whether or not they were sent to registered holders or beneficial owners of voting securities.

(2) Proxy-related materials that are posted under subparagraph 9.1.1(1)(d)(ii) must be posted in a manner and be in a format that permit an individual with a reasonable level of computer skill and knowledge to do all of the following easily:

(a) access, read and search the documents on the website;

(b) download and print the documents.

9.1.3 Consent to other delivery methods – For greater certainty, section 9.1.1 does not

(a) prevent a registered holder of voting securities from consenting to a person or company's use of other delivery methods to send proxy-related materials,

(b) terminate or modify a consent that a registered holder of voting securities previously gave to a person or company regarding the use of other delivery methods to send proxy-related materials, or

(c) prevent a person or company from sending proxy-related materials using a delivery method to which a registered holder has consented prior to February 11, 2013.

9.1.4 Instructions to receive paper copies

(1) Despite section 9.1.1, a reporting issuer may obtain standing instructions from a registered holder of voting securities that a paper copy of the information circular

and, if applicable, the documents in paragraph 9.1.1(2)(b), be sent to the registered holder in all cases when the reporting issuer uses notice-and-access.

(2) If a reporting issuer has obtained standing instructions from a registered holder under subsection (1), the reporting issuer must do both of the following:

(a) include with the notice required by paragraph 9.1.1(1)(a) any paper copies of information circulars and, if applicable, the documents in paragraph 9.1.1(2)(b), required to comply with standing instructions obtained under subsection (1);

(b) include with the notice under paragraph (a) a description, or otherwise inform the registered holder of, the means by which the registered holder may revoke the registered holder's standing instructions.

9.1.5 Compliance with SEC Notice-and-Access Rules – A reporting issuer that is an SEC issuer can send proxy-related materials to registered holders under section 9.1 using a delivery method permitted under U.S. federal securities law, if both of the following apply:

(a) the SEC issuer is subject to, and complies with Rule 14a-16 under the 1934 Act;

(b) residents of Canada do not own, directly or indirectly, outstanding voting securities carrying more than 50% of the votes for the election of directors, and none of the following apply:

(i) the majority of the executive officers or directors of the issuer are residents of Canada;

(ii) more than 50% of the consolidated assets of the issuer are located in Canada;

(iii) the business of the issuer is administered principally in Canada.

9.2 Exemptions from Sending Information Circular

(1) Subsection 9.1(2) does not apply to a solicitation by a person or company in respect of securities of which the person or company is the beneficial owner.

(2) Paragraph 9.1(2)(b) does not apply to a solicitation if the total number of securityholders whose proxies are solicited is not more than 15.

(3) For the purposes of subsection (2), two or more persons or companies who are joint registered owners of one or more securities are considered to be one securityholder.

(4) Despite paragraph 9.1(2)(b), a person or company, other than management of a reporting issuer or a person or company acting on behalf of management, may solicit proxies from registered securityholders of a reporting issuer without sending an information circular, if

(a) the solicitation is made to the public by broadcast, speech or publication;

(b) soliciting proxies by broadcast, speech or publication is permitted by the laws under which the reporting issuer is incorporated, organized or continued and the person or company making the solicitation complies with the requirements, if any, of those laws relating to the broadcast, speech or publication;

(c) the person or company has filed the following information:

(i) the name and address of the reporting issuer to which the solicitation relates,

(ii) the information required under item 2, sections 3.2, 3.3 and 3.4 and paragraphs (b) and (d) of item 5 of Form 51-102F5 *Information Circular*,

(iii) any information required to be disclosed in respect of the broadcast, speech or publication by the laws under which the reporting issuer is incorporated, organized or continued, and

(iv) a copy of any communication intended to be published; and

(d) the broadcast, speech or publication contains the information referred to in paragraphs (c)(i) to (iii).

(5) Subsection (4) does not apply to a person or company that is proposing, at the time of the solicitation, a significant acquisition or restructuring transaction involving the reporting issuer and the person or company, under which securities of the person or company, or securities of an affiliate of the person or company, are to be changed, exchanged, issued or distributed, unless

(a) the person or company has filed an information circular or other document containing the information required by section 14.4 of Form 51-102F5 *Information Circular*; and

(b) the solicitation refers to that information circular or other document and discloses that the circular or other document is on SEDAR.

(6) Subsection (4) does not apply to a person or company that is nominating or proposing to nominate, at the time of the solicitation, an individual, including himself or herself, for election as a director of the reporting issuer, unless

(a) the person or company has filed an information circular or other document containing the information required by Form 51-102F5 *Information Circular* in respect of the proposed nominee; and

(b) the solicitation refers to that information circular or other document and discloses that the circular or other document is on SEDAR.

9.3 Filing of Information Circulars and Proxy-Related Material

A person or company that is required under this Instrument to send an information circular or form of proxy to registered securityholders of a reporting issuer must promptly file a copy of the information circular, form of proxy and all other material required to be sent by the person or company in connection with the meeting to which the information circular or form of proxy relates.

9.3.1 Content of Information Circular

(1) Subject to Item 8 of Form 51-102F5, if a reporting issuer is required to send an information circular to a securityholder under paragraph 9.1(2)(a), the issuer must

(a) disclose all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the issuer, or a subsidiary of the issuer, to each NEO and director, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given, or otherwise provided to the NEO or director for services provided, directly or indirectly, to the issuer or a subsidiary of the issuer, and

(b) include detail and discussion of the compensation, and the decision-making process relating to compensation, presented in such a way that it provides a reasonable person an understanding of

(i) how decisions about NEO and director compensation are made,

(ii) the compensation paid, made payable, awarded, granted, given or otherwise provided to each NEO and director, and

(iii) how specific NEO and director compensation relates to the overall stewardship and governance of the reporting issuer.

(2) The disclosure required under subsection (1) must be provided for the periods set out in and in accordance with Form 51-102F6 *Statement of Executive Compensation*.

(2.1) Despite subsection (2), a venture issuer may provide the disclosure required by subsection (1) for the periods set out in and in accordance with Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*.

(2.2) The disclosure required under subsection (1) must be filed

(a) not later than 140 days after the end of the issuer's most recently completed financial year, in the case of an issuer other than a venture issuer, or

(b) not later than 180 days after the end of the issuer's most recently completed financial year, in the case of a venture issuer.

(3) For the purposes of this section, "NEO" and "plan" have the meaning ascribed to those terms in Form 51-102F6 *Statement of Executive Compensation* or, for a venture issuer relying on subsection (2.1), in Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*.

(4) [Repealed]

(5) Subsection (2.2) applies to an issuer in respect of a financial year beginning on or after July 1, 2015.

9.4 Content of Form of Proxy

(1) A form of proxy sent to securityholders of a reporting issuer by a person or company soliciting proxies must indicate in bold-face type whether or not the proxy is solicited by or on behalf of the management of the reporting issuer, provide a specifically designated blank space for dating the form of proxy and specify the meeting in respect of which the proxy is solicited.

(2) An information circular sent to securityholders of a reporting issuer or the form of proxy to which the information circular relates must

(a) indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting other than the person or company if any, designated in the form of proxy; and

(b) contain instructions as to the manner in which the securityholder may exercise the right referred to in paragraph (a).

(3) If a form of proxy sent to securityholders of a reporting issuer contains a designation of a named person or company as nominee, it must provide an option for the

securityholder to designate in the form of proxy some other person or company as the securityholder's nominee.

(4) A form of proxy sent to securityholders of a reporting issuer must provide an option for the securityholder to specify that the securities registered in the securityholder's name will be voted for or against each matter or group of related matters identified in the form of proxy, in the notice of meeting or in an information circular, other than the appointment of an auditor and the election of directors.

(5) A form of proxy sent to securityholders of a reporting issuer may confer discretionary authority with respect to each matter referred to in subsection (4) as to which a choice is not specified if the form of proxy or the information circular states in bold-face type how the securities represented by the proxy will be voted in respect of each matter or group of related matters.

(6) A form of proxy sent to securityholders of a reporting issuer must provide an option for the securityholder to specify that the securities registered in the name of the securityholder must be voted or withheld from voting in respect of the appointment of an auditor or the election of directors.

(7) An information circular sent to securityholders of a reporting issuer or the form of proxy to which the information circular relates must state that

(a) the securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for; and

(b) if the securityholder specifies a choice under subsection (4) or (6) with respect to any matter to be acted upon, the securities will be voted accordingly.

(8) A form of proxy sent to securityholders of a reporting issuer may confer discretionary authority with respect to

(a) amendments or variations to matters identified in the notice of meeting; and

(b) other matters which may properly come before the meeting,

if,

(c) the person or company by whom or on whose behalf the solicitation is made is not aware within a reasonable time before the time the solicitation is made that any of those amendments, variations or other matters are to be presented for action at the meeting; and

(d) a specific statement is made in the information circular or in the form of proxy that the proxy is conferring such discretionary authority.

(9) A form of proxy sent to securityholders of a reporting issuer must not confer authority to vote

(a) for the election of any person as a director of a reporting issuer unless a bona fide proposed nominee for that election is named in the information circular or, in the case of a solicitation under subsection 9.2(4), the document required under paragraph 9.2(6)(a); or

(b) at any meeting other than the meeting specified in the notice of meeting or any adjournment of that meeting.

9.5 Exemption

Sections 9.1 to 9.4 do not apply to a reporting issuer, or a person or company that solicits proxies from registered holders of voting securities of a reporting issuer, if

(a) the reporting issuer or other person or company complies with the requirements of the laws relating to the solicitation of proxies under which the reporting issuer is incorporated, organized or continued;

(b) the requirements referred to in subsection (a) are substantially similar to the requirements of this Part; and

(c) the reporting issuer or other person or company files a copy of any information circular and form of proxy, or other documents that contain substantially similar information, promptly after the reporting issuer or other person or company sends the circular, form or other document in connection with the meeting.

PART 10 RESTRICTED SECURITY DISCLOSURE

10.1 Restricted Security Disclosure

(1) Except as otherwise provided in section 10.3, if a reporting issuer has outstanding restricted securities, or securities that are directly or indirectly convertible into or exercisable or exchangeable for restricted securities or securities that will, when issued, result in an existing class of outstanding securities being considered restricted securities, each document referred to in subsection (2) must

(a) refer to restricted securities using a term that includes the appropriate restricted security term;

(b) not refer to securities by a term that includes “common”, or “preference” or “preferred”, unless the securities are common shares or preference shares, respectively;

(c) describe any restrictions on the voting rights of restricted securities;

(d) describe the rights to participate, if any, of holders of restricted securities if a takeover bid is made for securities of the reporting issuer with voting rights superior to those attached to the restricted securities;

(e) state the percentage of the aggregate voting rights attached to the reporting issuer's securities that are represented by the class of restricted securities; and

(f) if holders of restricted securities have no right to participate if a takeover bid is made for securities of the reporting issuer with voting rights superior to those attached to the restricted securities, contain a statement to that effect in bold-face type.

(2) Subsection (1) applies to the following documents except as provided in subsections (3) and (6):

(a) an information circular;

(b) a document required by this Instrument to be delivered upon request by a reporting issuer to any of its securityholders; and

(c) an AIF prepared by a reporting issuer.

(3) Despite subsection (2), annual financial statements, an interim financial report and MD&A or other accompanying discussion by management of those financial statements are not required to include the details referred to in paragraphs (1)(c), (d), (e) and (f).

(4) Each reference to restricted securities in any document not referred to in subsection (2) that a reporting issuer sends to its securityholders must include the appropriate restricted security term.

(5) A reporting issuer must not refer, in any of the documents described in subsection (4), to securities by a term that includes "common" or "preference" or "preferred", unless the securities are common shares or preference shares, respectively.

(6) Despite paragraph (1)(b) and subsection (5), a reporting issuer may, in one place only in a document referred to in subsection (2) or (4), describe the restricted securities by the term used in the constating documents of the reporting issuer, to the extent that term differs from the appropriate restricted security term, if the description is not on the front page of the document and is in the same type face and type size as that used generally in the document.

10.2 Dissemination of Disclosure Documents to Holder of Restricted Securities

(1) If a reporting issuer sends a document to all holders of any class of its equity securities the document must also be sent by the reporting issuer at the same time to the holders of its restricted securities.

(2) A reporting issuer that is required by this Instrument to arrange for, or voluntarily makes arrangements for, delivery of the documents referred to in subsection (1) to the beneficial owners of any securities of a class of equity securities registered in the name of a registrant, must make similar arrangements for delivery of the documents to the beneficial owners of securities of a class of restricted securities registered in the name of the registrant.

10.3 Exemptions for Certain Reporting Issuers

The provisions of sections 10.1 and 10.2 do not apply to

(a) securities that carry a right to vote subject to a restriction on the number or percentage of securities that may be voted or owned by persons or companies that are not citizens or residents of Canada or that are otherwise considered as a result of any law applicable to the reporting issuer to be non-Canadians, but only to the extent of the restriction; and

(b) securities that are subject to a restriction, imposed by any law governing the reporting issuer, on the level of ownership of the securities by any person, company or combination of persons or companies, but only to the extent of the restriction.

PART 11 ADDITIONAL FILING REQUIREMENTS

11.1 Additional Disclosure Requirements

(1) A reporting issuer must file a copy of any disclosure material

(a) that it sends to its securityholders;

(b) in the case of an SEC issuer, that it files with or furnishes to the SEC under the 1934 Act, including material filed as exhibits to other documents, if the material contains information that has not been included in disclosure already filed in a jurisdiction by the SEC issuer; or

(c) that it files with another provincial or territorial securities regulatory authority or regulator other than in connection with a distribution.

(2) A reporting issuer must file the material referred to in subsection (1) on the same date as, or as soon as practicable after, the earlier of

(a) the date on which the reporting issuer sends the material to its securityholders;

(b) the date on which the reporting issuer files or furnishes the material to the SEC; and

(c) the date on which the reporting issuer files that material with the other provincial or territorial securities regulatory authority or regulator.

11.2 Change of Status Report

A reporting issuer must file a notice promptly after the occurrence of either of the following:

(a) the reporting issuer becomes a venture issuer; or

(b) the reporting issuer ceases to be a venture issuer.

11.3 Voting Results

A reporting issuer that is not a venture issuer must, promptly following a meeting of securityholders at which a matter was submitted to a vote, file a report that discloses, for each matter voted upon

(a) a brief description of the matter voted upon and the outcome of the vote; and

(b) if the vote was conducted by ballot, including a vote on a matter in which votes are cast both in person and by proxy, the number or percentage of votes cast for, against or withheld from the vote.

11.4 Financial Information

A reporting issuer must file a copy of any news release issued by it that discloses information regarding its historical or prospective financial performance or financial condition for a financial year or interim period.

11.5 Re-filing Documents

If a reporting issuer decides it will

(a) re-file a document filed under this Instrument, or

(b) re-state financial information for comparative periods in financial statements for reasons other than retrospective application of a change in an accounting standard or policy or a new accounting standard,

and the information in the re-filed document, or re-stated financial information, will differ materially from the information originally filed, the issuer must immediately issue and file a news release authorized by an executive officer disclosing the nature and substance of the change or proposed changes.

11.6 Executive Compensation Disclosure for Certain Reporting Issuers

(1) A reporting issuer that is not required to send to its securityholders an information circular and does not send an information circular that includes the disclosure required by Item 8 of Form 51-102F5 and that does not file an AIF that includes the executive compensation disclosure required by Item 18 of Form 51-102F2 must

(a) disclose all compensation, paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the issuer, or a subsidiary of the issuer, to each NEO and director, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given, or otherwise provided to the NEO or director for services provided, directly or indirectly, to the issuer or a subsidiary of the issuer, and

(b) include detail and discussion of the compensation, and the decision-making process relating to compensation, presented in such a way that it provides a reasonable person an understanding of

(i) how decisions about NEO and director compensation are made,

(ii) the compensation paid, made payable, awarded, granted, given or otherwise provided to each NEO and director, and

(iii) how specific NEO and director compensation relates to the overall stewardship and governance of the reporting issuer.

(2) The disclosure required under subsection (1) must be provided for the periods set out in, and in accordance with, Form 51-102F6 *Statement of Executive Compensation*.

(2.1) Despite subsection (2), a reporting issuer that is a venture issuer may provide the disclosure required under subsection (1) for the periods set out in and in accordance with Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*.

(3) The disclosure required under subsection (1) must be filed not later than 140 days after the end of the reporting issuer's most recently completed financial year.

(4) For the purposes of this section, "NEO" and "plan" have the meaning ascribed to those terms in Form 51-102F6 *Statement of Executive Compensation* or, for a venture issuer relying on subsection (2.1), in Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*.

(5) This section does not apply to an issuer that satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation under section 4.6 or 5.7 of National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*.

(6) [Repealed]

PART 12 FILING OF CERTAIN DOCUMENTS

12.1 Filing of Documents Affecting the Rights of Securityholders

(1) A reporting issuer must file copies of the following documents, and any material amendments to the following documents, unless previously filed:

(a) articles of incorporation, amalgamation, continuation or any other constating or establishing documents of the issuer, unless the constating or establishing document is a statutory or regulatory instrument;

(b) by-laws or other corresponding instruments currently in effect;

(c) any securityholder or voting trust agreement that the reporting issuer has access to and that can reasonably be regarded as material to an investor in securities of the reporting issuer;

(d) any securityholders' rights plans or other similar plans; and

(e) any other contract of the issuer or a subsidiary of the issuer that creates or can reasonably be regarded as materially affecting the rights or obligations of its securityholders generally.

(2) A document required to be filed under subsection (1) may be filed in paper format if

(a) it is dated before March 30, 2004; and

(b) it does not exist in an acceptable electronic format.

12.2 Filing of Material Contracts

(1) Unless previously filed, a reporting issuer must file a material contract entered into
(a) within the last financial year; or

(b) before the last financial year if that material contract is still in effect.

(2) Despite subsection (1), a reporting issuer is not required to file a material contract entered into in the ordinary course of business unless the material contract is

(a) a contract to which directors, officers, or promoters are parties other than a contract of employment;

(b) a continuing contract to sell the majority of the reporting issuer's products or services or to purchase the majority of the reporting issuer's requirements of goods, services, or raw materials;

(c) a franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name;

(d) a financing or credit agreement with terms that have a direct correlation with anticipated cash distributions;

(e) an external management or external administration agreement; or
(f) a contract on which the reporting issuer's business is substantially dependent.

(3) A provision in a material contract filed pursuant to subsections (1) or (2) may be omitted or marked to be unreadable if an executive officer of the reporting issuer reasonably believes that disclosure of that provision would be seriously prejudicial to the interests of the reporting issuer or would violate confidentiality provisions.

(4) Subsection (3) does not apply if the provision relates to

(a) debt covenants and ratios in financing or credit agreements;

(b) events of default or other terms relating to the termination of the material contract; or

(c) other terms necessary for understanding the impact of the material contract on the business of the reporting issuer.

(5) If a provision is omitted or marked to be unreadable under subsection (3), the reporting issuer must include a description of the type of information that has been omitted or marked to be unreadable immediately after the provision in the copy of the material contract filed by the reporting issuer.

(6) Despite subsections (1) and (2), a reporting issuer is not required to file a material contract entered into before January 1, 2002.

12.3 Time for Filing of Documents

The documents required to be filed under sections 12.1 and 12.2 must be filed no later than the time the reporting issuer files a material change report in Form 51-102F3, if the making of the document constitutes a material change for the issuer, and

(a) no later than the time the reporting issuer's AIF is filed under section 6.1, if the document was made or adopted before the date of the issuer's AIF; or

(b) if the reporting issuer is not required to file an AIF under section 6.1, within 120 days after the end of the issuer's most recently completed financial year, if the document was made or adopted before the end of the issuer's most recently completed financial year.

PART 13 EXEMPTIONS

13.1 Exemptions from this Instrument

(1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

(3) Except in Alberta and Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

13.2 Existing Exemptions

(1) A reporting issuer that was entitled to rely on an exemption, waiver or approval granted to it by a regulator or securities regulatory authority relating to continuous disclosure requirements of securities legislation or securities directions existing immediately before this Instrument came into force is exempt from any substantially similar provision of this Instrument to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval.

(2) A reporting issuer must, at the time that it first intends to rely on subsection (1) in connection with a filing requirement under this Instrument, inform the securities regulatory authority in writing of

(a) the general nature of the prior exemption, waiver or approval and the date on which it was granted; and

(b) the requirement under prior securities legislation or securities directions in respect of which the prior exemption, waiver or approval applied and the substantially similar provision of this Instrument.

13.3 Exemption for Certain Exchangeable Security Issuers

(1) In this section:

"designated Canadian jurisdiction" means Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Québec, or Saskatchewan;

"designated exchangeable security" means an exchangeable security which provides the holder of the security with economic and voting rights which are, as nearly as possible except for tax implications, equivalent to the underlying securities;

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to purchase, or of the parent issuer to cause the purchase of, an underlying security;

"exchangeable security issuer" means a person or company that has issued an exchangeable security;

"parent issuer", when used in relation to an exchangeable security issuer, means the person or company that issues the underlying security; and
"underlying security" means a security of a parent issuer issued or transferred, or to be issued or transferred, on the exchange of an exchangeable security.

(2) Except as provided in this subsection, an exchangeable security issuer satisfies the requirements in this Instrument if

(a) the parent issuer is the beneficial owner of all the issued and outstanding voting securities of the exchangeable security issuer;

(b) the parent issuer is either

(i) an SEC issuer with a class of securities listed or quoted on a U.S. marketplace that has filed all documents it is required to file with the SEC; or

(ii) a reporting issuer in a designated Canadian jurisdiction that has filed all documents it is required to file under this Instrument;

(c) the exchangeable security issuer does not issue any securities, and does not have any securities outstanding, other than

(i) designated exchangeable securities;

(ii) securities issued to and held by the parent issuer or an affiliate of the parent issuer;

(iii) debt securities issued to and held by banks, loan corporations, loan and investment corporations, savings companies, trust corporations, treasury branches, savings or credit unions, financial services cooperatives, insurance companies or other financial institutions; or

(iv) securities issued under exemptions from the prospectus requirement in section 2.35 of National Instrument 45-106 *Prospectus Exemptions*;

(d) the exchangeable security issuer files in electronic format,

(i) if the parent issuer is not a reporting issuer in a designated Canadian jurisdiction, copies of all documents the parent issuer is required to file with the SEC under the 1934 Act, at the same time as, or as soon as practicable after, the filing by the parent issuer of those documents with the SEC; or

(ii) if the parent issuer is a reporting issuer in a designated Canadian jurisdiction,

(A) a notice indicating that the exchangeable security issuer is relying on the continuous disclosure documents filed by its parent issuer and setting out where those documents can be found in electronic format, if the parent issuer is a reporting issuer in the local jurisdiction; or

(B) copies of all documents the parent issuer is required to file under securities legislation, other than in connection with a distribution, at the same time as the filing by the parent issuer of those documents with a securities regulatory authority or regulator;

(e) the exchangeable security issuer concurrently sends to all holders of designated exchangeable securities all disclosure materials that are sent to holders of the underlying securities in the manner and at the time required by

(i) U.S. laws and any U.S. marketplace on which securities of the parent issuer are listed or quoted, if the parent issuer is not a reporting issuer in a designated Canadian jurisdiction; or

(ii) securities legislation, if the parent issuer is a reporting issuer in a designated Canadian jurisdiction;

(f) the parent issuer

(i) complies with U.S. laws and the requirements of any U.S. marketplace on which the securities of the parent issuer are listed or quoted if the parent issuer is not a reporting issuer in a designated Canadian jurisdiction, or securities legislation if the parent issuer is a reporting issuer in a designated Canadian jurisdiction, in respect of making public disclosure of material information on a timely basis; and

(ii) immediately issues in Canada and files any news release that discloses a material change in its affairs;

(g) the exchangeable security issuer issues in Canada a news release and files a material change report in accordance with Part 7 of this Instrument for all material changes in respect of the affairs of the exchangeable security issuer that are not also material changes in the affairs of its parent issuer; and

(h) the parent issuer includes in all mailings of proxy solicitation materials to holders of designated exchangeable securities a clear and concise statement that

(i) explains the reason the mailed material relates solely to the parent issuer;
(ii) indicates that the designated exchangeable securities are the economic equivalent to the underlying securities; and

(iii) describes the voting rights associated with the designated exchangeable securities.

(3) The insider reporting requirement and the requirement to file an insider profile under National Instrument 55-102 *System for Electronic Disclosure by Insiders* does not apply to any insider of an exchangeable security issuer in respect of securities of the exchangeable security issuer so long as,

(a) if the insider is not the parent issuer,

(i) the insider does not receive, in the ordinary course, information as to material facts or material changes concerning the parent issuer before the material facts or material changes are generally disclosed, and

(ii) the insider is not an insider of the parent issuer in any capacity other than by virtue of being an insider of the exchangeable security issuer;

(b) the parent issuer is the beneficial owner of all of the issued and outstanding voting securities of the exchangeable security issuer;

(c) if the insider is the parent issuer, the insider does not beneficially own any designated exchangeable securities other than securities acquired through the exercise of the exchange right and not subsequently traded by the insider;

(d) the parent issuer is an SEC issuer or a reporting issuer in a designated Canadian jurisdiction; and

(e) the exchangeable security issuer has not issued any securities and does not have any securities outstanding, other than

(i) designated exchangeable securities;

(ii) securities issued to and held by the parent issuer or an affiliate of the parent issuer;

(iii) debt securities issued to and held by banks, loan corporations, loan and investment corporations, savings companies, trust corporations, treasury branches, savings or credit unions, financial services cooperatives, insurance companies or other financial institutions; and

(iv) securities issued under exemptions from the prospectus requirement in section 2.35 of National Instrument 45-106 *Prospectus Exemptions.*

13.4 Exemption for Certain Credit Support Issuers

(1) In this section:

"alternative credit support" means support, other than a guarantee, for the payments to be made by the issuer, as stipulated in the terms of the securities or in an agreement governing rights of, or granting rights to, holders of the securities that

(a) obliges the person or company providing the support to provide the issuer with funds sufficient to enable the issuer to make the stipulated payments, or

(b) entitles the holder of the securities to receive, from the person or company providing the support, payment if the issuer fails to make a stipulated payment;

"credit support issuer" means an issuer of securities for which a credit supporter has provided a guarantee or alternative credit support;

"credit supporter" means a person or company that provides a guarantee or alternative credit support for any of the payments to be made by an issuer of securities as stipulated in the terms of the securities or in an agreement governing rights of, or granting rights to, holders of the securities;

"designated Canadian jurisdiction" means Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Québec or Saskatchewan;

"designated credit support securities" means

(a) non-convertible debt securities or convertible debt securities that are convertible into non-convertible securities of the credit supporter; or

(b) non-convertible preferred shares or convertible preferred shares that are convertible into securities of the credit supporter,

in respect of which a parent credit supporter has provided;

(c) alternative credit support that

(i) entitles the holder of the securities to receive payment from the credit supporter, or enables the holder to receive payment from the credit support issuer, within 15 days of any failure by the credit support issuer to make a payment; and

(ii) results in the securities receiving the same credit rating as, or a higher credit rating than, the credit rating they would have received if payment had been fully and unconditionally guaranteed by the credit supporter, or would result in the securities receiving such a rating if they were rated; or

(d) a full and unconditional guarantee of the payments to be made by the credit support issuer, as stipulated in the terms of the securities or in an agreement governing the rights of holders of the securities, that results in the holder of such securities being entitled to receive payment from the credit supporter within 15 days of any failure by the credit support issuer to make a payment;

"parent credit supporter" means a credit supporter of which the reporting issuer is a subsidiary;

"subsidiary credit supporter" means a credit supporter that is a subsidiary of the parent credit supporter; and

"summary financial information" includes the following line items:

(a) revenue;

(b) profit or loss from continuing operations attributable to owners of the parent;

(c) profit or loss attributable to owners of the parent; and

(d) unless the accounting principles used to prepare the financial statements of the person or company permits the preparation of the person or company's statement of financial position without classifying assets and liabilities between current and non-current and the person or company provides alternative meaningful financial information which is more appropriate to the industry,

(i) current assets;

(ii) non-current assets;

(iii) current liabilities; and

(iv) non-current liabilities.

[**Note:** See section 1.1 of the Instrument for the definitions of "profit or loss attributable to owners of the parent" and "profit or loss from continuing operations attributable to owners of the parent".]

(1.1) For the purposes of subparagraph (2)(g)(ii), consolidating summary financial information must be prepared on the following basis:

(a) an entity's annual or interim summary financial information must be derived from the entity's financial information underlying the corresponding consolidated financial statements of the parent credit supporter for the corresponding period;

(b) the parent credit supporter column must account for investments in all subsidiaries under the equity method; and

(c) all subsidiary entity columns must account for investments in non-credit supporter subsidiaries under the equity method.

(2) Except as provided in this section, a credit support issuer satisfies the requirements in this Instrument if

(a) the parent credit supporter is the beneficial owner of all the outstanding voting securities of the credit support issuer;

(b) the parent credit supporter is either

(i) an SEC issuer that is incorporated or organized under the laws of the United States of America or any state or territory of the United States of America or the District of Columbia and that has filed all documents it is required to file with the SEC; or

(ii) subject to subsection (4), a reporting issuer in a designated Canadian jurisdiction that has filed all documents it is required to file under this Instrument;

(c) the credit support issuer does not issue any securities, and does not have any securities outstanding, other than

(i) designated credit support securities;

(ii) securities issued to and held by the parent credit supporter or an affiliate of the parent credit supporter;

(iii) debt securities issued to and held by banks, loan corporations, loan and investment corporations, savings companies, trust corporations, treasury branches, savings or credit unions, financial services cooperatives, insurance companies or other financial institutions; or

(iv) securities issued under exemptions from the prospectus requirement in section 2.35 of National Instrument 45-106 *Prospectus Exemptions*;

(d) the credit support issuer files in electronic format,

(i) if the parent credit supporter is not a reporting issuer in a designated Canadian jurisdiction, copies of all documents the parent credit supporter is required to file with the SEC under the 1934 Act, at the same time or as soon as practicable after the filing by the parent credit supporter of those documents with the SEC; or

(ii) if the parent credit supporter is a reporting issuer in a designated Canadian jurisdiction,

(A) a notice indicating that the credit support issuer is relying on the continuous disclosure documents filed by the parent credit supporter and setting out where those documents can be found for viewing in electronic format, if the credit support issuer is a reporting issuer in the local jurisdiction; or

(B) copies of all documents the parent credit supporter is required to file under securities legislation, other than in connection with a distribution, at the same time as the filing by the parent credit supporter of those documents with a securities regulatory authority or regulator;

(e) if the parent credit supporter is not a reporting issuer in a designated Canadian jurisdiction, the parent credit supporter

(i) complies with U.S. laws and the requirements of any U.S. marketplace on which securities of the parent credit supporter are listed or quoted in respect of making public disclosure of material information on a timely basis; and

(ii) immediately issues in Canada and files any news release that discloses a material change in its affairs;

(f) the credit support issuer issues in Canada a news release and files a material change report in accordance with Part 7 for all material changes in respect of the affairs of the credit support issuer that are not also material changes in the affairs of the parent credit supporter;

(g) the credit support issuer files, in electronic format, in the notice referred to in clause (d)(ii)(A) or in or with the copy of each consolidated interim financial report and consolidated annual financial statements filed under subparagraph (d)(i) or clause (d)(ii)(B), either

(i) a statement that the financial results of the credit support issuer are included in the consolidated financial results of the parent credit supporter, if at that time,

(A) the credit support issuer has minimal assets, operations, revenue or cash flows other than those related to the issuance, administration and repayment of the securities described in paragraph (c), and

(B) each item of the summary financial information of the subsidiaries of the parent credit supporter on a combined basis, other than the credit support issuer, represents less than 3% of the corresponding items on the consolidated financial statements of the parent credit supporter being filed or referred to under paragraph (d), or

(ii) for the periods covered by the consolidated interim financial report or consolidated annual financial statements of the parent credit supporter filed, consolidating summary financial information for the parent credit supporter presented with a separate column for each of the following:

(A) the parent credit supporter;

(B) the credit support issuer;

(C) any other subsidiaries of the parent credit supporter on a combined basis;

(D) consolidating adjustments; and

(E) the total consolidated amounts;

(h) the credit support issuer files a corrected notice under clause (d)(ii)(A) if the credit support issuer filed the notice with the statement contemplated in

subparagraph (g)(i) and the credit support issuer can no longer rely on subparagraph (g)(i);

(i) in the case of designated credit support securities that include debt, the credit support issuer concurrently sends to all holders of such securities all disclosure materials that are sent to holders of similar debt of the parent credit supporter in the manner and at the time required by

(i) U.S. laws and any U.S. marketplace on which securities of the parent credit supporter are listed or quoted, if the parent credit supporter is not a reporting issuer in a designated Canadian jurisdiction; or

(ii) securities legislation, if the parent credit supporter is a reporting issuer in a designated Canadian jurisdiction;

(j) in the case of designated credit support securities that include preferred shares, the credit support issuer concurrently sends to all holders of such securities all disclosure materials that are sent to holders of similar preferred shares of the parent credit supporter in the manner and at the time required by

(i) U.S. laws and any U.S. marketplace on which securities of the parent credit supporter are listed or quoted, if the parent credit supporter is not a reporting issuer in a designated Canadian jurisdiction; or

(ii) securities legislation, if the parent credit supporter is a reporting issuer in a designated Canadian jurisdiction; and

(k) no person or company other than the parent credit supporter has provided a guarantee or alternative credit support for the payments to be made under any issued and outstanding securities of the credit support issuer.

(2.1) A credit support issuer satisfies the requirements of this Instrument where there is a parent credit supporter and one or more subsidiary credit supporters if

(a) the conditions in paragraphs (2)(a) to (f), (i), and (j) are complied with;

(b) the parent credit supporter controls each subsidiary credit supporter and the parent credit supporter has consolidated the financial statements of each subsidiary credit supporter into the parent credit supporter's financial statements that are filed or referred to under paragraph (2)(d);

(c) the credit support issuer files, in electronic format, in the notice referred to in clause (2)(d)(ii)(A) or in or with the copy of each consolidated interim financial report and the consolidated annual financial statements filed under subparagraph (2)(d)(i) or clause (2)(d)(ii)(B), for a period covered by any consolidated interim financial report or consolidated annual financial

statements of the parent credit supporter filed by the parent credit supporter, consolidating summary financial information for the parent credit supporter presented with a separate column for each of the following:

(i) the parent credit supporter;

(ii) the credit support issuer;

(iii) each subsidiary credit supporter on a combined basis;

(iv) any other subsidiaries of the parent credit supporter on a combined basis;

(v) consolidating adjustments; and

(vi) the total consolidated amounts;

(d) no person or company, other than the parent credit supporter or a subsidiary credit supporter has provided a guarantee or alternative credit support for the payments to be made under the issued and outstanding designated credit support securities; and

(e) the guarantees or alternative credit supports are joint and several.

(2.2) Despite paragraph (2.1)(c), the information set out in a column in accordance with

(a) subparagraph (2.1)(c)(iv), may be combined with the information set out in accordance with any of the other columns in paragraph (2.1)(c) if each item of the summary financial information set out in a column in accordance with subparagraph (2.1)(c)(iv) represents less than 3% of the corresponding items on the consolidated financial statements of the parent credit supporter being filed or referred to under paragraph (2)(d),

(b) subparagraph (2.1)(c)(ii) may be combined with the information set out in accordance with any of the other columns in paragraph (2.1)(c) if the credit support issuer has minimal assets, operations, revenue or cash flows other than those related to the issuance, administration and repayment of the securities described in paragraph (2)(c).

(3) The insider reporting requirement and the requirement to file an insider profile under National Instrument 55-102 *System for Electronic Disclosure by Insiders* do not apply to an insider of a credit support issuer in respect of securities of the credit support issuer so long as,

(a) the conditions in paragraphs (2)(a) to (c) are complied with;

(b) if the insider is not a credit supporter,

(i) the insider does not receive, in the ordinary course, information as to material facts or material changes concerning a credit supporter before the material facts or material changes are generally disclosed, and

(ii) the insider is not an insider of a credit supporter in any capacity other than by virtue of being an insider of the credit support issuer; and

(c) if the insider is a credit supporter, the insider does not beneficially own any designated credit support securities.

(4) A parent credit supporter is not a reporting issuer in a designated Canadian jurisdiction for the purposes of subparagraph (2)(b)(ii) if the parent credit supporter complies with a requirement of this Instrument by relying on a provision of National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.*

PART 14 EFFECTIVE DATE AND TRANSITION

14.1 Effective Date

This Instrument comes into force on March 30, 2004.

14.2 Transition

Despite section 14.1, section 5.7 applies for financial years of the reporting issuer beginning on or after January 1, 2007.

14.3 Transition – Interim Financial Report

(1) Despite section 4.4 and paragraph 4.10(2)(c), the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011 may be filed,

(a) in the case of a reporting issuer other than a venture issuer, on or before the earlier of

(i) the 75th day after the end of the interim period; and

(ii) the date of filing, in a foreign jurisdiction, an interim financial report for a period ending on the last day of the interim period; or

(b) in the case of a venture issuer, on or before the earlier of

(i) the 90th day after the end of the interim period; and

(ii) the date of filing, in a foreign jurisdiction, an interim financial report for a period ending on the last day of the interim period.

(2) Despite subsection 5.1(2), the MD&A required to be filed under subsection 5.1(1) relating to the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011 may be filed on or before the earlier of

(a) the filing deadline for the interim financial report set out in subsection (1); and

(b) the date the reporting issuer files the interim financial report under subsections (1) or 4.3(1), as applicable.

(3) Despite subsection 4.6(3), if a registered holder or beneficial owner of securities, other than debt instruments, of a reporting issuer requests the issuer's first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011, the reporting issuer may send a copy of the required interim financial report and the interim MD&A relating to the interim financial report to the person or company that made the request, without charge, by the later of,

(a) in the case of a reporting issuer relying on subsection (1), 10 calendar days after the filing deadline set out in subsection (1), for the financial statements requested;

(b) in the case of a reporting issuer not relying on subsection (1), 10 calendar days after the filing deadline in subparagraph 4.4(a)(i) or 4.4(b)(i), subsection 4.10(2) or subsection 14.3(1), as applicable, for the financial statements requested; and

(c) 10 calendar days after the issuer receives the request.

(4) Subsections (1), (2) and (3) do not apply unless the reporting issuer

(a) is disclosing, for the first time, a statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*; and

(b) did not previously file financial statements that disclosed compliance with IFRS.

(5) Subsections (1), (2) and (3) do not apply if the first interim financial report is in respect of an interim period ending after March 30, 2012.

Form 51-102F1
Management's Discussion & Analysis

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Item 2 Interim MD&A

2.1 Date

2.2 Interim MD&A

2.3 Other Interim MD&A Requirements

Form 51-102F1
Management's Discussion & Analysis

PART 1 GENERAL PROVISIONS

(a) What is MD&A?

MD&A is a narrative explanation, through the eyes of management, of how your company performed during the period covered by the financial statements, and of your company's financial condition and future prospects. MD&A complements and supplements your financial statements, but does not form part of your financial statements.

Your objective when preparing the MD&A should be to improve your company's overall financial disclosure by giving a balanced discussion of your company's financial performance and financial condition including, without limitation, such considerations as liquidity and capital resources - openly reporting bad news as well as good news. Your MD&A should

- help current and prospective investors understand what the financial statements show and do not show;
- discuss material information that may not be fully reflected in the financial statements, such as contingent liabilities, defaults under debt, off-balance sheet financing arrangements, or other contractual obligations;
- discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in the future; and
- provide information about the quality, and potential variability, of your company's profit or loss and cash flow, to assist investors in determining if past performance is indicative of future performance.

(b) Date of Information

In preparing the MD&A, you must take into account information available up to the date of the MD&A. If the date of the MD&A is not the date it is filed, you must ensure the disclosure in the MD&A is current so that it will not be misleading when it is filed.

(c) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated

business entities.

(d) Explain Your Analysis

Explain the nature of, and reasons for, changes in your company's performance. Do not simply disclose the amount of change in a financial statement item from period to period. Avoid using boilerplate language. Your discussion should assist the reader to understand trends, events, transactions and expenditures.

(e) Focus on Material Information

Focus your MD&A on material information. You do not need to disclose information that is not material. Exercise your judgment when determining whether information is material.

(f) What is Material?

Would a reasonable investor's decision whether or not to buy, sell or hold securities in your company likely be influenced or changed if the information in question was omitted or misstated? If so, the information is likely material.

(g) Venture Issuers

If your company is a venture issuer, you have the option of meeting the requirement to provide interim MD&A under section 2.2 by instead providing quarterly highlights disclosure. Refer to Companion Policy 51-102CP for guidance on quarterly highlights.

If your company is a venture issuer without significant revenue from operations, in your MD&A including any quarterly highlights, focus your discussion and analysis of financial performance on expenditures and progress towards achieving your business objectives and milestones.

(h) Reverse Takeover Transactions

If an acquisition is a reverse takeover, the MD&A should be based on the reverse takeover acquirer's financial statements.

(i) [Repealed]

(j) Resource Issuers

If your company has mineral projects, your disclosure must comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, including the requirement that all scientific and technical disclosure be based

on a technical report or other information prepared by or under the supervision of a qualified person.

If your company has oil and gas activities, your disclosure must comply with National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

(k) Numbering and Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(l) Omitting Information

You do not need to respond to any item in this Form that is inapplicable.

(m) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of the local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP for further guidance.

This Form also uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises. For further guidance, see subsections 1.4(7) and (8) of Companion Policy 51-102CP.

(n) Plain Language

Write the MD&A so that readers are able to understand it. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP for further guidance. If you use technical terms, explain them in a clear and concise manner.

(o) Available Prior Period Information

If you have not presented comparative financial information in your financial statements, in your MD&A you must provide prior period information relating to financial performance that is available.

(p) Use of "Financial Condition"

This Form uses the term "financial condition". Financial condition reflects the

overall health of the company and includes your company's financial position (as shown on the statement of financial position) and other factors that may affect your company's liquidity, capital resources and solvency.

PART 2 CONTENT OF MD&A

Item 1 Annual MD&A

1.1 Date

Specify the date of your MD&A. The date of the MD&A must be no earlier than the date of the auditor's report on the annual financial statements for your company's most recently completed financial year.

1.2 Overall Performance

Provide an analysis of your company's financial condition, financial performance and cash flows. Discuss known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on your company's business. Compare your company's performance in the most recently completed financial year to the prior year's performance. Your analysis should address at least the following:

(a) operating segments that are reportable segments as those terms are described in the issuer's GAAP;

(b) other parts of your business if

(i) they have a disproportionate effect on revenue, profit or loss or cash needs; or

(ii) there are any legal or other restrictions on the flow of funds from one part of your company's business to another;

(c) industry and economic factors affecting your company's performance;

(d) why changes have occurred or expected changes have not occurred in your company's financial condition and financial performance; and

(e) the effect of discontinued operations on current operations.

INSTRUCTIONS

(i) When explaining changes in your company's financial condition and results, include an analysis of the effect on your continuing operations of any acquisition, disposition, write-off, abandonment or other similar transaction.

(ii) *A discussion of financial condition should include important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in the future.*

(iii) *Include information for a period longer than two financial years if it will help the reader to better understand a trend.*

1.3 Selected Annual Information

(1) Provide the following financial data derived from your company's annual financial statements for each of the three most recently completed financial years:

(a) total revenue;

(b) profit or loss from continuing operations attributable to owners of the parent, in total and on a per-share and diluted per-share basis;

(c) profit or loss attributable to owners of the parent, in total and on a per-share and diluted per-share basis;

(d) total assets;

(e) total non-current financial liabilities; and

(f) distributions or cash dividends declared per-share for each class of share.

(2) Discuss the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and changes in the direction of your business, and any other information your company believes would enhance an understanding of, and would highlight trends in, financial position and financial performance.

INSTRUCTIONS

(i) *For each of the three most recently completed financial years, indicate the accounting principles that the financial data has been prepared in accordance with, the presentation currency and the functional currency if different from the presentation currency.*

(ii) *If the financial data provided was not prepared in accordance with the same accounting principles for all three years, focus the discussion on the important trends and risks that have affected the business.*

1.4 Discussion of Operations

Discuss your analysis of your company's operations for the most recently completed financial year, including

(a) total revenue by reportable segment, including any changes in such amounts caused by selling prices, volume or quantity of goods or services being sold, or the introduction of new products or services;

(b) any other significant factors that caused changes in total revenue;

(c) cost of sales or gross profit;

(d) for issuers that have significant projects that have not yet generated revenue, describe each project, including your company's plan for the project and the status of the project relative to that plan, and expenditures made and how these relate to anticipated timing and costs to take the project to the next stage of the project plan;

(e) for resource issuers with producing mines or mines under development, identify any milestone, including, without limitation, mine expansion plans, productivity improvements, plans to develop a new deposit, or production decisions, and whether the milestone is based on a technical report filed under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

(f) factors that caused a change in the relationship between costs and revenue, including changes in costs of labour or materials, price changes or inventory adjustments;

(g) commitments, events, risks or uncertainties that you reasonably believe will materially affect your company's future performance including total revenue and profit or loss from continuing operations attributable to owners of the parent;

(h) effect of inflation and specific price changes on your company's total revenue and on profit or loss from continuing operations attributable to owners of the parent;

(i) a comparison in tabular form of disclosure you previously made about how your company was going to use proceeds (other than working capital) from any financing, an explanation of variances and the impact of the variances, if any, on your company's ability to achieve its business objectives and milestones; and

(j) unusual or infrequent events or transactions.

INSTRUCTION

Your discussion under paragraph 1.4(d) should include

(i) whether or not you plan to expend additional funds on the project; and

(ii) any factors that have affected the value of the project(s) such as change in commodity prices, land use or political or environmental issues.

1.5 Summary of Quarterly Results

Provide the following information in summary form, derived from your company's financial statements, for each of the eight most recently completed quarters:

(a) total revenue;

(b) profit or loss from continuing operations attributable to owners of the parent, in total and on a per-share and diluted per-share basis; and

(c) profit or loss attributable to owners of the parent, in total and on a per-share and diluted per-share basis.

Discuss the factors that have caused variations over the quarters necessary to understand general trends that have developed and the seasonality of the business.

INSTRUCTIONS

(i) In the case of the annual MD&A, your most recently completed quarter is the quarter that ended on the last day of your most recently completed financial year.

(ii) You do not have to provide information for a quarter prior to your company becoming a reporting issuer if your company has not prepared financial statements for those quarters.

(iii) For sections 1.2, 1.3, 1.4 and 1.5 consider identifying, discussing and analyzing the following factors:

(A) changes in customer buying patterns, including changes due to new technologies and changes in demographics;

(B) changes in selling practices, including changes due to new distribution arrangements or a reorganization of a direct sales force;

(C) changes in competition, including an assessment of the issuer's resources, strengths and weaknesses relative to those of its competitors;

(D) the effect of exchange rates;

(E) changes in pricing of inputs, constraints on supply, order backlog, or other input-related matters;

(F) changes in production capacity, including changes due to plant closures and work stoppages;

(G) changes in volume of discounts granted to customers, volumes of returns and allowances, excise and other taxes or other amounts reflected on a net basis against revenue;

(H) changes in the terms and conditions of service contracts;

(I) the progress in achieving previously announced milestones;

(J) for resource issuers with producing mines, identify changes to cash flows caused by changes in production throughput, head-grade, cut-off grade, metallurgical recovery and any expectation of future changes; and

(K) if you have an equity investee that is significant to your company, the nature of the investment and significance to your company.

(iv) For each of the eight most recently completed quarters, indicate the accounting principles that the financial data has been prepared in accordance with, the presentation currency and the functional currency if different from the presentation currency.

(v) If the financial data provided was not prepared in accordance with the same accounting principles for all eight quarters, focus the discussion on the important trends and risks that have affected the business.

1.6 Liquidity

Provide an analysis of your company's liquidity, including

(a) its ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain your company's capacity, to meet your company's planned growth or to fund development activities;

(b) trends or expected fluctuations in your company's liquidity, taking into

account demands, commitments, events or uncertainties;

(c) its working capital requirements;

(d) liquidity risks associated with financial instruments;

(e) if your company has or expects to have a working capital deficiency, discuss its ability to meet obligations as they become due and how you expect it to remedy the deficiency;

(f) statement of financial position conditions or profit or loss attributable to owners of the parent or cash flow items that may affect your company's liquidity;

(g) legal or practical restrictions on the ability of subsidiaries to transfer funds to your company and the effect these restrictions have had or may have on the ability of your company to meet its obligations; and

(h) defaults or arrears or significant risk of defaults or arrears on

(i) distributions or dividend payments, lease payments, interest or principal payment on debt;

(ii) debt covenants; and

(iii) redemption or retraction or sinking fund payments,

and how your company intends to cure the default or arrears or address the risk.

INSTRUCTIONS

(i) In discussing your company's ability to generate sufficient amounts of cash and cash equivalents you should describe sources of funding and the circumstances that could affect those sources that are reasonably likely to occur. Examples of circumstances that could affect liquidity are market or commodity price changes, economic downturns, defaults on guarantees and contractions of operations.

(ii) In discussing trends or expected fluctuations in your company's liquidity and liquidity risks associated with financial instruments you should discuss

(A) provisions in debt, lease or other arrangements that could trigger an additional funding requirement or early payment. Examples of such situations are provisions linked to credit rating, profit or loss, cash flows or share price; and

(B) circumstances that could impair your company's ability to undertake transaction considered essential to operations. Examples of such circumstances are the inability to maintain investment grade credit rating, earnings per-share, cash flow or share price.

(iii) In discussing your company's working capital requirements you should discuss situations where your company must maintain significant inventory to meet customers' delivery requirements or any situations involving extended payment terms.

(iv) In discussing your company's statement of financial position conditions or profit or loss or cash flow items you should present a summary, in tabular form, of contractual obligations including payments due for each of the next five years and thereafter. The summary and table do not have to be provided if your company is a venture issuer. An example of a table that can be adapted to your company's particular circumstances follows:

	Payments Due by Period				
Contractual Obligations	***Total***	***Less than 1 year***	***1 - 3 years***	***4 - 5 years***	***After 5 years***
Debt					
Finance Lease Obligations					
Operating Leases					
Purchase Obligations[1]					
Other Obligations[2]					
Total Contractual Obligations					

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1 "Purchase Obligation" means an agreement to purchase goods or services that is enforceable and legally binding on your company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

2 "Other Obligations" means other financial liabilities reflected on your company's statement of financial position.

The tabular presentation may be accompanied by footnotes to describe provisions that create, increase or accelerate obligations, or other details to the extent necessary for an understanding of the timing and amount of your company's specified contractual obligations.

1.7 Capital Resources

Provide an analysis of your company's capital resources, including

(a) commitments for capital expenditures as of the date of your company's financial statements including

(i) the amount, nature and purpose of these commitments;

(ii) the expected source of funds to meet these commitments; and

(iii) expenditures not yet committed but required to maintain your company's capacity, to meet your company's planned growth or to fund development activities;

(b) known trends or expected fluctuations in your company's capital resources, including expected changes in the mix and relative cost of these resources; and

(c) sources of financing that your company has arranged but not yet used.

INSTRUCTIONS

(i) Capital resources are financing resources available to your company and include debt, equity and any other financing arrangements that you reasonably consider will provide financial resources to your company.

(ii) In discussing your company's commitments you should discuss any exploration and development, or research and development expenditures required to maintain properties or agreements in good standing.

1.8 Off-Balance Sheet Arrangements

Discuss any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of your company including, without limitation, such considerations as liquidity and capital resources.

In your discussion of off-balance sheet arrangements you should discuss their business purpose and activities, their economic substance, risks associated with the arrangements, and the key terms and conditions associated with any commitments. Your discussion should include

(a) a description of the other contracting party(ies);

(b) the effects of terminating the arrangement;

(c) the amounts receivable or payable, revenue, expenses and cash flows resulting from the arrangement;

(d) the nature and amounts of any other obligations or liabilities arising from the arrangement that could require your company to provide funding under the arrangement and the triggering events or circumstances that could cause them to arise; and

(e) any known event, commitment, trend or uncertainty that may affect the availability or benefits of the arrangement (including any termination) and the course of action that management has taken, or proposes to take, in response to any such circumstances.

INSTRUCTIONS

(i) Off-balance sheet arrangements include any contractual arrangement with an entity not reported on a consolidated basis with your company, under which your company has

(A) any obligation under certain guarantee contracts;

(B) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for the assets;

(C) any obligation under certain derivative instruments; or

(D) any obligation held by your company in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to your company, or engages in leasing, hedging activities or, research and development services with your company.

(ii) Contingent liabilities arising out of litigation, arbitration or regulatory actions are not considered to be off-balance sheet arrangements.

(iii) Disclosure of off-balance sheet arrangements should cover the most recently completed financial year. However, the discussion should address changes from the previous year where such discussion is necessary to understand the disclosure.

(iv) The discussion need not repeat information provided in the notes to the financial statements if the discussion clearly cross-references to specific information in the relevant notes and integrates the substance of the notes into the discussion in a manner that explains the significance of the information not included in the MD&A.

1.9 Transactions Between Related Parties

Discuss all transactions between related parties as defined by the issuer's GAAP.

INSTRUCTION

In discussing your company's transactions between related parties, your discussion should include both qualitative and quantitative characteristics that are necessary for an understanding of the transactions' business purpose and economic substance. You should discuss

(A) the relationship and identify the related person or entities;

(B) the business purpose of the transaction;

(C) the recorded amount of the transaction and describe the measurement basis used; and

(D) any ongoing contractual or other commitments resulting from the transaction.

1.10 Fourth Quarter

Discuss and analyze fourth quarter events or items that affected your company's financial condition, financial performance or cash flows, year-end and other adjustments, seasonal aspects of your company's business and dispositions of business segments. If your company has filed separate MD&A for its fourth quarter, you may satisfy this requirement by incorporating that MD&A by reference.

1.11 Proposed Transactions

Discuss the expected effect on financial condition, financial performance and cash flows of any proposed asset or business acquisition or disposition if your company's board of directors, or senior management who believe that confirmation of the decision by the board is probable, have decided to proceed with the transaction. Include the status of any required shareholder or regulatory approvals.

INSTRUCTION

You do not have to disclose this information if, under section 7.1 of National Instrument 51-102, your company has filed a Form 51-102F3 Material Change Report regarding the transaction on a confidential basis and the report remains confidential.

1.12 Critical Accounting Estimates

If your company is not a venture issuer, provide an analysis of your company's critical accounting estimates. Your analysis should

(a) identify and describe each critical accounting estimate used by your company including

(i) a description of the accounting estimate;

(ii) the methodology used in determining the critical accounting estimate;

(iii) the assumptions underlying the accounting estimate that relate to matters highly uncertain at the time the estimate was made;

(iv) any known trends, commitments, events or uncertainties that you reasonably believe will materially affect the methodology or the assumptions described; and

(v) if applicable, why the accounting estimate is reasonably likely to change from period to period and have a material impact on the financial presentation;

(b) explain the significance of the accounting estimate to your company's financial position, changes in financial position and financial performance and identify the financial statement line items affected by the accounting estimate;

(c) [Repealed]

(d) discuss changes made to critical accounting estimates during the past two financial years including the reasons for the change and the quantitative effect on your company's overall financial performance and financial statement line items; and

(e) identify the reportable segments of your company's business that the accounting estimate affects and discuss the accounting estimate on a reportable segment basis, if your company operates in more than one reportable segment.

INSTRUCTIONS

(i) An accounting estimate is a critical accounting estimate only if

(A) it requires your company to make assumptions about matters that are

highly uncertain at the time the accounting estimate is made; and

(B) different estimates that your company could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on your company's financial condition, changes in financial condition or financial performance.

(ii) As part of your description of each critical accounting estimate, in addition to qualitative disclosure, you should provide quantitative disclosure when quantitative information is reasonably available and would provide material information for investors. Similarly, in your discussion of assumptions underlying an accounting estimate that relates to matters highly uncertain at the time the estimate was made, you should provide quantitative disclosure when it is reasonably available and it would provide material information for investors. For example, quantitative information may include a sensitivity analysis or disclosure of the upper and lower ends of the range of estimates from which the recorded estimate was selected.

1.13 Changes in Accounting Policies including Initial Adoption

Discuss and analyze any changes in your company's accounting policies, including

(a) for any accounting policies that you have adopted or expect to adopt subsequent to the end of your most recently completed financial year, including changes you have made or expect to make voluntarily and those due to a change in an accounting standard or a new accounting standard that you do not have to adopt until a future date, you should

(i) describe the new standard, the date you are required to adopt it and, if determined, the date you plan to adopt it;

(ii) disclose the methods of adoption permitted by the accounting standard and the method you expect to use;

(iii) discuss the expected effect on your company's financial statements, or if applicable, state that you cannot reasonably estimate the effect; and

(iv) discuss the potential effect on your business, for example technical violations or default of debt covenants or changes in business practices; and

(b) for any accounting policies that you have initially adopted during the most recently completed financial year, you should

(i) describe the events or transactions that gave rise to the initial adoption of an accounting policy;

(ii) describe the accounting policy that has been adopted and the method of applying that policy;

(iii) discuss the effect resulting from the initial adoption of the accounting policy on your company's financial position, changes in financial position and financial performance;

(iv) if your company is permitted a choice among acceptable accounting policies,

(A) state that you made a choice among acceptable alternatives;

(B) identify the alternatives;

(C) describe why you made the choice that you did; and

(D) discuss the effect, where material, on your company's financial position, changes in financial position and financial performance under the alternatives not chosen; and

(v) if no accounting literature exists that covers the accounting for the events or transactions giving rise to your initial adoption of the accounting policy, explain your decision regarding which accounting policy to use and the method of applying that policy.

INSTRUCTION

You do not have to present the discussion under paragraph 1.13(b) for the initial adoption of accounting policies resulting from the adoption of new accounting standards.

1.14 Financial Instruments and Other Instruments

For financial instruments and other instruments,

(a) discuss the nature and extent of your company's use of, including relationships among, the instruments and the business purposes that they serve;

(b) describe and analyze the risks associated with the instruments;

(c) describe how you manage the risks in paragraph (b), including a discussion of the objectives, general strategies and instruments used to manage the risks, including any hedging activities;

(d) disclose the financial statement classification and amounts of income, expenses, gains and losses associated with the instrument; and

(e) discuss the significant assumptions made in determining the fair value of financial instruments, the total amount and financial statement classification of the change in fair value of financial instruments recognized in profit or loss for the period, and the total amount and financial statement classification of deferred or unrecognized gains and losses on financial instruments.

INSTRUCTIONS

(i) "Other instruments" are instruments that may be settled by the delivery of non-financial assets. A commodity futures contract is an example of an instrument that may be settled by delivery of non-financial assets.

(ii) Your discussion under paragraph 1.14(a) should enhance a reader's understanding of the significance of recognized and unrecognized instruments on your company's financial position, financial performance and cash flows. The information should also assist a reader in assessing the amounts, timing, and certainty of future cash flows associated with those instruments. Also discuss the relationship between liability and equity components of convertible debt instruments.

(iii) For purposes of paragraph 1.14(c), if your company is exposed to significant price, credit or liquidity risks, consider providing a sensitivity analysis or tabular information to help readers assess the degree of exposure. For example, an analysis of the effect of a hypothetical change in the prevailing level of interest or currency rates on the fair value of financial instruments and future profit or loss and cash flows may be useful in describing your company's exposure to price risk.

(iv) For purposes of paragraph 1.14(d), disclose and explain the revenue, expenses, gains and losses from hedging activities separately from other activities.

1.15 Other MD&A Requirements

(a) Your MD&A must disclose that additional information relating to your company, including your company's AIF if your company files an AIF, is on SEDAR at www.sedar.com.

(b) Your MD&A must also provide the information required in the following sections of National Instrument 51-102, if applicable:

(i) Section 5.3 – Additional Disclosure for Venture Issuers without Significant Revenue;

(ii) Section 5.4 – Disclosure of Outstanding Share Data; and

(iii) Section 5.7 – Additional Disclosure for Reporting Issuers with Significant Equity Investees.

(c) Your MD&A must include the MD&A disclosure required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and, as applicable, Form 52-109F1 *Certification of Annual Filings – Full Certificate*, Form 52-109F1R *Certification of Refiled Annual Filings*, or Form 52-109F1 *AIF Certification of Annual Filings in Connection with Voluntarily Filed AIF*.

Item 2 Interim MD&A

2.1 Date

Specify the date of your interim MD&A.

2.2 Interim MD&A

Interim MD&A must update your company's annual MD&A for all disclosure required by Item 1 except section 1.3. This disclosure must include

(a) a discussion of your analysis of

(i) current quarter and year-to-date results including a comparison of financial performance to the corresponding periods in the previous year;

(i.i) a comparison of cash flows to the corresponding period in the previous year;

(ii) changes in financial performance and elements of profit or loss attributable to owners of the parent that are not related to ongoing business operations;

(iii) any seasonal aspects of your company's business that affect its financial position, financial performance or cash flows; and

(b) a comparison of your company's interim financial condition to your

company's financial condition as at the most recently completed financial year-end.

INSTRUCTION

(i) If the first MD&A you file in this Form (your first MD&A) is an interim MD&A, you must provide all the disclosure called for in Item 1 in your first MD&A. Base the disclosure, except the disclosure for section 1.3, on your interim financial report. Since you do not have to update the disclosure required in section 1.3 in your interim MD&A, your first MD&A will provide disclosure under section 1.3 based on your annual financial statements. Your subsequent interim MD&A for that year will update your first interim MD&A.

(ii) For the purposes of paragraph 2.2(b), you may assume the reader has access to your annual MD&A or your first MD&A. You do not have to duplicate the discussion and analysis of financial condition in your annual MD&A or your first MD&A. For example, if economic and industry factors are substantially unchanged you may make a statement to this effect.

(iii) For the purposes of subparagraph 2.2(a)(i), you should generally give prominence to the current quarter.

(iv) In discussing your company's statement of financial position conditions or profit or loss or cash flow items for an interim period, you do not have to present a summary, in tabular form, of all known contractual obligations contemplated under section 1.6. Instead, you should disclose material changes in the specified contractual obligations during the interim period.

(v) Interim MD&A prepared in accordance with Item 2 is not required for your company's fourth quarter as relevant fourth quarter content will be contained in your company's annual MD&A prepared in accordance with Item 1 (see section 1.10).

(vi) In your interim MD&A, update the summary of quarterly results in section 1.5 by providing summary information for the eight most recently completed quarters.

(vii) Your annual MD&A may not include all the information in Item 1 if you were a venture issuer as at the end of your last financial year. If you ceased to be a venture issuer during your interim period, you do not have to restate the MD&A you previously filed. Instead, provide the disclosure for the additional sections in Item 1 that you were exempt from as a venture issuer in the next interim MD&A you file. Base your disclosure for those sections on your interim financial report.

2.2.1 Quarterly Highlights

If your company is a venture issuer, you have the option of meeting the

requirement to provide interim MD&A under section 2.2 by instead providing a short discussion of all material information about your company's operations, liquidity and capital resources. Include in your discussion:

- an analysis of your company's financial condition, financial performance and cash flows and any significant factors that have caused period to period variations in those measures;
- known trends, risks or demands;
- major operating milestones;
- commitments, expected or unexpected events, or uncertainties that have materially affected your company's operations, liquidity and capital resources in the interim period or are reasonably likely to have a material effect going forward;
- any significant changes from disclosure previously made about how the company was going to use proceeds from any financing and an explanation of variances;
- any significant transactions between related parties that occurred in the interim period.

INSTRUCTIONS

(i) If the first MD&A you file in this Form (your first MD&A) is an interim MD&A, you cannot use quarterly highlights. Rather, you must provide all the disclosure called for in Item 1 in your first MD&A. Base the disclosure, except the disclosure for section 1.3, on your interim financial report. Since you do not have to update the disclosure required in section 1.3 in your interim MD&A, your first MD&A will provide disclosure under section 1.3 based on your annual financial statements.

(ii) Provide a short, focused discussion that gives a balanced and accurate picture of the company's business activities during the interim period. The purpose of the quarterly highlights reporting is to provide a brief narrative update about the business activities, financial condition, financial performance and cash flow of the company. While summaries are to be clear and concise, they are subject to the normal prohibitions against false and misleading statements.

(iii) Quarterly highlights prepared in accordance with section 2.2.1 are not required for your company's fourth quarter as relevant fourth quarter content will be contained in your company's annual MD&A prepared in accordance with Item 1 (see section 1.10).

(iv) *You must title your quarterly highlights "Interim MD&A – Quarterly Highlights".*

(v) *If there was a change to the company's accounting policies during the interim period, include a description of the material effects resulting from the change.*

2.2.2 Quarterly Highlights - Transition

Section 2.2.1 applies to an issuer in respect of a financial year beginning on or after July 1, 2015.

2.3 Other Interim MD&A Requirements

Your interim MD&A must include the interim MD&A disclosure required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and, as applicable, Form 52-109F2 *Certification of Interim Filings – Full Certificate* or Form 52-109F2R *Certification of Refiled Interim Filings*.

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Form 51-102F2
Annual Information Form

PART 1 GENERAL PROVISIONS

(a) What is an AIF?

An AIF (annual information form) is required to be filed annually by certain companies under Part 6 of National Instrument 51-102. An AIF is a disclosure document intended to provide material information about your company and its business at a point in time in the context of its historical and possible future development. Your AIF describes your company, its operations and prospects, risks and other external factors that impact your company specifically.

This disclosure is supplemented throughout the year by subsequent continuous disclosure filings including news releases, material change reports, business acquisition reports, financial statements and management discussion and analysis.

(b) Date of Information

Unless otherwise specified in this Form, the information in your AIF must be presented as at the last day of your company's most recently completed financial year. If necessary, you must update the information in the AIF so it is not misleading when it is filed. For information presented as at any date other than the last day of your company's most recently completed financial year, specify the relevant date in the disclosure.

(c) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

All references to "your company" in Items 4, 5, 6, 12, 13, 15 and 16 of this Form apply collectively to your company, your company's subsidiaries, joint ventures to which your company is a party and entities in which your company has an investment accounted for by the equity method.

(d) Focus on Material Information

Focus your AIF on material information. You do not need to disclose information that is not material. Exercise your judgment when determining whether information is material. However, you must disclose all corporate

and individual cease trade orders, bankruptcies, penalties and sanctions in accordance with Item 10 and section 12.2 of this Form.

(e) What is Material?

Would a reasonable investor's decision whether or not to buy, sell or hold securities in your company likely be influenced or changed if the information in question was omitted or misstated? If so, the information is likely material.

(f) Incorporating Information by Reference

You may incorporate information required to be included in your AIF by reference to another document, other than a previous AIF. Clearly identify the referenced document or any excerpt of it that you incorporate into your AIF. Unless you have already filed the referenced document or excerpt, including any documents incorporated by reference into the document or excerpt, under your SEDAR profile, you must file it with your AIF. You must also disclose that the document is on SEDAR at www.sedar.com.

(g) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of a local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP for further guidance.

This Form also uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises. For further guidance, see subsections 1.4(7) and (8) of Companion Policy 51-102CP.

(h) Plain Language

Write the AIF so that readers are able to understand it. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP for further guidance. If you use technical terms, explain them in a clear and concise manner.

(i) Special Purpose Entities

If your company is a special purpose entity, you may have to modify the disclosure items in this Form to reflect the special purpose nature of your company's business.

(j) Numbering and Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(k) Omitting Information

You do not need to respond to any item in this Form that is inapplicable and you may omit negative answers.

PART 2 CONTENT OF AIF

Item 1 Cover Page

1.1 Date

Specify the date of your AIF. The date must be no earlier than the date of the auditor's report on the financial statements for your company's most recently completed financial year.

You must file your AIF within 10 days of the date of the AIF.

1.2 Revisions

If you revise your company's AIF after you have filed it, identify the revised version as a "revised AIF".

Item 2 Table of Contents

2.1 Table of Contents

Include a table of contents.

Item 3 Corporate Structure

3.1 Name, Address and Incorporation

(1) State your company's full corporate name or, if your company is an unincorporated entity, the full name under which it exists and carries on business, and the address(es) of your company's head and registered office.

(2) State the statute under which your company is incorporated, continued or organized or, if your company is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which it is established and exists.

Describe the substance of any material amendments to the articles or other constating or establishing documents of your company.

3.2 Intercorporate Relationships

Describe, by way of a diagram or otherwise, the intercorporate relationships among your company and its subsidiaries. For each subsidiary state:

(a) the percentage of votes attaching to all voting securities of the subsidiary beneficially owned, or controlled or directed, directly or indirectly, by your company;

(b) the percentage of each class of restricted securities of the subsidiary beneficially owned, or controlled or directed, directly or indirectly, by your company; and

(c) where it was incorporated, continued, formed or organized.

INSTRUCTION

You may omit a particular subsidiary if, at the most recent financial year-end of your company,

(i) the total assets of the subsidiary do not exceed 10 per cent of the consolidated assets of your company;

(ii) the revenue of the subsidiary does not exceed 10 per cent of the consolidated revenue of your company; and

(iii) the conditions in paragraphs (i) and (ii) would be satisfied if you

(A) aggregated the subsidiaries that may be omitted under paragraphs (i) and (ii), and

(B) changed the reference in those paragraphs from 10 per cent to 20 per cent.

Item 4 General Development of the Business

4.1 Three Year History

Describe how your company's business has developed over the last three completed financial years. Include only events, such as acquisitions or dispositions, or conditions that have influenced the general development of the business. If your company produces or distributes more than one product or provides more than one kind of service, describe the products or services.

Also discuss changes in your company's business that you expect will occur during the current financial year.

4.2 Significant Acquisitions

Disclose any significant acquisition completed by your company during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102, by providing a brief summary of the significant acquisition and stating whether your company has filed a Form 51-102F4 in respect of the acquisition.

Item 5 Describe the Business

5.1 General

(1) Describe the business of your company and its operating segments that are reportable segments as those terms are described in the issuer's GAAP. For each reportable segment include:

(a) **Summary** – For products or services,

(i) their principal markets;

(ii) distribution methods;

(iii) for each of the two most recently completed financial years, as dollar amounts or as percentages, the revenue for each category of products or services that accounted for 15 per cent or more of total consolidated revenue for the applicable financial year derived from

A. sales or transfers to joint ventures in which your company is a participant or to entities in which your company has an investment accounted for by the equity method,

B. sales to customers, other than those referred to in clause A, outside the consolidated entity, and

C. sales or transfers to controlling shareholders;

(iv) if not fully developed, the stage of development of the products or services and, if the products are not at the commercial production stage

A. the timing and stage of research and development programs,

B. whether your company is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and

C. the additional steps required to reach commercial production and an estimate of costs and timing.

(b) **Production and Services** – The actual or proposed method of production and, if your company provides services, the actual or proposed method of providing services.

(c) **Specialized Skill and Knowledge** – A description of any specialized skill and knowledge requirements and the extent to which the skill and knowledge are available to your company.

(d) **Competitive Conditions** – The competitive conditions in your company's principal markets and geographic areas, including, if reasonably possible, an assessment of your company's competitive position.

(e) **New Products** – If you have publicly announced the introduction of a new product, the status of the product.

(f) **Components** – The sources, pricing and availability of raw materials, component parts or finished products.

(g) **Intangible Properties** – The importance, duration and effect of identifiable intangible properties, such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks, on the segment.

(h) **Cycles** – The extent to which the business of the reportable segment is cyclical or seasonal.

(i) **Economic Dependence** – A description of any contract upon which your company's business is substantially dependent, such as a contract to sell the major part of your company's products or services or to purchase the major part of your company's requirements for goods, services or raw materials, or any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which your company's business depends.

(j) **Changes to Contracts** – A description of any aspect of your company's business that you reasonably expect to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts, and the likely effect.

(k) **Environmental Protection** – The financial and operational effects of environmental protection requirements on the capital expenditures, profit or loss and competitive position of your company in the current financial year and the expected effect in future years.

(l) **Employees** – The number of employees as at the most recent financial year-end or the average number of employees over the year, whichever is more meaningful to understand the business.

(m) **Foreign Operations** – Describe the dependence of your company and any reportable segment upon foreign operations.

(n) **Lending** – With respect to your company's lending operations, disclose the investment policies and lending and investment restrictions.

(2) **Bankruptcy and Similar Procedures** - Disclose the nature and results of any bankruptcy, receivership or similar proceedings against your company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by your company or any of its subsidiaries, within the three most recently completed financial years or during or proposed for the current financial year.

(3) **Reorganizations** - Disclose the nature and results of any material reorganization of your company or any of its subsidiaries within the three most recently completed financial years or completed during or proposed for the current financial year.

(4) **Social or Environmental Policies** – If your company has implemented social or environmental policies that are fundamental to your operations, such as policies regarding your company's relationship with the environment or with the communities in which it does business, or human rights policies, describe them and the steps your company has taken to implement them.

5.2 Risk Factors

Disclose risk factors relating to your company and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by your company, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be

most likely to influence an investor's decision to purchase securities of your company. If there is a risk that securityholders of your company may become liable to make an additional contribution beyond the price of the security, disclose that risk.

INSTRUCTIONS

(i) Disclose the risks in order of seriousness from the most serious to the least serious.

(ii) A risk factor must not be de-emphasized by including excessive caveats or conditions.

5.3 Companies with Asset-backed Securities Outstanding

If your company had asset-backed securities outstanding that were distributed under a prospectus, disclose the following information:

(1) **Payment Factors** – A description of any events, covenants, standards or preconditions that may reasonably be expected to affect the timing or amount of any payments or distributions to be made under the asset-backed securities.

(2) **Underlying Pool of Assets** – For the three most recently completed financial years of your company or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, financial disclosure that described the underlying pool of financial assets servicing the asset-backed securities relating to

(a) the composition of the pool as of the end of each financial year or partial period;

(b) profit and losses from the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

(c) the payment, prepayment and collection experience of the pool on at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets;

(d) servicing and other administrative fees; and

(e) any significant variances experienced in the matters referred to in paragraphs (a) through (d).

(2.1) If any of the financial disclosure disclosed in accordance with subsection (2) has been audited, disclose the existence and results of the audit.

(3) **Investment Parameters** – The investment parameters applicable to investments of any cash flow surpluses.

(4) **Payment History** – The amount of payments made during the three most recently completed financial years or the lesser period commencing on the first date on which your company had asset-backed securities outstanding, in respect of principal and interest or capital and yield, each stated separately, on asset-backed securities of your company outstanding.

(5) **Acceleration Event** – The occurrence of any event that has led to, or with the passage of time could lead to, the accelerated payment of principal, interest or capital of asset-backed securities.

(6) **Principal Obligors** – The identity of any principal obligors for the outstanding asset-backed securities of your company, the percentage of the pool of financial assets servicing the asset-backed securities represented by obligations of each principal obligor and whether the principal obligor has filed an AIF in any jurisdiction or a Form 10-K or Form 20-F in the United States.

INSTRUCTIONS

(i) Present the information requested under subsection (2) in a manner that enables a reader to easily determine the status of the events, covenants, standards and preconditions referred to in subsection (1).

(ii) If the information required under subsection (2)

(A) is not compiled specifically on the pool of financial assets servicing the asset-backed securities, but is compiled on a larger pool of the same assets from which the securitized assets are randomly selected so that the performance of the larger pool is representative of the performance of the pool of securitized assets, or

(B) in the case of a new company, where the pool of financial assets servicing the asset-backed securities will be randomly selected from a larger pool of the same assets so that the performance of the larger pool will be representative of the performance of the pool of securitized assets to be created, a company may comply with subsection (2) by providing the information required based on the larger pool and disclosing that it has done so.

5.4 Companies With Mineral Projects

If your company had a mineral project, provide the following information, by summary if applicable, for each project material to your company:

(1) **Current Technical Report** – The title, author(s), and date of the most recent technical report on the property filed in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

(2) **Project Description, Location and Access**

(a) The location of the project and means of access.

(b) The nature and extent of your company's title to or interest in the project, including surface rights, obligations that must be met to retain the project, and the expiration date of claims, licences and other property tenure rights.

(c) The terms of any royalties, overrides, back-in rights, payments or other agreements and encumbrances to which the project is subject.

(d) To the extent known, any significant factors or risks that might affect access or title, or the right or ability to perform work on, the property, including permitting and environmental liabilities to which the project is subject.

(3) **History**

(a) To the extent known, the prior exploration and development of the property, including the type, amount, and results of any exploration work undertaken by previous owners, any significant historical estimates, and any previous production on the property.

(4) **Geological Setting, Mineralization and Deposit Types**

(a) The regional, local, and property geology.

(b) The significant mineralized zones encountered on the property, the surrounding rock types and relevant geological controls, and the length, width, depth and continuity of the mineralization together with a description of the type, character and distribution of the mineralization.

(c) The mineral deposit type or geological model or concepts being applied.

(5) **Exploration** - The nature and extent of all relevant exploration work other than drilling, conducted by or on behalf of your company, including a summary and interpretation of the relevant results.

(6) **Drilling** - The type and extent of drilling and a summary and interpretation of all relevant results.

(7) **Sampling, Analysis and Data Verification** - The sampling and assaying including, without limitation,

(a) sample preparation methods and quality control measures employed before dispatch of samples to an analytical or testing laboratory,

(b) the security measures taken to ensure the validity and integrity of samples taken,

(c) assaying and analytical procedures used and the relationship, if any, of the laboratory to your company, and

(d) quality control measures and data verification procedures, and their results.

(8) **Mineral Processing and Metallurgical Testing** - If mineral processing or metallurgical testing analyses have been carried out, describe the nature and extent of the testing and analytical procedures, and provide a summary of the relevant results and, to the extent known, provide a description of any processing factors or deleterious elements that could have a significant effect on potential economic extraction.

(9) **Mineral Resource and Mineral Reserve Estimates** - The mineral resources and mineral reserves, if any, including, without limitation,

(a) the effective date of the estimates,

(b) the quantity and grade or quality of each category of mineral resources and mineral reserves,

(c) the key assumptions, parameters, and methods used to estimate the mineral resources and mineral reserves, and

(d) the extent to which the estimate of mineral resources and mineral reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political, and other relevant issues.

(10) **Mining Operations** - For advanced properties, the current or proposed mining methods, including a summary of the relevant information used to establish the amenability or potential amenability of the mineral resources or mineral reserves to the proposed mining methods.

(11) **Processing and Recovery Operations** – For advanced properties, a summary of current or proposed processing methods and reasonably available information on test or operating results relating to the recoverability of the valuable component or commodity.

(12) **Infrastructure, Permitting and Compliance Activities** – For advanced properties,

(a) the infrastructure and logistic requirements for the project, and

(b) the reasonably available information on environmental, permitting, and social or community factors related to the project.

(13) **Capital and Operating Costs** – For advanced properties,

(a) a summary of capital and operating cost estimates, with the major components set out in tabular form, and

(b) an economic analysis with forecasts of annual cash flow, net present value, internal rate of return, and payback period, unless exempted under Instruction (1) to Item 22 of Form 43-101F1.

(14) **Exploration, Development, and Production** - A description of your company's current and contemplated exploration, development or production activities.

INSTRUCTIONS

(i) Disclosure regarding mineral exploration, development or production activities on material projects must comply with National Instrument 43-101 Standards of Disclosure for Mineral Projects, including the limitations set out in it. You must use the appropriate terminology to describe mineral reserves and mineral resources. You must base your disclosure on information prepared by, under the supervision of, or approved by, a qualified person.

(ii) You are permitted to satisfy the disclosure requirements in section 5.4 by reproducing the summary from the technical report on the material property and incorporating the detailed disclosure in the technical report into the AIF by reference.

5.5 Companies with Oil and Gas Activities

If your company is engaged in oil and gas activities as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, disclose the following information:

(1) **Reserves Data and Other Information**

(a) In the case of information that, for purposes of Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*, is to be prepared as at the end of a financial year, disclose that information as at your company's most recently completed financial year-end.

(b) In the case of information that, for purposes of Form 51-101F1, is to be prepared for a financial year, disclose that information for your company's most recently completed financial year.

(c) [Repealed]

(2) **Report of Independent Qualified Reserves Evaluator or Auditor** – Include with the disclosure under subsection (1) a report in the form of Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor*, on the reserves data included in the disclosure required under subsection (1).

(3) **Report of Management** – Include with the disclosure under subsection (1) a report in the form of Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* that refers to the information disclosed under subsection (1).

(4) **Material Changes** – To the extent not reflected in the information disclosed in response to subsection (1), disclose the information contemplated by Part 6 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* in respect of material changes that occurred after your company's most recently completed financial year-end.

INSTRUCTION

The information presented in response to section 5.5 must be in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

Item 6 Dividends and Distributions

6.1 Dividends and Distributions

(1) Disclose the amount of cash dividends or distributions declared per security for each class of your company's securities for each of the three most recently completed financial years.

(2) Describe any restriction that could prevent your company from paying dividends or distributions.

(3) Disclose your company's current dividend or distribution policy and any intended change in dividend or distribution policy.

Item 7 Description of Capital Structure

7.1 General Description of Capital Structure

Describe your company's capital structure. State the description or the designation of each class of authorized security, and describe the material characteristics of each class of authorized security, including voting rights, provisions for exchange, conversion, exercise, redemption and retraction, dividend rights and rights upon dissolution or winding-up.

INSTRUCTION

This section requires only a brief summary of the provisions that are material from a securityholder's standpoint. The provisions attaching to different classes of securities do not need to be set out in full. This summary should include the disclosure required in subsection 10.1(1) of National Instrument 51-102.

7.2 Constraints

If there are constraints imposed on the ownership of securities of your company to ensure that your company has a required level of Canadian ownership, describe the mechanism, if any, by which the level of Canadian ownership of the securities is or will be monitored and maintained.

7.3 Ratings

(1) If you have asked for and received a credit rating, or if you are aware that you have received any other kind of rating, including a stability rating or a provisional rating, from one or more credit rating organizations for securities of your company that are outstanding, or will be outstanding, and the rating or ratings continue in effect, disclose

(a) each rating received from a credit rating organization;

(b) for each rating disclosed under paragraph (a), the name of the credit rating organization that has assigned the rating;

(c) a definition or description of the category in which each credit rating organization rated the securities and the relative rank of each rating within the organization's overall classification system;

(d) an explanation of what the rating addresses and what attributes, if any, of the securities are not addressed by the rating;

(e) any factors or considerations identified by the credit rating organization as giving rise to unusual risks associated with the securities;

(f) a statement that a credit rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization; and

(g) any announcement made by, or any proposed announcement known to your company that is to be made by, a credit rating organization to the effect that the organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed under this section.

(2) If payments were, or reasonably will be, made to a credit rating organization that provided a rating described in subsection (1), state that fact and state whether any payments were made to the credit rating organization in respect of any other service provided to your company by the credit rating organization during the last two years.

INSTRUCTIONS

There may be factors relating to a security that are not addressed by a credit rating organization when they give a rating. For example, in the case of cash settled derivative instruments, factors in addition to the creditworthiness of the issuer, such as the continued subsistence of the underlying interest or the volatility of the price, value or level of the underlying interest may be reflected in the rating analysis. Rather than being addressed in the rating itself, these factors may be described by a credit rating organization by way of a superscript or other notation to a rating. Any such attributes must be discussed in the disclosure under this Item.

A provisional rating received before the company's most recently completed financial year is not required to be disclosed under this Item.

Item 8 Market for Securities

8.1 Trading Price and Volume

(1) For each class of securities of your company that is traded or quoted on a Canadian marketplace, identify the marketplace and the price ranges and volume traded or quoted on the Canadian marketplace on which the greatest volume of trading or quotation generally occurs.

(2) If a class of securities of your company is not traded or quoted on a Canadian marketplace, but is traded or quoted on a foreign marketplace, identify the foreign marketplace and the price ranges and volume traded or quoted on the foreign marketplace on which the greatest volume of trading or quotation generally occurs.

(3) Provide the information required under subsections (1) and (2) on a monthly basis for each month or, if applicable, partial months of the most recently completed financial year.

8.2 Prior Sales

For each class of securities of your company that is outstanding but not listed or quoted on a marketplace, state the price at which securities of the class have been issued during the most recently completed financial year by your company, the number of securities of the class issued at that price, and the date on which the securities were issued.

Item 9 Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

9.1 Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

(1) State, in substantially the following tabular form, the number of securities of each class of your company held, to your company's knowledge, in escrow or that are subject to a contractual restriction on transfer and the percentage that number represents of the outstanding securities of that class for your company's most recently completed financial year.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class

(2) In a note to the table disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow or the date the contractual restriction on transfer ends, as applicable.

INSTRUCTIONS

(i) For the purposes of this section, escrow includes securities subject to a pooling agreement.

(ii) For the purposes of this section, securities subject to contractual restrictions on transfer as a result of pledges made to lenders are not required to be disclosed.

Item 10 Directors and Officers

10.1 Name, Occupation and Security Holding

(1) List the name, province or state, and country of residence of each director and executive officer of your company and indicate their respective positions and offices held with your company and their respective principal occupations during the five preceding years.

(2) State the period or periods during which each director has served as a director and when his or her term of office will expire.

(3) State the number and percentage of securities of each class of voting securities of your company or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by all directors and executive officers of your company as a group.

(4) Identify the members of each committee of the board.

(5) If the principal occupation of a director or executive officer of your company is acting as an officer of a person or company other than your company, disclose that fact and state the principal business of the person or company.

INSTRUCTION

For the purposes of subsection (3), securities of subsidiaries of your company that are beneficially owned, or controlled or directed, directly or indirectly, by directors or executive officers through ownership, or control or direction, directly or indirectly, over securities of your company, do not need to be included.

10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

(1) If a director or executive officer of your company is, as at the date of the AIF, or was within 10 years before the date of the AIF, a director, chief executive officer or chief financial officer of any company (including your company), that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,

state the fact and describe the basis on which the order was made and whether the order is still in effect.

(1.1) For the purposes of subsection (1), "order" means

(a) a cease trade order;

(b) an order similar to a cease trade order; or

(c) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days.

(1.2) If a director or executive officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company

(a) is, as at the date of the AIF, or has been within the 10 years before the date of the AIF, a director or executive officer of any company (including your company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

(b) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, state the fact.

(2) Describe the penalties or sanctions imposed and the grounds on which they were imposed, or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or executive officer of your company, or a shareholder holding a sufficient number of securities of your company to affect materially the control of your company, has been subject to

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

(3) Despite subsection (2), no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable investor in making an investment decision.

INSTRUCTIONS

(i) The disclosure required by subsections (1), (1.2) and (2) also applies to any personal holding companies of any of the persons referred to in subsections (1), (1.2) and (2).

(ii) A management cease trade order which applies to directors or executive officers of a company is an "order" for the purposes of paragraph 10.2(1)(a) and must be disclosed, whether or not the director, chief executive officer or chief financial officer was named in the order.

(iii) A late filing fee, such as a filing fee that applies to the late filing of an insider report, is not a "penalty or sanction" for the purposes of section 10.2.

(iv) The disclosure in paragraph 10.2(1)(a) only applies if the director or executive officer was a director, chief executive officer or chief financial officer when the order was issued against the company. You do not have to provide disclosure if the director or executive officer became a director, chief executive officer or chief financial officer after the order was issued.

10.3 Conflicts of Interest

Disclose particulars of existing or potential material conflicts of interest between your company or a subsidiary of your company and any director or officer of your company or of a subsidiary of your company.

Item 11 Promoters

11.1 Promoters

For a person or company that has been, within the two most recently completed financial years or during the current financial year, a promoter of your company or of a subsidiary of your company, state

(a) the person or company's name;

(b) the number and percentage of each class of voting securities and equity securities of your company or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly;

(c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from your company or from a subsidiary of your company, and the nature and amount of any assets, services or other consideration received or to be received by your company or a subsidiary of your company in return; and

(d) for an asset acquired within the two most recently completed financial years or during the current financial year, or an asset to be acquired, by your company or by a subsidiary of your company from a promoter

(i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined;

(ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with your company, the promoter, or an associate or affiliate of your company or of the promoter; and

(iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.

Item 12 Legal Proceedings and Regulatory Actions

12.1 Legal Proceedings

(1) Describe any legal proceedings your company is or was a party to, or that any of its property is or was the subject of, during your company's financial year.

(2) Describe any such legal proceedings your company knows to be contemplated.

(3) For each proceeding described in subsections (1) and (2), include the name of the court or agency, the date instituted, the principal parties to the proceeding, the nature of the claim, the amount claimed, if any, whether the proceeding is being contested, and the present status of the proceeding.

INSTRUCTION

You do not need to give information with respect to any proceeding that involves a claim for damages if the amount involved, exclusive of interest and costs, does not exceed ten per cent of the current assets of your company. However, if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, you must include the amount involved in the other proceedings in computing the percentage.

12.2 Regulatory Actions

Describe any

(a) penalties or sanctions imposed against your company by a court relating to securities legislation or by a securities regulatory authority during your financial year,

(b) any other penalties or sanctions imposed by a court or regulatory body against your company that would likely be considered important to a reasonable investor in making an investment decision, and

(c) settlement agreements your company entered into before a court relating to securities legislation or with a securities regulatory authority during your financial year.

Item 13 Interest of Management and Others in Material Transactions

13.1 Interest of Management and Others in Material Transactions

Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect your company:

(a) a director or executive officer of your company;

(b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of your outstanding voting securities; and

(c) an associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b).

INSTRUCTIONS

(i) The materiality of the interest is to be determined on the basis of the significance of the information to investors in light of all the circumstances of the particular case. The importance of the interest to the person having the interest, the relationship of the parties to the transaction with each other and the amount involved are among the factors to be considered in determining the significance of the information to securityholders.

(ii) This Item does not apply to any interest arising from the ownership of securities of your company if the securityholder receives no extra or special benefit or advantage not shared on an equal basis by all other holders of the same class of securities or all other holders of the same class of securities who are resident in Canada.

(iii) Give a brief description of the material transactions. Include the name of each person or company whose interest in any transaction is described and the nature of the relationship to your company.

(iv) For any transaction involving the purchase of assets by or sale of assets to your company or a subsidiary of your company, state the cost of the assets to the purchaser, and the cost of the assets to the seller if acquired by the seller within three years before the transaction.

(v) You do not need to give information under this Item for a transaction if

(A) the rates or charges involved in the transaction are fixed by law or determined by competitive bids,

(B) the interest of a specified person or company in the transaction is solely that of a director of another company that is a party to the transaction,

(C) the transaction involves services as a bank or other depository of funds, a transfer agent, registrar, trustee under a trust indenture or other similar services, or

(D) the transaction does not involve remuneration for services and the interest of the specified person or company arose from the beneficial ownership, direct or indirect, of less than ten per cent of any class of equity securities of another company that is party to the transaction and the transaction is in the ordinary course of business of your company or your company's subsidiaries.

(vi) Describe all transactions not excluded above that involve remuneration (including an issuance of securities), directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person or company arises solely from the beneficial ownership, direct or indirect, of less than ten per cent of any class of equity securities of another company furnishing the services to your company or your company's subsidiaries.

Item 14 Transfer Agents and Registrars

14.1 Transfer Agents and Registrars

State the name of your company's transfer agent(s) and registrar(s) and the location (by municipalities) of the register(s) of transfers of each class of securities.

Item 15 Material Contracts

15.1 Material Contracts

Give particulars of any material contract

(a) required to be filed under section 12.2 of the Instrument at the time this AIF is filed, as required under section 12.3 of the Instrument, or

(b) that would be required to be filed under section 12.2 of the Instrument at the time this AIF is filed, as required under section 12.3 of the Instrument, but for the fact that it was previously filed.

INSTRUCTIONS

(i) You must give particulars of any material contract that was entered into within the last financial year or before the last financial year but is still in effect, and that is required to be filed under section 12.2 of the Instrument or would be required to be filed under section 12.2 of the Instrument but for the fact that it was previously filed. You do not need to give particulars of a material contract that was entered into before January 1, 2002 because these material contracts are not required to be filed under section 12.2 of the Instrument.

(ii) Set out a complete list of all contracts for which particulars must be given under this section, indicating those that are disclosed elsewhere in the AIF. Particulars need only be provided for those contracts that do not have the particulars given elsewhere in the AIF.

(iii) Particulars of contracts must include the dates of, parties to, consideration provided for in, and general nature and key terms of, the contracts.

Item 16 Interests of Experts

16.1 Names of Experts

Name each person or company

(a) who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by your company during, or relating to, your company's most recently completed financial year; and

(b) whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company.

16.2 Interests of Experts

(1) Disclose all registered or beneficial interests, direct or indirect, in any securities or other property of your company or of one of your associates or affiliates

(a) held by an expert named in section 16.1 and, if the expert is not an individual, by the designated professionals of that expert, when that expert prepared the report, valuation, statement or opinion referred to in paragraph 16.1(a);

(b) received by an expert named in section 16.1 and, if the expert is not an individual, by the designated professionals of that expert, after the time specified in paragraph 16.2(1)(a); or

(c) to be received by an expert named in section 16.1 and, if the expert is not an individual, by the designated professionals of that expert.

(1.1) For the purposes of subsection (1), a "designated professional" means, in relation to an expert named in section 16.1,

(a) each partner, employee or consultant of the expert who participated in and who was in a position to directly influence the preparation of the report, valuation, statement or opinion referred to in paragraph 16.1(a); and

(b) each partner, employee or consultant of the expert who was, at any time during the preparation of the report, valuation, statement or opinion referred to in paragraph 16.1(a), in a position to directly

influence the outcome of the preparation of the report, valuation, statement or opinion, including, without limitation

(i) any person who recommends the compensation of, or who provides direct supervisory, management or other oversight of, the partner, employee or consultant in the performance of the preparation of the report, valuation, statement or opinion referred to in paragraph 16.1(a), including those at all successively senior levels through to the expert's chief executive officer;

(ii) any person who provides consultation regarding technical or industry-specific issues, transactions or events for the preparation of the report, valuation, statement or opinion referred to in paragraph 16.1(a); and

(iii) any person who provides quality control for the preparation of the report, valuation, statement or opinion referred to in paragraph 16.1(a).

(2) For the purposes of subsection (1), if the person's or company's interest in the securities represents less than one per cent of your outstanding securities of the same class, a general statement to that effect is sufficient.

(2.1) Despite subsection (1), an auditor who is independent in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada or who has performed an audit in accordance with U.S. PCAOB GAAS or U.S. AICPA GAAS is not required to provide the disclosure in subsection (1) if there is disclosure that the auditor is independent in accordance with the auditor's rules of professional conduct in a jurisdiction of Canada or that the auditor has complied with the SEC's rules on auditor independence.

(3) If a person or a director, officer or employee of a person or company referred to in subsection (1) is or is expected to be elected, appointed or employed as a director, officer or employee of your company or of any associate or affiliate of your company, disclose the fact or expectation.

INSTRUCTIONS

(i) [Repealed]

(ii) Section 16.2 does not apply to

(A) auditors of a business acquired by your company provided they have not been or will not be appointed as your company's auditor subsequent to the acquisition, and

(B) your company's predecessor auditors, if any, for periods when they were not your company's auditor.

(iii) Section 16.2 does not apply to registered or beneficial interests, direct or indirect, held through mutual funds.

Item 17 Additional Information

17.1 Additional Information

(1) Disclose that additional information relating to your company may be found on SEDAR at www.sedar.com.

(2) If your company is required to distribute a Form 51-102F5 to any of its securityholders, include a statement that additional information, including directors' and officers' remuneration and indebtedness, principal holders of your company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in your company's information circular for its most recent annual meeting of securityholders that involved the election of directors.

(3) Include a statement that additional financial information is provided in your company's financial statements and MD&A for its most recently completed financial year.

INSTRUCTION

Your company may also be required to provide additional information in its AIF as set out in Form 52-110F1 Audit Committee Information Required in an AIF.

Item 18 Additional Disclosure for Companies Not Sending Information Circulars

18.1 Additional Disclosure

For companies that are not required to send a Form 51-102F5 to any of their securityholders, disclose the information required under Items 6 to 10, 12 and 13 of Form 51-102F5, as modified below, if applicable:

Form 51-102F5 Reference	Modification
Item 6 - Voting Securities and Principal Holders of Voting Securities	Include the disclosure specified in section 6.1 without regard to the phrase "entitled to be voted at the meeting". Do not include the disclosure specified in sections 6.2, 6.3 and 6.4. Include the disclosure specified in section 6.5.

Item 7 – Election of Directors	Disregard the preamble of section 7.1. Include the disclosure specified in section 7.1 without regard to the word "proposed" throughout. Do not include the disclosure specified in section 7.3.
Item 8 – Executive Compensation	Disregard the preamble and paragraphs (a), (b) and (c) of Item 8. A company that does not send a management information circular to its securityholders must provide the disclosure required by Form 51-102F6.
Item 9 – Securities Authorized for Issuance under Equity Compensation Plans	Disregard subsection 9.1(1).
Item 10 – Indebtedness of Directors and Executive Officers	Include the disclosure specified throughout; however, replace the phrase "date of the information circular" with "date of the AIF" throughout. Disregard paragraph 10.3(a).
Item 12 – Appointment of Auditor	Name the auditor. If the auditor was first appointed within the last five years, state the date when the auditor was first appointed."

Form 51-102F3
Material Change Report

PART 1 GENERAL PROVISIONS

(a) Confidentiality

If this Report is filed on a confidential basis, state in block capitals "CONFIDENTIAL" at the beginning of the Report.

(b) Use of "Company"

Wherever this Form uses the word "company" the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Numbering and Headings

The numbering, headings and ordering of the items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(d) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of a local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP.

(e) Plain Language

Write the Report so that readers are able to understand it. Consider both the level of detail provided and the language used in the document. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP. If you use technical terms, explain them in a clear and concise manner.

PART 2 CONTENT OF MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

State the full name of your company and the address of its principal office in Canada.

Item 2 Date of Material Change

State the date of the material change.

Item 3 News Release

State the date and method(s) of dissemination of the news release issued under section 7.1 of National Instrument 51–102.

Item 4 Summary of Material Change

Provide a brief but accurate summary of the nature and substance of the material change.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

Supplement the summary required under Item 4 with sufficient disclosure to enable a reader to appreciate the significance and impact of the material change without having to refer to other material. Management is in the best position to determine what facts are significant and must disclose those facts in a meaningful manner. See also Item 7.

Some examples of significant facts relating to the material change include: dates, parties, terms and conditions, description of any assets, liabilities or capital affected, purpose, financial or dollar values, reasons for the change, and a general comment on the probable impact on the issuer or its subsidiaries. Specific financial forecasts would not normally be required.

Other additional disclosure may be appropriate depending on the particular situation.

5.2 Disclosure for Restructuring Transactions

This item applies to a material change report filed in respect of the closing of a restructuring transaction under which securities are to be changed, exchanged, issued or distributed. This item does not apply if, in respect of the transaction, your company sent an information circular to its securityholders or filed a prospectus or a securities exchange takeover bid circular.

Include the disclosure for each entity that resulted from the restructuring transaction, if your company has an interest in that entity, required by section 14.2 of Form 51-102F5. You may satisfy the requirement to include this disclosure by incorporating the information by reference to another document.

INSTRUCTIONS

(i) If your company is engaged in oil and gas activities, the disclosure under Item 5 must also satisfy the requirements of Part 6 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

(ii) If you incorporate information by reference to another document, clearly identify the referenced document or any excerpt from it. Unless you have already filed the referenced

document or excerpt, you must file it with the material change report. You must also disclose that the document is on SEDAR at www.sedar.com.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

If this Report is being filed on a confidential basis in reliance on subsection 7.1(2) of National Instrument 51-102, state the reasons for such reliance.

INSTRUCTION

Refer to subsections 7.1 (5), (6) and (7) of National Instrument 51-102 concerning continuing obligations in respect of reports filed under subsection 7.1(2) of National Instrument 51-102.

Item 7 Omitted Information

State whether any information has been omitted on the basis that it is confidential information.

In a separate letter to the applicable regulator or securities regulatory authority marked "Confidential" provide the reasons for your company's omission of confidential significant facts in the Report in sufficient detail to permit the applicable regulator or securities regulatory authority to determine whether to exercise its discretion to allow the omission of these significant facts.

INSTRUCTIONS

In certain circumstances where a material change has occurred and a Report has been or is about to be filed but subsection 7.1(2) or (5) of National Instrument 51-102 is not or will no longer be relied upon, your company may nevertheless believe one or more significant facts otherwise required to be disclosed in the Report should remain confidential and not be disclosed or not be disclosed in full detail in the Report.

Item 8 Executive Officer

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the material change and the Report, or the name of an officer through whom such executive officer may be contacted.

Item 9 Date of Report

Date the Report.

[Amended July 4, 2008]

This is an unofficial consolidation of Form 51-102F4 *Business Acquisition Report* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning ***on or after*** January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 51-102F4
Business Acquisition Report

PART 1 GENERAL PROVISIONS

(a) What is a Business Acquisition Report?

Your company must file a Business Acquisition Report after completing a significant acquisition. See Part 8 of National Instrument 51-102. The Business Acquisition Report describes the significant businesses acquired by your company and the effect of the acquisition on your company.

(b) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Focus on Relevant Information

When providing the disclosure required by this Form, focus your discussion on information that is relevant to an investor, analyst or other reader.

(d) Incorporating Material By Reference

You may incorporate information required by this Form by reference to another document. Clearly identify the referenced document, or any excerpt of it, that you incorporate into this Report. Unless you have already filed the referenced document or excerpt, including any documents incorporated by reference into the document or excerpt, you must file it with this Report. You must also disclose that the document is on SEDAR at www.sedar.com.

(e) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of a local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP for further guidance.

This Form also uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises. For further guidance, see subsections 1.4(7) and (8) of Companion Policy 51-102CP.

(f) Plain Language

Write this Report so that readers are able to understand it. Consider both the level of detail provided and the language used in the document. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP for further guidance. If you use technical terms, explain them in a clear and concise manner.

(g) Numbering and Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere in the Report.

PART 2 CONTENT OF BUSINESS ACQUISITION REPORT

Item 1 Identity of Company

1.1 Name and Address of Company

State the full name of your company and the address of its principal office in Canada.

1.2 Executive Officer

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the significant acquisition and the Report, or the name of an officer through whom such executive officer may be contacted.

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

Describe the nature of the business acquired.

2.2 Acquisition Date

State the acquisition date used for accounting purposes.

2.3 Consideration

Disclose the type and amount of consideration, both monetary and non-monetary, paid or payable by your company in connection with the significant acquisition, including contingent consideration. Identify the source of funds used by your company for the acquisition, including a description of any financing associated with the acquisition.

2.4 Effect on Financial Position

Describe any plans or proposals for material changes in your business affairs or the affairs of the acquired business which may have a significant effect on the financial performance and financial position of your company. Examples include any proposal to liquidate the business, to sell, lease or exchange all or a substantial part of its assets, to amalgamate the business with any other business organization or to make any material changes to your business or the business acquired such as changes in corporate structure, management or personnel.

2.5 Prior Valuations

Describe in sufficient detail any valuation opinion obtained within the last 12 months by the acquired business or your company required by securities legislation or a Canadian exchange or market to support the consideration paid by your company or any of its subsidiaries for the business, including the name of the author, the date of the opinion, the business to which the opinion relates, the value attributed to the business and the valuation methodologies used.

2.6 Parties to Transaction

State whether the transaction is with an informed person, associate or affiliate of your company and, if so, the identity and the relationship of the other parties to your company.

2.7 Date of Report

Date the Report.

Item 3 Financial Statements and Other Information

Include the financial statements or other information required by Part 8 of National Instrument 51-102. If applicable, disclose that the auditors have not given their consent to include their audit report in this Report.

[Amended January 1, 2011]

Form 51-102F5
Information Circular

Table of Contents

Form 51-102F5
Information Circular

PART 1 GENERAL PROVISIONS

(a) Timing of Information

The information required by this Form 51-102F5 must be given as of a specified date not more than thirty days prior to the date you first send the information circular to any securityholder of the company.

(b) Use of "Company"

Wherever this Form uses the word "company", the term includes other types of business organizations such as partnerships, trusts and other unincorporated business entities.

(c) Incorporating Information by Reference

You may incorporate information required to be included in your information circular by reference to another document. Clearly identify the referenced document or any excerpt of it that you incorporate into your information circular. Unless you have already filed the referenced document or excerpt, including any documents incorporated by reference into the document or excerpt, you must file it with your information circular. You must also disclose that the document is on SEDAR at www.sedar.com and that, upon request, you will promptly provide a copy of any such document free of charge to a securityholder of the company. However, you may not incorporate information required to be included in Form 51-102F6 *Statement of Executive Compensation* or Form 51-102F6V *Statement of Executive Compensation – Venture Issuers* by reference into your information circular.

(d) Defined Terms

If a term is used but not defined in this Form, refer to Part 1 of National Instrument 51-102 and to National Instrument 14-101 *Definitions*. If a term is used in this Form and is defined in both the securities statute of the local jurisdiction and in National Instrument 51-102, refer to section 1.4 of Companion Policy 51-102CP for further guidance.

This Form also uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises. For further guidance, see subsections 1.4(7) and (8) of Companion Policy 51-102CP.

(e) Plain Language

Write this document so that readers are able to understand it. Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP for further guidance. If you use technical terms, explain them in a clear and concise manner.

(f) Numbering and Headings

The numbering, headings and ordering of items included in this Form are guidelines only. You do not need to include the headings or numbering or follow the order of items in this Form. Disclosure provided in response to any item need not be repeated elsewhere.

(g) Tables and Figures

Where it is practicable and appropriate, present information in tabular form. State all amounts in figures.

(h) Omitting Information

You do not need to respond to any item in this Form that is inapplicable. You may also omit information that is not known to the person or company on whose behalf the solicitation is made and that is not reasonably within the power of the person or company to obtain, if you briefly state the circumstances that render the information unavailable.

You may omit information that was contained in another information circular, notice of meeting or form of proxy sent to the same persons or companies whose proxies were solicited in connection with the same meeting, as long as you clearly identify the particular document containing the information.

PART 2 CONTENT

Item 1 Date

Specify the date of the information circular.

Item 2 Revocability of Proxy

State whether the person or company giving the proxy has the power to revoke it. If any right of revocation is limited or is subject to compliance with any formal procedure, briefly describe the limitation or procedure.

Item 3 Persons Making the Solicitation

3.1 If a solicitation is made by or on behalf of management of the company, state this. Name any director of the company who has informed management in writing that he or she intends to oppose any action intended to be taken by management at the meeting and indicate the action that he or she intends to oppose.

3.2 If a solicitation is made other than by or on behalf of management of the company, state this and give the name of the person or company by whom, or on whose behalf, it is made.

3.3 If the solicitation is to be made other than by mail, describe the method to be employed. If the solicitation is to be made by specially engaged employees or soliciting agents, state,

(a) the parties to and material features of any contract or arrangement for the solicitation; and

(b) the cost or anticipated cost thereof.

3.4 State who has borne or will bear, directly or indirectly, the cost of soliciting.

Item 4 Proxy Instructions

4.1 The information circular or the form of proxy to which the information circular relates must indicate in bold-face type that the securityholder has the right to appoint a person or company to represent the securityholder at the meeting other than the person or company, if any, designated in the form of proxy and must contain instructions as to the manner in which the securityholder may exercise the right.

4.2 The information circular or the form of proxy to which the information circular relates must state that the securities represented by the proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for and that, if the securityholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly.

4.3 The information circular must include the following, if applicable:

(a) a statement that the reporting issuer is sending proxy-related materials to registered holders or beneficial owners using notice-and-access and, if stratification will be used, a description of the types of registered holders or beneficial owners who will receive paper copies of the

information circular and, if applicable, the documents in paragraph 9.1.1(2)(b);

(b) a statement that the reporting issuer is sending proxy-related materials directly to non-objecting beneficial owners under NI 54-101;

(c) a statement that management of the reporting issuer does not intend to pay for intermediaries to forward to objecting beneficial owners under NI 54-101 the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary*, and that in the case of an objecting beneficial owner, the objecting beneficial owner will not receive the materials unless the objecting beneficial owner's intermediary assumes the cost of delivery.

Item 5 Interest of Certain Persons or Companies in Matters to be Acted Upon

Briefly describe any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of each of the following persons or companies in any matter to be acted upon other than the election of directors or the appointment of auditors:

(a) if the solicitation is made by or on behalf of management of the company, each person who has been a director or executive officer of the company at any time since the beginning of the company's last financial year;

(b) if the solicitation is made other than by or on behalf of management of the company, each person or company by whom, or on whose behalf, directly or indirectly, the solicitation is made;

(c) each proposed nominee for election as a director of the company; and

(d) each associate or affiliate of any of the persons or companies listed in paragraphs (a) to (c).

INSTRUCTIONS

(i) The following persons and companies are deemed to be persons or companies by whom or on whose behalf the solicitation is made (collectively, "solicitors" or individually a "solicitor"):

(A) any member of a committee or group that solicits proxies, and any person or company whether or not named as a member who, acting alone or with one or more other persons or companies, directly or indirectly takes the initiative or engages in organizing, directing or financing any such committee or group;

(B) any person or company who contributes, or joins with another to contribute, more than $250 to finance the solicitation of proxies; or

(C) any person or company who lends money, provides credit, or enters into any other arrangements, under any contract or understanding with a solicitor, for the purpose of financing or otherwise inducing the purchase, sale, holding or voting of securities of the company but not including a bank or other lending institution or a dealer that, in the ordinary course of business, lends money or executes orders for the purchase or sale of securities.

(ii) Subject to paragraph (i), the following persons and companies are deemed not to be solicitors:

(A) any person or company retained or employed by a solicitor to solicit proxies or any person or company who merely transmits proxy-soliciting material or performs ministerial or clerical duties;

(B) any person or company employed or retained by a solicitor in the capacity of lawyer, accountant, or advertising, public relations, investor relations or financial advisor and whose activities are limited to the performance of their duties in the course of the employment or retainer;

(C) any person regularly employed as an officer or employee of the company or any of its affiliates; or

(D) any officer or director of, or any person regularly employed by, any solicitor.

Item 6 Voting Securities and Principal Holders of Voting Securities

6.1 For each class of voting securities of the company entitled to be voted at the meeting, state the number of securities outstanding and the particulars of voting rights for each class.

6.2 For each class of restricted securities, provide the information required in subsection 10.1(1) of National Instrument 51-102.

6.3 Give the record date as of which the securityholders entitled to vote at the meeting will be determined or particulars as to the closing of the security transfer register, as the case may be, and, if the right to vote is not limited to securityholders of record as of the specified record date, indicate the conditions under which securityholders are entitled to vote.

6.4 If action is to be taken with respect to the election of directors and if the securityholders or any class of securityholders have the right to elect a specified number of directors or have cumulative or similar voting rights, include a statement of such rights and state briefly the conditions precedent, if any, to the exercise thereof.

6.5 If, to the knowledge of the company's directors or executive officers, any person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10 per cent or more of the voting rights attached to any class of voting securities of the company, name each person or company and state

(a) the approximate number of securities beneficially owned, or controlled or directed, directly or indirectly, by each such person or company; and

(b) the percentage of the class of outstanding voting securities of the company represented by the number of voting securities so owned, controlled or directed, directly or indirectly.

Item 7 Election of Directors

7.1 If directors are to be elected, provide the following information, in tabular form to the extent practicable, for each person proposed to be nominated for election as a director (a "proposed director") and each other person whose term of office as a director will continue after the meeting:

(a) State the name, province or state, and country of residence, of each director and proposed director.

(b) State the period or periods during which each director has served as a director and when the term of office for each director and proposed director will expire.

(c) Identify the members of each committee of the board.

(d) State the present principal occupation, business or employment of each director and proposed director. Give the name and principal business of any company in which any such employment is carried on. Furnish similar information as to all of the principal occupations, businesses or employments of each proposed director within the five preceding years, unless the proposed director is now a director and was elected to the present term of office by a vote of securityholders at a meeting, the notice of which was accompanied by an information circular.

(e) if a director or proposed director has held more than one position in the company, or a parent or subsidiary, state only the first and last position held.

(f) State the number of securities of each class of voting securities of the company or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by each proposed director.

(g) If securities carrying 10 per cent or more of the voting rights attached to all voting securities of the company or of any of its subsidiaries are beneficially owned, or controlled or directed, directly or indirectly, by any proposed director and the proposed director's associates or affiliates,

(i) state the number of securities of each class of voting securities beneficially owned, or controlled or directed, directly or indirectly, by the associates or affiliates; and

(ii) name each associate or affiliate whose security holdings are 10 per cent or more.

7.2 If a proposed director

(a) is, as at the date of the information circular, or has been, within 10 years before the date of the information circular, a director, chief executive officer or chief financial officer of any company (including the company in respect of which the information circular is being prepared) that,

(i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

(ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,

state the fact and describe the basis on which the order was made and whether the order is still in effect; or

(b) is, as at the date of the information circular, or has been within 10 years before the date of the information circular, a director or executive officer of any company (including the company in respect of which the information circular is being prepared) that, while that

person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

(c) has, within the 10 years before the date of the information circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director, state the fact.

7.2.1 Describe the penalties or sanctions imposed and the grounds on which they were imposed, or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a proposed director has been subject to

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

7.2.2 Despite section 7.2.1, no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable securityholder in deciding whether to vote for a proposed director.

INSTRUCTIONS

(i) The disclosure required by sections 7.2 and 7.2.1 also applies to any personal holding companies of the proposed director.

(ii) A management cease trade order which applies to directors or executive officers of a company is an "order" for the purposes of paragraph 7.2(a)(i) and must be disclosed, whether or not the proposed director was named in the order.

(iii) A late filing fee, such as a filing fee that applies to the late filing of an insider report, is not a "penalty or sanction" for the purposes of section 7.2.1.

(iv) The disclosure in paragraph 7.2(a)(i) only applies if the proposed director was a director, chief executive officer or chief financial officer when the order was

issued against the company. You do not have to provide disclosure if the proposed director became a director, chief executive officer or chief financial officer after the order was issued.

7.2.3 For the purposes of subsection 7.2(a), "order" means

(a) a cease trade order;

(b) an order similar to a cease trade order; or

(c) an order that denied the relevant company access to any exemption under securities legislation,

that was in effect for a period of more than 30 consecutive days.

7.3 If any proposed director is to be elected under any arrangement or understanding between the proposed director and any other person or company, except the directors and executive officers of the company acting solely in such capacity, name the other person or company and describe briefly the arrangement or understanding.

Item 8 Executive Compensation

If you are sending this information circular in connection with a meeting

(a) that is an annual general meeting,

(b) at which the company's directors are to be elected, or

(c) at which the company's securityholders will be asked to vote on a matter relating to executive compensation,

include a completed Form 51-102F6 *Statement of Executive Compensation* or, in the case of a venture issuer, a completed Form 51-102F6 *Statement of Executive Compensation* or a completed Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*.

Item 9 Securities Authorized for Issuance Under Equity Compensation Plans

9.1 Equity Compensation Plan Information

(1) Provide the information in subsection (2) if you are sending this information circular in connection with a meeting

(a) that is an annual general meeting,

(b) at which the company's directors are to be elected, or

(c) at which the company's securityholders will be asked to vote on a matter relating to executive compensation or a transaction that involves the company issuing securities.

(2) In the tabular form under the caption set out, provide the information specified in section 9.2 as of the end of the company's most recently completed financial year with respect to compensation plans under which equity securities of the company are authorized for issuance, aggregated as follows:

(a) all compensation plans previously approved by securityholders; and

(b) all compensation plans not previously approved by securityholders.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders			
Equity compensation plans not approved by securityholders			
Total			

9.2 Include in the table the following information as of the end of the company's most recently completed financial year for each category of compensation plan described in section 9.1:

(a) the number of securities to be issued upon the exercise of outstanding options, warrants and rights (column (a));

(b) the weighted-average exercise price of the outstanding options, warrants and rights disclosed under subsection 9.2(a) (column (b)); and

(c) other than securities to be issued upon the exercise of the outstanding options, warrants and rights disclosed in subsection 9.2(a), the number

of securities remaining available for future issuance under the plan (column (c)).

9.3 For each compensation plan under which equity securities of the company are authorized for issuance and that was adopted without the approval of securityholders, describe briefly, in narrative form, the material features of the plan.

INSTRUCTIONS

(i) The disclosure under Item 9 relating to compensation plans must include individual compensation arrangements.

(ii) Provide disclosure with respect to any compensation plan of the company (or parent, subsidiary or affiliate of the company) under which equity securities of the company are authorized for issuance to employees or non-employees (such as directors, consultants, advisors, vendors, customers, suppliers or lenders) in exchange for consideration in the form of goods or services. You do not have to provide disclosure regarding any plan, contract or arrangement for the issuance of warrants or rights to all securityholders of the company on a pro rata basis (such as a rights offering).

(iii) If more than one class of equity security is issued under the company's compensation plans, disclose aggregate plan information for each class of security separately.

(iv) You may aggregate information regarding individual compensation arrangements with the plan information required under subsections 9.1(a) and (b), as applicable.

(v) You may aggregate information regarding a compensation plan assumed in connection with a merger, consolidation or other acquisition transaction pursuant to which the company may make subsequent grants or awards of its equity securities with the plan information required under subsections 9.1(a) and (b), as applicable. Disclose on an aggregated basis in a footnote to the table the information required under subsections 9.2(a) and (b) with respect to any individual options, warrants or rights outstanding under the compensation plan assumed in connection with a merger, consolidation or other acquisition transaction.

(vi) To the extent that the number of securities remaining available for future issuance disclosed in column (c) includes securities available for future issuance under any compensation plan other than upon the exercise of an option, warrant or right, disclose the number of securities and type of plan separately for each such plan in a footnote to the table.

(vii) *If the description of a compensation plan set forth in the company's financial statements contains the disclosure required by section 9.3, a cross-reference to the description satisfies the requirements of section 9.3.*

(viii) *an equity compensation plan contains a formula for calculating the number of securities available for issuance under the plan, including, without limitation, a formula that automatically increases the number of securities available for issuance by a percentage of the number of outstanding securities of the company, describe this formula in a footnote to the table.*

Item 10 Indebtedness of Directors and Executive Officers

10.1 Aggregate Indebtedness

AGGREGATE INDEBTEDNESS ($)		
Purpose	To the Company or its Subsidiaries	To Another Entity
(a)	(b)	(c)
Share purchases		
Other		

(1) Complete the above table for the aggregate indebtedness outstanding as at a date within thirty days before the date of the information circular entered into in connection with:

(a) a purchase of securities; and

(b) all other indebtedness.

(2) Report separately the indebtedness to

(a) the company or any of its subsidiaries (column (b)); and

(b) another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the company or any of its subsidiaries (column (c)),

of all executive officers, directors, employees and former executive officers, directors and employees of the company or any of its subsidiaries.

(3) "Support agreement" includes, but is not limited to, an agreement to provide assistance in the maintenance or servicing of any indebtedness and an agreement to provide compensation for the purpose of maintaining or servicing any indebtedness of the borrower.

10.2 Indebtedness of Directors and Executive Officers under (1) Securities Purchase and (2) Other Programs

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS						
Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During [Most Recently Completed Financial Year] ($)	Amount Outstanding as at [Date within 30 days] ($)	Financially Assisted Securities Purchases During [Most Recently Completed Financial Year] (#)	Security for Indebtedness	Amount Forgiven During [Most Recently Completed Financial Year] ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Securities Purchase Programs						
Other Programs						

(1) Complete the above table for each individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the company, each proposed nominee for election as a director of the company, and each associate of any such director, executive officer or proposed nominee,

(a) who is, or at any time since the beginning of the most recently completed financial year of the company has been, indebted to the company or any of its subsidiaries, or

(b) whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the company or any of its subsidiaries,

and separately disclose the indebtedness for security purchase programs and all other programs.

(2) Note the following:

Column (a) – disclose the name and principal position of the borrower. If the borrower was, during the most recently completed financial year, but no

longer is a director or executive officer, state that fact. If the borrower is a proposed nominee for election as a director, state that fact. If the borrower is included as an associate, describe briefly the relationship of the borrower to an individual who is or, during the financial year, was a director or executive officer or who is a proposed nominee for election as a director, name that individual and provide the information required by this subparagraph for that individual.

Column (b) – disclose whether the company or a subsidiary of the company is the lender or the provider of a guarantee, support agreement, letter of credit or similar arrangement or understanding.

Column (c) – disclose the largest aggregate amount of the indebtedness outstanding at any time during the most recently completed financial year.

Column (d) – disclose the aggregate amount of indebtedness outstanding as at a date within thirty days before the date of the information circular.

Column (e) – disclose separately for each class or series of securities, the sum of the number of securities purchased during the most recently completed financial year with the financial assistance (security purchase programs only).

Column (f) – disclose the security for the indebtedness, if any, provided to the company, any of its subsidiaries or the other entity (security purchase programs only).

Column (g) – disclose the total amount of indebtedness that was forgiven at any time during the most recently completed financial year.

(3) Supplement the above table with a summary discussion of

(a) the material terms of each incidence of indebtedness and, if applicable, of each guarantee, support agreement, letter of credit or other similar arrangement or understanding, including

(i) the nature of the transaction in which the indebtedness was incurred;

(ii) the rate of interest;

(iii) the term to maturity;

(iv) any understanding, agreement or intention to limit recourse; and

(v) any security for the indebtedness;

(b) any material adjustment or amendment made during the most recently completed financial year to the terms of the indebtedness and, if applicable, the guarantee, support agreement, letter of credit or similar arrangement or understanding. Forgiveness of indebtedness reported in column (g) of the above table should be explained; and

(c) the class or series of the securities purchased with financial assistance or held as security for the indebtedness and, if the class or series of securities is not publicly traded, all material terms of the securities, including the provisions for exchange, conversion, exercise, redemption, retraction and dividends.

10.3 You do not need to disclose information required by this Item

(a) if you are not sending this information circular in connection with a meeting

(i) that is an annual general meeting,

(ii) at which the company's directors are to be elected, or

(iii) at which the company's securityholders will be asked to vote on a matter relating to executive compensation,

(b) for any indebtedness that has been entirely repaid on or before the date of the information circular, or

(c) for routine indebtedness.

"Routine indebtedness" means indebtedness described in any of the following clauses:

(i) If the company or its subsidiary makes loans to employees generally,

(A) the loans are made on terms no more favourable than the terms on which loans are made by the company or its subsidiary to employees generally, and

(B) the amount, at any time during the last completed financial year, remaining unpaid under the loans to the director, executive officer or proposed nominee, together with his or her associates, does not exceed $50,000.

(ii) A loan to a person or company who is a full-time employee of the company,

(A) that is fully secured against the residence of the borrower, and

(B) the amount of which in total does not exceed the annual salary of the borrower.

(iii) If the company or its subsidiary makes loans in the ordinary course of business, a loan made to a person or company other than a full-time employee of the company

(A) on substantially the same terms, including those as to interest rate and security, as are available when a loan is made to other customers of the company or its subsidiary with comparable credit, and

(B) with no more than the usual risks of collectibility.

(iv) A loan arising by reason of purchases made on usual trade terms or of ordinary travel or expense advances, or for similar reasons, if the repayment arrangements are in accord with usual commercial practice.

Item 11 Interest of Informed Persons in Material Transactions

Describe briefly and, where practicable, state the approximate amount of any material interest, direct or indirect, of any informed person of the company, any proposed director of the company, or any associate or affiliate of any informed person or proposed director, in any transaction since the commencement of the company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the company or any of its subsidiaries.

INSTRUCTIONS:

(i) Briefly describe the material transaction. State the name and address of each person or company whose interest in any transaction is described and the nature of the relationship giving rise to the interest.

(ii) For any transaction involving the purchase or sale of assets by or to the company or any subsidiary, other than in the ordinary course of business, state the cost of the assets to the purchaser and the cost of the assets to the seller, if acquired by the seller within two years prior to the transaction.

(iii) This Item does not apply to any interest arising from the ownership of securities of the company where the securityholder receives no extra or special benefit or advantage not shared on a proportionate basis by all holders of the same class of

securities or by all holders of the same class of securities who are resident in Canada.

(iv) Include information as to any material underwriting discounts or commissions upon the sale of securities by the company where any of the specified persons or companies was or is to be an underwriter in a contractual relationship with the company with respect to securities or is an associate or affiliate of a person or company that was or is to be such an underwriter.

(v) You do not need to disclose the information required by this Item for any transaction or any interest in that transaction if

(A) the rates or charges involved in the transaction are fixed by law or determined by competitive bids,

(B) the interest of the specified person in the transaction is solely that of director of another company that is a party to the transaction,

(C) the transaction involves services as a bank or other depositary of funds, transfer agent, registrar, trustee under a trust indenture or other similar services, or

(D) the transaction does not directly or indirectly, involve remuneration for services, and

(I) the interest of the specified person or company arose from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of voting securities of another company that is a party to the transaction,

(II) the transaction is in the ordinary course of business of the company or its subsidiaries, and

(III) the amount of the transaction or series of transactions is less than 10 per cent of the total sales or purchases, as the case may be, of the company and its subsidiaries for the most recently completed financial year.

(vi) Provide information for transactions not excluded above which involve remuneration, directly or indirectly, to any of the specified persons or companies for services in any capacity unless the interest of the person arises solely from the beneficial ownership, direct or indirect, of less than 10 per cent of any class of voting securities of another company furnishing the services to the company or its subsidiaries.

Item 12 Appointment of Auditor

Name the auditor of the company. If the auditor was first appointed within the last five years, state the date when the auditor was first appointed.

If action is to be taken to replace an auditor, provide the information required under section 4.11 of National Instrument 51-102.

Item 13 Management Contracts

If management functions of the company or any of its subsidiaries are to any substantial degree performed other than by the directors or executive officers of the company or subsidiary,

(a) give details of the agreement or arrangement under which the management functions are performed, including the name and address of any person or company who is a party to the agreement or arrangement or who is responsible for performing the management functions;

(b) give the names and provinces of residence of any person that was, during the most recently completed financial year, an informed person of any person or company with which the company or subsidiary has any such agreement or arrangement and, if the following information is known to the directors or executive officers of the company, give the names and provinces of residence of any person or company that would be an informed person of any person or company with which the company or subsidiary has any such agreement or arrangement if the person were an issuer;

(c) for any person or company named under paragraph (a) state the amounts paid or payable by the company and its subsidiaries to the person or company since the commencement of the most recently completed financial year and give particulars; and

(d) for any person or company named under paragraph (a) or (b) and their associates or affiliates, give particulars of,

(i) any indebtedness of the person, company, associate or affiliate to the company or its subsidiaries that was outstanding, and

(ii) any transaction or arrangement of the person, company, associate or affiliate with the company or subsidiary,

at any time since the start of the company's most recently completed financial year.

INSTRUCTIONS:

(i) Do not refer to any matter that is relatively insignificant.

(ii) In giving particulars of indebtedness, state the largest aggregate amount of indebtedness outstanding at any time during the period, the nature of the indebtedness and of the transaction in which it was incurred, the amount of the indebtedness presently outstanding and the rate of interest paid or charged on the indebtedness.

(iii) Do not include as indebtedness amounts due from the particular person for purchases subject to usual trade terms, for ordinary travel and expense advances and for other similar transactions.

Item 14 Particulars of Matters to be Acted Upon

14.1 If action is to be taken on any matter to be submitted to the meeting of securityholders other than the approval of annual financial statements, briefly describe the substance of the matter, or related groups of matters, except to the extent described under the foregoing items, in sufficient detail to enable reasonable securityholders to form a reasoned judgment concerning the matter. Without limiting the generality of the foregoing, such matters include alterations of share capital, charter amendments, property acquisitions or dispositions, reverse takeovers, amalgamations, mergers, arrangements or reorganizations and other similar transactions.

14.2 If the action to be taken is in respect of a significant acquisition as determined under Part 8 of National Instrument 51-102 under which securities of the acquired business are being exchanged for the company's securities, or in respect of a restructuring transaction under which securities are to be changed, exchanged, issued or distributed, include disclosure for

(a) the company, if the company has not filed all documents required under National Instrument 51-102,

(b) the business being acquired, if the matter is a significant acquisition,

(c) each entity, other than the company, whose securities are being changed, exchanged, issued or distributed, if

(i) the matter is a restructuring transaction, and

(ii) the company's current securityholders will have an interest in that entity after the restructuring transaction is completed, and

(d) each entity that would result from the significant acquisition or restructuring transaction, if the company's securityholders will have an interest in that entity after the significant acquisition or restructuring transaction is completed.

The disclosure for the company, business or entity must be the disclosure (including financial statements) prescribed under securities legislation and described in the form of prospectus that the company, business or entity, respectively, would be eligible to use immediately prior to the sending and filing of the information circular in respect of the significant acquisition or restructuring transaction, for a distribution of securities in the jurisdiction.

14.3 If the matter is one that is not required to be submitted to a vote of securityholders, state the reasons for submitting it to securityholders and state what action management intends to take in the event of a negative vote by the securityholders.

14.4 Section 14.2 does not apply to an information circular that is sent to holders of voting securities of a reporting issuer soliciting proxies otherwise than on behalf of management of the reporting issuer (a "dissident circular"), unless the sender of the dissident circular is proposing a significant acquisition or restructuring transaction involving the reporting issuer and the sender, under which securities of the sender, or an affiliate of the sender, are to be distributed or transferred to securityholders of the reporting issuer. However, a sender of a dissident circular shall include in the dissident circular the disclosure required by section 14.2 if the sender of the dissident circular is proposing a significant acquisition or restructuring transaction under which securities of the sender or securities of an affiliate of the sender are to be changed, exchanged, issued or distributed.

14.5 A company satisfies section 14.2 if it prepares an information circular in connection with a Qualifying Transaction, for a company that is a CPC, or in connection with a Reverse Take-Over (as Qualifying Transaction, CPC and Reverse Take-Over are defined in the TSX Venture Exchange policies) provided that the company complies with the policies and requirements of the TSX Venture Exchange in respect of that Qualifying Transaction or Reverse Take-Over.

INSTRUCTION

For the purposes of section 14.2, a securityholder will not be considered to have an interest in an entity after an acquisition or restructuring transaction is completed if the securityholder will only hold a redeemable security that is immediately redeemed for cash.

Item 15 Restricted Securities

15.1 If the action to be taken involves a transaction that would have the effect of converting or subdividing, in whole or in part, existing securities into restricted securities, or creating new restricted securities, the information circular must also include, as part of the minimum disclosure required, a detailed description of:

(a) the voting rights attached to the restricted securities that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise, and the voting rights, if any, attached to the securities of any other class of securities of the company that are the same or greater on a per security basis than those attached to the restricted securities that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise;

(b) the percentage of the aggregate voting rights attached to the company's securities that are represented by the class of restricted securities;

(c) any significant provisions under applicable corporate and securities law, in particular whether the restricted securities may or may not be tendered in any takeover bid for securities of the reporting issuer having voting rights superior to those attached to the restricted securities, that do not apply to the holders of the restricted securities that are the subject of the transaction or that will result from the transaction either directly or following a conversion, exchange or exercise, but do apply to the holders of another class of equity securities, and the extent of any rights provided in the constating documents or otherwise for the protection of holders of the restricted securities; and

(d) any rights under applicable corporate law, in the constating documents or otherwise, of holders of restricted securities that are the subject of the transaction either directly or following a conversion, exchange or exercise, to attend, in person or by proxy, meetings of holders of equity securities of the company and to speak at the meetings to the same extent that holders of equity securities are entitled.

15.2 If holders of restricted securities do not have all of the rights referred to in section 15.1, the detailed description referred to in section 15.1 must include, in bold-face type, a statement of the rights the holders do not have.

Item 16 Additional Information

16.1 Disclose that additional information relating to the company is on SEDAR at www.sedar.com. Disclose how securityholders may contact the company to request copies of the company's financial statements and MD&A.

16.2 Include a statement that financial information is provided in the company's comparative annual financial statements and MD&A for its most recently completed financial year.

Form 51-102F6
Statement of Executive Compensation

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Form 51-102F6
Statement of Executive Compensation

ITEM 1 – GENERAL PROVISIONS

1.1 Objective

All direct and indirect compensation provided to certain executive officers and directors for, or in connection with, services they have provided to the company or a subsidiary of the company must be disclosed in this form.

The objective of this disclosure is to communicate the compensation the company paid, made payable, awarded, granted, gave or otherwise provided to each NEO and director for the financial year, and the decision-making process relating to compensation. This disclosure will provide insight into executive compensation as a key aspect of the overall stewardship and governance of the company and will help investors understand how decisions about executive compensation are made.

A company's executive compensation disclosure under this form must satisfy this objective and subsections 9.3.1(1) or 11.6(1) of the Instrument.

1.2 Definitions

If a term is used in this form but is not defined in this section, refer to subsection 1.1(1) of the Instrument or to National Instrument 14-101 *Definitions*.

In this form,

"CEO" means an individual who acted as chief executive officer of the company, or acted in a similar capacity, for any part of the most recently completed financial year;

"CFO" means an individual who acted as chief financial officer of the company, or acted in a similar capacity, for any part of the most recently completed financial year;

"closing market price" means the price at which the company's security was last sold, on the applicable date,

(a) in the security's principal marketplace in Canada, or

(b) if the security is not listed or quoted on a marketplace in Canada, in the security's principal marketplace;

"company" includes other types of business organizations such as partnerships, trusts and other unincorporated business entities;

"equity incentive plan" means an incentive plan, or portion of an incentive plan, under which awards are granted and that falls within the scope of IFRS 2 *Share-based Payment*;

"external management company" includes a subsidiary, affiliate or associate of the external management company;

"grant date" means a date determined for financial statement reporting purposes under IFRS 2 *Share-based Payment*;

"incentive plan" means any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period;

"incentive plan award" means compensation awarded, earned, paid, or payable under an incentive plan;

"NEO" or **"named executive officer"** means each of the following individuals:

(a) a CEO;

(b) a CFO;

(c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000, as determined in accordance with subsection 1.3(6), for that financial year; and

(d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year;

"non-equity incentive plan" means an incentive plan or portion of an incentive plan that is not an equity incentive plan;

"**option-based award**" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights, and similar instruments that have option-like features;

"plan" includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, securities, similar instruments or any other property may be received, whether for one or more persons;

"replacement grant" means an option that a reasonable person would consider to be granted in relation to a prior or potential cancellation of an option;

"repricing" means, in relation to an option, adjusting or amending the exercise or base price of the option, but excludes any adjustment or amendment that equally affects all holders of the class of securities underlying the option and occurs through the operation of a formula or mechanism in, or applicable to, the option;

"share-based award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

1.3 Preparing the form

(1) All compensation to be included

(a) When completing this form, the company must disclose all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the company, or a subsidiary of the company, to each NEO and director, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given, or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to the company or a subsidiary of the company.

(b) Despite paragraph (a), in respect of the Canada Pension Plan, similar government plans, and group life, health, hospitalization, medical reimbursement and relocation plans that do not discriminate in scope, terms or operation and are generally available to all salaried employees, the company is not required to disclose as compensation

(i) any contributions or premiums paid or payable by the company on behalf of an NEO, or of a director, under these plans, and

(ii) any cash, securities, similar instruments or any other property received by an NEO, or by a director, under these plans.

(c) For greater certainty, the plans described in paragraph (b) include plans that provide for such benefits after retirement.

(d) If an item of compensation is not specifically mentioned or described in this form, it is to be disclosed in column (h) ("All other compensation") of the summary compensation table in section 3.1.

(2) Departures from format

(a) Although the required disclosure must be made in accordance with this form, the disclosure may

(i) omit a table, column of a table, or other prescribed information, if it does not apply, and

(ii) add a table, column, or other information if

(A) necessary to satisfy the objective in section 1.1, and

(B) to a reasonable person, the table, column, or other information does not detract from the prescribed information in the summary compensation table in section 3.1.

(b) Despite paragraph (a), a company must not add a column in the summary compensation table in section 3.1.

(3) Information for full financial year

If an NEO acted in that capacity for the company during part of the financial year for which disclosure is required in the summary compensation table, provide details of all of the compensation that the NEO received from the company for that financial year. This includes compensation the NEO earned in any other position with the company during the financial year.

Do not annualize compensation in a table for any part of a year when an NEO was not in the service of the company. Annualized compensation may be disclosed in a footnote.

(4) External management companies

(a) If one or more individuals acting as an NEO of the company are not employees of the company, disclose the names of those individuals.

(b) If an external management company employs or retains one or more individuals acting as NEOs or directors of the company and the company has entered into an understanding, arrangement or agreement with the external management company to provide executive management services to the company directly or indirectly, disclose any compensation that:

(i) the company paid directly to an individual employed, or retained by the external management company, who is acting as an NEO or director of the company; and

(ii) the external management company paid to the individual that is attributable to the services they provided to the company directly or indirectly.

(c) If an external management company provides the company's executive management services and also provides executive management services to another company, disclose the entire compensation the external management company paid to the individual acting as an NEO or director, or acting in a similar capacity, in connection with services the external management company provided to the company, or the parent or a subsidiary of the company. If the management company allocates the compensation paid to an NEO or director, disclose the basis or methodology used to allocate this compensation.

Commentary

An NEO may be employed by an external management company and provide services to the company under an understanding, arrangement or agreement. In this case, references in this form to the CEO or CFO are references to the individuals who performed similar functions to that of the CEO or CFO. They are generally the same individuals who signed and filed annual and interim certificates to comply with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

(5) Director and NEO compensation

Disclose any compensation awarded to, earned by, paid to, or payable to each director and NEO, in any capacity with respect to the company. Compensation to directors and NEOs must include all compensation from the company and its subsidiaries.

Disclose any compensation awarded to, earned by, paid to, or payable to, an NEO, or director, in any capacity with respect to the company, by another person or company.

(6) Determining if an individual is an NEO

For the purpose of calculating total compensation awarded to, earned by, paid to, or payable to an individual under paragraph (c) of the definition of NEO,

(a) use the total compensation that would be reported under column (i) of the summary compensation table required by section 3.1 for each executive officer, as if that executive officer were an NEO for the company's most recently completed financial year, and

(b) exclude from the calculation,

(i) any compensation that would be reported under column (g) of the summary compensation table required by section 3.1,

(ii) any incremental payments, payables, and benefits to an executive officer that are triggered by, or result from, a scenario listed in section 6.1 that occurred during the most recently completed financial year, and

(iii) any cash compensation that relates to foreign assignments that is specifically intended to offset the impact of a higher cost of living in the foreign location, and is not otherwise related to the duties the executive officer performs for the company.

Commentary

The $150,000 threshold in paragraph (c) of the definition of NEO only applies when determining who is an NEO in a company's most recently completed financial year. If an individual is an NEO in the most recently completed financial year, disclosure of compensation in prior years must be provided if otherwise required by this form even if total compensation in a prior year is less than $150,000 in that year.

(7) Compensation to associates

Disclose any awards, earnings, payments, or payables to an associate of an NEO, or of a director, as a result of compensation awarded to, earned by, paid to, or payable to the NEO or the director, in any capacity with respect to the company.

(8) New reporting issuers

(a) Subject to paragraph (b) and subsection 3.1(1), disclose information in the summary compensation table for the three most recently completed financial years since the company became a reporting issuer.

(b) Do not provide information for a completed financial year if the company was not a reporting issuer at any time during the most recently completed financial year, unless the company became a reporting issuer as a result of a restructuring transaction.

(c) If the company was not a reporting issuer at any time during the most recently completed financial year and the company is completing the form because it is preparing a prospectus, discuss all significant elements of the compensation to be awarded to, earned by, paid to, or payable to NEOs of the company once it becomes a reporting issuer, to the extent this compensation has been determined.

Commentary

1. Unless otherwise specified, information required to be disclosed under this form may be prepared in accordance with the accounting principles the company uses to prepare its financial statements, as permitted by National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

2. The definition of "director" under securities legislation includes an individual who acts in a capacity similar to that of a director.

(9) Currencies

Companies must report amounts required by this form in Canadian dollars or in the same currency that the company uses for its financial statements. A company must use the same currency in the tables in sections 3.1, 4.1, 4.2, 5.1, 5.2 and 7.1 of this form.

If compensation awarded to, earned by, paid to, or payable to an NEO was in a currency other than the currency reported in the prescribed tables of this form, state the currency in which compensation was awarded, earned, paid, or payable, disclose the currency exchange rate and describe the methodology used to translate the compensation into Canadian dollars or the currency that the company uses in its financial statements.

(10) Plain language

Information required to be disclosed under this form must be clear, concise, and presented in such a way that it provides a reasonable person an understanding of

(a) how decisions about NEO and director compensation are made, and

(b) how specific NEO and director compensation relates to the overall stewardship and governance of the company.

Commentary

Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP Continuous Disclosure Obligations for further guidance.

ITEM 2 – COMPENSATION DISCUSSION AND ANALYSIS

2.1 Compensation discussion and analysis

(1) Describe and explain all significant elements of compensation awarded to, earned by, paid to, or payable to NEOs for the most recently completed financial year. Include the following:

(a) the objectives of any compensation program or strategy;

(b) what the compensation program is designed to reward;

(c) each element of compensation;

(d) why the company chooses to pay each element;

(e) how the company determines the amount (and, where applicable, the formula) for each element; and

(f) how each element of compensation and the company's decisions about that element fit into the company's overall compensation objectives and affect decisions about other elements.

(2) If applicable, describe any new actions, decisions or policies that were made after the end of the most recently completed financial year that could affect a reasonable person's understanding of an NEO's compensation for the most recently completed financial year.

(3) If applicable, clearly state the benchmark and explain its components, including the companies included in the benchmark group and the selection criteria.

(4) If applicable, disclose performance goals or similar conditions that are based on objective, identifiable measures, such as the company's share price or earnings per share. If performance goals or similar conditions are subjective, the company may describe the performance goal or similar condition without providing specific measures.

If the company discloses performance goals or similar conditions that are non-GAAP financial measures, explain how the company calculates these performance goals or similar conditions from its financial statements.

Exemption

The company is not required to disclose performance goals or similar conditions in respect of specific quantitative or qualitative performance-related factors if a

reasonable person would consider that disclosing them would seriously prejudice the company's interests.

For the purposes of this exemption, a company's interests are not considered to be seriously prejudiced solely by disclosing performance goals or similar conditions if those goals or conditions are based on broad corporate-level financial performance metrics which include earnings per share, revenue growth, and earnings before interest, taxes, depreciation and amortization.

This exemption does not apply if it has publicly disclosed the performance goals or similar conditions.

If the company is relying on this exemption, state this fact and explain why disclosing the performance goals or similar conditions would seriously prejudice the company's interests.

If the company does not disclose specific performance goals or similar conditions, state what percentage of the NEO's total compensation relates to this undisclosed information and how difficult it could be for the NEO, or how likely it will be for the company, to achieve the undisclosed performance goal or similar condition.

(5) Disclose whether or not the board of directors, or a committee of the board, considered the implications of the risks associated with the company's compensation policies and practices. If the implications were considered, disclose the following:

(a) the extent and nature of the board of directors' or committee's role in the risk oversight of the company's compensation policies and practices;

(b) any practices the company uses to identify and mitigate compensation policies and practices that could encourage an NEO or individual at a principal business unit or division to take inappropriate or excessive risks;

(c) any identified risks arising from the company's compensation policies and practices that are reasonably likely to have a material adverse effect on the company.

(6) Disclose whether or not an NEO or director is permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

Commentary

1. *The information disclosed under section 2.1 will depend on the facts. Provide enough analysis to allow a reasonable person to understand the disclosure elsewhere in this form. Describe the significant principles underlying policies and explain the decisions relating to compensation provided to an NEO. Disclosure that merely describes the process for determining compensation or compensation already awarded, earned, paid, or payable is not adequate. The information contained in this section should give readers a sense of how compensation is tied to the NEO's performance. Avoid boilerplate language.*

2. *If the company's process for determining executive compensation is very simple, for example, the company relies solely on board discussion without any formal objectives, criteria and analysis, then make this clear in the discussion.*

3. *If the company used any benchmarking in determining compensation or any element of compensation, include the benchmark group and describe why the benchmark group and selection criteria are considered by the company to be relevant.*

4. *The following are examples of items that will usually be significant elements of disclosure concerning compensation:*

    - *contractual or non-contractual arrangements, plans, process changes or any other matters that might cause the amounts disclosed for the most recently completed financial year to be misleading if used as an indicator of expected compensation levels in future periods;*

    - *the process for determining perquisites and personal benefits;*

    - *policies and decisions about the adjustment or recovery of awards, earnings, payments, or payables if the performance goal or similar condition on which they are based is restated or adjusted to reduce the award, earning, payment, or payable;*

    - *the basis for selecting events that trigger payment for any arrangement that provides for payment at, following or in connection with any termination or change of control;*

    - *any waiver or change to any specified performance goal or similar condition to payout for any amount, including whether the waiver or change applied to one or more specified NEOs or to all*

compensation subject to the performance goal or similar condition;

- *whether the board of directors can exercise a discretion, either to award compensation absent attainment of the relevant performance goal or similar condition or to reduce or increase the size of any award or payout, including if they exercised discretion and whether it applied to one or more named executive officers;*

- *whether the company will be making any significant changes to its compensation policies and practices in the next financial year;*

- *the role of executive officers in determining executive compensation; and*

- *performance goals or similar conditions in respect of specific quantitative or qualitative performance-related factors for NEOs.*

5. *The following are examples of situations that could potentially encourage an executive officer to expose the company to inappropriate or excessive risks:*

   - *compensation policies and practices at a principal business unit of the company or a subsidiary of the company that are structured significantly differently than others within the company;*

   - *compensation policies and practices for certain executive officers that are structured significantly differently than other executive officers within the company;*

   - *compensation policies and practices that do not include effective risk management and regulatory compliance as part of the performance metrics used in determining compensation;*

   - *compensation policies and practices where the compensation expense to executive officers is a significant percentage of the company's revenue;*

   - *compensation policies and practices that vary significantly from the overall compensation structure of the company;*

   - *compensation policies and practices where incentive plan awards are awarded upon accomplishment of a task while the risk to the company from that task extends over a significantly longer period of time;*

- *compensation policies and practices that contain performance goals or similar conditions that are heavily weighed to short-term rather than long-term objectives;*

- *incentive plan awards that do not provide a maximum benefit or payout limit to executive officers.*

The examples above are not exhaustive and the situations to consider will vary depending upon the nature of the company's business and the company's compensation policies and practices.

2.2 Performance graph

(a) This section does not apply to

(i) venture issuers,

(ii) companies that have distributed only debt securities or non-convertible, non-participating preferred securities to the public, and

(iii) companies that were not reporting issuers in any jurisdiction in Canada for at least 12 calendar months before the end of their most recently completed financial year, other than companies that became new reporting issuers as a result of a restructuring transaction.

(b) Provide a line graph showing the company's cumulative total shareholder return over the five most recently completed financial years. Assume that $100 was invested on the first day of the five-year period. If the company has been a reporting issuer for less than five years, use the period that the company has been a reporting issuer.

Compare this to the cumulative total return of at least one broad equity market index that, to a reasonable person, would be an appropriate reference point for the company's return. If the company is included in the S&P/TSX Composite Total Return Index, use that index. In all cases, assume that dividends are reinvested.

Discuss how the trend shown by this graph compares to the trend in the company's compensation to executive officers reported under this form over the same period.

Commentary

For section 2.2, companies may also include other relevant performance goals or similar conditions.

2.3 Share-based and option-based awards

Describe the process the company uses to grant share-based or option-based awards to executive officers. Include the role of the compensation committee and executive officers in setting or amending any equity incentive plan under which a share-based or option-based award is granted. State whether previous grants are taken into account when considering new grants.

2.4 Compensation governance

(1) Describe any policies and practices adopted by the board of directors to determine the compensation for the company's directors and executive officers.

(2) If the company has established a compensation committee

(a) disclose the name of each committee member and, in respect of each member, state whether or not the member is independent or not independent;

(b) disclose whether or not one or more of the committee members has any direct experience that is relevant to his or her responsibilities in executive compensation;

(c) describe the skills and experience that enable the committee to make decisions on the suitability of the company's compensation policies and practices; and

(d) describe the responsibilities, powers and operation of the committee.

(3) If a compensation consultant or advisor has, at any time since the company's most recently completed financial year, been retained to assist the board of directors or the compensation committee in determining compensation for any of the company's directors or executive officers

(a) state the name of the consultant or advisor and a summary of the mandate the consultant or advisor has been given,

(b) disclose when the consultant or advisor was originally retained,

(c) if the consultant or advisor has provided any services to the company, or to its affiliated or subsidiary entities, or to any of its directors or members

of management, other than or in addition to compensation services provided for any of the company's directors or executive officers,

(i) state this fact and briefly describe the nature of the work, and

(ii) disclose whether the board of directors or compensation committee must pre-approve other services the consultant or advisor, or any of its affiliates, provides to the company at the request of management, and

(d) for each of the two most recently completed financial year, disclose,

(i) under the caption "Executive Compensation-Related Fees", the aggregate fees billed by each consultant or advisor, or any of its affiliates, for services related to determining compensation for any of the company's directors and executive officers, and

(ii) under the caption "All Other Fees", the aggregate fees billed for all other services provided by each consultant or advisor, or any of its affiliates, that are not reported under subparagraph (i) and include a description of the nature of the services comprising the fees disclosed under this category.

Commentary

For section 2.4, a director is independent if he or she would be independent within the meaning of section 1.4 of National Instrument 52-110 Audit Committees.

ITEM 3 – SUMMARY COMPENSATION TABLE

3.1 Summary compensation table

(1) For each NEO in the most recently completed financial year, complete this table for each of the company's three most recently completed financial years that end on or after December 31, 2008.

Name and principal position (a)	Year (b)	Salary ($) (c)	Share-based awards ($) (d)	Option-based awards ($) (e)	Non-equity incentive plan compensation ($) (f)		Pension value ($) (g)	All other compensation ($) (h)	Total compensation ($) (i)
					Annual incentive plans (f1)	Long-term incentive plans (f2)			
CEO	—— ——								
CFO	—— ——								
A	—— ——								
B	—— ——								
C	—— ——								

Commentary

Under subsection (1), a company is not required to disclose comparative period disclosure in accordance with the requirements of either Form 51-102F6 Statement of Executive Compensation, which came into force on March 30, 2004, as amended, or this form, in respect of a financial year ending before December 31, 2008.

(2) In column (c), include the dollar value of cash and non-cash base salary an NEO earned during a financial year covered in the table (a covered financial year). If the company cannot calculate the amount of salary earned in a financial year, disclose this in a footnote, along with the reason why it cannot be determined. Restate the salary figure the next time the company prepares this form, and explain what portion of the restated figure represents an amount that the company could not previously calculate.

(3) In column (d), disclose the dollar amount based on the fair value of the award on the grant date for a covered financial year.

(4) In column (e), disclose the dollar amount based on the fair value of the award on the grant date for a covered financial year. Include option-based awards both with or without tandem share appreciation rights.

(5) For an award disclosed in column (d) or (e), in a narrative after the table,

(a) describe the methodology used to calculate the fair value of the award on the grant date, disclose the key assumptions and estimates used for each calculation, and explain why the company chose that methodology, and

(b) if the fair value of the award on the grant date is different from the fair value determined in accordance with IFRS 2 *Share-based Payment* (accounting fair value), state the amount of the difference and explain the reasons for the difference.

Commentary

1. This commentary applies to subsections (3), (4) and (5).

2. The value disclosed in columns (d) and (e) of the summary compensation table should reflect what the company paid, made payable, awarded, granted, gave or otherwise provided as compensation on the grant date (fair value of the award) as set out in comment 3, below. This value might differ from the value reported in the issuer's financial statements.

3. While compensation practices vary, there are generally two approaches that boards of directors use when setting compensation. A board of directors may decide the value in securities of the company to be awarded or paid as compensation. Alternatively, a board of directors may decide the portion of the potential ownership of the company to be transferred as compensation. A fair value ascribed to the award will normally result from these approaches.

A company may calculate this value either in accordance with a valuation methodology identified in IFRS 2 Share-based Payment or in accordance with another methodology set out in comment 5 below.

4. In some cases, the fair value of the award disclosed in columns (d) and (e) might differ from the accounting fair value. For financial statement purposes, the accounting fair value amount is amortized over the service period to obtain an accounting cost (accounting compensation expense), adjusted at year end as required.

5. While the most commonly used methodologies for calculating the value of most types of awards are the Black-Scholes-Merton model and the

binomial lattice model, companies may choose to use another valuation methodology if it produces a more meaningful and reasonable estimate of fair value.

6. *The summary compensation table requires disclosure of an amount even if the accounting compensation expense is zero. The amount disclosed in the table should reflect the fair value of the award following the principles described under comments 2 and 3, above.*

7. *Column (d) includes common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, stock, and similar instruments that do not have option-like features.*

(6) In column (e), include the incremental fair value if, at any time during the covered financial year, the company has adjusted, amended, cancelled, replaced or significantly modified the exercise price of options previously awarded to, earned by, paid to, or payable to, an NEO. The repricing or modification date must be determined in accordance with IFRS 2 *Share-based Payment*. The methodology used to calculate the incremental fair value must be the same methodology used to calculate the initial grant.

This requirement does not apply to any repricing that equally affects all holders of the class of securities underlying the options and that occurs through a pre-existing formula or mechanism in the plan or award that results in the periodic adjustment of the option exercise or base price, an antidilution provision in a plan or award, or a recapitalization or similar transaction.

(7) Include a footnote to the table quantifying the incremental fair value of any adjusted, amended, cancelled, replaced or significantly modified options that are included in the table.

(8) In column (f), include the dollar value of all amounts earned for services performed during the covered financial year that are related to awards under non-equity incentive plans and all earnings on any such outstanding awards.

(a) If the relevant performance goal or similar condition was satisfied during a covered financial year (including for a single year in a plan with a multi-year performance goal or similar condition), report the amounts earned for that financial year, even if they are payable at a later date. The company is not required to report these amounts again in the summary compensation table when they are actually paid to an NEO.

(b) Include a footnote describing and quantifying all amounts earned on non-equity incentive plan compensation, whether they were paid during the

financial year, were payable but deferred at the election of an NEO, or are payable by their terms at a later date.

(c) Include any discretionary cash awards, earnings, payments, or payables that were not based on pre-determined performance goals or similar conditions that were communicated to an NEO. Report any performance-based plan awards that include pre-determined performance goals or similar conditions in column (f).

(d) In column (f1), include annual non-equity incentive plan compensation, such as bonuses and discretionary amounts. For column (f1), annual non-equity incentive plan compensation relates only to a single financial year. In column (f2), include all non-equity incentive plan compensation related to a period longer than one year.

(9) In column (g), include all compensation relating to defined benefit or defined contribution plans. These include service costs and other compensatory items such as plan changes and earnings that are different from the estimated earnings for defined benefit plans and above-market earnings for defined contribution plans.

This disclosure relates to all plans that provide for the payment of pension plan benefits. Use the same amounts included in column (e) of the defined benefit plan table required by Item 5 for the covered financial year and the amounts included in column (c) of the defined contribution plan table as required by Item 5 for the covered financial year.

(10) In column (h), include all other compensation not reported in any other column of this table. Column (h) must include, but is not limited to:

(a) perquisites, including property or other personal benefits provided to an NEO that are not generally available to all employees, and that in aggregate are worth $50,000 or more, or are worth 10% or more of an NEO's total salary for the financial year. Value these items on the basis of the aggregate incremental cost to the company and its subsidiaries. Describe in a footnote the methodology used for computing the aggregate incremental cost to the company.

State the type and amount of each perquisite the value of which exceeds 25% of the total value of perquisites reported for an NEO in a footnote to the table. Provide the footnote information for the most recently completed financial year only;

(b) other post-retirement benefits such as health insurance or life insurance after retirement;

(c) all "gross-ups" or other amounts reimbursed during the covered financial year for the payment of taxes;

(d) the incremental payments, payables, and benefits to an NEO that are triggered by, or result from, a scenario listed in section 6.1 that occurred before the end of the covered financial year;

(e) the dollar value of any insurance premiums paid or payable by, or on behalf of, the company during the covered financial year for personal insurance for an NEO if the estate of the NEO is the beneficiary;

(f) the dollar value of any dividends or other earnings paid or payable on share-based or option-based awards that were not factored into the fair value of the award on the grant date required to be reported in columns (d) and (e);

(g) any compensation cost for any security that the NEO bought from the company or its subsidiaries at a discount from the market price of the security (through deferral of salary, bonus or otherwise). Calculate this cost at the date of purchase and in accordance with IFRS 2 *Share-based Payment*; and

(h) above-market or preferential earnings on compensation that is deferred on a basis that is not tax exempt other than for defined contribution plans covered in the defined contribution plan table in Item 5. Above-market or preferential applies to non-registered plans and means a rate greater than the rate ordinarily paid by the company or its subsidiary on securities or other obligations having the same or similar features issued to third parties.

(i) any company contribution to a personal savings plan like a registered retirement savings plan made on behalf of the NEO.

Commentary

1. Generally, there will be no incremental payments, payables, and benefits that are triggered by, or result from, a scenario described in section 6.1 that occurred before the end of a covered financial year for compensation that has been reported in the summary compensation table for the most recently completed financial year or for a financial year before the most recently completed financial year.

If the vesting or payout of the previously reported compensation is accelerated, or a performance goal or similar condition in respect of the previously reported compensation is waived, as a result of a scenario described in section 6.1, the incremental payments, payables, and benefits

should include the value of the accelerated benefit or of the waiver of the performance goal or similar condition.

2. *Generally, an item is not a perquisite if it is integrally and directly related to the performance of an executive officer's duties. If something is necessary for a person to do his or her job, it is integrally and directly related to the job and is not a perquisite, even if it also provides some amount of personal benefit.*

   If the company concludes that an item is not integrally and directly related to performing the job, it may be a perquisite if the item provides an NEO with any direct or indirect personal benefit. If it does provide a personal benefit, the item is a perquisite, whether or not it is provided for a business reason or for the company's convenience, unless it is generally available on a non-discriminatory basis to all employees.

   Companies must conduct their own analysis of whether a particular item is a perquisite. The following are examples of things that are often considered perquisites or personal benefits. This list is not exhaustive:

   - *Cars, car lease and car allowance;*
   - *Corporate aircraft or personal travel financed by the company;*
   - *Jewellery;*
   - *Clothing;*
   - *Artwork;*
   - *Housekeeping services;*
   - *Club membership;*
   - *Theatre tickets;*
   - *Financial assistance to provide education to children of executive officers;*
   - *Parking;*
   - *Personal financial or tax advice;*
   - *Security at personal residence or during personal travel; and*

- *Reimbursements of taxes owed with respect to perquisites or other personal benefit.*

(11) In column (i), include the dollar value of total compensation for the covered financial year. For each NEO, this is the sum of the amounts reported in columns (c) through (h).

(12) Any deferred amounts must be included in the appropriate column for the covered financial year in which they are earned.

(13) If an NEO elected to exchange any compensation awarded to, earned by, paid to, or payable to the NEO in a covered financial year under a program that allows the NEO to receive awards, earnings, payments, or payables in another form, the compensation the NEO elected to exchange must be reported as compensation in the column appropriate for the form of compensation exchanged: Do not report it in the form in which it was or will be received by the NEO. State in a footnote the form of awards, earnings, payments, or payables substituted for the compensation the NEO elected to exchange.

3.2 Narrative discussion

Describe and explain any significant factors necessary to understand the information disclosed in the summary compensation table required by section 3.1.

Commentary

The significant factors described in section 3.2 will vary depending on the circumstances of each award but may include:

- *the significant terms of each NEO's employment agreement or arrangement;*
- *any repricing or other significant changes to the terms of any share-based or option-based award program during the most recently completed financial year; and*
- *the significant terms of any award reported in the summary compensation table, including a general description of the formula or criterion to be applied in determining the amounts payable and the vesting schedule. For example, if dividends will be paid on shares, state this, the applicable dividend rate and whether that rate is preferential.*

3.3 [Repealed]

3.4 Officers who also act as directors

If an NEO is also a director who receives compensation for services as a director, include that compensation in the summary compensation table and include a footnote explaining which amounts relate to the director role. Do not provide disclosure for that NEO under Item 7.

ITEM 4 – INCENTIVE PLAN AWARDS

4.1 Outstanding share-based awards and option-based awards

(1) Complete this table for each NEO for all awards outstanding at the end of the most recently completed financial year. This includes awards granted before the most recently completed financial year. For all awards in this table, disclose the awards that have been transferred at other than fair market value.

	Option-based Awards				**Share-based Awards**		
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**	**Market or payout value of vested share-based awards not paid out or distributed ($)**
(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**
CEO							
CFO							
A							
B							
C							

(2) In column (b), for each award, disclose the number of securities underlying unexercised options.

(3) In column (c), disclose the exercise or base price for each option under each award reported in column (b). If the option was granted in a different currency than that reported in the table, include a footnote describing the currency and the exercise or base price.

(4) In column (d), disclose the expiration date for each option under each award reported in column (b).

(5) In column (e), disclose the aggregate dollar amount of in-the-money unexercised options held at the end of the year. Calculate this amount based on the difference

between the market value of the securities underlying the instruments at the end of the year, and the exercise or base price of the option.

(6) In column (f), disclose the total number of shares or units that have not vested.

(7) In column (g), disclose the aggregate market value or payout value of share-based awards that have not vested.

If the share-based award provides only for a single payout on vesting, calculate this value based on that payout.

If the share-based award provides for different payouts depending on the achievement of different performance goals or similar conditions, calculate this value based on the minimum payout. However, if the NEO achieved a performance goal or similar condition in a financial year covered by the share-based award that on vesting could provide for a payout greater than the minimum payout, calculate this value based on the payout expected as a result of the NEO achieving this performance goal or similar condition.

(8) In column (h), disclose the aggregate market value or payout value of vested share-based awards that have not yet been paid out or distributed.

4.2 Incentive plan awards – value vested or earned during the year

(1) Complete this table for each NEO for the most recently completed financial year.

Name **(a)**	**Option-based awards – Value vested during the year ($)** **(b)**	**Share-based awards – Value vested during the year ($)** **(c)**	**Non-equity incentive plan compensation – Value earned during the year ($)** **(d)**
CEO			
CFO			
A			
B			
C			

(2) In column (b), disclose the aggregate dollar value that would have been realized if the options under the option-based award had been exercised on the vesting date. Compute the dollar value that would have been realized by determining the difference between the market price of the underlying securities at exercise and the exercise or base price of the options under the option-based award on the vesting date. Do not include the value of any related payment or other consideration provided (or to be provided) by the company to or on behalf of an NEO.

(3) In column (c), disclose the aggregate dollar value realized upon vesting of share-based awards. Compute the dollar value realized by multiplying the number of shares or units by the market value of the underlying shares on the vesting date. For any amount realized upon vesting for which receipt has been deferred, include a footnote that states the amount and the terms of the deferral.

4.3 Narrative discussion

Describe and explain the significant terms of all plan-based awards, including non-equity incentive plan awards, issued or vested, or under which options have been exercised, during the year, or outstanding at the year end, to the extent not already discussed under sections 2.1, 2.3 and 3.2. The company may aggregate information for different awards, if separate disclosure of each award is not necessary to communicate their significant terms.

Commentary

The items included in the narrative required by section 4.3 will vary depending on the terms of each plan, but may include:

- *the number of securities underlying each award or received on vesting or exercise;*
- *general descriptions of formulae or criteria that are used to determine amounts payable;*
- *exercise prices and expiry dates;*
- *dividend rates on share-based awards;*
- *whether awards are vested or unvested;*
- *performance goals or similar conditions, or other significant conditions;*
- *information on estimated future payouts for non-equity incentive plan awards (performance goals or similar conditions and maximum amounts); and*
- *the closing market price on the grant date, if the exercise or base price is less than the closing market price of the underlying security on the grant date.*

ITEM 5 – PENSION PLAN BENEFITS

5.1 Defined benefit plans table

(1) Complete this table for all pension plans that provide for payments or benefits at, following, or in connection with retirement, excluding defined contribution plans. For all disclosure in this table, use the same assumptions and methods used for financial statement reporting purposes under the accounting principles used to prepare the company's financial statements, as permitted by National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.

Name (a)	Number of years credited service (#) (b)	Annual benefits payable ($) (c)		Opening present value of defined benefit obligation ($) (d)	Compensatory change ($) (e)	Non-compensatory change ($) (f)	Closing present value of defined benefit obligation ($) (g)
		At year end (c1)	At age 65 (c2)				
CEO							
CFO							
A							
B							
C							

(2) In columns (b) and (c), the disclosure must be as of the end of the company's most recently completed financial year. In columns (d) through (g), the disclosure must be as of the reporting date used in the company's audited annual financial statements for the most recently completed financial year.

(3) In column (b), disclose the number of years of service credited to an NEO under the plan. If the number of years of credited service in any plan is different from the NEO's number of actual years of service with the company, include a footnote that states the amount of the difference and any resulting benefit augmentation, such as the number of additional years the NEO received.

(4) In column (c), disclose

(a) the annual lifetime benefit payable at the end of the most recently completed financial year in column (c1) based on years of credited service reported in column (b) and actual pensionable earnings as at the end of the most recently completed financial year. For the purposes of this calculation, the company must assume that the NEO is eligible to receive payments or benefits at year end, and

(b) the annual lifetime benefit payable at age 65 in column (c2) based on years of credited service as of age 65 and actual pensionable earnings through the end of the most recently completed financial year, as per column (c1).

Commentary

For the purposes of quantifying the annual lifetime benefit payable at the end of the most recently completed financial year in column (c1), the company may calculate the annual lifetime benefit payable as follows:

$$\textit{annual benefits payable at the presumed retirement age used to calculate the closing present value of the defined benefit obligation} \times \frac{\textit{years of credited service at year end}}{\textit{years of credited service at the presumed retirement age}}$$

The company may calculate the annual lifetime benefit payable in accordance with another formula if the company reasonably believes that it produces a more meaningful calculation of the annual lifetime benefit payable at year end.

(5) In column (d), disclose the present value of the defined benefit obligation at the start of the most recently completed financial year.

(6) In column (e), disclose the compensatory change in the present value of the defined benefit obligation for the most recently completed financial year. This includes service cost net of employee contributions plus plan changes and differences between actual and estimated earnings, and any additional changes that have retroactive impact, including, for greater certainty, a change in valuation assumptions as a consequence of an amendment to benefit terms.

Disclose the valuation method and all significant assumptions the company applied in quantifying the closing present value of the defined benefit obligation. The company may satisfy all or part of this disclosure by referring to the disclosure of assumptions in its financial statements, footnotes to the financial statements or discussion in its management's discussion and analysis.

(7) In column (f), disclose the non-compensatory changes in the present value of the defined benefit obligation for the company's most recently completed financial year. Include all items that are not compensatory, such as changes in assumptions other than those already included in column (e) because they were made as a consequence of an amendment to benefit terms, employee contributions and

interest on the present value of the defined benefit obligation at the start of the most recently completed financial year.

(8) In column (g), disclose the present value of the defined benefit obligation at the end of the most recently completed financial year.

5.2 Defined contribution plans table

(1) Complete this table for all pension plans that provide for payments or benefits at, following or in connection with retirement, excluding defined benefit plans. For all disclosure in this table, use the same assumptions and methods used for financial statement reporting purposes under the accounting principles used to prepare the company's financial statements, as permitted by National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.

Name **(a)**	**Accumulated value at start of year ($)** **(b)**	**Compensatory ($)** **(c)**	**Accumulated value at year end ($)** **(d)**
CEO			
CFO			
A			
B			
C			

(2) In column (c), disclose the employer contribution and above-market or preferential earnings credited on employer and employee contributions. Above-market or preferential earnings applies to non-registered plans and means a rate greater than the rate ordinarily paid by the company or its subsidiary on securities or other obligations having the same or similar features issued to third parties.

(3) [Repealed]

(4) In column (d), disclose the accumulated value at the end of the most recently completed financial year.

Commentary

1. For pension plans that provide the maximum of: (i) the value of a defined benefit pension; and (ii) the accumulated value of a defined contribution pension, companies should disclose the global value of the pension plan in the defined benefit plans table under section 5.1.

For pension plans that provide the sum of a defined benefit component and a defined contribution component, companies should disclose the respective components of the pension plan. The defined benefit component

should be disclosed in the defined benefit plans table under section 5.1 and the defined contribution component should be disclosed in the defined contribution plans table under section 5.2.

2. *Any contributions by the company or a subsidiary of the company to a personal savings plan like a registered retirement savings plan made on behalf of the NEO must still be disclosed in column (h) of the summary compensation table, as required by paragraph 3.1(10)(i).*

5.3 Narrative discussion

Describe and explain for each retirement plan in which an NEO participates, any significant factors necessary to understand the information disclosed in the defined benefit plan table in section 5.1 and the defined contribution plan table in section 5.2.

Commentary

Significant factors described in the narrative required by section 5.3 will vary, but may include:

- *the significant terms and conditions of payments and benefits available under the plan, including the plan's normal and early retirement payment, benefit formula, contribution formula, calculation of interest credited under the defined contribution plan and eligibility standards;*

- *provisions for early retirement, if applicable, including the name of the NEO and the plan, the early retirement payment and benefit formula and eligibility standards. Early retirement means retirement before the normal retirement age as defined in the plan or otherwise available under the plan;*

- *the specific elements of compensation (e.g., salary, bonus) included in applying the payment and benefit formula. If a company provides this information, identify each element separately; and*

- *company policies on topics such as granting extra years of credited service, including an explanation of who these arrangements relate to and why they are considered appropriate.*

5.4 Deferred compensation plans

Describe the significant terms of any deferred compensation plan relating to each NEO, including:

(a) the types of compensation that can be deferred and any limitations on the extent to which deferral is permitted (by percentage of compensation or otherwise);

(b) significant terms of payouts, withdrawals and other distributions; and

(c) measures for calculating interest or other earnings, how and when these measures may be changed, and whether an NEO or the company chose these measures. Quantify these measures wherever possible.

ITEM 6 – TERMINATION AND CHANGE OF CONTROL BENEFITS

6.1 Termination and change of control benefits

(1) For each contract, agreement, plan or arrangement that provides for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the company or a change in an NEO's responsibilities, describe, explain, and where appropriate, quantify the following items:

(a) the circumstances that trigger payments or the provision of other benefits, including perquisites and pension plan benefits;

(b) the estimated incremental payments, payables, and benefits that are triggered by, or result from, each circumstance, including timing, duration and who provides the payments and benefits;

(c) how the payment and benefit levels are determined under the various circumstances that trigger payments or provision of benefits;

(d) any significant conditions or obligations that apply to receiving payments or benefits. This includes but is not limited to, non-compete, non-solicitation, non-disparagement or confidentiality agreements. Include the term of these agreements and provisions for waiver or breach; and

(e) any other significant factors for each written contract, agreement, plan or arrangement.

(2) Disclose the estimated incremental payments, payables, and benefits even if it is uncertain what amounts might be paid in given circumstances under the various plans and arrangements, assuming that the triggering event took place on the last business day of the company's most recently completed financial year. For valuing share-based awards or option-based awards, use the closing market price of the company's securities on that date.

If the company is unsure about the provision or amount of payments or benefits, make a reasonable estimate (or a reasonable estimate of the range of amounts) and disclose the significant assumptions underlying these estimates.

(3) Despite subsection (1), the company is not required to disclose the following:

(a) Perquisites and other personal benefits if the aggregate of this compensation is less than $50,000. State the individual perquisites and personal benefits as required by paragraph 3.1(10)(a).

(b) Information about possible termination scenarios for an NEO whose employment terminated in the past year. The company must only disclose the consequences of the actual termination.

(c) Information in respect of a scenario described in subsection (1) if there will be no incremental payments, payables, and benefits that are triggered by, or result from, that scenario.

Commentary

1. Subsection (1) does not require the company to disclose notice of termination without cause, or compensation in lieu thereof, which are implied as a term of an employment contract under common law or civil law.

2. Item 6 applies to changes of control regardless of whether the change of control results in termination of employment.

3. Generally, there will be no incremental payments, payables, and benefits that are triggered by, or result from, a scenario described in subsection (1) for compensation that has been reported in the summary compensation table for the most recently completed financial year or for a financial year before the most recently completed financial year.

If the vesting or payout of the previously reported compensation is accelerated, or a performance goal or similar condition in respect of the previously reported compensation is waived, as a result of a scenario described in subsection (1), the incremental payments, payables, and benefits should include the value of the accelerated benefit or of the waiver of the performance goal or similar condition.

4. A company may disclose estimated incremental payments, payables and benefits that are triggered by, or result from, a scenario described in subsection (1), in a tabular format.

ITEM 7 – DIRECTOR COMPENSATION

7.1 Director compensation table

(1) Complete this table for all amounts of compensation provided to the directors for the company's most recently completed financial year.

Name (a)	Fees earned ($) (b)	Share-based awards ($) (c)	Option-based awards ($) (d)	Non-equity incentive plan compensation ($) (e)	Pension value ($) (f)	All other compensation ($) (g)	Total ($) (h)
A							
B							
C							
D							
E							

(2) All forms of compensation must be included in this table.

(3) Complete each column in the manner required for the corresponding column in the summary compensation table in section 3.1, in accordance with the requirements of Item 3, as supplemented by the commentary to Item 3, except as follows:

(a) In column (a), do not include a director who is also an NEO if his or her compensation for service as a director is fully reflected in the summary compensation table and elsewhere in this form. If an NEO is also a director who receives compensation for his or her services as a director, reflect the director compensation in the summary compensation table required by section 3.1 and provide a footnote to this table indicating that the relevant disclosure has been provided under section 3.4.

(b) In column (b), include all fees awarded, earned, paid, or payable in cash for services as a director, including annual retainer fees, committee, chair, and meeting fees.

(c) In column (g), include all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the company, or a subsidiary of the company, to a director in any capacity, under any other arrangement. This includes, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given, or otherwise provided to the director for services provided, directly or indirectly, to the company or a subsidiary of the company. In a

footnote to the table, disclose these amounts and describe the nature of the services provided by the director that are associated with these amounts.

(d) In column (g), include programs where the company agrees to make donations to one or more charitable institutions in a director's name, payable currently or upon a designated event such as the retirement or death of the director. Include a footnote to the table disclosing the total dollar amount payable under the program.

7.2 Narrative discussion

Describe and explain any factors necessary to understand the director compensation disclosed in section 7.1.

Commentary

Significant factors described in the narrative required by section 7.2 will vary, but may include:

- *disclosure for each director who served in that capacity for any part of the most recently completed financial year;*
- *standard compensation arrangements, such as fees for retainer, committee service, service as chair of the board or a committee, and meeting attendance;*
- *any compensation arrangements for a director that are different from the standard arrangements, including the name of the director and a description of the terms of the arrangement; and*
- *any matters discussed in the compensation discussion and analysis that do not apply to directors in the same way that they apply to NEOs such as practices for granting option-based awards.*

7.3 Share-based awards, option-based awards and non-equity incentive plan compensation

Provide the same disclosure for directors that is required under Item 4 for NEOs.

ITEM 8 – COMPANIES REPORTING IN THE UNITED STATES

8.1 Companies reporting in the United States

(1) Except as provided in subsection (2), SEC issuers may satisfy the requirements of this form by providing the information they are required to disclose in the United

States under Item 402 "Executive compensation" of Regulation S-K under the 1934 Act.

(2) Subsection (1) does not apply to a company that, as a foreign private issuer, satisfies Item 402 of Regulation S-K by providing the information required by Items 6.B "Compensation" and 6.E.2 "Share Ownership" of Form 20-F under the 1934 Act.

ITEM 9 – EFFECTIVE DATE AND TRANSITION

9.1 Effective date

(1) This form comes into force on December 31, 2008.

(2) This form applies to a company in respect of a financial year ending on or after December 31, 2008.

9.2 Transition

(1) The form entitled Form 51-102F6 *Statement of Executive Compensation*, which came into force on March 30, 2004, as amended,

(a) does not apply to a company in respect of a financial year ending on or after December 31, 2008, and

(b) for greater certainty, applies to a company that is required to prepare and file executive compensation disclosure because

(i) the company is sending an information circular to a securityholder under paragraph 9.1(2)(a) of National Instrument 51-102 *Continuous Disclosure Obligations*, the information circular includes the disclosure required by Item 8 of Form 51-102F5, and the information circular is in respect of a financial year ending before December 31, 2008, or

(ii) the company is filing an AIF that includes the disclosure required by Item 8 of Form 51-102F5, in accordance with Item 18 of Form 51-102F2, and the AIF is in respect of a financial year ending before December 31, 2008.

(2) A company that is required to prepare and file executive compensation disclosure for a reason set out in paragraph (1)(b) may satisfy that requirement by preparing and filing the disclosure required by this form.

Form 51-102F6V
Statement of Executive Compensation – Venture Issuers

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Form 51-102F6V
Statement of Executive Compensation – Venture Issuers

ITEM 1 – GENERAL PROVISIONS

1.1 Objective

All direct and indirect compensation provided to certain executive officers and directors for, or in connection with, services they have provided to the company or a subsidiary of the company must be disclosed in this form.

The objective of this disclosure is to communicate the compensation the company paid, made payable, awarded, granted, gave or otherwise provided to each named executive officer and director for the financial year, and the decision-making process relating to compensation. This disclosure will provide insight into executive compensation as a key aspect of the overall stewardship and governance of the company and will help investors understand how decisions about executive compensation are made.

A company's executive compensation disclosure under this form must satisfy this objective and subsections 9.3.1(1) or 11.6(1) of the Instrument.

While the objective of this disclosure is the same as the objective in section 1.1 of Form 51-102F6, this form is to be used by venture issuers only. Reporting issuers that are not venture issuers must complete Form 51-102F6.

1.2 Definitions

If a term is used in this form but is not defined in this section, refer to subsection 1.1(1) of the Instrument or to National Instrument 14-101 *Definitions*.

In this form,

"company" includes other types of business organizations such as partnerships, trusts and other unincorporated business entities;

"compensation securities" includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries;

"external management company" includes a subsidiary, affiliate or associate of the external management company;

"**named executive officer**" or "**NEO**" means each of the following individuals:

(a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;

(b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;

(c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than $150,000, as determined in accordance with subsection 1.3(5), for that financial year;

(d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year;

"plan" includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons;

"**underlying securities**" means any securities issuable on conversion, exchange or exercise of compensation securities.

1.3 Preparing the form

(1) All compensation to be included

(a) When completing this form, the company must disclose all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the company, or a subsidiary of the company, to each named executive officer and director, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given, or otherwise provided to the named executive officer or director for services provided and for services to be provided, directly or indirectly, to the company or a subsidiary of the company.

(b) If an item of compensation is not specifically mentioned or described in this form, disclose it in the column "Value of all other compensation" of the table in section 2.1.

Commentary

1. *Unless otherwise specified, information required to be disclosed under this form may be prepared in accordance with the accounting principles the company uses to prepare its financial statements, as permitted by National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.*

2. *The definition of "director" under securities legislation includes an individual who acts in a capacity similar to that of a director.*

(2) Departures from format

(a) Although the required disclosure must be made in accordance with this form, the disclosure may

(i) omit a table, column of a table, or other prescribed information, if it does not apply, and

(ii) add a table, column, or other information if

(A) necessary to satisfy the objective in section 1.1, and

(B) to a reasonable person, the table, column, or other information does not detract from the prescribed information in the table in section 2.1.

(b) Despite paragraph (a), a company must not add a column to the table in section 2.1.

(3) Information for full financial year

(a) If a named executive officer acted in that capacity for the company during part of a financial year for which disclosure is required in the table in section 2.1, provide details of all of the compensation that the named executive officer received from the company for that financial year. This includes compensation the named executive officer earned in any other position with the company during the financial year.

(b) Do not annualize compensation in a table for any part of a year when a named executive officer was not in the service of the company. Annualized compensation may be disclosed in a footnote.

(4) Director and named executive officer compensation

(a) Disclose any compensation awarded to, earned by, paid to, or payable to each director and named executive officer, in any capacity with respect to the

company. Compensation to directors and named executive officers must include all compensation from the company and its subsidiaries.

(b) Disclose any compensation awarded to, earned by, paid to, or payable to, a named executive officer, or director, in any capacity with respect to the company, by another person or company.

(5) Determining if an individual is a named executive officer

For the purpose of calculating total compensation awarded to, earned by, paid to, or payable to an executive officer under paragraph (c) of the definition of named executive officer,

(a) use the total compensation that would be reported for that executive officer in the table in section 2.1, as if the executive officer were a named executive officer for the company's most recently completed financial year, and

(b) exclude any compensation disclosed in the column "Value of all other compensation" of the table in section 2.1.

Commentary

The $150,000 threshold in paragraph (c) of the definition of named executive officer only applies when determining who is a named executive officer in a company's most recently completed financial year. If an individual is a named executive officer in the most recently completed financial year, disclosure of compensation in the prior years must be provided even if total compensation in a prior year is less than $150,000.

(6) Compensation to associates

Disclose any awards, earnings, payments, or payables to an associate of a named executive officer, or of a director, as a result of compensation awarded to, earned by, paid to, or payable to the named executive officer or the director, in any capacity with respect to the company.

(7) Currencies

(a) Companies must report amounts required by this form in Canadian dollars or in the same currency that the company uses for its financial statements. A company must use the same currency in all of the tables of this form.

(b) If compensation awarded to, earned by, paid to, or payable to a named executive officer or director was in a currency other than the currency reported in the prescribed tables of this form, state the currency in which compensation was awarded, earned, paid, or payable, disclose the currency exchange rate and

describe the methodology used to translate the compensation into Canadian dollars or the currency that the company uses in its financial statements.

(8) New reporting issuers

(a) A company is not required to provide information for a completed financial year if the company was not a reporting issuer at any time during the most recently completed financial year, unless the company became a reporting issuer as a result of a restructuring transaction.

(b) If the company was not a reporting issuer at any time during the most recently completed financial year and the company is completing this form because it is preparing a prospectus, discuss all significant elements of the compensation to be awarded to, earned by, paid to, or payable to named executive officers and directors of the company once it becomes a reporting issuer, to the extent this compensation has been determined.

(9) Plain language

Information required to be disclosed under this form must be clear, concise, and presented in such a way that it provides a person, applying reasonable effort, an understanding of

(a) how decisions about named executive officer and director compensation are made, and

(b) how specific named executive officer and director compensation relates to the overall stewardship and governance of the company.

Commentary

Refer to the plain language principles listed in section 1.5 of Companion Policy 51-102CP Continuous Disclosure Obligations for further guidance.

ITEM 2 – DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION

2.1 Director and named executive officer compensation, excluding compensation securities

(1) Using the following table, disclose all compensation referred to in subsection 1.3(1) of this form for each of the two most recently completed financial years, other than compensation disclosed under section 2.3.

Commentary

For venture issuers, compensation includes payments, grants, awards, gifts and benefits including, but not limited to,

- *salaries,*
- *consulting fees,*
- *management fees,*
- *retainer fees,*
- *bonuses,*
- *committee and meeting fees,*
- *special assignment fees,*
- *pensions and employer paid RRSP contributions,*
- *perquisites such as*
    - *car, car lease, car allowance or car loan,*
    - *personal insurance,*
    - *parking,*
    - *accommodation, including use of vacation accommodation,*
    - *financial assistance,*
    - *club memberships,*
    - *use of corporate motor vehicle or aircraft,*
    - *reimbursement for tax on perquisites or other benefits, and*
    - *investment-related advice and expenses.*

Table of compensation excluding compensation securities							
Name and position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or meeting fees ($)**	**Value of perquisites ($)**	**Value of all other compensation ($)**	**Total compensation ($)**

(2) In the table required under subsection (1), disclose compensation of each named executive officer first, followed by compensation of any director who is not a named executive officer.

(3) If the individual is a named executive officer and a director, state both positions in the column entitled "Name and position". In a footnote to the table, identify how much compensation the NEO received for each position.

(4) In the column entitled "Value of perquisites", include perquisites provided to an NEO or director that are not generally available to all employees and that, in aggregate, are greater than

(a) $15,000, if the NEO or director's total salary for the financial year is $150,000 or less,

(b) 10% of the NEO or director's salary for the financial year, if the NEO or director's total salary for the financial year is greater than $150,000 but less than $500,000, or

(c) $50,000, if the NEO or director's total salary for the financial year is $500,000 or greater.

Value these items on the basis of the aggregate incremental cost to the company and its subsidiaries. Describe in a footnote the methodology used for computing the aggregate incremental cost to the company.

Provide a note to the table to disclose the nature of each perquisite provided that equals or exceeds 25% of the total value of perquisites provided to that named executive officer or director, and how the value of the perquisite was calculated, if it is not provided in cash.

Commentary

For the purposes of the column entitled "Value of perquisites", an item is generally a perquisite if it is not integrally and directly related to the performance of the director or named executive officer's duties. If something is necessary for a person to do his or her job, it is integrally and directly related to the job and is not a perquisite, even if it also provides some amount of personal benefit.

(5) If non-cash compensation, other than compensation required to be disclosed in section 2.3, was provided or is payable, disclose the fair market value of the compensation at the time it was earned or, if it is not possible to calculate the fair market value, disclose that fact in a note to the table and the reasons why.

(6) In the column entitled "Value of all other compensation", include all of the following:

(a) any incremental payments, payables and benefits to a named executive officer or director that were triggered by, or resulted from, a scenario listed in subsection 2.5(2) that occurred before the end of the applicable financial year,

(b) all compensation relating to defined benefit or defined contribution plans including service costs and other compensatory items such as plan changes and earnings that are different from the estimated earnings for defined benefit plans and above market earnings for defined contribution plans.

Commentary

The disclosure of defined benefit or defined contribution plans relates to all plans that provide for the payment of pension plan benefits. Use the same amounts indicated in

column (e) of the defined benefit plan table required by section 2.7 for the applicable financial year and the amounts included in column (c) of the defined contribution plan table required by section 2.7 for the applicable financial year.

(7) Despite subsection (1), it is not necessary to disclose Canada Pension Plan, similar government plans and group life, health, hospitalization, medical reimbursement and relocation plans that do not discriminate in scope, terms or operation that are generally available to all salaried employees.

(8) If a director or named executive officer has served in that capacity for only part of a year, indicate the number of months he or she has served; do not annualize the compensation.

(9) Provide notes to the table to disclose each of the following for the most recently completed financial year only:

(a) compensation paid or payable by any person or company other than the company in respect of services provided to the company or its subsidiaries, including the identity of that other person or company;

(b) compensation paid or payable indirectly to the director or named executive officer and, in such case, the amount of compensation, to whom it is paid or payable and the relationship between the director or named executive officer and such other person or company;

(c) for the column entitled "Value of all other compensation", the nature of each form of other compensation paid or payable that equals or exceeds 25% of the total value of other compensation paid or payable to that director or named executive officer, and how the value of such other compensation was calculated, if it is not paid or payable in cash.

2.2 External management companies

(1) If one or more individuals acting as named executive officers of the company are not employees of the company, disclose the names of those individuals.

(2) If an external management company employs or retains one or more individuals acting as named executive officers or directors of the company and the company has entered into an understanding, arrangement or agreement with the external management company to provide executive management services to the company, directly or indirectly, disclose any compensation that

(a) the company paid directly to an individual employed, or retained by the external management company, who is acting as a named executive officer or director of the company;

(b) the external management company paid to the individual that is attributable to the services they provided to the company, directly or indirectly.

(3) If an external management company provides the company's executive management services and also provides executive management services to another company, disclose the entire compensation the external management company paid to the individual acting as a named executive officer or director, or acting in a similar capacity, in connection with services the external management company provided to the company, or the parent or a subsidiary of the company. If the management company allocates the compensation paid to a named executive officer or director, disclose the basis or methodology used to allocate this compensation.

Commentary

A named executive officer may be employed by an external management company and provide services to the company under an understanding, arrangement or agreement. In this case, references in this form to the chief executive officer or chief financial officer are references to the individuals who performed similar functions to that of the chief executive officer or chief financial officer. They are typically the same individuals who signed and filed annual and interim certificates to comply with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

2.3 Stock options and other compensation securities

(1) Using the following table, disclose all compensation securities granted or issued to each director and named executive officer by the company or one of its subsidiaries in the most recently completed financial year for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries.

Compensation Securities							
Name and position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**	**Date of issue or grant**	**Issue, conversion or exercise price ($)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end ($)**	**Expiry date**

(2) Position the tables prescribed in subsections (1) and (4) directly after the table prescribed in section 2.1.

(3) Provide notes to the table to disclose each of the following:

(a) the total amount of compensation securities, and underlying securities, held by each named executive officer or director on the last day of the most recently completed financial year end;

(b) any compensation security that has been re-priced, cancelled and replaced, had its term extended, or otherwise been materially modified, in the most recently completed financial year, including the original and modified terms, the effective date, the reason for the modification, and the name of the holder;

(c) any vesting provisions of the compensation securities;

(d) any restrictions or conditions for converting, exercising or exchanging the compensation securities.

(4) Using the following table, disclose each exercise by a director or named executive officer of compensation securities during the most recently completed financial year.

Exercise of Compensation Securities by Directors and NEOs							
Name and position	**Type of compensation security**	**Number of underlying securities exercised**	**Exercise price per security ($)**	**Date of exercise**	**Closing price per security on date of exercise ($)**	**Difference between exercise price and closing price on date of exercise ($)**	**Total value on exercise date ($)**

(5) For the tables prescribed in subsections (1) and (4), if the individual is a named executive officer and a director, state both positions in the columns entitled "Name and position".

Commentary

For the purposes of the column entitled "Total value on exercise date" multiply the number in the column entitled "Number of underlying securities exercised" by the number in the column entitled "Difference between exercise price and closing price on date of exercise".

2.4 Stock option plans and other incentive plans

(1) Describe the material terms of each stock option plan, stock option agreement made outside of a stock option plan, plan providing for the grant of stock appreciation rights, deferred share units or restricted stock units and any other incentive plan or portion of a plan under which awards are granted.

Commentary

Examples of material terms are vesting provisions, maximum term of options granted, whether or not a stock option plan is a rolling plan, the maximum number or percentage of options that can be granted, method of settlement.

(2) Indicate for each such plan or agreement whether it has previously been approved by shareholders and, if applicable, when it is next required to be approved.

(3) Disclosure is not required of plans, such as shareholder rights plans, that involve issuance of securities to all securityholders.

2.5 Employment, consulting and management agreements

(1) Disclose the material terms of each agreement or arrangement under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the company or any of its subsidiaries that were

(a) performed by a director or named executive officer, or

(b) performed by any other party but are services typically provided by a director or a named executive officer.

(2) For each agreement or arrangement referred to in subsection (1), disclose each of the following:

(a) the provisions, if any, with respect to change of control, severance, termination or constructive dismissal;

(b) the estimated incremental payments that are triggered by, or result from, change of control, severance, termination or constructive dismissal;

(c) any relationship between the other party to the agreement and a director or named executive officer of the company or any of its subsidiaries.

2.6 Oversight and description of director and named executive officer compensation

(1) Disclose who determines director compensation and how and when it is determined.

(2) Disclose who determines named executive officer compensation and how and when it is determined.

(3) For each named executive officer, disclose each of the following:

(a) a description of all significant elements of compensation awarded to, earned by, paid or payable to the named executive officer for the most recently completed financial year, including at a minimum each element of compensation that accounts for 10% or more of the named executive officer's total compensation;

(b) whether total compensation or any significant element of total compensation is tied to one or more performance criteria or goals, including for example, milestones, agreements or transactions and, if so,

(i) describe the performance criteria and goals, and

(ii) indicate the weight or approximate weight assigned to each performance criterion or goal;

(c) any significant events that have occurred during the most recently completed financial year that have significantly affected compensation including whether any performance criterion or goal was waived or changed and, if so, why;

(d) how the company determines the amount to be paid for each significant element of compensation referred to in paragraph (a), including whether the process is based on objective, identifiable measures or a subjective decision;

(e) whether a peer group is used to determine compensation and, if so, describe the peer group and why it is considered appropriate;

(f) any significant changes to the company's compensation policies that were made during or after the most recently completed financial year that could or will have an effect on director or named executive officer compensation.

(4) Despite subsection (3), if a reasonable person would consider that disclosure of a previously undisclosed specific performance criterion or goal would seriously prejudice the company's interests, the company is not required to disclose the criterion or goal provided that the company does each of the following:

(a) discloses the percentage of the named executive officer's total compensation that relates to the undisclosed criterion or goal;

(b) discloses the anticipated difficulty in achieving the performance criterion or goal;

(c) states that it is relying on this exemption from the disclosure requirement;

(d) explains why disclosing the performance criterion or goal would seriously prejudice its interests.

(5) For the purposes of subsection (4), a company's interests are considered not to be seriously prejudiced solely by disclosing a performance goal or criterion if that criterion or goal is based on broad corporate-level financial performance metrics such as earnings per share, revenue growth, or earnings before interest, taxes, depreciation and amortization (EBITDA).

2.7 Pension disclosure

If the company provides a pension to a director or named executive officer, provide for each such individual the additional disclosure required by Item 5 of Form 51-102F6.

2.8 Companies reporting in the United States

(1) Except as provided in subsection (2), SEC issuers may satisfy the requirements of this form by providing the information that they disclose in the United States pursuant to item 402 "Executive compensation" of Regulation S-K under the 1934 Act.

(2) Subsection (1) does not apply to a company that, as a foreign private issuer, satisfies Item 402 of Regulation S-K by providing the information required by Items 6.B "Compensation" and 6.E.2 "Share Ownership" of Form 20-F under the 1934 Act..

Companion Policy 51-102CP
Continuous Disclosure Obligations

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Companion Policy 51-102CP
Continuous Disclosure Obligations

PART 1 INTRODUCTION AND DEFINITIONS

1.1 Introduction and Purpose

(1) National Instrument 51-102 *Continuous Disclosure Obligations* (the "Instrument") sets out disclosure requirements for all issuers, other than investment funds, that are reporting issuers in one or more jurisdictions in Canada.

(2) The purpose of this Companion Policy (the "Policy") is to help you understand how the provincial and territorial regulatory authorities interpret or apply certain provisions of the Instrument. This Policy includes explanations, discussion and examples of various parts of the Instrument.

1.2 Filing Obligations

(1) Reporting issuers must file continuous disclosure documents under the Instrument only in the local jurisdictions in which they are a reporting issuer.

(2) In some circumstances, the Instrument permits an issuer to satisfy a filing requirement by filing a different document instead. If an issuer is relying on one of these sections, the issuer must file the substitute document in the appropriate filing category and type on SEDAR. For example, an exchangeable share issuer relying on section 13.3(2) that must file a copy of its parent issuer's annual financial statements must file those financial statements under the exchangeable share issuer's SEDAR profile in the "Annual Financial Statement" filing type.

1.3 Corporate Law Requirements

Reporting issuers are reminded that they may be subject to requirements of corporate law that address matters similar to those addressed by the Instrument, and which may impose additional or more onerous requirements. For example, applicable corporate law may require the delivery of annual financial statements to shareholders or may require the board of directors to approve interim financial reports.

1.4 Definitions

(1) **General** – Many of the terms for which the Instrument or Forms prescribed by the Instrument provide definitions are defined somewhat differently in the applicable securities legislation of several local jurisdictions. A term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless: (a) the definition in that statute is restricted to a specific portion of

the statute that does not govern continuous disclosure; or (b) the context otherwise requires.

For instance, the terms "form of proxy", "material change", "proxy", and "recognized quotation and trade reporting system" are defined in local securities legislation of most jurisdictions. The provincial and territorial regulatory authorities consider the meanings given to these terms in securities legislation to be substantially similar to the definitions set out in the Instrument.

(2) **Asset-backed security** – Section 1.8 of Companion Policy 44-101CP provides guidance for the definition of "asset-backed security".

(3) **Directors and Executive Officers** – Where the Instrument or any of the Forms use the term "directors" or "executive officers", a reporting issuer that is not a corporation must refer to the definitions in securities legislation of "director". The definition of "director" typically includes a person acting in a capacity similar to that of a director of a company. Therefore, non-corporate issuers must determine in light of the particular circumstances which individuals or persons are acting in such capacities for the purposes of complying with the Instrument and the Forms. Further, in considering paragraph (c) of the definition of "executive officer", we would consider an individual that is employed by an entity separate from the reporting issuer, but that performs a policy-making function in respect of the reporting issuer through that separate entity or otherwise, to fit within this definition.

Similarly, the terms chief executive officer and chief financial officer should be read to include the individuals who have the responsibilities normally associated with these positions or act in a similar capacity. This determination should be made irrespective of an individual's corporate title or whether that individual is employed directly or acts pursuant to an agreement or understanding.

(4) **Investment Fund** – Generally, the definition of "investment fund" would not include a trust or other entity that issues securities which entitle the holder to substantially all of the net cash flows generated by: (i) an underlying business owned by the trust or other entity, or (ii) the income-producing properties owned by the trust or other entity. Examples of trusts or other entities that are not included in the definition are business income trusts, real estate investment trusts and royalty trusts.

(5) **Reverse Takeover** – The definition of reverse takeover includes reverse acquisitions as defined or interpreted in Canadian GAAP applicable to publicly accountable enterprises and any other transaction in which an issuer issues enough voting securities as consideration for the acquisition of an entity such that control of the issuer passes to the securityholders of the acquired entity (such as a Qualifying Transaction, as that term is defined in the TSX Venture Exchange policies). In a reverse acquisition, although legally the entity (the legal parent) that issued the securities is regarded as the parent, the entity (the legal subsidiary) whose former securityholders now control the combined entity is treated as the acquirer for

accounting purposes. As a result, for accounting purposes, the issuing entity (the legal parent) is deemed to be a continuation of the acquirer and the acquirer is deemed to have acquired control of the assets and business of the issuing entity in consideration for the issue of capital.

(6) **Restructuring transaction** – A "restructuring transaction" includes a transaction in which a reporting issuer acquires assets, which may include assets that constitute a business, and issues securities resulting in

- new securityholders owning or controlling more than 50% of the reporting issuer's outstanding voting securities, and
- a new control person or company, or new control group.

The acquisition and issuance may be in a single transaction, or a series of transactions. To be a "series of transactions", the transactions must be related to each other.

The phrase "new securityholders" includes both beneficial owners who did not hold any of the reporting issuer's securities before the restructuring transaction, and beneficial owners that held some securities in the reporting issuer before the transaction, but who now, as a result of the transaction, own more than 50% of the outstanding voting securities.

(7) **Accounting terms** – The Instrument uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that National Instrument 14-101 *Definitions* provides that a term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure; or (b) the context otherwise requires.

For example, the term "associate" is defined in local securities statutes and Canadian GAAP applicable to publicly accountable enterprises. Securities regulatory authorities are of the view that the references to the term "associate" in the Instrument and its forms (e.g., item 7.1(g) of Form 51-102F5 *Information Circular*) should be given the meaning of the term under local securities statutes since the context does not indicate that the accounting meaning of the term should be used.

(8) **Acceptable accounting principles other than Canadian GAAP applicable to publicly accountable enterprises** – If an issuer is permitted under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP applicable to publicly accountable enterprises, then the issuer may interpret any reference in the Instrument to a term or provision defined or used in

Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in the other acceptable accounting principles.

(9) **Rate-regulated activities** - If a qualifying entity is relying on the exemption in paragraph 5.4(1)(a) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, then the qualifying entity may interpret any reference in the Instrument to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in Part V of the Handbook.

1.5 Plain Language Principles

You should apply plain language principles when you prepare your disclosure including:

- using short sentences
- using definite everyday language
- using the active voice
- avoiding superfluous words
- organizing the document in clear, concise sections, paragraphs and sentences
- avoiding jargon
- using personal pronouns to speak directly to the reader
- avoiding reliance on glossaries and defined terms unless it facilitates understanding of the disclosure
- not relying on boilerplate wording
- avoiding abstract terms by using more concrete terms or examples
- avoiding multiple negatives
- using technical terms only when necessary and explaining those terms
- using charts, tables and examples where it makes disclosure easier to understand.

Question and answer bullet point formats are consistent with the disclosure requirements of the Instrument.

1.6 Signature and Certificates

Reporting issuers are not required by the Instrument to sign or certify documents filed under the Instrument. Certification requirements apply to some documents under National Instrument 52-109 *Certification of Disclosure in Companies' Annual and Interim Filings*. Whether or not a document is signed or certified, it is an offence under securities legislation to make a false or misleading statement in any required document.

1.7 Audit Committees

Reporting issuers are reminded that their audit committees must fulfill their responsibilities set out in other securities legislation. For example, the responsibilities of audit committees are set out in National Instrument 52-110 *Audit Committees*.

1.8 Acceptable Accounting Principles and Auditing Standards

An issuer filing any of the following items under the Instrument must comply with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*:

(a) financial statements;

(b) an operating statement for an oil and gas property as referred to in section 8.10 of the Instrument;

(c) summarized financial information, including the aggregated amounts of assets, liabilities, revenue and profit or loss of a business as referred to in section 8.6 of the Instrument; or

(d) financial information derived from a credit support issuer's financial statements as referred to in section 13.4 of the Instrument.

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* sets out, among other things, the use of accounting principles other than Canadian GAAP applicable to publicly accountable enterprises or auditing standards other than Canadian GAAS in preparing or auditing financial statements.

1.9 Ordinary Course of Business

Whether a contract has been entered into in the ordinary course of business is a question of fact. It must be considered in the context of the reporting issuer's business and the industry in which it operates.

1.10 Material Deficiencies

After filing a document under the Instrument, a reporting issuer may determine that the document was materially deficient in some respect and, as a result, the filing does not comply with the requirements of the Instrument. In this situation, the reporting issuer is expected to comply with the Instrument by filing an amended version of the materially deficient document.

PART 2 FOREIGN ISSUERS AND INVESTMENT FUNDS

2.1 Foreign Issuers

National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* provides relief for foreign reporting issuers from certain continuous disclosure and other obligations, including certain obligations contained in the Instrument.

2.2 Investment Funds

Section 2.1 of the Instrument states that the Instrument does not apply to an investment fund. Investment funds should look to securities legislation of the local jurisdiction including National Instrument 81-106 *Investment Fund Continuous Disclosure* to find the continuous disclosure requirements applicable to them.

PART 3 FINANCIAL STATEMENTS

3.1 Financial Year

(1) **Length of Financial Year** – For the purposes of the Instrument, unless otherwise expressly provided, references to a financial year apply irrespective of the length of that year. The first financial year of a reporting issuer commences on the date of its incorporation or organization and ends at the close of that year.

(2) **Non-Standard Year** – An issuer with a non-standard year should advise the regulator or securities regulatory authority how it calculates its interim and annual periods before its first financial statements are due under the Instrument.

3.2 Audit of Comparative Annual Financial Statements

Section 4.1 of the Instrument requires a reporting issuer to file annual financial statements that include comparative information for the immediately preceding financial year and that are audited. The auditor's report must cover both the most recently completed financial year and the comparative period, except if the issuer changed its auditor during the periods presented in the annual financial statements and the new auditor has not audited the comparative period. In this situation, the auditor's report would normally refer to the predecessor auditor's report unless the

predecessor auditor's report on the prior period's annual financial statements is reissued with the financial statements. This is consistent with Canadian Auditing Standard 710 *Comparative Information – Corresponding Figures and Comparative Financial Statements*.

3.3 Filing Deadline for Annual Financial Statements and Auditor's Report

Section 4.2 of the Instrument sets out filing deadlines for annual financial statements. While section 4.2 of the Instrument does not address the auditor's report date, reporting issuers are encouraged to file their annual financial statements as soon as practicable after the date of the auditor's report. The delivery obligations set out in section 4.6 of the Instrument are not tied to the filing of the annual financial statements.

3.4 Auditor Involvement with an Interim Financial Report

(1) The board of directors of a reporting issuer, in discharging its responsibilities for ensuring the reliability of an interim financial report, should consider engaging an external auditor to carry out a review of the interim financial report.

(2) Subsection 4.3(3) of the Instrument requires a reporting issuer to disclose if an auditor has not performed a review of the interim financial report, to disclose if an auditor was unable to complete a review and why, and to file a written report from the auditor if the auditor has performed a review and expressed a reservation in the auditor's interim review report. No positive statement is required when an auditor has performed a review and provided an unqualified communication. If an auditor was engaged to perform a review on an interim financial report applying review standards set out in the Handbook, and the auditor was unable to complete the review, the issuer's disclosure of the reasons why the auditor was unable to complete the review would normally include a discussion of

(a) inadequate internal control;

(b) a limitation on the scope of the auditor's work; or

(c) the failure of management to provide the auditor with the written representations the auditor believes are necessary.

(3) If a reporting issuer's annual financial statements are audited in accordance with Canadian GAAS, the terms "review" and "interim review report" used in subsection 4.3(3) of the Instrument refer to the auditor's review of, and report on, an interim financial report applying standards for a review of an interim financial report by the auditor as set out in the Handbook. However, if the reporting issuer's financial statements are audited in accordance with auditing standards other than Canadian GAAS, the corresponding review standards should be applied.

3.5 Delivery of Financial Statements and Paper Copies of Information Circulars

(1) Subsection 4.6(1) of the Instrument requires reporting issuers to send a request form to the registered holders and beneficial owners of their securities, other than debt instruments. The registered holders and beneficial owners may use the request form to request a paper copy of the reporting issuer's annual financial statements and related MD&A, interim financial reports and related MD&A, or both. In addition, the request form also may (but is not required to) be used to request a paper copy of the information circular and annual financial statements and related MD&A where a reporting issuer uses notice-and-access to deliver proxy-related materials. Reporting issuers are only required to deliver financial statements and MD&A to the person or company that requests them. As a result, if a beneficial owner requests financial statements and MD&A through its intermediary, the issuer is only required to deliver the requested documents to the intermediary.

Failing to return the request form or otherwise specifically request a copy of the financial statements or MD&A from the reporting issuer will override the beneficial owner's standing instructions under NI 54-101 in respect of the financial statements.

The Instrument does not prescribe when the request form must be sent, or how it must be returned to the reporting issuer.

(2) Subsection 4.6(5) provides that subsection 4.6(1) and the requirement to send annual financial statements under subsection 4.6(3) do not apply to a reporting issuer that sends its annual financial statements to its securityholders, other than holders of debt instruments, within 140 days of the issuer's financial year-end and in accordance with NI 54-101. Notice-and-access can be used to send the annual financial statements and related MD&A under subsection 4.6(5). Notice-and-access is consistent with the principles for electronic delivery set out in National Policy 11-201 *Electronic Delivery of Documents*.

3.6 Comparative Interim Financial Information After Becoming a Reporting Issuer

Section 4.7(4) of the Instrument provides that a reporting issuer does not have to provide comparative financial information when it first becomes a reporting issuer if it complies with specific requirements. Section 4.10(3) of the Instrument provides a similar exemption for comparative financial information for a reverse takeover acquirer. These exemptions may, for example, apply to an issuer that was, before becoming a reporting issuer or before the reverse takeover, a private entity and that is unable to prepare the comparative financial information because it is impracticable to do so. The test of whether "to a reasonable person it is impracticable to present prior-period information on a basis consistent with subsection 4.3(2)" is objective, rather than subjective. Securities regulatory authorities are of the view that a reporting issuer can rely on the exemption only if it has made every reasonable effort to present prior-period information on a basis consistent with subsection 4.3(2) of the Instrument. We are of the view that an issuer should only rely on this exemption in

unusual circumstances and generally not related solely to the cost or the time involved in preparing the financial statements.

3.7 Change in Year-End

Appendix A to this Policy is a chart outlining the financial statement filing requirements under section 4.8 of the Instrument if a reporting issuer changes its financial year-end.

3.8 Reverse Takeovers

(1) Following a reverse takeover, although the reverse takeover acquiree is the reporting issuer, from an accounting perspective, the financial statements will be those of the reverse takeover acquirer. Those financial statements must be prepared and filed as if the reverse takeover acquirer had always been the reporting issuer.

(2) The reverse takeover acquiree must file its own financial statements required by sections 4.1 and 4.3 and the related MD&A for all interim and annual periods ending before the date of the reverse takeover, even if the filing deadline for those financial statements is after the date of the reverse takeover.

3.9 Change in Corporate Structure

(1) Section 4.9 of the Instrument requires a reporting issuer to file a notice if the issuer has been party to certain transactions. The reporting issuer may satisfy this requirement by filing a copy of its material change report or news release, provided that

(a) the material change report or news release contains all the information required in the notice; and

(b) the reporting issuer files the material change report or news release with the securities regulatory authority or regulator

(i) under the Change in Corporate Structure category on SEDAR, or

(ii) if the issuer is not an electronic filer, as a notice under section 4.9.

(2) If the transaction was a reverse takeover, the notice should state that fact and who the reverse takeover acquirer was.

(3) Under paragraph 4.9(h) of the Instrument, the issuer must state the periods of the interim financial reports and the annual financial statements it has to file for its first financial year. Issuers should explain how they determined the periods, particularly if section 4.7 of the Instrument applies.

3.10 Change of Auditor

The term "disagreement" defined in subsection 4.11(1) should be interpreted broadly. A disagreement may not involve an argument, but rather, a mere difference of opinion. Also, where a difference of opinion occurs that meets the criteria in item (b) of the definition of "disagreement", and the issuer reluctantly accepts the auditor's position in order to obtain an unqualified report, a reportable disagreement may still exist. The subsequent rendering of an unqualified report does not, by itself, remove the necessity for reporting a disagreement.

Subsection 4.11(5) of the Instrument requires a reporting issuer, upon a termination or resignation of its auditor, to prepare a change of auditor notice, have the audit committee or board of directors approve the notice, file the reporting package with the regulator or securities regulatory authority in each jurisdiction where it is a reporting issuer, and if there are any reportable events, issue and file a news release describing the information in the reporting package. Subsection 4.11(6) of the Instrument requires the reporting issuer to perform these procedures upon an appointment of a successor auditor. If a termination or resignation of a predecessor auditor and appointment of a successor auditor occur within a short period of time, it may be possible for a reporting issuer to perform the procedures described above required by both subsections 4.11(5) and 4.11(6) concurrently and meet the timing requirements set out in those subsections. In other words, the reporting issuer would prepare only one comprehensive notice and reporting package.

PART 4 DISCLOSURE AND PRESENTATION OF FINANCIAL INFORMATION

4.1 Disclosure of Financial Information

(1) Subsection 4.5(1) of the Instrument requires that annual financial statements be approved by the board of directors before filing. Subsections 4.5(2) and 4.5(3) of the Instrument require that each interim financial report be approved by the board of directors or by the company's audit committee before filing. We believe that extracting information from financial statements that have not been approved as required by those provisions and releasing that information to the marketplace in a news release is inconsistent with the prior approval requirement. Also see National Policy 51-201 *Disclosure Standards*.

(2) Reporting issuers that intend to disclose financial information to the marketplace in a news release should consult National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. We believe that disclosing financial information in a news release without disclosing the accounting principles used is inconsistent with the requirement in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* to identify the accounting principles used in the financial statements.

4.2 Non-GAAP Financial Measures

Reporting issuers that intend to publish financial measures other than those prescribed by Canadian GAAP applicable to publicly accountable enterprises should refer to CSA Staff Notice 52-306 *Non-GAAP Financial Measures* for a discussion of staff expectations concerning the use of non-GAAP measures.

4.3 Presentation of Financial Information

Canadian GAAP applicable to publicly accountable enterprises provides an issuer two alternatives in presenting its income: (a) in one single statement of comprehensive income, or (b) in a statement of comprehensive income with a separate income statement. If an issuer presents its income using the second alternative, both statements must be filed to satisfy the requirements of this Instrument. (See subsections 4.1(3) and 4.3(2.1) of the Instrument).

4.4 Predecessor and successor auditor reporting of non-compliance with change of auditor requirements

Subsections 4.11(8) and 4.11(9) of the Instrument require a predecessor and successor auditor to deliver to the regulator or, in Quebec, the securities regulatory authority, a copy of a letter sent to a reporting issuer advising a reporting issuer of its failure to comply with the change of auditor reporting requirements. "Regulator" and "securities regulatory authority" are defined in NI 14-101 – *Definitions*. The securities regulatory authorities will consider the notice requirement in each of these provisions of the Instrument to have been satisfied if the notice is sent to auditor.notice@acvm-csa.ca.

PART 4A FORWARD-LOOKING INFORMATION

4A.1 Application

Section 4A.1 of the Instrument indicates that Part 4A applies to forward-looking information that is disclosed by a reporting issuer other than forward-looking information contained in oral statements. Reporting issuers should consider broadly the various instances of forward-looking information made available to the public in considering the scope of forward-looking information that is disclosed. This includes, but is not limited to:

- Information that a reporting issuer files with securities regulators
- Information contained in news releases issued by a reporting issuer
- Information published on a reporting issuer's website

- Information published in marketing materials or other similar materials prepared by a reporting issuer or distributed to the public by a reporting issuer.

4A.2 Reasonable Basis

Section 4A.2 of the Instrument requires a reporting issuer to have a reasonable basis for any forward-looking information it discloses. When interpreting "reasonable basis", reporting issuers should consider:

(a) the reasonableness of the assumptions underlying the forward-looking information; and

(b) the process followed in preparing and reviewing forward-looking information.

4A.3 Material Forward-Looking Information

Section 4A.3 and section 5.8 of the Instrument require a reporting issuer to include specified disclosure in material forward-looking information it discloses. Reporting issuers should exercise judgement when determining whether information is material. If a reasonable investor's decision whether or not to buy, sell or hold securities of the reporting issuer would be influenced or changed if the information were omitted or misstated, then the information is likely material.

Section 1.1 contains definitions of the terms "financial outlook" and "FOFI." We consider FOFI and most financial outlooks to be material forward-looking information. Examples of financial outlooks include expected revenue, profit or loss, earnings per share and R&D spending. A financial outlook relating to profit or loss is commonly referred to as "earnings guidance."

An example of forward-looking information that is not a financial outlook or FOFI would be an estimate of future store openings by an issuer in the retail industry. This type of information may or may not be material, depending on whether a reasonable investor's decision whether or not to buy, sell or hold securities of that issuer would be influenced or changed if the information were omitted or misstated.

4A.4 Location of Disclosure

Section 4A.3 of the Instrument requires that any material forward-looking information include specified disclosure. This disclosure should be presented in a manner that allows an investor who reads the document or other material containing the forward-looking information to be able to readily:

(a) understand that the forward-looking information is being provided in the document or other material;

(b) identify the forward-looking information; and

(c) inform himself or herself of the material assumptions underlying the forward-looking information and the material risk factors associated with the forward-looking information.

4A.5 Disclosure of Cautionary Language and Material Risk Factors

(1) Paragraph 4A.3(b) of the Instrument requires a reporting issuer to accompany any material forward-looking information with disclosure that cautions users that actual results may vary from the forward-looking information and identifies material risk factors that could cause material variation. The material risk factors identified in the cautionary language should be relevant to the forward-looking information and the disclosure should not be boilerplate in nature.

(2) The cautionary statements required by paragraph 4A.3(b) of the Instrument should identify significant and reasonably foreseeable factors that could reasonably be expected to cause results to differ materially from those projected in the material forward-looking statement. Reporting issuers should not interpret this as requiring a reporting issuer to anticipate and discuss everything that could conceivably cause results to differ.

4A.6 Disclosure of Material Factors or Assumptions

Paragraph 4A.3(c) of the Instrument requires a reporting issuer to disclose the material factors or assumptions used to develop material forward-looking information. The factors or assumptions should be relevant to the forward-looking information. Disclosure of material factors or assumptions does not require an exhaustive statement of every factor or assumption applied – a materiality standard applies.

4A.7 Date of Assumptions

Management of a reporting issuer that discloses material forward-looking information should satisfy itself that the assumptions are appropriate as of the date management discloses the material forward-looking information even though the material forward-looking information may have been prepared at an earlier time, and may be based on information accumulated over a period of time.

4A.8 Time Period

Paragraph 4B.2(2)(a) of the Instrument requires a reporting issuer to limit the period covered by FOFI or a financial outlook to a period for which the information can be reasonably estimated. In many cases that time period will not go beyond the end of the reporting issuer's next fiscal year. Some of the factors a reporting issuer should consider include the reporting issuer's ability to make appropriate assumptions, the nature of the reporting issuer's industry, and the reporting issuer's operating cycle.

PART 5 MD&A

5.1 Delivery of MD&A

Reporting issuers are not required to send a request form to their securityholders under Part 5 of the Instrument. This is because the request form that must be delivered under section 4.6 of the Instrument relates to both a reporting issuer's financial statements, and the MD&A applicable to those financial statements.

5.2 Additional Information for Venture Issuers Without Significant Revenue

Section 5.3 of the Instrument requires certain venture issuers to provide in their annual or interim MD&A (unless the information is included in their annual financial statements or interim financial report), a breakdown of material costs whether expensed or recognized as assets. A component of cost is generally considered to be a material component if it exceeds the greater of

(a) 20% of the total amount of the class; and

(b) $25,000.

5.3 Disclosure of Outstanding Share Data

Section 5.4 of the Instrument requires disclosure of information relating to the outstanding securities of the reporting issuer as of the latest practicable date. The "latest practicable date" should be current, as close as possible, to the date of filing of the MD&A. Disclosing the number of securities outstanding at the period end is generally not sufficient to meet this requirement.

5.4 Additional Disclosure for Equity Investees

Section 5.7 of the Instrument requires issuers with significant equity investees to provide in their annual or, if the issuer is an issuer that is not providing disclosure in accordance with section 2.2.1 of Form 51-102F1, their interim MD&A (unless the information is included in their annual financial statements or interim financial report), summarized information about the equity investee. Generally, we will consider that an equity investee is significant if, using the financial statements of the equity investee and the issuer as at the issuer's financial year-end, either of the following apply:

(a) for a reporting issuer that is not a venture issuer, the equity investee would meet the thresholds for the significance tests in Part 8;

(b) for a venture issuer, the equity investee would meet the thresholds for the significance tests in Part 8 if "100 percent" is read as "40 percent".

5.5 Previously Disclosed Material Forward-Looking Information

(1) Subsection 5.8(2) of the Instrument requires a reporting issuer to discuss certain events and circumstances that occurred during the period to which its MD&A relates. The events to be discussed are those that are reasonably likely to cause actual results to differ materially from material forward-looking information for a period that is not yet complete. This discussion is only required if the reporting issuer previously disclosed the forward-looking information to the public. Subsection 5.8(2) also requires a reporting issuer to discuss the expected differences.

For example, assume that a reporting issuer published FOFI for the current year assuming no change in the prime interest rate, but by the end of the second quarter the prime interest rate went up by 2%. In its MD&A for the second quarter, the reporting issuer should discuss the interest rate increase and its expected effect on results compared to those indicated in the FOFI.

A reporting issuer should consider whether the events and circumstances that trigger MD&A disclosure under subsection 5.8(2) of the Instrument might also trigger material change reporting requirements under Part 7 of the Instrument.

(2) Subsection 5.8(4) of the Instrument requires a reporting issuer to disclose and discuss material differences between actual results for the annual or interim period to which its MD&A relates and any FOFI or financial outlook for that period that the reporting issuer previously disclosed to the public. A reporting issuer should disclose and discuss material differences for material individual items included in the FOFI or financial outlook, including assumptions.

For example, if the actual dollar amount of revenue approximates forecasted revenue but the sales mix or sales volume differs materially from what the reporting issuer expected, the reporting issuer should explain the differences.

(3) Subsection 5.8(5) of the Instrument addresses a reporting issuer's decision to withdraw previously disclosed material forward-looking information. The subsection requires the reporting issuer to disclose that decision and discuss the events and circumstances that led the reporting issuer to the decision to withdraw the material forward-looking information, including a discussion of the assumptions included in the material forward-looking information that are no longer valid. A reporting issuer should consider whether the events and circumstances that trigger MD&A disclosure under subsection 5.8(5) of the Instrument might also trigger material change reporting requirements under Part 7 of the Instrument. We encourage all reporting issuers to promptly communicate to the market a decision to withdraw material forward-looking information, even if the material change reporting requirements are not triggered.

5.6 Venture Issuers - Quarterly Highlights

(1) A venture issuer that provides quarterly highlights is not required to update its annual MD&A in the quarterly highlights. However, to meet the requirements of section 2.2.1 of Form 51-102F1, the venture issuer should disclose in its quarterly highlights any change, if material, from plans disclosed in the annual MD&A. For example, if a mining issuer discloses a drill program in its annual MD&A and decides to make a change to that drill program in a subsequent interim period, that change, if material, should be disclosed in the quarterly highlights for that period.

(2) Although all venture issuers have the option of providing quarterly highlights, there are some instances where a venture issuer may want to consider providing full interim MD&A instead of quarterly highlights. We believe the option to use quarterly highlights will likely satisfy the needs of investors in smaller venture issuers. However, investors in larger venture issuers, including those with significant revenue, may want full interim MD&A to assist them in making informed investment decisions. Issuers will likely take the needs of their investors into consideration when determining whether to provide quarterly highlights or full interim MD&A.

(3) For greater certainty, a reference to interim MD&A is a reference to the quarterly highlights a venture issuer has the option of providing in accordance with section 2.2.1 of Form 51-102F1. As such, any requirements in National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* that apply to interim MD&A will apply to the quarterly highlights.

PART 6 AIF

6.1 Additional and Supporting Documentation

Any material incorporated by reference in an AIF is required to be filed with the AIF unless the material has been previously filed. When a reporting issuer using SEDAR files a previously unfiled document with its AIF, the reporting issuer should ensure that the document is filed under the appropriate SEDAR filing type and document type specifically applicable to the document, rather than generic type "Documents Incorporated by Reference". For example, a reporting issuer that has incorporated by reference an information circular in its AIF and has not previously filed the circular should file the circular under the "Management Proxy Materials" filing subtype and the "Management proxy/information circular" document type.

If the reporting issuer incorporates a document, or a portion of a document, by reference into its AIF, and that document, or that portion of the document, as applicable, incorporates another document by reference, the issuer must also file the underlying document with its AIF.

6.2 AIF Disclosure of Asset-backed Securities

(1) **Factors to consider** – Issuers that have distributed asset-backed securities under a prospectus are required to provide disclosure in their AIF under section 5.3 of Form 51-102F2. Issuers of asset-backed securities must determine which other prescribed disclosure is applicable and ought to be included in the AIF. Disclosure for a special purpose issuer of asset-backed securities will generally explain

- the nature, performance and servicing of the underlying pool of financial assets;
- the structure of the securities and dedicated cash flows; and
- any third party or internal support arrangements established to protect holders of the asset-backed securities from losses associated with non-performance of the financial assets or disruptions in payment.

The nature and extent of required disclosure may vary depending on the type and attributes of the underlying pool and the contractual arrangements through which holders of the asset-backed securities take their interest in such assets.

An issuer of asset-backed securities should consider the following factors when preparing its AIF:

1. The extent of disclosure respecting an issuer will depend on the extent of the issuer's on-going involvement in the conversion of the assets comprising the pool to cash and the distribution of cash to securityholders; this involvement may, in turn, vary dramatically depending on the type, quality and attributes of the assets comprising the pool and on the overall structure of the transaction.

2. Disclosure about the business and affairs of the issuer should relate to the financial assets underlying the asset-backed securities.

3. Disclosure about the originator or the seller of the underlying financial assets will often be relevant to investors in the asset-backed securities particularly where the originator or seller has an on-going involvement with the financial assets comprising the pool. For example, if asset-backed securities are serviced with the cash flows from a revolving pool of receivables, an evaluation of the nature and reliability of the future origination or the future sales of underlying assets by the seller to or through the issuer may be a critical aspect of an investor's investment decision.

   To address this, the focus of disclosure respecting an originator or seller of the underlying financial assets should deal with whether there are current circumstances that indicate that the originator or seller will not generate

adequate assets in the future to avoid an early liquidation of the pool and, correspondingly, an early payment of the asset-backed securities. Summary historical financial information respecting the originator or seller will ordinarily be adequate to satisfy the disclosure requirement applicable to the originator or seller in circumstances where the originator or seller has an ongoing relationship with the assets comprising the pool.

Financial information respecting the pool of assets to be described and analyzed in the AIF will consist of information commonly set out in servicing reports prepared to describe the performance of the pool and the specific allocations of profit, loss and cash flows applicable to outstanding asset-backed securities made during the relevant period.

(2) **Underlying pool of assets** – Paragraph 5.3(2)(a) of Form 51-102F2 requires issuers of asset-backed securities that were distributed by way of prospectus to include financial disclosure relating to the composition of the underlying pool of financial assets, the cash flows from which service the asset-backed securities. Disclosure respecting the composition of the pool will vary depending upon the nature and number of the underlying financial assets. For example, in a geographically dispersed pool of financial assets, it may be appropriate to provide a summary disclosure based on the location of obligors. In the context of a revolving pool, it may be appropriate to provide details relating to aggregate outstanding balances during a year to illustrate historical fluctuations in asset origination due, for example, to seasonality. In pools of consumer debt obligations, it may be appropriate to provide a breakdown within ranges of amounts owing by obligors in order to illustrate limits on available credit extended.

PART 7 MATERIAL CHANGE REPORTS

7.1 Publication of News Release

Section 7.1 of the Instrument requires reporting issuers to immediately issue and file a news release disclosing the nature of a material change. This requirement is substantively the same as the material change reporting requirements in some securities legislation for the news release to be issued *forthwith*.

PART 8 BUSINESS ACQUISITION REPORTS

8.1 Obligations to File a Business Acquisition Report

(1) **Filing of a Material Change Report** – The requirement in the Instrument for a reporting issuer to file a business acquisition report is in addition to the reporting issuer's obligation to file a material change report, if the significant acquisition constitutes a material change.

(2) **Filing of a Business Acquisition Report by SEC Issuers** – If a document or a series of documents that an SEC issuer files with or furnishes to the SEC in connection with a business acquisition contains all of the information, including financial statements, required to be included in a business acquisition report under the Instrument, the SEC issuer may file a copy of the documents as its business acquisition report.

(3) **Financial Statement Disclosure of Significant Acquisitions** – Reporting issuers are reminded that National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* prescribes the accounting principles and auditing standards that must be used to prepare and audit the financial statements required by Part 8 of the Instrument.

(4) **Acquisition of a Business** – A reporting issuer that has made a significant acquisition must include in its business acquisition report certain financial statements of each business acquired. The term "business" should be evaluated in light of the facts and circumstances involved. We generally consider that a separate entity, a subsidiary or a division is a business and that in certain circumstances a smaller component of a company may also be a business, whether or not the business previously prepared financial statements. In determining whether an acquisition constitutes the acquisition of a business, a reporting issuer should consider the continuity of business operations, including the following factors:

(a) whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition; and

(b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the reporting issuer instead of remaining with the vendor after the acquisition.

(5) **Acquisition by a Subsidiary** – If a reporting issuer's subsidiary, which is also a reporting issuer, has acquired a business, both the parent and subsidiary must test the significance of the acquisition. Even if the subsidiary files a business acquisition report, the parent must also file a business acquisition report if the acquisition is also significant for the parent.

8.2 Significance Tests

(1) **Nature of Significance Tests** – Subsection 8.3(2) of the Instrument sets out the required significance tests for determining whether an acquisition of a business by a reporting issuer is a "significant acquisition". The first test measures the assets of the acquired business against the assets of the reporting issuer. The second test measures the reporting issuer's investments in and advances to the acquired business against the assets of the reporting issuer. The third test measures the specified profit or loss of the acquired business against the specified profit or loss of the reporting issuer. If any one of these three tests is satisfied at the prescribed level, the acquisition is

considered "significant" to the reporting issuer. The test must be applied as at the acquisition date using the most recent audited annual financial statements of the reporting issuer and the business. These tests are similar to requirements of the SEC and provide issuers with certainty that if an acquisition is not significant at the acquisition date, then no business acquisition report will be required to be filed.

(2) **Business Using Accounting Principles Other Than Those Used by the Reporting Issuer** – Subsection 8.3(13) of the Instrument provides that, for the purposes of calculating the significance tests, the amounts used for the business or related businesses must, subject to subsection 8.3(13.1) of the Instrument, be based on the issuer's GAAP, and translated into the same presentation currency as that used in the reporting issuer's financial statements. This means that in some cases the amounts must be converted to the issuer's GAAP and translated into the same presentation currency as that used in the reporting issuer's financial statements.

Subsection 8.3(13.1) of the Instrument exempts venture issuers from the requirement in paragraph 8.3(13)(a) that, for the purposes of calculating the significance tests, the amounts used for the business or related businesses must be based on the issuer's GAAP, but only where the financial statements for the business or related businesses were prepared in accordance with Canadian GAAP applicable to private enterprises and certain other conditions are met.

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* permits financial statements for a business or related businesses to be prepared in accordance with U.S. GAAP without reconciliation to the issuer's GAAP. This does not impact the application of paragraph 8.3(13)(a) of the Instrument. Thus, if the issuer's GAAP is not U.S. GAAP, paragraph 8.3(13)(a) of the Instrument requires, for the purposes of calculating the significance tests, that the amounts used for the business or related businesses be based on the issuer's GAAP.

Paragraph 8.3(13)(b) of the Instrument applies to all issuers and requires, for the purpose of calculating the significance tests, that the amounts used for the business or related businesses be translated into the same presentation currency as that used in the reporting issuer's financial statements.

(3) **Acquisition of a Previously Unaudited Business** – Subsections 8.3(2) and 8.3(4) of the Instrument require the significance of an acquisition to be determined using the most recent audited annual financial statements of the reporting issuer and the business acquired. However, if the annual financial statements of the business or related businesses for the most recently completed financial year were not audited, subsection 8.3(14) of the Instrument permits use of the unaudited annual financial statements for the purpose of applying the significance tests. If the acquisition is determined to be significant, then the annual financial statements required by subsection 8.4(1) of the Instrument must be audited.

(3.1) **Application of Significance Tests for Business Combinations Achieved in Stages** – IFRS 3 *Business Combinations*, requires that when a business combination is achieved in stages the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition date fair value with any resulting gain or loss recognized in profit or loss. The remeasurement of the previously held equity interest should not be included in the asset or the investment test and the resulting gain or loss from remeasurement should not be included in the profit or loss test. (See subsection 8.3(4.1) of the Instrument).

(4) **Application of Investment Test for Significance of an Acquisition** – One of the significance tests set out in subsections 8.3(2) and (4) of the Instrument is whether the reporting issuer's consolidated investments in and advances to the business or related businesses exceed a specified percentage of the consolidated assets of the reporting issuer. In applying this test, the "investments in" the business should be determined using the consideration transferred, measured in accordance with the issuer's GAAP, including any contingent consideration. In addition, any payments made in connection with the acquisition which would not constitute consideration transferred but which would not have been paid unless the acquisition had occurred, should be considered part of investments in and advances to the business for the purpose of applying the significance tests. Examples of such payments include loans, royalty agreements, lease agreements and agreements to provide a pre-determined amount of future services. For purposes of the investment test, "consideration transferred" should be adjusted to exclude the carrying value of assets transferred by the reporting issuer to the business or related businesses that will remain with the business or related businesses after the acquisition.

(5) **Application of the Significance Tests When the Financial Year Ends are Non-Coterminous** – Subsection 8.3(2) of the Instrument requires the significance of a business acquisition to be determined using the most recent audited annual financial statements of both the reporting issuer and the acquired business. For the purpose of applying the tests under this subsection, the year-ends of the reporting issuer and the acquired business need not be coterminous. Accordingly, neither the audited annual financial statements of the reporting issuer nor those of the business should be adjusted for the purposes of applying the significance tests. However, if the acquisition of a business is determined to be significant and pro forma income statements are required by subsection 8.4(5) of the Instrument and, if the business' year-end is more than 93 days before the reporting issuer's year-end, the business' reporting period required under paragraph 8.4(7)(c) of the Instrument should be adjusted to reduce the gap to 93 days or less. Refer to subsection 8.7(3) of this Policy for further guidance.

8.3 Optional Significance Tests

(1) **Optional Significance Tests** – Decrease in Significance – If an acquisition is determined under subsection 8.3(2) of the Instrument to be significant, a reporting issuer has the option under subsections 8.3(3) and (4) of the Instrument of applying

optional significance tests using more recent financial statements than those used for the required significance tests in subsection 8.3(2). The optional significance tests under subsections 8.3(3) and (4) have been included to recognize the possible growth of a reporting issuer between the date of its most recently completed year-end and the date of filing a business acquisition report and the corresponding potential decline in significance of the acquisition to the reporting issuer.

(2) **Availability of the Optional Significance Tests** – The optional significance tests permitted under subsections 8.3(4) and (6) of the Instrument are available to all reporting issuers. However, depending on how or when a reporting issuer integrates the acquired business into its existing operations and the nature of post-acquisition financial records it maintains for the acquired business, it may not be possible for a reporting issuer to apply the optional significance test under subsection 8.3(6).

(3) **Optional Investment Test** – For the purpose of applying the optional investment test under paragraph 8.3(4)(b) of the Instrument, the reporting issuer's investments in and advances to the business should be as at the acquisition date and not as at the date of the reporting issuer's financial statements used to determine its consolidated assets for the optional investment test.

(4) **Optional Profit or Loss Test based on Pro Forma Information** – A reporting issuer may apply the optional profit or loss test in subsection 8.3(11.1) of the Instrument based on more recent pro forma consolidated specified profit or loss. By permitting reporting issuers to base the optional profit or loss test on pro forma consolidated specified profit or loss, this test recognizes the possible growth of a reporting issuer as a result of acquisitions completed between its most recently completed year end and the date of filing a business acquisition report and the corresponding potential decline in significance of the acquisition to the reporting issuer.

8.4 Financial Statements of Related Businesses

Subsection 8.4(8) of the Instrument requires that if a reporting issuer includes in its business acquisition report financial statements for more than one related business, separate financial statements must be presented for each business except for the periods during which the businesses were under common control or management, in which case the reporting issuer may present the financial statements on a combined basis. Although one or more of the related businesses may be insignificant relative to the others, separate financial statements of each business for the same number of periods required must be presented. Relief from the requirement to include financial statements of the least significant related business or businesses may be granted depending on the facts and circumstances.

8.5 Application of the Significance Tests for Multiple Investments in the Same Business

Subsection 8.3(11) of the Instrument explains how the significance test should be applied when the reporting issuer has made multiple investments in the same business. If the reporting issuer acquired an interest in the business in a previous year and that interest is reflected in the most recent audited annual financial statements of the reporting issuer filed, then the issuer should determine the significance of only the incremental investment in the business which is not reflected in the reporting issuer's most recent audited annual financial statements filed.

8.6 Preparation of Divisional and Carve-out Financial Statements

(1) **Interpretations** – In this section of this Policy, unless otherwise stated,

(a) a reference to "a business" includes a division or some lesser component of another business acquired by a reporting issuer that constitutes a significant acquisition; and

(b) the term "parent" refers to the vendor from whom the reporting issuer purchased a business.

(2) **Acquisition of a Division** – As discussed in subsection 8.1(4) of this Policy, the acquisition of a division of a business and in certain circumstances, a lesser component of a person or company, may constitute an acquisition of a business for purposes of the Instrument, whether or not the subject of the acquisition previously prepared financial statements. To determine the significance of the acquisition and comply with the requirements for financial statements in a business acquisition report under Part 8 of the Instrument, financial statements for the business must be prepared. This section provides guidance on preparing these financial statements.

(3) **Divisional and Carve-Out Financial Statements** – The terms "divisional" and "carve-out" financial statements are often used interchangeably although a distinction is possible. Some companies maintain separate financial records and financial statements for a business activity or unit that is operated as a division. Financial statements prepared from these financial records are often referred to as "divisional" financial statements. In other circumstances, no separate financial records for a business activity are maintained; they are simply consolidated with the parent's records. In these cases, if the parent's financial records are sufficiently detailed, it is possible to extract or "carve-out" the information specific to the business activity in order to prepare separate financial statements of that business. Financial statements prepared in this manner are commonly referred to as "carve-out" financial statements. The guidance in this section applies to the preparation of both divisional and carve-out financial statements unless otherwise stated.

(4) **Preparation of Divisional and Carve-Out Financial Statements**

(a) When complete financial records of the business acquired have been maintained, those records should be used for preparing and auditing the financial statements of the business. For the purposes of this section, it is presumed that the parent maintains separate financial records for its divisions.

(b) When complete financial records of the business acquired do not exist, carve-out financial statements must be prepared in accordance with subsection 3.11(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.

(5) **Statements of Assets Acquired, Liabilities Assumed and Statements of Operations** – When it is impracticable to prepare carve-out financial statements of a business, a reporting issuer may be required to include in its business acquisition report an audited statement of assets acquired and liabilities assumed and a statement of operations of the business. The statement of operations should exclude only those indirect operating costs not directly attributable to the business, such as corporate overhead. If indirect operating costs were previously allocated to the business and there is a reasonable basis of allocation, they should not be excluded.

8.7 Preparation of Pro Forma Financial Statements Giving Effect to Significant Acquisitions

(1) **Objective and Basis of Preparation** – The objective of pro forma financial statements is to illustrate the impact of a transaction on a reporting issuer's financial position and financial performance by adjusting the historical financial statements of the reporting issuer to give effect to the transaction. Accordingly, the pro forma financial statements should be prepared on the basis of the reporting issuer's financial statements as already filed. No adjustment should be made to eliminate discontinued operations.

(2) **Pro Forma Statement of Financial Position** – Subsection 8.4(5) of the Instrument does not require a pro forma statement of financial position to be prepared to give effect to significant acquisitions that are reflected in the reporting issuer's most recent annual or interim statement of financial position filed under the Instrument.

(3) **Non-coterminous Year-ends** – Where the financial year-end of a business differs from the reporting issuer's year-end by more than 93 days, paragraph 8.4(7)(c) requires a statement of comprehensive income for the business to be constructed for a period of 12 consecutive months. For example, if the constructed reporting period is 12 months and ends on June 30, the 12 months should commence on July 1 of the immediately preceding year; it should not begin on March 1st of the immediately preceding year with three of the following 15 months omitted, such as the period from October 1 to December 31, since this would not be a consecutive 12 month period.

(4) **Effective Date of Adjustments** – For the pro forma income statements included in a business acquisition report, the acquisition and the adjustments should be computed as if the acquisition had occurred at the beginning of the reporting issuer's most recently completed financial year and carried through the most recent interim period presented, if any. However, one exception to the preceding is that adjustments related to the allocation of the purchase price, including the amortization of fair value increments and intangibles, should be based on the acquisition date amounts of assets acquired and liabilities assumed as if the acquisition occurred on the date of the reporting issuer's most recent statement of financial position filed.

(5) **Acceptable Adjustments** – Pro forma adjustments are generally limited to the following two types of adjustments required by paragraph 8.4(7)(b) of the Instrument:

(a) those directly attributable to the specific acquisition transaction for which there are firm commitments and for which the complete financial effects are objectively determinable, and

(b) adjustments to conform amounts for the business or related businesses to the issuer's accounting policies.

If financial statements for a business or related businesses are prepared in accordance with accounting principles that differ from the issuer's GAAP and the financial statements do not include a reconciliation to the issuer's GAAP, pro forma adjustments as described in item (b) above will often be necessary. For example, financial statements for a business or related businesses may be prepared in accordance with U.S. GAAP, or in the case of a venture issuer, in accordance with Canadian GAAP applicable to private enterprises, in each case without a reconciliation to the issuer's GAAP. Even if financial statements for a business or related businesses are prepared in accordance with the issuer's GAAP, pro forma adjustments as described in item (b) may be necessary to conform amounts for the business or related businesses to the issuer's accounting policies, including, for example, the issuer's revenue recognition policy where the revenue recognition policy of the business or related businesses differs from the issuer's policy.

If the presentation currency used in financial statements for a business or related businesses differs from the presentation currency used in the issuer's financial statements, the pro forma financial statements must present amounts for the business or related businesses in the presentation currency of the issuer's financial statements. The pro forma financial statements should explain any adjustments to conform presentation currency.

(6) **Multiple Acquisitions** – If a reporting issuer has completed multiple acquisitions then, under subsection 8.4(5) of the Instrument, the pro forma financial statements must give effect to each acquisition completed since the beginning of the most recently completed financial year. The pro forma adjustments may be grouped by

line item on the face of the pro forma financial statements provided the details for each transaction are disclosed in the notes.

(7) **Pro Forma Financial Statements Based on an Earlier Interim Financial Report** – The pro forma financial statements are prepared on the basis of the financial statements included in the business acquisition report. As a result, if the reporting issuer relies on subsection 8.4(4) of the Instrument to include financial statements for an earlier interim period of the acquired business than would otherwise be required under subsection (3), the issuer uses its comparable interim period to prepare the pro forma financial statements.

(8) **Indirect Acquisitions** – Under the securities legislation of certain jurisdictions, it is generally an offence to make a statement in a document that is required to be filed under securities legislation, and that does not state a fact that is necessary to make the statement not misleading. When a reporting issuer acquires a business that has itself recently acquired another business or related businesses (an "indirect acquisition"), the reporting issuer should consider whether it needs to provide disclosure of the indirect acquisition in the business acquisition report, including historical financial statements, and whether the omission of these financial statements would cause the business acquisition report to be misleading, untrue or substantially incomplete. In making this determination, the reporting issuer should consider the following factors:

- if the indirect acquisition would meet any of the significance tests in section 8.3 of the Instrument when the reporting issuer applies each of those tests to its proportionate interest in the indirect acquisition of the business, and

- if the amount of time between the separate acquisitions is such that the effect of the first acquisition is not adequately reflected in the results of the business or related businesses the reporting issuer is acquiring.

(9) **Pro Forma Financial Statements where Financial Statements of a Business or Related Businesses are Prepared using Accounting Principles that Differ from the Issuer's GAAP** – Section 3.11 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* permits reporting issuers to include in a business acquisition report financial statements of a business or related businesses prepared in accordance with U.S. GAAP and without a reconciliation to the issuer's GAAP. That section also permits, subject to specified conditions, a venture issuer to include in a business acquisition report financial statements of a business or related businesses prepared in accordance with Canadian GAAP applicable to private enterprises and without a reconciliation to the issuer's GAAP. However, section 3.14 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* requires that pro forma financial statements be presented using accounting policies that are permitted by the issuer's GAAP and would apply to the information presented in the pro forma statements if that information were included in the issuer's financial statements for the same time period as that of the pro forma financial statements. As well, subsection 8.4(7) of the Instrument requires pro forma financial

statements to include a description of the underlying assumptions on which the pro forma financial statements are prepared, cross-referenced to each related pro forma adjustment. Therefore, the pro forma financial statements must describe the adjustments presented in the pro forma income statement relating to the business or related businesses to adjust amounts to the issuer's GAAP and accounting policies.

The pro forma statement of financial position should present the following information:

(i) the statement of financial position of the reporting issuer,

(ii) the statement of financial position of the business or related businesses,

(iii) pro forma adjustments attributable to each significant acquisition that reflect the reporting issuer's accounting for the acquisition and include new values for the business' assets and liabilities, and

(iv) a pro forma statement of financial position combining items (i) through (iii).

The pro forma income statement should present the following information:

(i) the income statement of the reporting issuer,

(ii) the income statement of the business or related businesses,

(iii) pro forma adjustments attributable to each significant acquisition and other adjustments relating to the business or related businesses to conform amounts to the issuer's GAAP and accounting policies, and

(iv) a pro forma income statement combining items (i) through (iii).

8.7.1 Financial Year End Changed

If the transition year of the acquired business is less than 9 months, the issuer may be required to include financial statements for the transition year of the acquired business in addition to financial statements for the two financial years required by subsection 8.4(1) of the Instrument. The transition year may or may not be audited, but at minimum, the most recently completed financial year must be audited in accordance with subsection 8.4(2).

8.8 Relief from the Requirement to Audit Operating Statements of an Oil and Gas Property

The securities regulatory authority or regulator may exempt a reporting issuer from the requirement to audit the operating statements referred to in section 8.10 of the Instrument if, during the 12 months preceding the acquisition date, the average daily

production of the property is less than 20 percent of the total average daily production of the vendor for the same or similar periods, and

(a) the reporting issuer provides written submissions prior to the deadline for filing the business acquisition report which establishes to the satisfaction of the appropriate regulator, that despite reasonable efforts during the purchase negotiations, the reporting issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property;

(b) the purchase agreement includes representations and warranties by the vendor that the amounts presented in the operating statement agree to the vendor's books and records; and

(c) the reporting issuer discloses in the business acquisition report its inability to obtain an audited operating statement, the reasons therefor, the fact that the representations and warranties referred to in paragraph (b) have been obtained, and a statement that the results presented in the operating statement may have been materially different if the statement had been audited.

For the purpose of determining average daily production when production includes both oil and natural gas, production may be expressed in barrels of oil equivalent using the conversion ratio of 6000 cubic feet of gas to one barrel of oil.

8.9 Exemptions From Requirement for Financial Statements in a Business Acquisition Report

(1) **Exemptions** – We are of the view that relief from the financial statement requirements of Part 8 of the Instrument should be granted only in unusual circumstances and generally not related solely to cost or the time involved in preparing and auditing the financial statements. Reporting issuers seeking relief from the financial statement or audit requirements of Part 8 must apply for the relief before the filing deadline for the business acquisition report and before the closing date of the transaction, if applicable. Reporting issuers are reminded that many securities regulatory authorities and regulators do not have the power to grant retroactive relief.

(2) **Conditions to Exemptions** – If relief is granted from the requirements of Part 8 of the Instrument to include audited annual financial statements of an acquired business or related businesses, conditions will likely be imposed, such as a requirement to include audited divisional or partial statements of comprehensive income or divisional statements of cash flows, or an audited statement of operations.

(3) **Exemption from Comparatives if Financial Statements Not Previously Prepared** – Section 8.9 of the Instrument provides that a reporting issuer does not have to provide comparative financial information for an acquired business in a business acquisition report if it complies with specific requirements. This exemption may, for

example, apply to an acquired business that was, before the acquisition, a private entity and that the reporting issuer is unable to prepare the comparative financial information for because it is impracticable to do so.

(4) Relief may be granted from the requirement to include certain financial statements of an acquired business or related businesses in a business acquisition report in some situations that may include the following:

(a) the business's historical accounting records have been destroyed and cannot be reconstructed. In this case, as a condition of granting the exemption, the reporting issuer may be requested by the securities regulatory authority or regulator to

(i) represent in writing to the securities regulatory authority or regulator, no later than the time the business acquisition report is required to be filed, that the reporting issuer made every reasonable effort to obtain copies of, or reconstruct the historical accounting records necessary to prepare and audit the financial statements, but such efforts were unsuccessful; and

(ii) disclose in the business acquisition report the fact that the historical accounting records have been destroyed and cannot be reconstructed; or

(b) the business has recently emerged from bankruptcy and current management of the business and the reporting issuer is denied access to the historical accounting records necessary to audit the financial statements. In this case, as a condition of granting the exemption, the reporting issuer may be requested by the securities regulatory authority or regulator to

(i) represent in writing to the securities regulatory authority or regulator, no later than the time the business acquisition report is required to be filed that the reporting issuer has made every reasonable effort to obtain access to, or copies of, the historical accounting records necessary to prepare and audit the financial statements but that such efforts were unsuccessful; and

(ii) disclose in the business acquisition report the fact that the business has recently emerged from bankruptcy and current management of the business and the reporting issuer are denied access to the historical accounting records.

8.10 Audits and Auditor Review of Financial Statements of an Acquired Business

(1) **Unaudited Comparatives in Annual Financial Statements of an Acquired Business** –Subsection 8.4(1) requires a reporting issuer to include comparative

financial information of the business in the business acquisition report. This comparative financial information may be unaudited.

(2) **Auditor Review of an Interim Financial Report of an Acquired Business** – An issuer does not have to engage an auditor to review the interim financial report of an acquired business included in a business acquisition report. However, if the issuer later incorporates the business acquisition report into a prospectus, the interim financial report will have to be reviewed in accordance with the requirements relating to financial statements included in a prospectus.

PART 9 PROXY SOLICITATION AND INFORMATION CIRCULARS

9.1 Beneficial Owners of Securities

Reporting issuers are reminded that NI 54-101 prescribes certain procedures relating to the delivery of materials, including forms of proxy, to beneficial owners of securities and related matters. It also prescribes certain disclosure that must be included in the proxy-related materials sent to beneficial owners.

9.2 Prospectus-level Disclosure in Certain Information Circulars

Section 14.2 of Form 51-102F5 *Information Circular* requires an issuer to provide prospectus-level disclosure about certain entities if securityholder approval is required in respect of a significant acquisition under which securities of the acquired business are being exchanged for the issuer's securities or in respect of a restructuring transaction under which securities are to be changed, exchanged, issued or distributed.

Section 14.2 provides that the disclosure must be the disclosure (including financial statements) prescribed by the form of prospectus that the entity would be eligible to use immediately prior to the sending and filing of the information circular in respect of the significant acquisition or restructuring transaction, for a distribution of securities in the jurisdiction.

For example, if disclosure was required in an information circular of Company A for both Company A (an issuer that was only eligible to file a long form prospectus) and Company B (an issuer that was eligible to file a short form prospectus), the disclosure for Company A would be that required by the long form prospectus rules and the disclosure for Company B would be that required by the short form prospectus rules. Any information incorporated by reference in the information circular of Company A would have to comply with paragraph (c) of Part 1 of Form 51-102F5 and be filed under Company A's profile on SEDAR.

9.3 Proxy Solicitations Made to the Public by Broadcast, Speech or Publication

Subsection 9.2(4) of the Instrument provides an exemption from the proxy solicitation and information circular requirements for certain proxy solicitations made to the public by broadcast, speech or publication. The exemption permits securityholders to solicit proxies by public means, including a speech or broadcast, through a newspaper advertisement or over the Internet (provided that the solicitation contains certain information and that information is filed on SEDAR).

The exemption will only apply if the proxy solicitation is made to the public. Securities regulatory authorities generally consider a solicitation to be made to the public if it is disseminated in a manner calculated to effectively reach the marketplace. A solicitation to the public would generally include a solicitation that is made by:

(a) a speech in a public forum; or

(b) a press release, a statement or an advertisement provided through a broadcast medium or by a telephone conference call or electronic or other communication facility generally available to the public, or appearing in a newspaper, a magazine, a website or other publication generally available to the public.

A proxy solicitation to the public would generally not include a solicitation made by phone, mail or email to only a select group of securityholders of a reporting issuer.

PART 10 ELECTRONIC DELIVERY OF DOCUMENTS

10.1 Electronic Delivery of Documents

Generally, any documents required to be sent under the Instrument may be sent by electronic delivery, as long as such delivery is consistent with the guidance in National Policy 11-201 *Electronic Delivery of Documents*. However, if a reporting issuer is using notice-and-access to deliver proxy-related materials, it should refer to the specific guidance in section 10.3 of the Policy.

10.2 Delivery of Proxy-Related Materials

(1) This section provides guidance on delivery of proxy-related materials. Reporting issuers should also review any other applicable legislation, such as corporate legislation.

(2) Paper copies of proxy-related materials must be sent using prepaid mail, courier or an equivalent delivery method. An equivalent delivery method is any delivery method where the registered holder receives paper copies in a similar time frame as prepaid mail or courier. For example, a reporting issuer that sponsors an employee share purchase plan

could arrange for the proximate intermediary to deliver proxy-related materials to registered holder employees through the reporting issuer's internal mail system.

10.3 Notice-and-access

(1) This Instrument permits a reporting issuer to use notice-and-access to send proxy-related materials to registered holders.

(2) With respect to matters to be voted on at the meeting, the notice must only contain a description of each matter or group of related matters identified in the form of proxy, unless such information is already included in the form of proxy. We expect that reporting issuers who use notice-and-access will state each matter or group of related matters in the proxy in a reasonably clear and user-friendly manner. For example, it would be inappropriate to identify the matter to be voted on solely by referring to disclosure contained in the information circular as follows: "To vote For or Against the resolution in Schedule A of management's information circular".

The notice must contain a plain-language explanation of notice-and-access. The explanation also can address other aspects of the proxy voting process. However, there should not be any substantive discussion of the matters to be considered at the meeting.

(3) Paragraph 9.1.1(1)(b) of the Instrument requires the registered holder to be sent the form of proxy as part of the notice package. The notice package must be sent by prepaid mail, courier or the equivalent; however, section 9.1.3 permits an alternate delivery method (e.g., email) to be used if the registered holder's consent has been or is obtained. In the case of a solicitation by reporting issuer management, the notice package must be sent at least 30 days before the date fixed for the meeting.

(4) Paragraph 9.1.1(1)(c) of the Instrument requires the reporting issuer to file the notification of meeting and record dates required by subsection 2.2(1) of NI 54-101 in the manner and within the time specified by NI 54-101. See the guidance in Companion Policy 54-101CP to NI 54-101.

(5) Paragraph 9.1.1(1)(d) of the Instrument requires the notice, information circular and form of proxy to be filed on SEDAR and posted on a website other than SEDAR. The non-SEDAR website can be the website of the person or company soliciting proxies (e.g., the reporting issuer's website) or the website of a service provider.

(6) Paragraph 9.1.1(1)(e) of the Instrument requires the person or company soliciting proxies to establish a toll-free telephone number for the registered holder to request a paper copy of the information circular. A person or company soliciting proxies may choose to, but is not required to, provide additional methods for requesting a paper copy of the information circular. If a person or company soliciting proxies does so, it must still comply with the fulfillment timelines in paragraph 9.1.1(1)(f) of the Instrument.

(7) Subsection 9.1.2(2) of the Instrument is intended to allow registered holders to access the posted proxy-related materials in a user-friendly manner. For example, requiring the

registered holder to navigate through several web pages to access the proxy-related materials would not be user-friendly. Providing the registered holder with the specific URL where the documents are posted would be more user-friendly. We encourage reporting issuers and their service providers to develop best practices in this regard.

(8) Where a reporting issuer uses notice-and-access, it generally must send the same basic notice package to all registered holders. However, the following are exceptions to this general principle:

- Section 9.1.3 of the Instrument provides that where a reporting issuer uses notice-and-access, a registered holder still can be sent proxy-related materials using an alternate method to which the registered holder has previously consented. For example, service providers acting on behalf of reporting issuers or intermediaries may have previously obtained (and continue to obtain) consents from registered holders for proxy-related materials to be sent by email. This delivery method would still be available.

- Section 9.1.4 of the Instrument permits a reporting issuer to obtain standing instructions from a registered holder to be sent a paper copy of the information circular and if applicable, annual financial statements and annual MD&A in all cases where the reporting issuer uses notice-and-access. Where such standing instructions have been obtained, the notice package for the registered holder will contain a paper copy of the relevant documents.

(9) The addition of a paper information circular to the notice package sent to some registered holders is referred to as "stratification" and is a term defined in section 1.1 of the Instrument and in NI 54-101.

We do not mandate the use of stratification, except if it is necessary to comply with standing instructions or other requests for paper copies of information circulars that reporting issuers or intermediaries have chosen to obtain from registered holders or beneficial owners. We expect that any additional stratification criteria will develop and evolve through market demand and practice. However, we expect that a reporting issuer that uses stratification for purposes other than complying with registered holder instructions does so in order to enhance effective communication, and not to disenfranchise registered holders. We require reporting issuers to disclose whether they are using stratification, and what criteria they are applying to determine which types of registered holders will receive a copy of the information circular.

PART 11 ADDITIONAL DISCLOSURE REQUIREMENTS

11.1 Additional Filing Requirements

Paragraph 11.1(1)(b) of the Instrument requires a document to be filed only if it contains information that has not been included in disclosure already filed by the reporting issuer. For example, if a reporting issuer has filed a material change report under the Instrument and the Form 8-K filed by the reporting issuer with the SEC

discloses the same information, whether in the same or a different format, there is no requirement to file the Form 8-K under the Instrument.

11.2 Re-filing Documents or Re-stating Financial Information

If a reporting issuer decides to re-file a document, or re-state financial information for comparative periods in financial statements for reasons other than retroactive application of a change in an accounting standard or policy or a new accounting standard, and the re-filed or re-stated information is likely to differ materially from the information originally filed, the issuer should disclose in the news release required by section 11.5 of the Instrument when it makes that decision

(a) the facts underlying the changes,

(b) the general impact of the changes on previously filed information, and

(c) the steps the issuer would take before filing an amended document, or filing re-stated financial information, if the issuer is not filing amended information immediately.

PART 12 FILING OF CERTAIN DOCUMENTS

12.1 Statutory or Regulatory Instruments

Paragraph 12.1(1)(a) of the Instrument requires reporting issuers to file copies of their articles of incorporation, amalgamation, continuation or any other constating or establishing documents, unless the document is a statutory or regulatory instrument. This carve out for a statutory or regulatory instrument is very narrow. For example, the carve out would apply to Schedule I or Schedule II banks under the *Bank Act*, whose charter is the *Bank Act*. It would not apply when only the form of the constating document is prescribed under statute or regulation, such as articles under the *Canada Business Corporations Act.*

12.2 Contracts that Affect the Rights or Obligations of Securityholders – Paragraph 12.1(1)(e) of the Instrument requires reporting issuers to file copies of contracts that can reasonably be regarded as materially affecting the rights of their securityholders generally. A warrant indenture is one example of this type of contract. We would expect that contracts entered into in the ordinary course of business would not usually affect the rights of securityholders generally, and so would not have to be filed under this paragraph.

12.3 Material Contracts

(1) **Definition** – Under subsection 1.1(1) of the Instrument, a material contract is defined as a contract that a reporting issuer or any of its subsidiaries is a party to, that is material to the reporting issuer. A material contract generally includes a schedule, side letter or exhibit referred to in the material contract and any amendment to the

material contract. The redaction and omission provisions in subsections 12.2(3) and (4) of the Instrument apply to these schedules, side letters, exhibits or amendments.

(2) **Filing Requirements** – Subject to the exceptions in paragraphs 12.2(2)(a) through (f) of the Instrument, subsection 12.2(2) of the Instrument provides an exemption from the filing requirement for a material contract entered into in the ordinary course of business. Whether a reporting issuer entered into a contract in the ordinary course of business is a question of fact that the reporting issuer should consider in the context of its business and industry.

Paragraphs 12.2(2)(a) through (f) of the Instrument describe specific types of material contracts that are not eligible for the ordinary course of business exemption. Accordingly, if subsection 12.2(1) of the Instrument requires a reporting issuer to file a material contract of a type described in these paragraphs, the reporting issuer must file that material contract even if the reporting issuer entered into it in the ordinary course of business.

(3) **Contract of Employment** – Paragraph 12.2(2)(a) of the Instrument provides that a material contract with certain individuals is not eligible for the ordinary course of business exemption, unless it is a "contract of employment". One way for reporting issuers to determine whether a contract is a contract of employment is to consider whether the contract contains payment or other provisions that are required disclosure under Form 51-102F6 as if the individual were a named executive officer or director of the reporting issuer.

(4) **External Management and External Administration Agreements** – Under paragraph 12.2(2)(e) of the Instrument, external management and external administration agreements are not eligible for the ordinary course of business exemption. External management and external administration agreements include agreements between the reporting issuer and a third party, the reporting issuer's parent entity, or an affiliate of the reporting issuer, under which the latter provides management or other administrative services to the reporting issuer.

(5) **Material Contracts on which the Reporting Issuer's Business is Substantially Dependent** – Paragraph 12.2(1)(f) of the Instrument provides that a material contract on which the "reporting issuer's business is substantially dependent" is not eligible for the ordinary course of business exemption. Generally, a contract on which the reporting issuer's business is substantially dependent is a contract so significant that the reporting issuer's business depends on the continuance of the contract. Some examples of this type of contract include:

(a) a financing or credit agreement providing a majority of the reporting issuer's capital requirements for which alternative financing is not readily available at comparable terms;

(b) a contract calling for the acquisition or sale of substantially all of the reporting issuer's property, plant and equipment, long-lived assets, or total assets; and

(c) an option, joint venture, purchase or other agreement relating to a mining or oil and gas property that represents a majority of the reporting issuer's business.

(6) **Confidentiality Provisions** – Under subsection 12.2(3) of the Instrument, a reporting issuer may omit or redact a provision of a material contract that is required to be filed if an executive officer of the reporting issuer has reasonable grounds to believe that disclosure of the omitted or redacted provision would violate a confidentiality provision. A provision of the type described in paragraphs 12.2(4)(a), (b) or (c) of the Instrument may not be omitted or redacted even if disclosure would violate a confidentiality provision, including a blanket confidentiality provision covering the entire material contract.

When negotiating material contracts with third parties, reporting issuers should consider their disclosure obligations under securities legislation. A regulator or securities regulatory authority may consider granting an exemption to permit a provision of the type listed in subsection 12.2(4) of the Instrument to be redacted if:

(a) the disclosure of that provision would violate a confidentiality provision; and

(b) the material contract was negotiated before the adoption of the exceptions in subsection 12.2(4) of the Instrument.

The regulator may consider the following factors, among others, in deciding whether to grant an exemption:

(c) whether an executive officer of the reporting issuer reasonably believes that the disclosure of the provisions would be prejudicial to the interests of the reporting issuer; and

(d) whether the reporting issuer is unable to obtain a waiver of the confidentiality provision from the other party.

(7) **Disclosure Seriously Prejudicial to Interests of Reporting Issuer** – Under subsection 12.2(3) of the Instrument, a reporting issuer may omit or redact certain provisions of a material contract that is required to be filed if an executive officer of the reporting issuer reasonably believes that disclosure of the omitted or redacted provision would be seriously prejudicial to the interests of the reporting issuer. One example of disclosure that may be seriously prejudicial to the interests of the reporting issuer is disclosure of information in violation of applicable Canadian privacy legislation. However, in situations where securities legislation requires disclosure of the particular type of information, applicable privacy legislation generally provides an exemption for the disclosure. Generally, disclosure of

information that a reporting issuer or other party has already publicly disclosed is not seriously prejudicial to the interests of the reporting issuer.

(8) **Terms Necessary for Understanding Impact on Business of Reporting Issuer** – A reporting issuer may not omit or redact a provision of a type described in paragraph 12.2(4)(a), (b), or (c) of the Instrument. Paragraph 12.2(4)(c) of the Instrument provides that a reporting issuer may not omit or redact "terms necessary for understanding the impact of the material contract on the business of the reporting issuer". Terms that may be necessary for understanding the impact of the material contract on the business of the reporting issuer include the following:

(a) the duration and nature of a patent, trademark, license, franchise, concession, or similar agreement;

(b) disclosure about related party transactions; and

(c) contingency, indemnification, anti-assignability, take-or-pay clauses, or change-of-control clauses.

(9) **Summary of Omitted or Redacted Provisions** – Under subsection 12.2(5) of the Instrument, a reporting issuer must include a description of the type of information that has been omitted or redacted in the copy of the material contract filed by the reporting issuer. A brief one-sentence description immediately following the omitted or redacted information is generally sufficient.

PART 13 EXEMPTIONS

13.1 Prior Exemptions and Waivers

Section 13.2 of the Instrument essentially allows a reporting issuer, in certain circumstances, to continue to rely upon an exemption or waiver from continuous disclosure obligations obtained prior to the Instrument coming into force if the exemption or waiver relates to a substantially similar provision in the Instrument and the reporting issuer provides written notice to the securities regulatory authority or regulator of its reliance on such exemption or waiver. Upon receipt of such notice, the securities regulatory authority or regulator, as the case may be, will review it to determine if the provision of the Instrument referred to in the notice is substantially similar to the provision from which the prior exemption or waiver was granted. The written notice should be sent to each jurisdiction where the prior exemption or waiver is relied upon. Contact addresses for these notices are:

Alberta Securities Commission
4th Floor
300 – 5th Avenue S.W.
Calgary, Alberta
T2P 3C4
Attention: Director, Corporate Finance

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2
Attention: Financial Reporting

Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, Manitoba
R3C 4K5
Attention: Corporate Finance

New Brunswick Securities Commission
85 Charlotte Street, Suite 300
Saint John, N.B.
E2L 2J2
Attention: Corporate Finance

Securities Commission of Newfoundland and Labrador
P.O. Box 8700
2nd Floor, West Block
Confederation Building
75 O'Leary Avenue
St. John's, NFLD
A1B 4J6
Attention: Director of Securities

Department of Justice, Northwest Territories
Securities Office
P.O. Box 1320
1st Floor, 5009-49th Street
Yellowknife, NWT X1A 2L9
Attention: Superintendent of Securities

Nova Scotia Securities Commission
2nd Floor, Joseph Howe Building
1690 Hollis Street
Halifax, Nova Scotia B3J 3J9
Attention: Corporate Finance

Department of Justice, Nunavut
Legal Registries Division
P.O. Box 1000 – Station 570
1st Floor, Brown Building
Iqaluit, NT X0A 0H0
Attention: Superintendent of Securities

Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Attention: Manager, Team 3, Corporate Finance

Registrar of Securities, Prince Edward Island
P.O. Box 2000
95 Rochford Street, 5th Floor,
Charlottetown, PEI
C1A 7N8
Attention: Registrar of Securities

Autorité des marchés financiers
800 Square Victoria, 22nd Floor
P.O. Box 246, Tour de la Bourse
Montréal, Québec
H4Z 1G3
Attention: Direction des marchés des capitaux

Saskatchewan Financial Services Commission – Securities Division
Suite 601
1919 Saskatchewan Drive
Regina, SK S4P 4H2
Attention: Deputy Director, Corporate Finance

Superintendent of Securities, Government of Yukon
Corporate Affairs J-9
P.O. Box 2703
Whitehorse, Yukon
Y1A 5H3
Attention: Superintendent of Securities

PART 14 TRANSITION

14.1 Transition – Application of Amendments

The amendments to the Instrument and this Policy which came into effect on January 1, 2011 only apply to documents required to be prepared, filed, delivered or sent under the Instrument for periods relating to financial years beginning on or after January 1, 2011.

APPENDIX A
EXAMPLES OF FILING REQUIREMENTS FOR CHANGES IN THE YEAR END

The following examples assume the old financial year ended on December 31, 20X0

Transition Year	Comparative Annual Financial Statements to Transition Year	New Financial Year	Comparative Annual Financial Statements to New Financial Year	Interim Periods for Transition Year	Comparative Interim Periods to Interim Periods in Transition Year	Interim Periods for New Financial Year	Comparative Interim Periods to Interim Periods in New Financial Year
Financial year end changed by up to 3 months							
2 months ended 2/28/X1	12 months ended 12/31/X0	2/28/X2	2 months ended 2/28/X1 and 12 months ended 12/31/X0*	Not applicable	Not applicable	3 months ended 5/31/X1 6 months ended 8/31/X1 9 months ended 11/30/X1	3 months ended 6/30/X0 6 months ended 9/30/X0 9 months ended 12/31/X0
Or							
14 months ended 2/28/X2	12 months ended 12/31/X0	2/28/X3	14 months ended 2/28/X2	3 months ended 3/31/X1 6 months ended 6/30/X1 9 months ended 9/30/X1 12 months ended 12/31/X1	3 months ended 3/31/X0 6 months ended 6/30/X0 9 months ended 9/30/X0 12 months ended 12/31/X0	3 months ended 5/31/X2 6 months ended 8/31/X2 9 months ended 11/30/X2	3 months ended 6/30/X1 6 months ended 9/30/X1 9 months ended 12/31/X1
				Or			
				2 months ended 2/28/X1 5 months ended 5/31/X1 8 months ended 8/31/X1 11 months ended 11/30/X1	3 months ended 3/31/X0 6 months ended 6/30/X0 9 months ended 9/30/X0 12 months ended 12/31/X0	3 months ended 5/31/X2 6 months ended 8/31/X2 9 months ended 11/30/X2	3 months ended 6/30/X1 6 months ended 9/30/X1 9 months ended 12/31/X1
Financial year end changed by 4 to 6 months							
6 months ended 6/30/X1	12 months ended 12/31/X0	6/30/X2	6 months ended 6/30/X1 and 12 months ended 12/31/X0*	3 months ended 3/31/X1	3 months ended 3/31/X0	3 months ended 9/30/X1 6 months ended 12/31/X1 9 months ended 3/31/X2	3 months ended 9/30/X0 6 months ended 12/31/X0 9 months ended 3/31/X1
Financial year end changed by 7 or 8 months							
7 months ended 7/31/X1	12 months ended 12/31/X0	7/31/X2	7 months ended 7/31/X1 and 12 months ended 12/31/X0*	3 months ended 3/31/X1	3 months ended 3/31/X0	3 months ended 10/31/X1 6 months ended 1/31/X2 9 months ended 4/30/X2	3 months ended 9/30/X0 6 months ended 12/31/X0 9 months ended 3/31/X1
				Or			
				4 months ended 4/30/X1	3 months ended 3/31/X0	3 months ended 10/31/X1 6 months ended 1/31/X2 9 months ended 4/30/X2	3 months ended 9/30/X0 6 months ended 12/31/X0 10 months ended 4/30/X1
Financial year end changed by 9 to 11 months							
10 months ended 10/31/X1	12 months ended 12/31/X0	10/31/X2	10 months ended 10/31/X1	3 months ended 3/31/X1 6 months ended 6/30/X1	3 months ended 3/31/X0 6 months ended 6/30/X0	3 months ended 1/31/X2 6 months ended 4/30/X2 9 months ended 7/31/X2	3 months ended 12/31/X0 6 months ended 3/31/X1 9 months ended 6/30/X1
				Or			
				4 months ended 4/30/X1 7 months ended 7/31/X1	3 months ended 3/31/X0 6 months ended 6/30/X0	3 months ended 1/31/X2 6 months ended 4/30/X2 9 months ended 7/31/X2	3 months ended 12/31/X0 6 months ended 3/31/X1 9 months ended 6/30/X1

* Statement of financial position required only at the transition year end date

National Policy 51-201 *Disclosure Standards*

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PART VI - BEST DISCLOSURE PRACTICES

National Policy 51-201 *Disclosure Standards*

PART I - INTRODUCTION

1.1 ***Purpose:*** (1) It is fundamental that everyone investing in securities have equal access to information that may affect their investment decisions. The Canadian Securities Administrators ("the CSA" or "We") are concerned about the selective disclosure of material corporate information by companies to analysts, institutional investors, investment dealers and other market professionals. Selective disclosure occurs when a company discloses material nonpublic information to one or more individuals or companies and not broadly to the investing public. Selective disclosure can create opportunities for insider trading and also undermines retail investors' confidence in the marketplace as a level playing field.

(2) This policy provides guidance on "best disclosure" practices in a difficult area involving competing business pressures and legislative requirements. Our recommendations are not intended to be prescriptive. We encourage companies to adopt the suggested measures, but they should be implemented flexibly and sensibly to fit the situation of individual companies.

(3) The timely disclosure requirements and prohibitions against selective disclosure are substantially similar everywhere in Canada, but there are differences among the provinces and territories, so companies should carefully review the legislation which is applicable to them for the details.

PART II - TIMELY DISCLOSURE

2.1 ***Timely Disclosure:*** (1) Companies are required by law to immediately disclose a "material change"[1] in their business. For changes that a company initiates, the change occurs once the decision has been made to implement it. This may happen even before a company's directors approve it, if the company thinks it is probable they will do so. A company discloses a material change by issuing and filing a press release describing the change. A company must also file a material change report as soon as practicable, and no

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1 Securities legislation defines the term material change as "a change in the business, operations or capital of the issuer that would reasonably be expected to have a significant effect on the market price or value of any of the securities of the issuer and includes a decision to implement such a change made by the board of directors of the issuer by senior management of the issuer who believe that confirmation of the decision by the board of directors is probable". The Québec Securities Act does not define the term "material change" and provides that "where a material change occurs that is likely to have a significant influence on the value or the market price of the securities of a reporting issuer and is not generally known, the reporting issuer shall immediately prepare and distribute a press release disclosing the substance of the change". See also *Pezim v. British Columbia (Superintendent of Brokers)*, [1994] 2 S.C.R. 557, where the Supreme Court held that a change in assay and drilling results was a material change in the company's assets.

later than 10 days after the change occurs. This policy statement does not alter in any way the timely disclosure obligations of companies.

(2) Announcements of material changes should be factual and balanced. Unfavourable news must be disclosed just as promptly and completely as favourable news. Companies that disclose positive news but withhold negative news could find their disclosure practices subject to scrutiny by securities regulators. A company's press release should contain enough detail to enable the media and investors to understand the substance and importance of the change it is disclosing. Avoid including unnecessary details, exaggerated reports or promotional commentary.

2.2 ***Confidentiality:*** (1) Securities legislation permits a company to delay disclosure of a material change and to keep it confidential temporarily where immediate release of the information would be unduly detrimental to the company's interests.[2] For example, immediate disclosure might interfere with a company's pursuit of a specific objective or strategy, with ongoing negotiations, or with its ability to complete a transaction. If the harm to a company's business from disclosing outweighs the general benefit to the market of immediate disclosure, withholding disclosure is justified. In such cases a company may withhold public disclosure, but it must make a confidential filing with the securities commission.[3] Certain jurisdictions also require companies to renew the confidential filing every 10 days should they want to continue to keep the information confidential.

(2) We discourage companies from delaying disclosure for a lengthy period of time as it becomes less likely that confidentiality can be maintained beyond the short term.

2.3 ***Maintaining Confidentiality:*** (1) Where disclosure of a material change is delayed, a company must maintain complete confidentiality. During the period before a material change is disclosed, market activity in the company's securities should be carefully monitored. Any unusual market activity may mean that news of the matter has been leaked and that certain persons are taking advantage of it. If the confidential material change, or rumours about it, have leaked or appear to be impacting the share price, a company should take immediate steps to ensure that a full public announcement is made. This would include contacting the relevant exchange and asking that trading be halted

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2 Confidentiality is also permitted in situations where the material change consists of a decision to implement a change made by the company's senior management, who believe that confirmation of the decision by the company's board of directors is probable.

3 While the Québec Securities Act does not require a confidential filing, it does relieve a company from the obligation to disclose a material change if senior management reasonably believes that (i) disclosure would be seriously prejudicial to it; and (ii) no one has purchased or sold, or will purchase and sell its securities based on the undisclosed information. A company must issue and file a press release once the reasons for not disclosing no longer exist.

pending the issuance of a news release.[4]

(2) Where a material change is being kept confidential, the company is under a duty to make sure that persons with knowledge of the material change have not made use of such information in purchasing or selling its securities. Such information should not be disclosed to any person or company, except in the necessary course of business.

PART III - OVERVIEW OF THE STATUTORY PROHIBITIONS AGAINST SELECTIVE DISCLOSURE

3.1 ***Tipping and Insider Trading:*** (1) Securities legislation prohibits a reporting issuer and any person or company in a ***special relationship*** with a reporting issuer from informing, other than in the ***necessary course of business***[5], anyone of a ***"material fact"***[6] or a ***"material change"*** (or ***"privileged information"*** in the case of Québec)[7] before that material information[8] has been ***generally disclosed.***[9] This prohibited activity is commonly known as "tipping".

(2) Securities legislation also prohibits anyone in a special relationship with a reporting issuer from purchasing or selling securities of the reporting issuer[10] with knowledge of a material fact or material change about the issuer that has not been generally disclosed.[11]

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4 See The Toronto Stock Exchange Statement on Timely Disclosure and Related Guidelines and the TSX Venture Exchange Policy 3.3 Timely Disclosure.

5 The Alberta and British Columbia Securities Acts use the phrase "is necessary in the course of business". The Québec Securities Act uses the phrase in the "course of business".

6 Securities legislation defines a "material fact" as follows: "material fact, where used in relation to securities issued or proposed to be issued means a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of such securities".

7 "Privileged information" is defined under the Québec Securities Act as "any information that has not been disclosed to the public and that could affect the decision of a reasonable investor".

8 Material facts and material changes are collectively referred to as "material information". When used in the Policy, material information means both "material facts" and "material changes."

9 The Québec Securities Act uses the term "generally known".

10 For the purposes of the prohibition against illegal insider trading, a "security of the reporting issuer" is deemed to include a security, the market price of which varies materially with the market price of the securities of the issuer (see subsection 76(6)(b) of the Ontario Securities Act).

11 Section 187 of the Québec Securities Act provides that "no insider of a reporting issuer having privileged information relating to securities of the issuer may trade in such securities except in the following cases: (i) he is justified in believing that the information is generally known or known to the other party; (ii) he avails himself of an automatic dividend reinvestment plan, automatic subscription plan or any other automatic plan established by a reporting issuer, according to conditions set down in

This prohibited activity is commonly known as "insider trading".

(3) Securities legislation prohibits any person or company who is proposing:

- to make a take-over bid;
- to become a party to a reorganization, amalgamation, merger, arrangement or similar business combination; or
- to acquire a substantial portion of a company's property

from informing anyone of material information that has not been generally disclosed. An exception to this disclosure prohibition is provided where the material information is given in the "necessary course of business" to effect the take-over bid, business combination or acquisition.

(4) It is important to remember that the tipping and insider trading provisions apply to both material facts and material changes. A company's timely disclosure obligations generally only apply to material changes. This means that a company does not have to disclose all material facts on a continuous basis. However, if a company chooses to selectively disclose a material fact, other than in the necessary course of business, this would be in breach of securities legislation.

3.2 ***Persons Subject to Tipping Provisions:*** (1) The tipping provisions generally apply to anyone in a "special relationship" with a reporting issuer.[12] Persons in a special relationship include, but are not limited to:

(a) insiders as defined under securities legislation;

(b) directors, officers and employees;

(c) persons engaging in professional or business activities for or on behalf of the company; and

(d) anyone (a "tippee") who learns of material information from someone that the tippee knows or should know is a person in a special relationship with the company.

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writing, before he learned the information". Section 189 further expands the number of persons who are subject to the prohibition in section 187.

12 The tipping prohibition in Québec applies to insiders and persons listed in section 189 of the Québec Securities Act. Québec securities legislation extends the prohibition to communications by persons having privileged information that, to their knowledge, was disclosed by an insider, affiliate, associate or by any other person having acquired privileged information in the course of his relations with the reporting issuer and by persons having acquired privileged information that these persons know to be such.

(2) The "special relationship" definition is broad. The tipping prohibition is not limited to communications made by senior management, investor relations professionals and others who regularly communicate with analysts, institutional investors and market professionals. The tipping prohibition applies, for example, to unauthorized disclosures by non-management employees.

(3) There is a potentially infinite chain of tippees who are caught by the prohibitions against tipping and insider trading. Because tippees are themselves considered to be in a special relationship with a reporting issuer, material information may be third or fourth hand and still be subject to the prohibitions.

(4) Because the "special relationship" definition is so broad, it is important that companies establish corporate disclosure policies and clearly define who within the company has responsibility for corporate communications.

3.3 ***Necessary Course of Business:*** (1) The "tipping" provision allows a company to make a selective disclosure if doing so is in the "necessary course of business". The question of whether a particular disclosure is being made in the necessary course of business is a mixed question of law and fact that must be determined in each case and in light of the policy reasons for the tipping provisions. Tipping is prohibited so that everyone in the market has equal access to, and opportunity to act upon, material information. Insider trading and tipping prohibitions are designed to ensure that anyone who has access to material undisclosed information does not trade or assist others in trading to the disadvantage of investors generally.

(2) Different interpretations are being applied, in practice, to the phrase "necessary course of business".[13] As a result, we believe interpretive guidance in this regard is necessary. The "necessary course of business" exception exists so as not to unduly interfere with a company's ordinary business activities. For example, the "necessary course of business" exception would generally cover communications with:

(a) vendors, suppliers, or strategic partners on issues such as research and development, sales and marketing, and supply contracts;
(b) employees, officers, and board members;

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13 See *Re Royal Trustco Ltd. et al. and Ontario Securities Commission* (1983), 42 O.R. (2d) 147 (Div. Ct.) affirming (1981), 2 O.S.C.B. 322C. In Royal Trustco, it was alleged that two officers had revealed to a major shareholder, other than in the "necessary course of business" certain material facts in relation to the affairs of Royal Trustco that had not been generally disclosed including: (i) that approximately 60% of the shares of Royal Trustco were owned by persons or companies who the officers knew or had reason to believe would not tender pursuant to a bid; and (ii) that Royal Trustco management was considering recommending to the board that the dividends payable on the Royal Trustco shares be increased. The Court held that the information disclosed fell within the category of material facts and that such material facts had been made available to such shareholder not "in the necessary course of business" from Royal Trustco's perspective.

(c) lenders, legal counsel, auditors, underwriters, and financial and other professional advisors to the company;
(d) parties to negotiations;
(e) labour unions and industry associations;
(f) government agencies and non-governmental regulators; and
(g) credit rating agencies (provided that the information is disclosed for the purpose of assisting the agency to formulate a credit rating and the agency's ratings generally are or will be publicly available).

(3) Securities legislation prohibits any person or company that is proposing to make a take-over bid, become a party to a reorganization, amalgamation, merger, arrangement or similar business combination or acquire a substantial portion of a company's property from informing anyone of material information that has not been generally disclosed. An exception to this prohibition is provided where the material information is given in the "necessary course of business" to effect the take-over bid, business combination or acquisition.

(4) Disclosures by a company in connection with a private placement may be in the "necessary course of business" for companies to raise financing. The ability to raise financing is important. We recognize that select communications between the parties to a private placement of material information may be necessary to effect the private placement.[14] Communications to controlling shareholders may also, in certain circumstances, be considered in the "necessary course of business."[15] Nevertheless, we believe that in these situations, material information that is provided to private placees and controlling shareholders should be generally disclosed at the earliest opportunity.

(5) The "necessary course of business" exception would not generally permit a company to make a selective disclosure of material corporate information to an analyst, institutional investor or other market professional.[16]

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14 Securities legislation provides an exemption from the insider trading and selective disclosure prohibition where the person or company who trades with material undisclosed information or tips it proves that they reasonably believed that the other party to the trade or the tippee had knowledge of the information. Under the Québec Securities Act, the person or company must be justified in believing that the information is known to the other party.

15 For example, a company may need to share sensitive strategic information with a controlling shareholder when preparing consolidated financial statements.

16 See *In the Matter of Gary George* (1999), 22 OSCB 717, where the Ontario Securities Commission addressed in obiter the issue of a selective disclosure made by an issuer's chief executive officer to an analyst and the subsequent disclosure by the analyst to other members of his firm. We agree with the principles expressed by the Ontario Securities Commission:

> It would appear that some corporate officers see the maintenance of good relations with analysts as being more important than ensuring equality of material information

(6) There may be situations where an analyst will be "brought over the wall" to act as an advisor in a specific transaction involving a reporting issuer they would normally issue research about. In these situations, the analyst becomes a "person in a special relationship" with the reporting issuer and is subject to the prohibitions against tipping and insider trading. This means that the analyst is prohibited from further informing anyone of material undisclosed information they learn in this advisory capacity, including issuing any research recommendations or reports.[17]

(7) We draw a distinction between disclosures to credit rating agencies, which would generally be regarded as being in the "necessary course of business," and disclosures to analysts, which would not be. This distinction is based on differences in the nature of the business they are engaged in and in how they use the information. The credit ratings generated by rating agencies are either confidential (disclosed only to the company seeking the rating) or directed at a wide public audience. Generally, the objective of the rating process is a widely available publication of the rating.[18] The reports generated by analysts are targeted, first and foremost, to an analyst's firm's clients. Also, rating agencies are not in the business of trading in the securities they rate. Sell-side analysts are typically employed by investment dealers that are in the business of buying and selling, underwriting, and advising with respect to securities. Further, securities legislation requires specified ratings from designated rating organizations in certain

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> among shareholders. The fact that it was thought that [the analyst] was about to come out with a report as to [the issuer] which would overvalue its shares would in no way justify [the President] giving the information to [the analyst] rather than publicly disseminating it. If the information was material enough to cause [the analyst] to change his projections, it should have been publicly disseminated. In general, we view one-on-one discussions between an officer of a reporting issuer and an analyst as being fraught with difficulties.

Also see *In the Matter of Air Canada*, where employees of the company disclosed information about third quarter earnings per share results and a revised forecast for the next quarter to 13 analysts who covered the company but not to the marketplace generally. In the Excerpt from the Settlement Hearing Containing the Oral Reasons for Decision, the Ontario Securities Commission said:

> Communication by a corporation with analysts is not covered under some exception; so what is disclosed to analysts, if it is material and will significantly affect the market price, or reasonably may be expected to significantly affect the market price of the shares of the issuer, should not be selectively disclosed.

17 Parties to a transaction in which an analyst is "brought over the wall" should be mindful that bringing an analyst over the wall can be a risky practice and may in itself be a signal to others of a significant development involving a reporting issuer.

18 This is consistent with the reasoning of the SEC in excluding ratings organizations from Regulation FD. As the SEC indicated in paragraph II.B.1.a., of the implementing release, "[r]atings organizations...have a mission of public disclosure; the objective and result of the ratings process is a widely available publication of the rating when it is completed."

circumstances.[19] Consequently, ratings form part of the statutory framework of provincial securities legislation in a way that analysts' reports do not.

(8) When companies communicate with the media, they should be mindful not to selectively disclose material information that has not been generally disclosed. The "necessary course of business" exception would not generally permit a company to make a selective disclosure of material undisclosed information to the media. However, we are not suggesting that companies should stop speaking to the media. We recognize that the media can play an important role in informing and educating the marketplace.

3.4 ***Necessary Course of Business Disclosures and Confidentiality:*** (1) If a company discloses material information under the "necessary course of business" exception, it should make sure those receiving the information understand that they cannot pass the information onto anyone else (other than in the necessary course of business), or trade on the information, until it has been generally disclosed.

(2) We understand that companies sometimes disclose material information pursuant to a confidentiality agreement with the recipient, so that the recipient is prevented from further informing anyone of the material information. Obtaining a confidentiality agreement in these circumstances can be a good practice and may help to safeguard the confidentiality of the information. However, there is no exception to the prohibition against "tipping" for disclosures made pursuant to a confidentiality agreement. The only exception is for disclosures made in the "necessary course of business." Consequently, there must still be a determination, prior to disclosure supported by a confidentiality agreement, that such disclosure is in the "necessary course of business."

3.5 ***Generally Disclosed:*** (1) The tipping prohibition does not require a company to release all material information to the marketplace.[20] Instead, it prohibits a company from disclosing nonpublic material information to anyone (other than in the "necessary course of business") before the company generally discloses the information to the marketplace.

(2) Securities legislation does not define the term "generally disclosed". Insider trading court decisions state that information has been generally disclosed if:

(a) the information has been disseminated in a manner calculated to effectively reach the marketplace; and

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19 For example, under National Instrument 44-101 - Short Form Prospectus Distributions, alternative eligibility requirements allow companies without the requisite public float to issue "designated rating" non-convertible debt, preferred shares or cash-settled derivatives under a short form prospectus.

20 See, however, section 2.1 regarding an issuer' s timely disclosure obligations.

(b) public investors have been given a reasonable amount of time to analyze the information.[21]

(3) Except for "material changes," which must be disclosed by news release, securities legislation does not generally require a particular method of disclosure to satisfy the "generally disclosed" requirement. In determining whether material information has been generally disclosed, we will consider all of the relevant facts and circumstances, including the company's traditional practices for publicly disclosing information and how broadly investors and the investment community follow the company. We recognize that the effectiveness of disclosure methods varies between companies. Whatever disclosure method is used to release information, we encourage consistency in a company's disclosure practices.[22]

(4) Companies may satisfy the "generally disclosed" requirement by using one or a combination of the following disclosure methods:

(a) News releases distributed through a widely circulated news or wire service.[23]

(b) Announcements made through press conferences or conference calls that interested members of the public may attend or listen to either in person, by telephone, or by other electronic transmission (including the Internet). A company needs to provide the public with appropriate notice of the conference or call by news release.[24] The notice should include the date and time of the conference or call, a general description of what is to be discussed, and the means of accessing the conference or call.[25] The notice should also indicate for how

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21 *Green v. Charterhouse Group Can. Ltd.* (1976), 12 O.R. (2d) 280. *In the Matter of Harold P. Connor et al.* (1976) Volume II OSCB 149. Existing case law does not establish a firm rule as to what would be a reasonable amount of time for investors to be given to analyze information. The time period will depend on a number of factors including the circumstances in which the event arises, the nature and complexity of the information, the nature of the market for the company' s securities, and the manner used to release the information. We recognize that the case law is dated in this respect and that, if the courts were to revisit these decisions today, they may not find the time parameters set out in the decisions appropriate for modern technology.

22 A sudden change from the usual method of generally disclosing material information may attract regulatory attention in certain circumstances; for example, a last minute webcast of poor quarterly results without advance notice when positive quarterly results are generally released in advance of a subsequently scheduled discussion of the results.

23 We encourage companies to file their news releases on SEDAR. Filing a news release on SEDAR alone will not constitute "general disclosure".

24 This is based on guidance provided by the U.S. Securities and Exchange Commission (the "SEC") in the adopting release to Regulation FD.

25 This might include a Web site link to any software that is necessary to access the webcast.

long the company will make a transcript or replay of the call available over its Web site.

(5) We recognize that many companies prefer news release disclosure as the safest means of satisfying the "generally disclosed" requirement. In section 6.6 of the Policy, we recommend as a "best practice" a disclosure model centred around news release disclosure of material information, followed by an open and accessible conference call to discuss the information contained in the news release. However, we believe that alternative methods may also be appropriate. We believe it is important to preserve for companies the flexibility to develop a disclosure model that suits their circumstances and disseminates material information in the manner best calculated to effectively reach the marketplace.

(6) Posting information to a company's Web site will not, by itself, be likely to satisfy the "generally disclosed" requirement. Investors' access to the Internet is not yet sufficiently widespread such that a Web site posting alone would be a means of dissemination "calculated to effectively reach the marketplace." Further, effective dissemination involves the "pushing out" of information into the marketplace. Notwithstanding the ability of some issuers' Web sites to alert interested parties to new postings, Web sites by and large do not push information out into the marketplace. Instead, investors would be required to seek out this information from a company's Web site. Active and effective dissemination of information is central to satisfying the "generally disclosed" requirement.

(7) We support the use of technology in the disclosure process and believe that companies' Web sites can be an important and useful tool in improving communications to the marketplace. As technology evolves and as more investors gain access to the Internet, it may be that postings to certain companies' Web sites alone could satisfy the "generally disclosed" requirement. At such time, we will revisit this policy statement and reconsider the guidance provided on this issue. In the meantime, we strongly encourage companies to utilize their Web sites to improve investor access to corporate information.[26]

3.6 ***Unintentional Disclosure:*** Securities legislation does not provide a safe harbour which allows companies to correct an unintentional selective disclosure of material information. If a company makes an unintentional selective disclosure it should take immediate steps to ensure that a full public announcement is made. This includes contacting the relevant stock exchange and requesting that trading be halted pending the issuance of a news release. Pending the public release of the material information, the company should also tell those parties who have knowledge of the information that the information is material and that it has not been generally disclosed.

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[26] See also The Toronto Stock Exchange's Electronic Communications Disclosure Guidelines.

3.7 ***Administrative Proceedings:*** (1) We may consider any number of mitigating factors in a selective disclosure enforcement proceeding including:

(a) whether and to what extent a company has implemented, maintained and followed reasonable policies and procedures to prevent contraventions of the tipping provisions;

(b) whether any selective disclosure was unintentional; and

(c) what steps were taken to disseminate information that had been unintentionally disclosed (including how quickly the information was disclosed).

If a company's disclosure record shows a pattern of "unintentional selective disclosures", it will be harder to show that a particular selective disclosure was truly unintentional.

(2) Nothing in this policy statement limits our discretion to request information relating to a possible selective disclosure violation or to take enforcement proceedings within our jurisdiction where there has been a breach of the tipping provisions.

PART IV - MATERIALITY

4.1 ***Materiality Standard:*** (1) The definitions of "material fact" and "material change" under securities legislation are based on a market impact test. The definition of "privileged information" contained in the "tipping" provision of the securities legislation of Québec is based on a reasonable investor test. Despite these differences, the two materiality standards are likely to converge, for practical purposes, in most cases.

(2) The definition of a "material fact" includes a two part materiality test. A fact is material when it (i) significantly affects the market price or value of a security; or (ii) would reasonably be expected to have a significant effect on the market price or value of a security. [27]

4.2 ***Materiality Determinations:*** (1) In making materiality judgements, it is necessary to take into account a number of factors that cannot be captured in a simple bright-line standard or test. These include the nature of the information itself, the volatility of the company's securities and prevailing market conditions. The materiality of a particular event or piece of information may vary between companies according to their size, the nature of their operations and many other factors. An event that is "significant" or "major" for a smaller company may not be material to a larger company. Companies

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[27] Section 13 of the Québec Securities Act provides that a prospectus must disclose all material facts likely to affect the value of the market price of the securities to be distributed.

should avoid taking an overly technical approach to determining materiality.[28] Under volatile market conditions, apparently insignificant variances between earnings projections and actual results can have a significant impact on share price once released. For example, information regarding a company's ability to meet consensus earnings[29] published by securities analysts should not be selectively disclosed before general public release.

(2) We encourage companies to monitor the market's reaction to information that is publicly disclosed. Ongoing monitoring and assessment of market reaction to different disclosure will be helpful when making materiality judgements in the future. As a guiding principle, if there is any doubt about whether particular information is material, we encourage companies to err on the side of materiality and release information publicly.[30]

4.3 ***Examples of Potentially Material Information:*** The following are examples of the types of events or information which may be material. This list is not exhaustive and is not a substitute for companies exercising their own judgement in making materiality determinations.

Changes in Corporate Structure

- changes in share ownership that may affect control of the company
- major reorganizations, amalgamations, or mergers
- take-over bids, issuer bids, or insider bids

Changes in Capital Structure

- the public or private sale of additional securities
- planned repurchases or redemptions of securities

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28 See also *Re Royal Trustco Ltd. et al. and Ontario Securities Commission* (1983), 42 O.R. (2d) 147 (Div. Ct.), affirming (1981), 2 OSCB 322C, where the Ontario Securities Commission issued a denial of exemption order against two senior officers of Royal Trustco who disclosed to officers of a Canadian chartered bank that certain shareholders of Royal Trustco did not intend to tender their Royal Trustco shares to a hostile take-over bid by Campeau Corporation. The Ontario Securities Commission held that the disclosure constituted illegal "tipping". On appeal the Divisional Court stated that the term "fact" should not be read "super-critically" and that "information" that shareholders of Royal Trustco did not intend to tender to a hostile take-over bid by Campeau Corporation "was sufficiently factual or a sufficient alteration of circumstances to be a material "change" to fall within the [tipping provision]."

29 The range of earnings estimates issued by analysts following a company.

30 See also Canadian Investor Relations Institute, *"Model Disclosure Policy"*, (February 2001) where CIRI noted in its explanatory notes that "Determining the materiality of information is clearly an area where judgement and experience are of great value. If it is a borderline decision, the information should probably be considered material and released using a broad means of dissemination. Similarly, if several company officials have to deliberate extensively over whether information is material, they should err on the side of materiality and release it publicly".

- planned splits of common shares or offerings of warrants or rights to buy shares
- any share consolidation, share exchange, or stock dividend
- changes in a company's dividend payments or policies
- the possible initiation of a proxy fight
- material modifications to rights of security holders

Changes in Financial Results

- a significant increase or decrease in near-term earnings prospects
- unexpected changes in the financial results for any periods
- shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- changes in the value or composition of the company's assets
- any material change in the company's accounting policy

Changes in Business and Operations

- any development that affects the company's resources, technology, products or markets
- a significant change in capital investment plans or corporate objectives
- major labour disputes or disputes with major contractors or suppliers
- significant new contracts, products, patents, or services or significant losses of contracts or business
- significant discoveries by resource companies
- changes to the board of directors or executive management, including the departure of the company's CEO, CFO, COO or president (or persons in equivalent positions)
- the commencement of, or developments in, material legal proceedings or regulatory matters
- waivers of corporate ethics and conduct rules for officers, directors, and other key employees
- any notice that reliance on a prior audit is no longer permissible
- de-listing of the company's securities or their movement from one quotation system or exchange to another

Acquisitions and Dispositions

- significant acquisitions or dispositions of assets, property or joint venture interests
- acquisitions of other companies, including a take-over bid for, or merger with, another company

Changes in Credit Arrangements

- the borrowing or lending of a significant amount of money
- any mortgaging or encumbering of the company's assets
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- changes in rating agency decisions
- significant new credit arrangements

4.4 ***External Political, Economic and Social Developments:*** Companies are not generally required to interpret the impact of external political, economic and social developments on their affairs. However, if an external development will have or has had a direct effect on the business and affairs of a company that is both material and uncharacteristic of the effect generally experienced by other companies engaged in the same business or industry, the company is urged to explain, where practical, the particular impact on them. For example, a change in government policy that affects most companies in a particular industry does not require an announcement, but if it affects only one or a few companies in a material way, such companies should make an announcement.

4.5 ***Exchange Policies:*** (1) The Toronto Stock Exchange Inc. (the "TSX") and the TSX Venture Exchange Inc. ("TSX Venture") each have adopted timely disclosure policy statements which include many examples of the types of events or information which may be material. Companies should also refer to the guidance provided in these policies when trying to assess the materiality of a particular fact, change or piece of information.

(2) The TSX and TSX Venture policies require the timely disclosure of "material information". Material information includes both material facts and material changes relating to the business and affairs of a company. The timely disclosure obligations in the exchanges' policies exceed those found in securities legislation. It is not uncommon, or inappropriate, for exchanges to impose requirements on their listed companies which go beyond those imposed by securities legislation.[31] We expect listed companies to comply with the requirements of the exchange they are listed on. Companies who do not comply with an exchange's requirements could find themselves subject to an administrative proceeding before a provincial securities regulator.[32]

PART V - RISKS ASSOCIATED WITH CERTAIN DISCLOSURES

5.1 ***Private Briefings with Analysts, Institutional Investors and other Market Professionals:*** (1) The role that analysts play in seeking out information, analyzing and interpreting it and making recommendations can contribute to a more efficient marketplace. Companies should be sensitive though to the risks involved in private

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31 For example, securities legislation provides that a recognized stock exchange may impose additional requirements within its jurisdiction.

32 See *In the Matter of Air Canada, supra*, note 16. In this case, the parties to the settlement agreed that by disclosing earnings information to 13 analysts and not generally disclosing the information, the company failed to comply with the provisions of the TSX Company Manual and thereby acted contrary to the public interest. In the Excerpt from the Settlement Hearing Containing the Oral Reasons for Decision, the Ontario Securities Commission said, "[w]e feel that it will help foster confidence in the financial markets to know that the law requires, and that good corporations will comply with the requirement for, full disclosure of all material information on a timely basis as required by ... the Toronto Stock Exchange's listing agreement and listing requirements."

meetings with analysts. We are not suggesting that companies should stop having private briefings with analysts or that these private meetings are somehow illegal. Companies should have a firm policy of providing only non-material information and publicly disclosed information to analysts.

(2) Companies should not disclose significant data, and in particular financial information such as sales and profit figures, to analysts, institutional investors and other market professionals selectively rather than to the market as a whole. Earnings forecasts are in the same category. Even within these constraints there is plenty of scope to hold a useful dialogue with analysts and other interested parties about a company's prospects, business environment, management philosophy and long term strategy.

(3) Another way to avoid selective disclosure is to include, in the company's regular periodic disclosures, details about topics of interest to analysts. For example, companies should expand the scope of their interim management's discussion and analysis disclosure ("MD&A"). More comprehensive MD&A can have practical benefits including: greater analyst following; more accurate forecasts with fewer revisions; a narrower range between analysts' forecasts; and increased investor interest.

(4) A company cannot make material information immaterial simply by breaking the information into seemingly non-material pieces. At the same time, a company is not prohibited from disclosing non-material information to analysts, even if these pieces help the analyst complete a "mosaic" of information that, taken together, is material undisclosed information about the company.[33]

5.2 ***Analyst Reports:*** (1) It is not unusual for analysts to ask corporate officers to review earnings estimates that they are preparing. A company takes on a high degree of risk of violating securities legislation if it selectively confirms that an analyst's estimate is "on target" or that an analyst's estimate is "too high" or "too low", whether directly or indirectly through implied "guidance".[34]

(2) Even when confirming information previously made public, a company needs to consider whether the selective confirmation itself communicates information above and beyond the initial forecast and whether the additional information is material. This will depend in large part on how much time has passed between the original statement and the company's confirmation, as well as the timing of the two statements relative to the end of the company's fiscal period. For example, a selective confirmation of expected earnings near the end of a quarter is likely to represent guidance (as it may well be based on how

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33 See also SEC' s adopting release to Regulation FD.

34 This position follows the position adopted by the SEC in the adopting release to Regulation FD and the position taken by the Australian Securities & Investments Commission in its guidance note "Better Disclosure for Investors" (http://www.asic.gov.au).

the company actually performed). Materiality of a confirmation may also depend on intervening events.[35]

(3) One way companies can try to ensure that analysts' estimates are in line with their own expectations is through the regular and timely public dissemination of qualitative and quantitative information. The better the marketplace is informed, the less likely it is that analysts' estimates will deviate significantly from a company's own expectations.

(4) A company that redistributes an analyst's report to people outside the company risks being seen as endorsing that report. Companies should avoid redistributing analysts' reports to their employees or to people outside the company.[36] If a company elects to post to its Web site or otherwise publish the names of analysts who cover the company and/or their recommendations, the names and/or recommendations of all analysts who cover the company should be similarly posted or published.

5.3 ***Confidentiality Agreements with Analysts:*** While we recognize that relying on a confidentiality agreement to safeguard the continued confidentiality of material information can be a prudent practice, there is no exception to the tipping prohibition for disclosures made to an analyst under a confidentiality agreement.[37] If a company discloses material undisclosed information to an analyst, it has violated the prohibition, with or without a confidentiality agreement (unless the disclosure is made in the necessary course of business). Analysts who get an advance private briefing have an advantage. They have more time to prepare and can therefore brief their firm members and clients sooner than those who did not have access to the information.

5.4 ***Analysts as "Tippees":*** (1) Analysts, institutional investors, investment dealers and other market professionals who receive material undisclosed information from a company are "tippees". It is against the law for a tippee to trade or further inform anyone about such information, other than in the necessary course of business.

(2) We recommend that analysts, institutional investors and other market professionals adopt internal review procedures to help them identify situations where they may have received nonpublic material information and set up guidelines for dealing with such situations.

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35 The guidance with respect to the materiality of confirming information previously made public is based on SEC Staff interpretive guidance on Regulation FD.

36 Companies should also avoid redistributing third party newsletters or tip sheets that contain earnings-related information.

37 By comparison, Regulation FD allows an issuer to make a disclosure of material nonpublic information to an analyst if the analyst enters into a confidentiality agreement with the issuer.

5.5 ***Selective Disclosure Violations Can Occur in a Variety of Settings:*** Selective disclosure most often occurs in one-on-one discussions (like analyst meetings) and in industry conferences and other types of private meetings and break-out sessions. But it can occur elsewhere. For example, a company should not disclose material nonpublic information at its annual shareholders meeting unless all interested members of the public may attend the meeting and the company has given adequate public notice of the meeting (including a description of what will be discussed at the meeting). Alternatively, a company can issue a news release at or before the time of the meeting.

PART VI - BEST DISCLOSURE PRACTICES

6.1 ***General:*** (1) There are some practical measures that companies can adopt to help ensure good disclosure practices. The consistent application of "best practices" in the disclosure of material information will enhance a company's credibility with analysts and investors, contribute to the fairness and efficiency of the capital markets and investor confidence in those markets, and minimize the risk of non-compliance with securities legislation.

(2) The measures recommended in this policy statement are not intended to be prescriptive. We recognize that many large listed companies have specialist investor relations staff and devote considerable resources to disclosure, while in smaller companies this is often just one of the many roles of senior officers. We encourage companies to adopt the measures suggested in this policy statement, but they should be implemented flexibly and sensibly to fit the situation of each individual company.

6.2 ***Establishing a Corporate Disclosure Policy:*** (1) Establish a written corporate disclosure policy. A disclosure policy gives you a process for disclosure and promotes an understanding of legal requirements among your directors, officers and employees. The process of creating it is itself a benefit, because it forces a critical examination of your current disclosure practices.

(2) You should design a policy that is practical to implement. Your policy should be reviewed and approved by your board of directors and widely distributed to your officers and employees. Directors, officers and those employees who are, or may be, involved in making disclosure decisions should also be trained so that they understand and can apply the disclosure policy. Your policy should be periodically reviewed and updated, as necessary, and responsibility for these functions (i.e., review and update of the policy and education of appropriate employees and company officials) should be clearly assigned within your company.

(3) The focus of your disclosure policy should be on promoting consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market. Every disclosure policy should generally include the following:

(a) how to decide what information is material;
(b) policy on reviewing analyst reports;
(c) how to release earnings announcements and conduct related analyst calls and meetings;
(d) how to conduct meetings with investors and the media;
(e) what to say or not to say at industry conferences;
(f) how to use electronic media and the corporate Web site;
(g) policy on the use of forecasts and other forward-looking information (including a policy regarding issuing updates);
(h) procedures for reviewing briefings and discussions with analysts, institutional investors and other market professionals;
(i) how to deal with unintentional selective disclosures;
(j) how to respond to market rumours;
(k) policy on trading restrictions; and
(l) policy on "quiet periods".

6.3 ***Overseeing and Coordinating Disclosure:*** Establish a committee of company personnel or assign a senior officer to be responsible for:

(a) developing and implementing your disclosure policy;
(b) monitoring the effectiveness of and compliance with your disclosure policy;
(c) educating your directors, officers and certain employees about disclosure issues and your disclosure policy;
(d) reviewing and authorizing disclosure (including electronic, written and oral disclosure) in advance of its public release; and
(e) monitoring your Web site.

6.4 ***Board and Audit Committee Review of Certain Disclosure:*** (1) Have your board of directors or audit committee review the following disclosures in advance of their public release by the company:

- financial outlooks and FOFI, as defined in National Instrument 51-102 *Continuous Disclosure Obligations*; and
- news releases containing financial information based on a company's financial statements prior to the release of such statements.[38]

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38 Some provinces require that annual financial statements be reviewed by a company' s audit committee (if the company has an audit committee) before board approval. A board of directors must also review interim financial statements before they are filed and distributed. In the case of interim financial statements, boards are permitted to delegate this review function to the audit committee (see for example, OSC Rule 52-501 Financial Statements). Where such a requirement exists at law, we believe that extracting information from financial statements that have not been reviewed by the board or audit committee and releasing that information to the marketplace in a news release is inconsistent with the prior review requirement.

You should also indicate at the time such information is publicly released whether your board or audit committee has reviewed the disclosure. Having your board or audit committee review such disclosure in advance of its public release acts as a good discipline on management and helps to increase the quality, credibility and objectivity of such disclosures. This review process also helps to force a critical examination of all issues related to the disclosure and reduces the risk of having to make subsequent adjustments or amendments to the information it contains.

(2) Where feasible, issue your earnings news release[39] concurrently with the filing of your quarterly or annual financial statements. This will help to ensure that a complete financial picture is available to analysts and investors at the time the earnings release is provided. Coordinating the release of a company's earnings information with the filing of its quarterly or annual financial statements will also facilitate review of these disclosures by the board or audit committee of the company.[40]

6.5 ***Authorizing Company Spokespersons:*** Limit the number of people who are authorized to speak on behalf of your company to analysts, the media and investors. Ideally, your spokesperson should be a member(s) of senior management. Spokespersons should be knowledgeable about your disclosure record and aware of analysts' reports relating to your company. Everyone in your company should know who the company spokespersons are and refer all inquiries from analysts, investors and the media to them. Having a limited number of company spokespersons helps to reduce the risk of:

(a) unauthorized disclosures;
(b) inconsistent statements by different people in the company; and
(c) statements that are inconsistent with the public disclosure record of the company.[41]

6.6 ***Recommended Disclosure Model:*** (1) You should consider using the following disclosure model when making a planned disclosure of material corporate information, such as a scheduled earnings release:

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39 Companies often issue news releases announcing corporate earnings which highlight major items and may include *pro forma* results.

40 Certain jurisdictions impose a requirement to concurrently deliver to shareholders financial statements that are filed. This may militate against the early filing of annual financial statements to avoid the cost of mailing them twice, once at the time of early filing and subsequently as part of the company's annual report. The CSA is considering eliminating this concurrent delivery obligation in the context of harmonizing continuous disclosure requirements across the country.

41 In some circumstances a company's designated spokesperson will not be informed of developing mergers and acquisitions until necessary, to avoid leakage of the information.

(a) issue a news release containing the information (for example, your quarterly financial results) through a widely circulated news or wire service;
(b) provide advance public notice by news release of the date and time of a conference call to discuss the information, the subject matter of the call and the means for accessing it;
(c) hold the conference call in an open manner, permitting investors and others to listen either by telephone or through Internet webcasting; and
(d) provide dial-in and/or web replay or make transcripts of the call available for a reasonable period of time after the analyst conference call.[42]

(2) The combination of news release disclosure of the material information and an open and accessible conference call to subsequently discuss the information should help to ensure that the information is disseminated in a manner calculated to effectively reach the marketplace and minimize the risk of an inadvertent selective disclosure during the follow-up call.

6.7 ***Analyst Conference Calls and Industry Conferences:*** (1) Hold analyst conference calls and industry conferences in an open manner, allowing any interested party to listen either by telephone and/or through a webcast. This helps to reduce the risk of selective disclosure.

(2) Company officials should meet before an analyst conference call, private analyst meeting or industry conference. Where practical, statements and responses to anticipated questions should be scripted in advance and reviewed by the appropriate people within your company. Scripting will help to identify any material corporate information that may need to be publicly disclosed through a news release.

(3) Keep detailed records and/or transcripts of any conference call, meeting or industry conference. These should be reviewed to determine whether any unintentional selective disclosure has occurred. If so, you should take immediate steps to ensure that a full public announcement is made, including contacting the relevant stock exchange and asking that trading be halted pending the issuance of a news release.

6.8 ***Analyst Reports:*** Establish a policy for reviewing analyst reports. As noted in section 5.2 of the Policy, there is a serious risk of violating the tipping prohibition if you express comfort with or provide guidance on an analyst's report, earnings model or earnings estimates. There is also a risk of selectively disclosing material non-financial information in the course of reviewing an analyst's report. If your policy allows for the review of analyst reports, your review should be limited to identifying publicly disclosed factual information that may affect an analyst's model or to pointing out inaccuracies or omissions with reference to publicly available information about your company.

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42 This model disclosure policy was recommended by the SEC in the adopting release to Regulation FD.

6.9 ***Quiet Periods:*** Observe a quarterly quiet period, during which no earnings guidance or comments with respect to the current quarter's operations or expected results will be provided to analysts, investors or other market professionals. The quiet period should run between the end of the quarter and the release of a quarterly earnings announcement although, in practice, quiet periods vary by company.[43] Companies need not stop all communications with analysts or investors during the quiet period. However, communications should be limited to responding to inquiries concerning publicly available or non-material information.

6.10 ***Insider Trading Policies and Blackout Periods:*** Adopt an insider trading policy that provides for a senior officer to approve and monitor the trading activity of all your insiders, officers, and senior employees. Your insider trading policy should prohibit purchases and sales at any time by insiders and employees who are in possession of material nonpublic information. Your policy should also provide for trading "blackout periods" when trading by insiders, officers and employees may typically not take place (for example a blackout period which surrounds regularly scheduled earnings announcements). However, insiders, officers and employees should have the opportunity to apply to the company's trading officer for approval to trade the company's securities during the blackout period. A company's blackout period may mirror the quiet period described above.

6.11 ***Electronic Communications:*** (1) Establish a team responsible for creating and maintaining the company Web site. The Web site should be up to date and accurate. You should date all material information when it is posted or modified. You should also move outdated information to an archive. Archiving allows the public to continue accessing information that may have historical or other value even though it is no longer current. You should establish minimum retention periods for information that is posted to and archived on your Web site. Retention periods may vary depending on the kind of information posted.[44] You should also explain how your Web site is set up and maintained. You should remember that posting material information on your Web site is not acceptable as the sole means of satisfying legal requirements to "generally disclose" information.

(2) Use current technology to improve investor access to your information. You should concurrently post to your Web site, if you have one, all documents that you file on SEDAR. You should also post on the investor relations part of your Web site all supplemental information that you give to analysts, institutional investors and other market professionals. This would include data books, fact sheets, slides of investor

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43 Some companies adopt a quiet period beginning at the start of the third month of the quarter, and ending upon issuance of the earnings release. Other companies wait until two weeks before the end of the quarter or even the first day of the month following the end of the quarter to start the quiet period.

44 See the TSX' s Electronic Communications Disclosure Guidelines.

presentations and other materials distributed at analyst or industry presentations.[45] When you make a presentation at an industry sponsored conference try to have your presentation and "question and answer" session webcast.

6.12 ***Chat Rooms, Bulletin Boards and e-mails:*** Do not participate in, host or link to chat rooms or bulletin boards. Your disclosure policy should prohibit your employees from discussing corporate matters in these forums. This will help to protect your company from the liability that could arise from the well-intentioned, but sporadic, efforts of employees to correct rumours or defend the company. You should consider requiring employees to report to a designated company official any discussion pertaining to your company which they find on the Internet. If your Web site allows viewers to send you e-mail messages, remember the risk of selective disclosure when responding.

6.13 ***Handling Rumours:*** Adopt a "no comment" policy with respect to market rumours and make sure that the policy is applied consistently.[46] Otherwise, an inconsistent response may be interpreted as "tipping". You may be required by your exchange to make a clarifying statement where trading in your company's securities appears to be heavily influenced by rumours. If material information has been leaked and appears to be affecting trading activity in your company's securities, you should take immediate steps to ensure that a full public announcement is made. This includes contacting your exchange and asking that trading be halted pending the issuance of a news release.[47]

[Amended May 31, 2013]

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45 This recommendation is based on the recommendations contained in The Toronto Stock Exchange Committee on Corporate Disclosure's final report issued in March 1997 and in the TSX's Electronic Communications Disclosure Guidelines. See also the guidance note "Better Disclosure for Investors" issued by the Australian Securities & Investments Commission (http://www.asic.gov.au).

46 A "no comment" policy means that you respond with a statement to the effect that "it is our policy not to comment on market rumours or speculation".

47 If the rumour relates to a material change in the company's affairs that has, in fact, occurred, you have a legal obligation to make timely disclosure of the change.

CSA/ACVM Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

CSA Staff Notice 51-352 (Revised)
Issuers with U.S. Marijuana-Related Activities

February 8, 2018

I. Background

The marijuana industry has accelerated in recent years as a number of jurisdictions, including Canada and certain U.S. states, continue to explore liberalization measures around marijuana law. While most jurisdictions have a uniform national framework for marijuana regulation, in the U.S., there is a conflict between state and federal law related to marijuana with certain U.S. states permitting its use and sale within a regulatory framework notwithstanding that marijuana continues to be listed as a controlled substance under U.S. federal law. As such, marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law (these activities are referred to in this notice as **marijuana-related activities**).

II. Purpose

This notice has been revised to provide further guidance on CSA staff's disclosure expectations for issuers with U.S. marijuana-related activities. This guidance recognizes that the political and regulatory circumstances surrounding the treatment of U.S. marijuana-related activities are uncertain. In the event that U.S. federal law against marijuana is enforced, there could be material consequences for any issuer with U.S. marijuana-related activities, including prosecution and asset seizure.

Given the critical importance of the legal and regulatory environment to issuers operating in this industry, we expect issuers to carefully consider any legal or regulatory actions or changes in order to determine whether they would result in material changes that trigger timely disclosure obligations.[1]

III. CSA Disclosure Expectations

Securities regimes across Canada are primarily disclosure-based, with requirements for timely and accurate disclosure of information. These principles require that each issuer's disclosure fairly presents all material facts and risks so that investors can make informed investment decisions.

Consistent with these principles, the purpose of this notice is to provide CSA staff's specific disclosure expectations for issuers that currently have, or are in the process of developing,

[1] Under National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) a material change includes a change in the business, operations or capital of the reporting issuer that would reasonably be expected to have a significant effect on the market price or value of any of its securities.

marijuana-related activities in U.S. states where such activity has been authorized within a state regulatory framework (**U.S. Marijuana Issuers**). Our disclosure-based approach, as outlined in the table below, is premised on the assumption that marijuana-related activities are conducted in compliance with the current laws and regulations of a U.S. state where such activities are legal.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties[2]
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.
U.S. Marijuana Issuers with direct involvement in cultivation or distribution[3]	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.

[2] All issuers are expected to provide these disclosures. We expect these disclosures to be clearly and prominently disclosed in prospectus filings and other required documents such as an issuer's AIF, marketing materials, and MD&A (see for example Part 2, Item 1.2 of Form 51-102F1 – *Management's Discussion & Analysis* of NI 51-102). In the context of a prospectus, such disclosure should include bold boxed cover page disclosure about the illegal nature of marijuana under U.S. federal law and the potential risks associated with this circumstance. We also expect issuers who enter our capital markets through a reverse takeover or spinoff transaction to include these disclosures in their listing statement, or other documents, as applicable.

[3] Direct industry involvement arises when an issuer, or a subsidiary that it controls, is directly engaged in the cultivation or distribution of marijuana in accordance with a U.S. state license.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties[2]
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution[4]	Outline the regulations for U.S. states in which the issuer's investee(s) operate.
	Provide reasonable assurance, through either positive or negative statements[5], that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.
U.S. Marijuana Issuers with material ancillary involvement[6]	Provide reasonable assurance, through either positive or negative statements[7], that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.

Staff expect that these disclosures, and any related risks, will be evaluated, monitored and reassessed by U.S. Marijuana Issuers on an ongoing basis and will be supplemented, amended and communicated forthwith to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

Responsibility remains with each U.S. Marijuana Issuer to ensure that it meets our disclosure expectations and the other requirements of securities laws.

U.S. Marijuana Issuers who do not provide appropriate disclosure, including confirming how they comply with applicable regulatory frameworks, may be subject to regulatory action such as:

- Receipt refusal in the context of prospectus offerings.
- Requests for restatements of non-compliant filings.
- Referrals for appropriate enforcement action.

IV. Exchange Listings

In determining whether to list entities with U.S. marijuana-related activities, each exchange applies its own listing requirements as outlined in its rules, including rules related to compliance with applicable laws.

Different exchanges may make their own judgements in the application of their listing requirements and an independent assessment of compliance and risk-analysis. Investors should be aware that even if an exchange lists a U.S. Marijuana Issuer that discloses the risks in

[4] Indirect industry involvement arises when an issuer has a non-controlling investment in an entity who is directly involved in the U.S. marijuana industry.
[5] In circumstances where an issuer with indirect U.S. marijuana exposure holds one or more investments which are in the aggregate significant to the issuer, staff may consider whether negative statements (for example, indicating that the issuer is not aware of non-compliance) are sufficient.
[6] Ancillary industry involvement arises when an issuer provides goods and/or services not limited to financing, branding, recipes, leasing, consulting or administrative services to third parties who are directly involved in the U.S. marijuana industry.
[7] Negative statements may include statements indicating that the issuer is not aware of non-compliance.

accordance with this notice, the listing does not change the treatment of the issuer's marijuana-related activities under U.S. federal law.

V. Ongoing Monitoring

We continue monitoring industry developments. In the normal course, we consider the facts and circumstances of each issuer. In this context, there may exist fact patterns and novel business models in the U.S. marijuana industry, or in other industries engaged in U.S. marijuana-related activity, which may give rise to public interest concerns which cannot be addressed by disclosure. In these circumstances, consideration will be given as to whether regulatory action is appropriate and warranted.

VI. Questions

Please refer your questions to any of the following:

Ontario Securities Commission
Sonny Randhawa
Deputy Director, Corporate Finance
416-204-4959
srandhawa@osc.gov.on.ca

Katrina Janke
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susan.powell@fcnb.ca

Manitoba Securities Commission
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204-945-4905
wayne.bridgeman@gov.mb.ca

Nova Scotia Securities Commission
Abel Lazarus
Director, Corporate Finance
902-424-6859
abel.lazarus@novascotia.ca

Note: [30 Apr 2016] – The following is a consolidation of NI 52-107. It incorporates the amendments to this document that came into effect on May 14, 2013, January 11, 2015, May 5, 2015 and April 30, 2016. This consolidation is provided for your convenience and should not be relied on as authoritative.

National Instrument 52-107
Acceptable Accounting Principles and Auditing Standards

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National Instrument 52-107
Acceptable Accounting Principles and Auditing Standards

PART 1: DEFINITIONS AND INTERPRETATION

1.1 Definitions — In this Instrument:

"accounting principles" means a body of principles relating to accounting that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and includes, without limitation, IFRS, Canadian GAAP and U.S. GAAP;

"acquisition statements" means financial statements of an acquired business or a business to be acquired, or an operating statement for an oil and gas property that is an acquired business or a business to be acquired, that are

(a) required to be filed under National Instrument 51-102 *Continuous Disclosure Obligations*,

(b) included in a prospectus pursuant to Item 35 of Form 41-101F1 *Information Required in a Prospectus*,

(c) required to be included in a prospectus under National Instrument 44-101 *Short Form Prospectus Distributions*, or

(d) included in an offering memorandum required under National Instrument 45-106 *Prospectus Exemptions*;

"auditing standards" means a body of standards relating to auditing that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and includes, without limitation, Canadian GAAS, International Standards on Auditing, U.S. AICPA GAAS and U.S. PCAOB GAAS;

"business acquisition report" means a completed Form 51-102F4 *Business Acquisition Report*;

"convertible security" means a security of an issuer that is convertible into, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of the same issuer;

"credit support issuer" means an issuer of securities for which a credit supporter has provided a guarantee or alternative credit support;

"credit supporter" means a person or company that provides a guarantee or alternative credit support for any of the payments to be made by an issuer of securities as stipulated in the terms of the securities or in an agreement governing rights of, or granting rights to, holders of the securities;

"designated foreign issuer" means a foreign issuer

(a) that does not have a class of securities registered under section 12 of the 1934 Act and is not required to file reports under section 15(d) of the 1934 Act,

(b) that is subject to foreign disclosure requirements in a designated foreign jurisdiction, and

(c) for which the total number of equity securities beneficially owned by residents of Canada does not exceed 10%, on a fully-diluted basis, of the total number of equity securities of the issuer, calculated in accordance with sections 1.2 and 1.3;

"designated foreign jurisdiction" means Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom of Great Britain and Northern Ireland;

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of another issuer;

"exchange-traded security" means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

"executive officer" means, for an issuer, an individual who is

(a) a chair, vice-chair or president;

(b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or

(c) performing a policy-making function in respect of the issuer;

"financial statements" includes interim financial reports;

"foreign disclosure requirements" means the requirements to which a foreign issuer is subject concerning disclosure made to the public, to securityholders of the issuer or to a foreign regulatory authority

(a) relating to the foreign issuer and the trading in its securities, and

(b) that is made publicly available in the foreign jurisdiction under

(i) the securities laws of the foreign jurisdiction in which the principal trading market of the foreign issuer is located, or

(ii) the rules of the marketplace that is the principal trading market of the foreign issuer;

"foreign issuer" means an issuer that is incorporated or organized under the laws of a foreign jurisdiction, unless

(a) outstanding voting securities of the issuer carrying more than 50% of the votes for the election of directors are beneficially owned by residents of Canada, and

(b) any of the following apply:

(i) the majority of the executive officers or directors of the issuer are residents of Canada;

(ii) more than 50% of the consolidated assets of the issuer are located in Canada; or

(iii) the business of the issuer is administered principally in Canada;

"foreign registrant" means a registrant that is incorporated or organized under the laws of a foreign jurisdiction, unless

(a) outstanding voting securities of the registrant carrying more than 50% of the votes for the election of directors are beneficially owned by residents of Canada, and

(b) any of the following apply:

(i) the majority of the executive officers or directors of the registrant are residents of Canada;

(ii) more than 50% of the consolidated assets of the registrant are located in Canada; or

(iii) the business of the registrant is administered principally in Canada;

"foreign regulatory authority" means a securities commission, exchange or other securities market regulatory authority in a designated foreign jurisdiction;

"IAS 27" means International Accounting Standard 27 *Consolidated and Separate Financial Statements*, as amended from time to time;

"IAS 34" means International Accounting Standard 34 *Interim Financial Reporting*, as amended from time to time;

"inter-dealer bond broker" means a person or company that is approved by the Investment Industry Regulatory Organization of Canada under its Rule No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its Rule No. 36 and its Rule 2100 *Inter-Dealer Bond Brokerage Systems*, as amended from time to time;

"IPO venture issuer" has the same meaning as in section 1.1 of National Instrument 41-101 *General Prospectus Requirements*;

"issuer's GAAP" means the accounting principles used to prepare an issuer's financial statements, as permitted by this Instrument;

"marketplace" means

(a) an exchange,

(b) a quotation and trade reporting system,

(c) a person or company not included in paragraph (a) or (b) that

(i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,

(ii) brings together the orders for securities of multiple buyers and sellers, and

(iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or

(d) a dealer that executes a trade of an exchange-traded security outside of a marketplace,

but does not include an inter-dealer bond broker;

"multiple convertible security" means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

"predecessor statements" mean the financial statements referred to in paragraph 32.1(1)(a) of Form 41-101F1 *Information Required in a Prospectus*;

"primary business statements" mean the financial statements referred to in paragraph 32.1(1)(b) of Form 41-101F1 *Information Required in a Prospectus*;

"principal trading market" means the published market on which the largest trading volume in the equity securities of the issuer occurred during the issuer's most recently completed financial year that ended before the date the determination is being made;

"published market" means, for a class of securities, a marketplace on which the securities have traded that discloses, regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means, the prices at which those securities have traded;

"recognized exchange" means

(a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange,

(b) in Québec, a person or company authorized by the securities regulatory authority to carry on business as an exchange, and

(c) in every other jurisdiction of Canada, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

"recognized quotation and trade reporting system" means

(a) in every jurisdiction of Canada other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system, and

(b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

"SEC issuer" means an issuer that

(a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, and

(b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America, as amended from time to time;

"SEC foreign issuer" means a foreign issuer that is also an SEC issuer;

"underlying security" means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security;

"U.S. GAAP" means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X under the 1934 Act, as amended from time to time;

"U.S. AICPA GAAS" means auditing standards of the American Institute of Certified Public Accountants, as amended from time to time;

"U.S. PCAOB GAAS" means auditing standards of the Public Company Accounting Oversight Board (United States of America), as amended from time to time;

"venture issuer",

(a) in the case of acquisition statements required by National Instrument 51-102 *Continuous Disclosure Obligations*, has the same meaning as in subsection 1.1(1) of that Instrument, and

(b) in the case of acquisition statements referred to in paragraph (b), (c) or (d) of the definition of "acquisition statements", has the same meaning as in section 1.1 of National Instrument 41-101 *General Prospectus Requirements*.

1.2 Determination of Canadian Shareholders for Calculation of Designated Foreign Issuer and Foreign Issuer —

(1) For the purposes of paragraph (c) of the definition of "designated foreign issuer" in section 1.1 and for the purposes of paragraphs 3.9(1)(c) and 4.9(c), a reference to equity securities beneficially owned by residents of Canada includes

(a) any underlying securities that are equity securities of the foreign issuer, and

(b) the equity securities of the foreign issuer represented by an American depositary receipt or an American depositary share issued by a depositary holding equity securities of the foreign issuer.

(2) For the purposes of paragraph (a) of the definition of "foreign issuer" in section 1.1, securities represented by American depositary receipts or American depositary shares issued by a depositary holding voting securities of the foreign issuer must be included as outstanding in determining both the number of votes attached to securities beneficially owned by residents of Canada and the number of votes attached to all of the issuer's outstanding voting securities.

1.3 Timing for Calculation of Designated Foreign Issuer, Foreign Issuer and Foreign Registrant — For the purposes of paragraph (c) of the definition of "designated foreign issuer" in section 1.1, paragraph (a) of the definition of "foreign issuer" in section 1.1, and paragraph (a) of the definition of "foreign registrant" in section 1.1, the calculation is made

(a) if the issuer has not completed one financial year, on the earlier of

(i) the date that is 90 days before the date of its prospectus, and

(ii) the date that it became a reporting issuer; and

(b) for all other issuers and for registrants, on the first day of the most recent financial year or interim period for which financial performance is presented in the financial statements or interim financial information filed or delivered or included in a prospectus.

1.4 Interpretation —

(1) For the purposes of this Instrument, a reference to "prospectus" includes a preliminary prospectus, a prospectus, an amendment to a preliminary prospectus and an amendment to a prospectus.

(2) For the purposes of this Instrument, a reference to information being "included in" another document means information reproduced in the document or incorporated into the document by reference.

PART 2: APPLICATION

2.1 Application —

(1) This Instrument does not apply to investment funds that are subject to National Instrument 81-106 *Investment Fund Continuous Disclosure* in respect of their reporting requirements as investment funds.

(2) This Instrument applies to

(a) all financial statements and interim financial information delivered by registrants to the securities regulatory authority or regulator under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*,

(b) all financial statements filed, or included in a document that is filed, by an issuer under National Instrument 51-102 *Continuous Disclosure Obligations* or National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*,

(c) all financial statements included in

(i) a prospectus, a take-over bid circular or any other document that is filed by or in connection with an issuer, or

(ii) an offering memorandum required to be delivered by an issuer under National Instrument 45-106 *Prospectus Exemptions*,

(d) any acquisition statements, predecessor statements, or primary business statements, that are an operating statement for an oil and gas property that is an acquired business or a business to be acquired, that is

(i) filed by an issuer under National Instrument 51-102 *Continuous Disclosure Obligations*,

(ii) included in a prospectus, take-over bid circular or any other document that is filed by or in connection with an issuer, or

(iii) included in an offering memorandum required to be delivered by an issuer under National Instrument 45-106 *Prospectus Exemptions*,

(e) any other financial statements filed, or included in a document that is filed, by a reporting issuer,

(f) summary financial information for a credit supporter or credit support issuer that is

(i) filed under National Instrument 51-102 *Continuous Disclosure Obligations*,

(ii) included in a prospectus, take-over bid circular or any other document that is filed by or in connection with an issuer, or

(iii) included in an offering memorandum required to be delivered by an issuer under National Instrument 45-106 *Prospectus Exemptions*,

(g) summarized financial information of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, that is

(i) filed by an issuer under National Instrument 51-102 *Continuous Disclosure Obligations*,

(ii) included in a prospectus, take-over bid circular or any other document that is filed by or in connection with an issuer, or

(iii) included in an offering memorandum required to be delivered by an issuer under National Instrument 45-106 *Prospectus Exemptions*,

(h) *pro forma* financial statements

(i) filed, or included in a document that is filed, by an issuer under National Instrument 51-102 *Continuous Disclosure Obligations* or National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*,

(ii) included in a prospectus, take-over bid circular or any other document that is filed by or in connection with an issuer, or

(iii) otherwise filed, or included in a document that is filed, by a reporting issuer, and

(i) all financial statements

(i) filed by an issuer under subsection 2.9(17.4) of National Instrument 45-106 *Prospectus Exemptions*,

(ii) delivered by an issuer under subsection 2.9(17.5) of National Instrument 45-106 *Prospectus Exemptions,* or

(iii) made reasonably available by an issuer under subsection 2.9(17.6) of National Instrument 45-106 *Prospectus Exemptions*.

PART 3: RULES APPLYING TO FINANCIAL YEARS BEGINNING ON OR AFTER JANUARY 1, 2011

3.1 Definitions and Application —

(1) In this Part:

"publicly accountable enterprise" means a publicly accountable enterprise as defined in the Handbook;

"private enterprise" means a private enterprise as defined in the Handbook.

(2) This Part applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning on or after January 1, 2011.

3.2 Acceptable Accounting Principles – General Requirements —

(1) Financial statements referred to in paragraphs 2.1(2)(b), (c), (e) and (i), other than acquisition statements, must

(a) be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, and

(b) disclose

(i) in the case of annual financial statements, an unreserved statement of compliance with IFRS, and

(ii) in the case of an interim financial report, an unreserved statement of compliance with IAS 34.

(2) Despite subsection (1), in the case of an interim financial report that is not required under securities legislation to provide comparative interim financial information,

(a) the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes must be prepared in accordance with IAS 34 other than the requirement in IAS 34 to include comparative financial information; and

(b) the interim financial report must disclose that

(i) it does not comply with IAS 34 because it does not include comparative interim financial information, and

(ii) the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes have been prepared in accordance with IAS 34 other than the requirement in IAS 34 to include comparative financial information.

(3) Financial statements and interim financial information referred to in paragraph 2.1(2)(a) must

(a) be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in IAS 27, and

(b) in the case of annual financial statements,

(i) include the following statement:

> These financial statements are prepared in accordance with the financial reporting framework specified in [*insert* "paragraph 3.2(3)(a) ", "subsection 3.2(4)" *or* "section 3.15" *as applicable*] of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for financial statements delivered by registrants.

and

(ii) describe the financial reporting framework used to prepare the financial statements.

(4) Despite paragraph (3)(a), financial statements and interim financial information referred to in paragraph 2.1(2)(a) for periods relating to a financial year beginning in 2011 may be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, except that

(a) any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in IAS 27,

(b) comparative information relating to the preceding financial year must be excluded, and

(c) the first day of the financial year to which the financial statements or interim financial information relates must be used as the date of transition to the financial reporting framework.

(5) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.

(6) Financial information referred to in paragraphs 2.1(2)(f) and (g) must

(a) present the line items for summary financial information or summarized financial information required by National Instrument 45-106 *Prospectus Exemptions* or National Instrument 51-102 *Continuous Disclosure Obligations*, as the case may be, and

(b) in the case of summarized financial information of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method,

(i) be prepared using accounting policies that

(A) are permitted by one of Canadian GAAP applicable to publicly accountable enterprises, IFRS, U.S. GAAP or Canadian GAAP applicable to private enterprises, and

(B) would apply to the information if the information were presented as part of a complete set of financial statements,

(ii) include the following statement:

This information is prepared in accordance with the financial reporting framework specified in subsection 3.2(6) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for summarized financial information of a business accounted for using the equity method.

and

(iii) describe the accounting policies used to prepare the information.

3.3 Acceptable Auditing Standards – General Requirements —

(1) Financial statements, other than acquisition statements, that are required by securities legislation to be audited must

(a) be audited in accordance with Canadian GAAS and be accompanied by an auditor's report that

(i) expresses an unmodified opinion,

(ii) identifies all financial periods presented for which the auditor has issued an auditor's report,

(iii) is in the form specified by Canadian GAAS for an audit of financial statements prepared in accordance with a fair presentation framework, and

(iv) refers to IFRS as the applicable fair presentation framework if the financial statements are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, and

(b) if the issuer or registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by a predecessor auditor, be accompanied by the predecessor auditor's reports on the comparative periods.

(2) Paragraph (1)(b) does not apply to financial statements referred to in paragraphs 2.1(2)(a) and (b) if the auditor's report described in paragraph (1)(a) refers to the predecessor auditor's reports on the comparative periods.

3.4 Acceptable Auditors — An auditor's report filed by an issuer or delivered by a registrant must be prepared and signed by a person or company that is authorized to sign an auditor's report under the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

3.5 Presentation and Functional Currencies —

(1) The presentation currency must be prominently displayed in financial statements.

(2) Financial statements must disclose the functional currency if it is different than the presentation currency.

3.6 Credit Supporters —

(1) Unless subsection 3.2(1) applies, if a credit support issuer files, or includes in a prospectus, financial statements of a credit supporter, the credit supporter's financial statements must

(a) be prepared in accordance with the accounting principles and audited in accordance with the auditing standards that would apply under this Instrument if the credit supporter were to file financial statements referred to in paragraph 2.1(2)(b), and

(b) identify the accounting principles used to prepare the financial statements.

(2) If a credit support issuer files, or includes in a prospectus, summary financial information for the credit supporter or credit support issuer,

(a) the summary financial information must, in addition to satisfying other requirements in this Instrument

(i) prominently display the presentation currency, and

(ii) disclose the functional currency if it is different from the presentation currency, and

(b) the amounts presented in the summary financial information must be derived from financial statements of the credit supporter or credit support issuer that, if required by securities legislation to be audited, are audited in accordance with the auditing standards that would apply under this Instrument if the credit supporter or credit support issuer, as the case may be, were to file financial statements referred to in paragraph 2.1(2)(b).

3.7 Acceptable Accounting Principles for SEC Issuers —

(1) Despite subsection 3.2(1), an SEC issuer's financial statements referred to in paragraphs 2.1(2)(b), (c), (e) and (i) and financial information referred to in paragraphs 2.1(2)(f) and (g) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with U.S. GAAP.

(2) The notes to the financial statements referred to in subsection (1) must identify the accounting principles used to prepare the financial statements.

3.8 Acceptable Auditing Standards for SEC Issuers —

(1) Despite subsection 3.3(1), an SEC issuer's financial statements referred to in paragraphs 2.1(2)(b), (c), (e) and (i) and financial information referred to in paragraphs 2.1(2)(f) and (g) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, and that are required by securities legislation to be audited, may be audited in accordance with U.S. PCAOB GAAS if the financial statements are accompanied by

(a) an auditor's report prepared in accordance with U.S. PCAOB GAAS that

(i) expresses an unqualified opinion,

(ii) identifies all financial periods presented for which the auditor has issued an auditor's report, and

(iii) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and

(b) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor.

(2) Paragraph (1)(b) does not apply to financial statements referred to in paragraph 2.1(2)(b) if the auditor's report described in paragraph (1)(a) refers to the predecessor auditor's reports on the comparative periods.

3.9 Acceptable Accounting Principles for Foreign Issuers —

(1) Despite subsection 3.2(1), a foreign issuer's financial statements referred to in paragraphs 2.1(2)(b), (c), (e) and (i) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with

(a) IFRS,

(b) U.S. GAAP, if the issuer is an SEC foreign issuer,

(c) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if

(i) the issuer is an SEC foreign issuer,

(ii) on the last day of the most recently completed financial year the total number of equity securities of the issuer beneficially owned by residents of Canada does not exceed 10%, on a fully-diluted basis, of the total number of equity securities of the issuer, and

(iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC, or

(d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

(2) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

3.10 Acceptable Auditing Standards for Foreign Issuers —

(1) Despite subsection 3.3(1), a foreign issuer's financial statements referred to in paragraphs 2.1(2)(b), (c), (e) and (i) that are filed with or delivered to a securities

regulatory authority or regulator, other than acquisition statements, that are required by securities legislation to be audited may be audited in accordance with

(a) International Standards on Auditing if the financial statements are accompanied by

(i) an auditor's report that

(A) expresses an unmodified opinion,

(B) identifies all financial periods presented for which the auditor has issued the auditor's report,

(C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and

(D) is prepared in accordance with the same auditing standards used to conduct the audit, and

(ii) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor,

(b) U.S. PCAOB GAAS if the financial statements are accompanied by

(i) an auditor's report that

(A) expresses an unqualified opinion,

(B) identifies all financial periods presented for which the auditor has issued the auditor's report,

(C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and

(D) is prepared in accordance with the same auditing standards used to conduct the audit, and

(ii) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor, or

(c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject if

(i) the issuer is a designated foreign issuer,

(ii) the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to conduct the audit, and

(iii) the auditor's report identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

(2) Subparagraph (1)(a)(ii) or (b)(ii) does not apply to financial statements referred to in paragraph 2.1(2)(b) if the auditor's report described in subparagraph (1)(a)(i) or (b)(i), as the case may be, refers to the predecessor auditor's reports on the comparative periods.

3.11 Acceptable Accounting Principles for Acquisition Statements —

(1) Acquisition statements must be prepared in accordance with one of the following accounting principles:

(a) Canadian GAAP applicable to publicly accountable enterprises;

(b) IFRS;

(c) U.S. GAAP;

(d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if

(i) the issuer or the acquired business or business to be acquired is an SEC foreign issuer,

(ii) on the last day of the most recently completed financial year the total number of equity securities of the SEC foreign issuer beneficially owned by residents of Canada does not exceed 10%, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer, and

(iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;

(e) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer or the acquired business or business to be acquired is subject, if

(i) the issuer or business is a designated foreign issuer, and

(ii) in the case where the issuer's GAAP differs from the accounting principles used to prepare the acquisition statements, for the most recently completed financial year and interim period presented, the notes to the acquisition statements:

(A) describe the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, and

(B) quantify the effect of each difference referred to in clause (A) and include a tabular reconciliation between profit or loss reported in the acquisition statements and profit or loss computed in accordance with the issuer's GAAP;

(f) Canadian GAAP applicable to private enterprises if

(i) the acquisition statements consolidate any subsidiaries and account for significantly influenced investees and joint ventures using the equity method,

(ii) financial statements for the acquired business or business to be acquired were not previously prepared in accordance with one of the accounting principles specified in paragraphs (a) to (e) for the periods presented in the acquisition statements,

(iii) the acquisition statements are accompanied by a notice stating:

> These financial statements are prepared in accordance with Canadian GAAP applicable to private enterprises, which are Canadian accounting standards for private enterprises in Part II of the Handbook.
>
> The recognition, measurement and disclosure requirements of Canadian GAAP applicable to private enterprises differ from those of Canadian GAAP applicable to publicly accountable enterprises, which are International Financial Reporting Standards incorporated into the Handbook.
>
> The *pro forma* financial statements included in the document include adjustments relating to the [*insert* "acquired business" *or* "business to be acquired" *as applicable*] and present *pro forma* information prepared using principles that are consistent with the accounting principles used by the issuer.

and

(iv) in the case of acquisition statements included in a document filed by an issuer that is not a venture issuer, and is not an IPO venture issuer, for all financial years and the most recently completed interim period presented, the notes to the acquisition statements

(A) describe the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation,

(B) quantify the effect of each difference referred to in clause (A), and include a tabular reconciliation between profit or loss reported in the acquisition statements and profit or loss computed in accordance with the issuer's GAAP, and

(C) for each difference referred to in clause (A) that relates to measurement, disclose and discuss the material inputs or assumptions underlying the measurement of the relevant amount computed in accordance with the issuer's GAAP, consistent with the disclosure requirements of the issuer's GAAP.

(2) Acquisition statements must be prepared in accordance with the same accounting principles for all periods presented.

(3) Acquisition statements to which paragraph (1)(a) applies must disclose

(a) in the case of annual financial statements, an unreserved statement of compliance with IFRS, and

(b) in the case of interim financial reports, an unreserved statement of compliance with IAS 34.

(4) Unless paragraph (1)(a) applies, the notes to the acquisition statements must identify the accounting principles used to prepare the acquisition statements.

(5) Despite subsections (1) and (2), if acquisition statements are an operating statement for an oil and gas property that is an acquired business or business to be acquired

(a) the operating statement must include at least the following line items:

(i) gross sales;

(ii) royalties;

(iii) production costs;

(iv) operating income;

(b) the line items in the operating statement must be prepared using accounting policies that

(i) are permitted by one of Canadian GAAP applicable to publicly accountable enterprises, IFRS, U.S. GAAP or Canadian GAAP applicable to private enterprises, and

(ii) would apply to those line items if those line items were presented as part of a complete set of financial statements, and

(c) the operating statement must

(i) include the following statement:

> This operating statement is prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for an operating statement.

and

(ii) describe the accounting policies used to prepare the operating statement.

(6) [REPEALED]

3.12 Acceptable Auditing Standards for Acquisition Statements —

(1) Acquisition statements that are required by securities legislation to be audited must be accompanied by an auditor's report and audited in accordance with one of the following auditing standards:

(a) Canadian GAAS;

(b) International Standards on Auditing;

(c) U.S. PCAOB GAAS;

(d) U.S. AICPA GAAS, if the acquired business or business to be acquired is not an SEC issuer;

(e) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

(2) The auditor's report must,

(a) if paragraph (1)(a) or (b) applies, express an unmodified opinion,

(b) if paragraph (1)(c) or (d) applies, express an unqualified opinion,

(c) unless paragraph (1)(e) applies, identify all financial periods presented for which the auditor's report applies,

(d) identify the auditing standards used to conduct the audit,

(e) identify the accounting principles used or, if subsection 3.11(5) applies, the financial reporting framework used, to prepare the acquisition statements, unless the auditor's report accompanies acquisition statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and audited in accordance with Canadian GAAS, and

(f) if paragraph (1) (a) or (b) applies and subsection 3.11(5) does not,

(i) be in the form specified by the standards referred to in paragraph (1)(a) or (b), as applicable, for an audit of financial statements prepared in accordance with a fair presentation framework, and

(ii) refer to IFRS as the applicable fair presentation framework if the financial statements are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises.

(3) Despite paragraphs (2)(a) and (b), an auditor's report that accompanies acquisition statements may express a qualification of opinion relating to inventory if

(a) the issuer includes in the business acquisition report, prospectus or other document containing the acquisition statements, a statement of financial position for the acquired business or business to be acquired that is for a date that is subsequent to the date to which the qualification relates, and

(b) the statement of financial position referred to in paragraph (a) is accompanied by an auditor's report that does not express a qualification of opinion relating to closing inventory.

3.13 Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method —

(1) If an issuer files, or includes in a prospectus, summarized financial information of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, the financial information must

(a) meet the requirements in subsections 3.11(1), (2) and (4) if the term "acquisition statements" in those subsections is read as "summarized financial information", and

(b) disclose the presentation currency for the financial information, and disclose the functional currency if it is different than the presentation currency.

(2) If the financial information referred to in subsection (1) is required by securities legislation to be audited or derived from audited financial statements, the financial information must

(a) either

(i) meet the requirements in section 3.12 if the term "acquisition statements" in that section is read as "summarized financial information", or

(ii) be derived from financial statements that meet the requirements in section 3.12 if the term "acquisition statements" in that section is read as "financial statements from which is derived summarized financial information", and

(b) be audited, or derived from financial statements that are audited, by a person or company that is authorized to sign an auditor's report under the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

3.14 Acceptable Accounting Policies for *Pro Forma* Financial Statements —

(1) An issuer's *pro forma* financial statements must be prepared using accounting policies that

(a) are permitted by the issuer's GAAP, and

(b) would apply to the information presented in the *pro forma* financial statements if that information were included in the issuer's financial statements for the same period as that of the *pro forma* financial statements.

(2) Despite subsection (1), if an issuer's financial statements include, or are accompanied by, a reconciliation to U.S. GAAP, the issuer's *pro forma* financial statements for the same period as the issuer's financial statements may be prepared using accounting policies that

(a) are permitted by U.S. GAAP, and

(b) would apply to the information presented in the *pro forma* financial statements if that information were included in the reconciliation.

(3) Despite subsection (1), if the accounting principles used to prepare an issuer's most recent annual financial statements differ from the accounting principles used to prepare the issuer's interim financial report for a subsequent period, the issuer may prepare a *pro forma* income statement for the same period as that of its most recent annual financial statements using accounting policies that

(a) are permitted by the accounting principles that were used to prepare the issuer's interim financial report, and

(b) would apply to the information presented in the *pro forma* income statement if that information were included in the issuer's interim financial report.

3.15 Acceptable Accounting Principles for Foreign Registrants — Despite paragraph 3.2 (3)(a), financial statements and interim financial information delivered by a foreign registrant may be prepared in accordance with

(a) IFRS, except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in IAS 27,

(b) U.S. GAAP, except that any investments in subsidiaries, jointly controlled entities and associates must be accounted for as specified for separate financial statements in IAS 27, or

(c) accounting principles that meet the disclosure requirements of a foreign regulatory authority to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction.

3.16 Acceptable Auditing Standards for Foreign Registrants —

(1) Despite subsection 3.3(1), financial statements referred to in paragraph 2.1(2)(a) that are delivered by a foreign registrant and required by securities legislation to be audited may be audited in accordance with

(a) International Standards on Auditing if the financial statements are accompanied by

(i) an auditor's report that

(A) expresses an unmodified opinion,

(B) identifies all financial periods presented for which the auditor has issued the auditor's report,

(C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and

(D) is prepared in accordance with the same auditing standards used to conduct the audit, and

(ii) the predecessor auditor's reports on the comparative periods, if the foreign registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor,

(b) U.S. PCAOB GAAS or U.S. AICPA GAAS if the financial statements are accompanied by

(i) an auditor's report that

(A) expresses an unqualified opinion,

(B) identifies all financial periods presented for which the auditor has issued the auditor's report,

(C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and

(D) is prepared in accordance with the same auditing standards used to conduct the audit, and

(ii) the predecessor auditor's reports on the comparative periods, if the foreign registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor, or

(c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the registrant is subject if

(i) it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction,

(ii) the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to conduct the audit, and

(iii) the auditor's report identifies the accounting principles used to prepare the financial statements.

(2) Subparagraph (1)(a)(ii) or (b)(ii) does not apply if the auditor's report described in subparagraph (1)(a)(i) or (b)(i), as the case may be, refers to the predecessor auditor's reports on the comparative periods.

3.17 Acceptable Accounting Principles for Predecessor Statements or Primary Business Statements that are an Operating Statement — If predecessor statements or primary business statements are an operating statement for an oil and gas property,

(a) the operating statement must include at least the following line items:

(i) gross sales;

(ii) royalties;

(iii) production costs;

(iv) operating income;

(b) the line items in the operating statement must be prepared using accounting policies that

(i) are permitted by one of:

(A) Canadian GAAP applicable to publicly accountable enterprises;

(B) U.S. GAAP if the issuer is an SEC issuer or an SEC foreign issuer;

(C) IFRS if the issuer is a foreign issuer, and

(ii) would apply to those line items if those line items were presented as part of a complete set of financial statements, and

(c) the operating statement must

(i) include the following statement:

This operating statement is prepared in accordance with the financial reporting framework specified in section 3.17 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for an operating statement.

and

(ii) describe the accounting policies used to prepare the operating statement.

3.18 Acceptable Auditing Standards for Predecessor Statements or Primary Business Statements that are an Operating Statement —

(1) If predecessor statements or primary business statements are an operating statement for an oil and gas property that are required by securities legislation to be audited, the operating statement must be accompanied by an auditor's report and audited in accordance with one of the following auditing standards:

(a) Canadian GAAS;

(b) U.S. PCAOB GAAS if the issuer is an SEC issuer or an SEC foreign issuer;

(c) International Standards on Auditing if the issuer is a foreign issuer.

(2) The auditor's report must,

(a) if paragraph 1(a) or (c) applies, express an unmodified opinion,

(b) if paragraph 1(b) applies, express an unqualified opinion,

(c) identify all financial periods presented for which the auditor's report applies,

(d) identify the auditing standards used to conduct the audit, and

(e) identify the financial reporting framework used to prepare the operating statement.

PART 4: RULES APPLYING TO FINANCIAL YEARS BEGINNING BEFORE JANUARY 1, 2011

4.1 Definitions and Application —

(1) In this Part:

"Canadian GAAP - Part V" means generally accepted accounting principles determined with reference to Part V of the Handbook applicable to public enterprises;

"public enterprise" means a public enterprise as defined in Part V of the Handbook.

(2) This Part applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning before January 1, 2011.

4.2 Acceptable Accounting Principles – General Requirements —

(1) Financial statements, other than financial statements delivered by registrants and acquisition statements, must be prepared in accordance with Canadian GAAP – Part V.

(2) Financial statements and interim financial information delivered by a registrant to the securities regulatory authority, must be prepared in accordance with Canadian GAAP – Part V except that the financial statements and interim financial information must be prepared on a non-consolidated basis.

(3) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.

(4) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

4.3 Acceptable Auditing Standards – General Requirements — Financial statements, other than acquisition statements, that are required by securities legislation to be audited must be audited in accordance with Canadian GAAS and be accompanied by an auditor's report that

(a) expresses an unmodified opinion,

(b) identifies all financial periods presented for which the auditor has issued an auditor's report,

(c) refers to the predecessor auditor's reports on the comparative periods, if the issuer or registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor, and

(d) identifies the accounting principles used to prepare the financial statements.

4.4 Acceptable Auditors — An auditor's report filed by an issuer or delivered by a registrant must be prepared and signed by a person or company that is authorized to sign an auditor's report under the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

4.5 Measurement and Reporting Currencies —

(1) The reporting currency must be disclosed on the face page of the financial statements or in the notes to the financial statements unless the financial statements are prepared in accordance with Canadian GAAP – Part V and the reporting currency is the Canadian dollar.

(2) The notes to the financial statements must disclose the measurement currency if it is different than the reporting currency.

4.6 Credit Supporters —

(1) Unless subsection 4.2(1) applies, if a credit support issuer files, or includes in a prospectus, financial statements of a credit supporter, the credit supporter's financial statements must

(a) be prepared in accordance with the accounting principles and audited in accordance with the auditing standards that apply under this Instrument if the credit supporter were to file financial statements referred to in paragraph 2.1(2)(b),

(b) identify the accounting principles used to prepare the financial statements, and

(c) disclose the reporting currency for the financial statements, and disclose the measurement currency if it is different than the reporting currency.

(2) If a credit support issuer files, or includes in a prospectus, summary financial information for the credit supporter or credit support issuer,

(a) the summary financial information must

(i) be prepared in accordance with the accounting principles that this Instrument requires to be used in preparing financial statements if the credit supporter or credit support issuer, as the case may be, were to file financial statements referred to in paragraph 2.1(2)(b),

(ii) identify the accounting principles used to prepare the summary financial information, and

(iii) disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency, and

(b) the amounts presented in the summary financial information must be derived from financial statements of the credit supporter or credit support issuer that, if required by securities legislation to be audited, are audited in accordance with the auditing standards that apply under this Instrument if the credit supporter or credit support issuer, as the case may be, were to file financial statements referred to in paragraph 2.1(2)(b).

4.7 Acceptable Accounting Principles for SEC Issuers —

(1) Despite subsections 4.2(1) and (3), financial statements of an SEC issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with U.S. GAAP provided that, if the SEC issuer previously filed or included in a prospectus financial

statements prepared in accordance with Canadian GAAP – Part V, the SEC issuer complies with the following:

(a) the notes to the first two sets of the issuer's annual financial statements after the change from Canadian GAAP – Part V to U.S. GAAP and the notes to the issuer's interim financial statements for interim periods during those two years

(i) explain the material differences between Canadian GAAP – Part V and U.S. GAAP that relate to recognition, measurement and presentation,

(ii) quantify the effect of material differences between Canadian GAAP – Part V and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP – Part V, and

(iii) provide disclosure consistent with disclosure requirements of Canadian GAAP – Part V to the extent not already reflected in the financial statements;

(b) financial information for any comparative periods that were previously reported in accordance with Canadian GAAP – Part V are presented

(i) as previously reported in accordance with Canadian GAAP – Part V,

(ii) as restated and presented in accordance with U.S. GAAP, and

(iii) supported by an accompanying note that

(A) explains the material differences between Canadian GAAP – Part V and U.S. GAAP that relate to recognition, measurement and presentation, and

(B) quantifies the effect of material differences between Canadian GAAP – Part V and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income as previously reported in the financial statements in accordance with Canadian GAAP – Part V and net income as restated and presented in accordance with U.S. GAAP, and

(c) if the SEC issuer has filed financial statements prepared in accordance with Canadian GAAP – Part V for one or more interim periods of the

current year, those interim financial statements are restated in accordance with U.S. GAAP and comply with paragraphs (a) and (b).

(2) The comparative information specified in subparagraph (1)(b)(i) may be presented on the face of the balance sheet and statements of income and cash flow or in the note to the financial statements required by subparagraph (1)(b)(iii).

4.8 Acceptable Auditing Standards for SEC Issuers — Despite section 4.3, financial statements of an SEC issuer that are filed with or delivered to the securities regulatory authority or regulator, other than acquisition statements, and that are required by securities legislation to be audited, may be audited in accordance with U.S. PCAOB GAAS if the financial statements are accompanied by an auditor's report prepared in accordance with U.S. PCAOB GAAS that

(a) expresses an unqualified opinion,

(b) identifies all financial periods presented for which the auditor has issued an auditor's report,

(c) refers to the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor, and

(d) identifies the accounting principles used to prepare the financial statements.

4.9 Acceptable Accounting Principles for Foreign Issuers — Despite subsection 4.2(1), financial statements of a foreign issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with one of the following accounting principles:

(a) U.S. GAAP, if the issuer is an SEC foreign issuer;

(b) IFRS;

(c) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if

(i) the issuer is an SEC foreign issuer,

(ii) on the last day of the most recently completed financial year the total number of equity securities of the issuer beneficially owned by residents of Canada does not exceed 10%, on a fully-diluted basis, of the total number of equity securities of the issuer, and

(iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;

(d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer;

(e) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part V, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements

(i) explain the material differences between Canadian GAAP – Part V and the accounting principles used that relate to recognition, measurement and presentation,

(ii) quantify the effect of material differences between Canadian GAAP – Part V and the accounting principles used that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the issuer's financial statements and net income computed in accordance with Canadian GAAP – Part V, and

(iii) provide disclosure consistent with Canadian GAAP – Part V requirements to the extent not already reflected in the financial statements.

4.10 Acceptable Auditing Standards for Foreign Issuers — Despite section 4.3, financial statements of a foreign issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, that are required by securities legislation to be audited may, if the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to conduct the audit and the auditor's report identifies the accounting principles used to prepare the financial statements, be audited in accordance with

(a) U.S. PCAOB GAAS, if the auditor's report

(i) expresses an unqualified opinion,

(ii) identifies all financial periods presented for which the auditor has issued an auditor's report, and

(iii) refers to the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor,

(b) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that

(i) describes any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS, and

(ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would express an unmodified opinion, or

(c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

4.11 Acceptable Accounting Principles for Acquisition Statements —

(1) Acquisition statements must be prepared in accordance with one of the following accounting principles:

(a) Canadian GAAP – Part V;

(b) U.S. GAAP;

(c) IFRS;

(d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if

(i) the issuer or the acquired business or business to be acquired is an SEC foreign issuer,

(ii) on the last day of the most recently completed financial year the total number of equity securities of the SEC foreign issuer beneficially owned by residents of Canada does not exceed 10%, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer, and

(iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;

(e) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer or the acquired business or business to be acquired is subject, if the issuer or business is a designated foreign issuer;

(f) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part V, including recognition and measurement principles and disclosure requirements.

(2) Acquisition statements must be prepared in accordance with the same accounting principles for all periods presented.

(3) The notes to the acquisition statements must identify the accounting principles used to prepare the acquisition statements.

(4) If acquisition statements are prepared using accounting principles that are different from the issuer's GAAP, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be reconciled to the issuer's GAAP and the notes to the acquisition statements must

(a) explain the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation,

(b) quantify the effect of material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with the issuer's GAAP, and

(c) provide disclosure consistent with the issuer's GAAP to the extent not already reflected in the acquisition statements.

(5) Despite subsections (1) and (4), if the issuer is required to reconcile its financial statements to Canadian GAAP – Part V, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be

(a) prepared in accordance with Canadian GAAP – Part V, or

(b) reconciled to Canadian GAAP – Part V and the notes to the acquisition statements must

(i) explain the material differences between Canadian GAAP – Part V and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation,

(ii) quantify the effect of material differences between Canadian GAAP – Part V and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with Canadian GAAP – Part V, and

(iii) provide disclosure consistent with disclosure requirements of Canadian GAAP – Part V to the extent not already reflected in the acquisition statements.

4.12 Acceptable Auditing Standards for Acquisition Statements —

(1) Acquisition statements that are required by securities legislation to be audited must be audited in accordance with one of the following auditing standards:

(a) Canadian GAAS;

(b) U.S. PCAOB GAAS;

(c) U.S. AICPA GAAS, if the acquired business or business to be acquired is not an SEC issuer.

(2) Despite subsection (1), acquisition statements filed by or included in a prospectus of a foreign issuer may be audited in accordance with

(a) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that

(i) describes any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS, and

(ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would express an unmodified opinion, or

(b) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

(3) Acquisition statements must be accompanied by an auditor's report prepared in accordance with the same auditing standards used to conduct the audit and the auditor's report must identify the accounting principles used to prepare the acquisition statements.

(4) If acquisition statements are audited in accordance with paragraph (1)(a), the auditor's report must express an unmodified opinion.

(5) If acquisition statements are audited in accordance with paragraph (1)(b) or (c), the auditor's report must express an unqualified opinion.

(6) Despite paragraph (2)(a) and subsections (4) and (5) an auditor's report that accompanies acquisition statements may express a qualification of opinion relating to inventory if

(a) the issuer includes in the business acquisition report, prospectus or other document containing the acquisition statements, a balance sheet for the acquired business or business to be acquired that is for a date that is subsequent to the date to which the qualification relates, and

(b) the balance sheet referred to in paragraph (a) is accompanied by an auditor's report that does not express a qualification of opinion relating to closing inventory.

4.13 Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method —

(1) If an issuer files, or includes in a prospectus, summarized financial information as to the assets, liabilities and results of operations of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, the financial information must

(a) meet the requirements in section 4.11 if the term "acquisition statements" in that section is read as "summarized financial information", and

(b) disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency.

(2) If the financial information referred to in subsection (1) is for any completed financial year, the financial information must

(a) either

(i) meet the requirements in section 4.12 if the term "acquisition statements" in that section is read as "summarized financial information", or

(ii) be derived from financial statements that meet the requirements in section 4.12 if the term "acquisition statements" in that section is read as "financial statements from which is derived summarized financial information", and

(b) be audited, or derived from financial statements that are audited, by a person or company that is authorized to sign an auditor's report under the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

4.14 Acceptable Accounting Principles for *Pro Forma* Financial Statements —

(1) *Pro forma* financial statements must be prepared in accordance with the issuer's GAAP.

(2) Despite subsection (1), if an issuer's financial statements have been reconciled to Canadian GAAP – Part V under subsection 4.7(1) or paragraph 4.9(e), the issuer's *pro forma* financial statements must be prepared in accordance with, or reconciled to, Canadian GAAP – Part V.

(3) Despite subsection (1), if an issuer's financial statements have been prepared in accordance with the accounting principles referred to in paragraph 4.9(c) and those financial statements are reconciled to U.S. GAAP, the *pro forma* financial statements may be prepared in accordance with, or reconciled to, U.S. GAAP.

4.15 Acceptable Accounting Principles for Foreign Registrants —

(1) Despite subsection 4.2(2), and subject to subsection (2), financial statements delivered by a foreign registrant may be prepared in accordance with one of the following accounting principles:

(a) U.S. GAAP;

(b) IFRS;

(c) accounting principles that meet the disclosure requirements of a foreign regulatory authority to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction;

(d) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part V, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements, interim balance sheets, or interim income statements

(i) explain the material differences between Canadian GAAP – Part V and the accounting principles used that relate to recognition, measurement and presentation,

(ii) quantify the effect of material differences between Canadian GAAP – Part V and the accounting principles used that relate to recognition, measurement, and presentation, and

(iii) provide disclosure consistent with disclosure requirements of Canadian GAAP – Part V to the extent not already reflected in the financial statements, interim balance sheets or interim income statements.

(2) Financial statements, interim balance sheets, and interim income statements delivered by a foreign registrant prepared in accordance with accounting principles specified in paragraph (1)(a), (b) or (d) must be prepared on a non-consolidated basis.

4.16 Acceptable Auditing Standards for Foreign Registrants — Despite section 4.3, financial statements delivered by a foreign registrant that are required by securities legislation to be audited may, if the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to conduct the audit

and the auditor's report identifies the accounting principles used to prepare the financial statements, be audited in accordance with

(a) U.S. PCAOB GAAS or U.S. AICPA GAAS if the auditor's report expresses an unqualified opinion,

(b) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that

(i) describes any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS, and

(ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would express an unmodified opinion, or

(c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction.

PART 5: EXEMPTIONS

5.1 Exemptions —

(1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

5.2 Certain Exemptions Evidenced by Receipt —

(1) Subject to subsections (2) and (3), without limiting the manner in which an exemption may be evidenced, an exemption from this Instrument as it pertains to financial statements or auditor's reports included in a prospectus, may be evidenced by the issuance of a receipt for the prospectus or an amendment to the prospectus.

(2) A person or company must not rely on a receipt as evidence of an exemption unless the person or company

(a) sent to the regulator or securities regulatory authority, on or before the date the preliminary prospectus or the amendment to the preliminary prospectus or prospectus was filed, a letter or memorandum describing the

matters relating to the exemption application, and indicating why consideration should be given to the granting of the exemption, or

(b) sent to the regulator or securities regulatory authority the letter or memorandum referred to in paragraph (a) after the date of the preliminary prospectus or the amendment to the preliminary prospectus or prospectus has been filed and receives a written acknowledgement from the securities regulatory authority or regulator that issuance of the receipt is evidence that the exemption is granted.

(3) A person or company must not rely on a receipt as evidence of an exemption if the regulator or securities regulatory authority has before, or concurrently with, the issuance of the receipt for the prospectus, sent notice to the person or company that the issuance of a receipt does not evidence the granting of the exemption.

(4) For the purpose of this section, a reference to a prospectus does not include a preliminary prospectus.

5.3 Financial Years ending between December 21 and 31, 2010 — Despite subsections 3.1(2) and 4.1(2), Part 3 may be applied by an issuer or registrant to all financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no earlier than December 21, 2010.

5.4 Rate-Regulated Activities —

(1) Despite subsections 3.1(2) and 4.1(2),

(a) Part 3 may be applied by a qualifying entity to all financial statements, financial information, operating statements and *pro forma* financial statements as if the expression "January 1, 2011" in subsection 3.1(2) were read as "January 1, 2012", and

(b) if the qualifying entity relies on paragraph (a) in respect of a period, Part 4 must be applied as if the expression "January 1, 2011" in subsection 4.1(2) were read as "January 1, 2012".

(2) For the purposes of subsection (1), a "qualifying entity" means a person or company that

(a) has activities subject to rate regulation, as defined in Part V of the Handbook, and

(b) is permitted under Canadian GAAP to apply Part V of the Handbook.

PART 6: REPEAL, TRANSITION AND EFFECTIVE DATE

6.1 **Repeal** — National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, which came into force on March 30, 2004, is repealed.

6.2 **Effective Date** — This Instrument comes into force on January 1, 2011.

6.3 **Existing Exemptions** — A person or company that has obtained an exemption from National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, in whole or in part, is exempt from any substantially similar provision of this Instrument to the same extent and on the same conditions, if any, as contained in the exemption, unless the regulator or securities regulatory authority has revoked that exemption.

[as amended on May 14, 2013, January 2015, May 5, 2015 and April 30, 2016]

This document is an unofficial consolidation of all amendments to Companion Policy to National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, effective as of January 11, 2015. This document is for reference purposes only.

Companion Policy 52-107CP
Acceptable Accounting Principles and Auditing Standards

PART I: INTRODUCTION AND DEFINITIONS

1.1 Introduction and Purpose – This Companion Policy provides information about how the securities regulatory authorities interpret or apply National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (the Instrument). The Instrument is linked closely with the application of other national instruments, including National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) and National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102). These and other national instruments also contain a number of references to International Financial Reporting Standards (IFRS) and the requirements in the Handbook of the Canadian Institute of Chartered Accountants (the Handbook). Full definitions of IFRS and the Handbook are provided in National Instrument 14-101 Definitions.

The Instrument does not apply to investment funds. National Instrument 81-106 *Investment Fund Continuous Disclosure* applies to investment funds.

1.2 Multijurisdictional Disclosure System – National Instrument 71-101 *The Multijurisdictional Disclosure System* (NI 71-101) permits certain U.S. incorporated issuers to satisfy Canadian disclosure filing obligations, including financial statements, by using disclosure documents prepared in accordance with U.S. federal securities laws. The Instrument does not replace or alter NI 71-101. There are instances in which NI 71-101 and the Instrument offer similar relief to a reporting issuer. There are other instances in which the relief differs. If both NI 71-101 and the Instrument are available to a reporting issuer, the issuer should consider both instruments. It may choose to rely on the less onerous instrument in a given situation.

1.3 Calculation of Voting Securities Owned by Residents of Canada – The definition of "foreign issuer" is based upon the definition of foreign private issuer in Rule 405 of the 1933 Act and Rule 3b-4 of the 1934 Act. For the purposes of the definition of "foreign issuer", in determining the outstanding voting securities that are beneficially owned by residents of Canada, an issuer should

(a) use reasonable efforts to identify securities held by a broker, dealer, bank, trust company or nominee or any of them for the accounts of customers resident in Canada,

(b) count securities beneficially owned by residents of Canada as reported on reports of beneficial ownership, including insider reports and early warning reports, and

(c) assume that a customer is a resident of the jurisdiction or foreign jurisdiction in which the nominee has its principal place of business if, after reasonable inquiry, information regarding the jurisdiction or foreign jurisdiction of residence of the customer is unavailable.

This method of calculation differs from that in NI 71-101 which only requires a calculation based on the address of record. Some SEC foreign issuers may therefore qualify for exemptive relief under NI 71-101 but not under the Instrument.

1.4 Exemptions Evidenced by the Issuance of a Receipt – Section 5.2 of the Instrument states that an exemption from any of the requirements of the Instrument pertaining to financial statements or auditor's reports included in a prospectus may be evidenced by the issuance of a receipt for that prospectus. Issuers should not assume that the relief evidenced by the receipt will also apply to financial statements or auditors' reports filed in satisfaction of continuous disclosure obligations or included in any other filing.

1.5 Filed or Delivered – Financial statements that are filed in a jurisdiction will be made available for public inspection in that jurisdiction, subject to the provisions of securities legislation in the local jurisdiction regarding confidentiality of filed material. Material that is delivered to a regulator, but not filed, is not required under securities legislation to be made available for public inspection. However, the regulator may choose to make such material available for inspection by the public.

1.6 Other Legal Requirements – Issuers and auditors should refer to National Instrument 52-108 Auditor Oversight for requirements relating to auditor oversight by the Canadian Public Accountability Board. In addition, issuers and registrants are reminded that they and their auditors may be subject to requirements under the laws and professional standards of a jurisdiction that address matters similar to those addressed by the Instrument, and which may impose additional or more onerous requirements. For example, applicable corporate law may prescribe the accounting principles or auditing standards required for financial statements. Similarly, applicable federal, provincial or state law may impose licensing requirements on an auditor practising public accounting in certain jurisdictions.

1.7 Investment Funds – Section 2.1 of the Instrument provides that it does not apply to investment funds that are subject to NI 81-106 *Investment Fund Continuous Disclosure* (NI 81-106) in respect of their reporting requirements as investment funds. If an investment fund is also a registrant, it is subject to the requirements of this Instrument in relation to its reporting requirements as a registrant. Accordingly, if the same legal entity is both an investment fund that is subject to NI 81-106 and is also a registrant, it will be subject to both the requirements of this Instrument and NI 81-106.

PART 2: APPLICATION – ACCOUNTING PRINCIPLES

2.1 Application of Part 3 – Part 3 of the Instrument generally applies to periods relating to financial years beginning on or after January 1, 2011. Part 3 refers to Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook, contained in Part I of the Handbook.

2.2 Application of Part 4 – Part 4 of the Instrument generally applies to periods relating to financial years beginning before January 1, 2011. Part 4 refers to Canadian GAAP-Part V, which is generally accepted accounting principles determined with reference to Part V of the Handbook applicable to public enterprises. These are the pre-changeover accounting standards for public companies. Part V of the Handbook has differing requirements for public enterprises and non-public enterprises. The following are some of the significant differences in Canadian GAAP applicable to public enterprises compared to those applicable to non-public enterprises:

(a) financial statements for public enterprises cannot be prepared using the differential reporting options as set out in Part V of the Handbook;

(b) transition provisions applicable to enterprises other than public enterprises are not available; and

(c) financial statements must include any additional disclosure requirements applicable to public enterprises.

2.3 IFRS in English and French – The Handbook provides IFRS in English and French. Both versions have equal status and effect under Canadian GAAP. Issuers, auditors, and other market participants may use either version to comply with the requirements in the Instrument.

2.4 Reference to accounting principles – Section 3.2 of the Instrument requires certain financial statements to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises. This section includes requirements for an unreserved statement of compliance with IFRS in annual financial statements, and an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting* in interim financial reports. These provisions distinguish between the basis of preparation and disclosure requirements.

There are two options for referring to accounting principles in the applicable financial statements and, in the case of annual financial statements, accompanying auditor's reports referred to in section 3.3 of the Instrument:

(a) refer only to IFRS in the notes to the financial statements and in the auditor's report, or

(b) refer to both IFRS and Canadian GAAP in the notes to the financial statements and in the auditor's report.

2.5 IFRS as adopted by the IASB – The definition of IFRS in National Instrument 14-101 *Definitions* refers to standards and interpretations adopted by the International Accounting Standards Board. The definition does not extend to national accounting standards that are modified or adapted from IFRS, sometimes referred to as a "jurisdictional" version of IFRS.

2.6 Presentation and functional currencies – If financial statements comply with requirements contained in IFRS in International Accounting Standard 1 *Presentation of Financial Statements* and International Accounting Standard 21 *The Effects of Changes in Foreign Exchange Rates* relating to the disclosure of presentation currency and functional

currency, then they will comply with section 3.5 of the Instrument.

2.7 Registrants' financial statements and interim financial information – Subsections 3.2(3) and (4) and paragraphs 3.15(a) and (b) of the Instrument mandate accounting for any investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in International Accounting Standard 27 *Consolidated and Separate Financial Statements* (IAS 27). Separate financial statements are sometimes referred to as non-consolidated financial statements. These requirements apply regardless of whether a registrant meets the criteria set out in IAS 27 for not presenting consolidated financial statements. Paragraph 3.2(3)(b) also requires a registrant's annual financial statements to describe the financial reporting framework used to prepare the financial statements. The description should refer to the requirement to account for any investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IAS 27, even if the registrant does not have these types of investments. In addition, if annual financial statements for a year beginning in 2011 are prepared using the financial reporting framework permitted by subsection 3.2(4), the description of the framework should explain the lack of comparatives and the date of transition, as specified in paragraphs 3.2(4)(b) and (c).

The financial reporting frameworks prescribed by subsections 3.2(3) and (4) are Canadian GAAP applicable to publicly accountable enterprises with specified differences. Although these frameworks differ in specified ways from IFRS, the exceptions and exemptions included as Appendices in IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1) would be relevant for determining an opening statement of financial position at the date of transition to the financial reporting framework prescribed in subsection 3.2(3) or (4).

Subparagraph 3.3(1)(a)(iii) requires an auditor's report in the form specified by Canadian GAAS for an audit of financial statements prepared in accordance with a fair presentation framework. The financial reporting frameworks prescribed by subsections 3.2(3) and (4) are fair presentation frameworks.

Subsection 3.2(4) of the Instrument allows a registrant to file financial statements and interim financial information for periods relating to a financial year beginning in 2011 that exclude comparative information relating to the preceding year and to use a date of transition to the financial reporting framework that is the first day of the financial year beginning in 2011. When such a registrant prepares the comparative information for financial statements and interim financial information for periods relating to a financial year beginning in 2012, the registrant should consider whether it must adjust the comparative information in order to comply with subsection 3.2(3). Adjustments may be necessary if a registrant changes one or more accounting policies for its year beginning in 2012 compared to its year beginning in 2011.

2.8 Use of different accounting principles – Subsection 3.2(5) of the Instrument requires financial statements to be prepared in accordance with the same accounting principles for all periods presented in the financial statements.

An issuer that is required to file, or include in a document that is filed, financial statements for three years can, except in the situation discussed in section 2.9 of this Companion Policy, choose to present two sets of financial statements. For example, if the earliest of the three financial years relates to a financial year beginning before January 1, 2010, the issuer should provide one set of financial statements that presents information for the most recent two years using the accounting principles in Part 3 of the Instrument and one set of financial statements that either:

(a) presents information for a third and fourth year using the accounting principles in Part 4, or

(b) presents information for a second and third year using the accounting principles in Part 4.

Note that under option (a), a fourth year not otherwise required would be included to satisfy the requirement in the issuer's GAAP for comparative financial statements. Under option (b), information for a second year would be presented in both sets of financial statements. This second year would be included in the most recent set of financial statements using accounting principles in Part 3 of the Instrument and also in the earliest set of financial statements using accounting principles in Part 4 of the Instrument.

If the accounting principles used for the earliest of the three financial years and the most recent two years differ, but both are acceptable in Part 3 of the Instrument, presentation of information for the earliest year would be similar to the example described above.

2.9 Date of transition to IFRS if financial statements include a transition year of less than nine months – Subsection 4.8(6) of NI 51-102 states that if a transition year is less than nine months in length, the reporting issuer must include comparative financial information for the transition year and old financial year in its financial statements for its new financial year. Similarly, subsection 32.2(4) in Form 41-101F1 states that if an issuer changed its financial year end during any of the financial years referred to in section 32.2 and the transition year is less than nine months,

the transition year is deemed not to be a financial year for purposes of the requirement to provide financial statements for a specified number of financial years in section 32.2.

If an issuer's first set of annual financial statements with an unreserved statement of compliance with IFRS includes comparatives for both a transition year of less than nine months and the old financial year, the date of transition to IFRS should be the first day of the old financial year. Since subsection 3.2(5) of the Instrument requires financial statements to be prepared in accordance with the same accounting principles for all periods presented in the financial statements, a date of transition to IFRS using the first day of the transition year would not be appropriate.

2.10 Acceptable Accounting Principles – Readers are likely to assume that financial information disclosed in a news release is prepared on a basis consistent with the accounting principles used to prepare the issuer's most recently filed financial statements. To avoid misleading readers, an issuer should alert readers if financial information in a news release is prepared using accounting principles that differ from those used to prepare an issuer's most recently filed financial statements or includes non-GAAP financial measures discussed in CSA Staff Notice 52-306 *Non-GAAP Financial Measures*.

2.11 Financial statements for a reverse takeover or capital pool company acquisition – Subsection 8.1(2) of NI 51-102 states that Part 8 of that rule does not apply to a transaction that is a reverse takeover. Similarly, subsection 35.1(1) in Form 41-101F1 indicates that item 35 of that Form does not apply to a completed or proposed transaction that was or will be accounted for as a reverse takeover. Therefore, if a document includes financial statements for a reverse takeover acquirer, as defined in NI 51-102, for a period prior to completion of the reverse takeover, section 3.11 of the Instrument does not apply to the financial statements. Such financial statements must comply with section 3.2, 3.7, 3.9, 4.2, 4.7 or 4.9 of the Instrument as applicable.

Paragraph 32.1(b) of Form 41-101F1 indicates that financial statements of an issuer required under Item 32 of that Form include the financial statements of a business acquired or business proposed to be acquired by the issuer if a reasonable investor would regard the primary business of the issuer upon completion of the acquisition to be the acquired business or business proposed to be acquired. Consistent with this provision, if a capital pool company acquires or proposes to acquire a business, regardless of whether or not the transaction will be accounted for as a reverse takeover, financial statements for the acquired business or business proposed to be acquired must comply with section 3.2, 3.7, 3.9, 4.2, 4.7 or 4.9 of the Instrument as applicable.

2.12 Acquisition statements prepared using Canadian GAAP applicable to private enterprises - Paragraph 3.11(1)(f) of the Instrument permits acquisition statements to be prepared using Canadian GAAP applicable to private enterprises, which is Canadian accounting standards for private enterprises in Part II of the Handbook.

2.13 Conditions for acquisition statements prepared using Canadian GAAP applicable to private enterprises – Paragraph 3.11(1)(f) of the Instrument specifies certain conditions for the use of Canadian GAAP applicable to private enterprises. One of these conditions, in subparagraph 3.11(1)(f)(ii), is that financial statements for the business were not previously prepared in accordance with any of the accounting principles specified in paragraphs 3.11(1)(a) through (e) for the periods presented in the acquisition statements. Paragraph 3.11(1)(a) refers to Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook contained in Part I of the Handbook. The condition in subparagraph 3.11(1)(f)(ii) does not preclude Canadian GAAP – Part V, as defined in section 4.1 of the Instrument.

2.14 Acquisition statements prepared using Canadian GAAP applicable to private enterprises that include a reconciliation to the issuer's GAAP – If acquisition statements included in a document filed by an issuer that is not a venture issuer and not an IPO venture issuer are prepared using Canadian GAAP applicable to private enterprises, the reconciliation requirement in subparagraph 3.11(1)(f)(iv) applies.

For each difference presented in the quantified reconciliation that relates to measurement, clause 3.11(1)(f)(iv)(C) requires disclosure and discussion of the material inputs or assumptions underlying the measurement of the relevant amount computed in accordance with the issuer's GAAP, consistent with the disclosure requirements of the issuer's GAAP. If the relevant amount was measured using a valuation technique, disclose the valuation technique, and disclose and discuss the inputs used. If changing one or more of the inputs to reasonably possible alternative assumptions would change the measurement significantly, a discussion of that fact and the effect of the changes on the measurement would facilitate readers' understanding of the measurement.

Clause 3.11(1)(f)(iv)(C) does not require disclosure and discussion of all the disclosure elements identified in the issuer's GAAP that relate to a difference presented in the reconciliation. As well, the clause does not require disclosure of information not required by the issuer's GAAP.

As an example of the disclosure required by clause 3.11(1)(f)(iv)(C), if the issuer's GAAP is IFRS and the relevant amount is share based payments measured using an option pricing model, disclose the option pricing model used and the inputs used in the model (i.e., weighted average share price, exercise price, expected volatility, option life, expected dividends, risk-free interest rate and any other inputs to the model). Also, discuss how expected volatility was determined and how any other features of the option grant (e.g., market condition) were incorporated into the measurement of the relevant amount.

If acquisition statements are carve-out statements prepared in accordance with Canadian GAAP for private enterprises, as discussed in section 2.18 of this Companion Policy, subparagraph 3.11(6)(d)(iii) requires reconciliation information for non-venture issuers similar to that required by subparagraph 3.11(1)(f)(iv). The above guidance on subparagraph 3.11(1)(f)(iv) also applies to subparagraph 3.11(6)(d)(iii).

2.15 Acquisition statements prepared using Canadian GAAP applicable to private enterprises that include a reconciliation to IFRS – If the reconciliation requirement in subparagraph 3.11(1)(f)(iv) applies, and the issuer's GAAP requires the annual financial statements to include an explicit and unreserved statement of compliance with IFRS, the reconciliation information in annual and interim acquisition statements must address material differences between Canadian GAAP applicable to private enterprises and IFRS that relate to recognition, measurement and presentation.

Consistent with IFRS requirements, for the purpose of preparing the reconciliation information required by subparagraph 3.11(1)(f)(iv), the date of transition to IFRS would be the first day of the earliest period for which comparative information is presented in the annual acquisition statements. For example, if annual acquisition statements present information for the most recently completed financial year and the comparative year, the date of transition to IFRS would be the first day of the comparative year.

Also consistent with IFRS, for the purpose of preparing the reconciliation, IFRS 1 would be applied to determine the opening IFRS statement of financial position at the date of transition to IFRS. The exceptions and exemptions included as Appendices in IFRS 1 would be relevant for determining the entity's statement of financial position at the date of transition to IFRS.

The opening IFRS statement of financial position is the starting point for identifying material differences from Canadian GAAP applicable to private enterprises. Although an opening IFRS statement of financial position must be prepared in order to prepare the information required by subparagraph 3.11(1)(f)(iv), that subparagraph does not require disclosure of the opening IFRS statement of financial position. Similarly, that subparagraph does not require disclosure of differences relating to equity as at the date of transition to IFRS.

As discussed in section 2.14 of this Companion Policy, clause 3.11(1)(f)(iv)(C) does not require disclosure and discussion of all the disclosure elements identified in the issuer's GAAP that relate to a difference presented in the reconciliation. Therefore, it would be inappropriate to include an explicit and unreserved statement of compliance with IFRS in acquisition statements that include reconciliation information for material differences between Canadian GAAP applicable to private enterprises and IFRS.

2.16 Acquisition statements prepared using Canadian GAAP applicable to private enterprises that do not include a reconciliation to the issuer's GAAP – If acquisition statements included in a document filed by a venture issuer or IPO venture issuer are prepared using Canadian GAAP applicable to private enterprises, the reconciliation requirements in subparagraph 3.11(1)(f)(iv) do not apply. However, subsection 3.14(1) requires pro forma financial statements to be prepared using accounting policies that are permitted by the issuer's GAAP and would apply to the information presented in the pro forma financial statements if that information were included in the issuer's financial statements for the same time. Companion Policy 51-102CP *Continuous Disclosure Obligations* provides further guidance on preparation of pro forma financial statements in this circumstance.

2.17 Acquisition statements that are an operating statement – Subsection 3.11(5) requires the line items in an operating statement to be prepared in accordance with accounting policies that comply with the accounting policies permitted by one of Canadian GAAP applicable to publicly accountable enterprises, IFRS, U.S. GAAP, or Canadian GAAP applicable to private enterprises. For the purpose of preparing the operating statement, the exceptions and exemptions included as Appendices in IFRS 1 would be relevant for determining the opening statement of financial position at the date of transition to IFRS.

2.18 Acquisition statements that are carve-out financial statements – Subsection 3.11(6) specifies the financial reporting framework required for acquisition statements that are based on information from the financial records of another entity whose operations included the acquired business or the business to be acquired, and there are no separate financial records for the business. Such financial statements are commonly referred to as "carve-out"

financial statements. Subsection 3.11(6) requires carve-out financial statements to be prepared in accordance with one of Canadian GAAP applicable to publicly accountable enterprises, IFRS, U.S. GAAP, or Canadian GAAP applicable to private enterprises, and in each case include specified line items. For carve-out financial statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises or IFRS, the exceptions and exemptions included as Appendices in IFRS 1 would be relevant for determining the opening statement of financial position at the date of transition to IFRS.

2.19 Preparation of pro forma financial statements when there is a change in accounting principles – Subsection 3.14(1) requires pro forma financial statements to be prepared using accounting policies that are permitted by the issuer's GAAP and would apply to the information presented in the pro forma financial statements if that information were included in the issuer's financial statement for the same period as that of the pro forma financial statements. If the accounting principles used to prepare an issuer's most recent annual financial statements differ from the accounting principles used to prepare the issuer's interim financial report for a subsequent period, subsection 3.14(3) provides an issuer the option of preparing its annual pro forma income statement using accounting policies that are permitted by the accounting principles used to prepare the interim financial report and would apply to the information presented in the pro forma income statement if that information were included in the interim financial report. In this case, the annual pro forma income statement should include adjustments to the amounts reported in the issuer's most recent statement of comprehensive income in order to restate the amounts on the basis of the accounting principles used to prepare the issuer's interim financial report. The pro forma income statement should present such adjustments separate from other adjustments relating to significant acquisitions.

If an issuer does not use the option provided by subsection 3.14(3), in order to avoid confusion, it would be appropriate to present the issuer's annual and interim pro forma financial statements as separate sets of pro forma financial statements.

2.20 Reconciliation requirements for an SEC issuer – If financial statements of an SEC issuer, other than acquisition statements, filed with or delivered to a securities regulatory authority or regulator are

(a) for a financial year beginning before January 1, 2011,

(b) prepared in accordance with U.S. GAAP, and

(c) the SEC issuer previously filed or included in a prospectus financial statements prepared in accordance with Canadian GAAP – Part V,

then subsection 4.7(1) applies. Subsection 4.7(1) requires the notes of the first two sets of the SEC issuer's annual financial statements, and interim financial report during those first two years, to provide reconciling information between Canadian GAAP – Part V and U.S. GAAP that complies with subparagraphs 4.7(1)(a)(i) to (iii).

If an SEC issuer's second set of annual financial statements after a change in accounting principles is for a financial year beginning after January 1, 2011, the reconciliation requirements in subsection 4.7(1) no longer apply. Financial statements for a financial year beginning after January 1, 2011 are required to be prepared in accordance with Part 3 of the Instrument, which does not include any reconciliation requirements when an SEC issuer changes its accounting principles.

PART 3: APPLICATION – AUDITING STANDARDS

3.1 Auditor's Expertise – The securities legislation in most jurisdictions prohibits a regulator or securities regulatory authority from issuing a receipt for a prospectus if it appears to the regulator or securities regulatory authority that a person or company who has prepared any part of the prospectus or is named as having prepared or certified a report used in connection with a prospectus is not acceptable.

3.2 Canadian Auditors for Canadian GAAP and GAAS Financial Statements – A Canadian auditor is a person or company that is authorized to sign an auditor's report by the laws, and that meets the professional standards, of a jurisdiction of Canada. We would normally expect issuers and registrants incorporated or organized under the laws of Canada or a jurisdiction of Canada, and any other issuer or registrant that is not a foreign issuer nor a foreign registrant, to engage a Canadian auditor to audit the issuer's or registrant's financial statements if those statements are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and will be audited in accordance with Canadian GAAS unless a valid business reason exists to use a non-Canadian auditor. A valid business reason would include a situation where the principal operations of the company and the essential books and records required for the audit are located outside of Canada.

3.3 Auditor Oversight – In addition to the requirements in sections 3.4 and 4.4 of the Instrument, National Instrument 52-108 *Auditor Oversight* also contains certain requirements related to auditors and auditor reports.

3.4 Modification of opinion – Part 5 of the Instrument permits the regulator or securities regulatory authority to grant exemptive relief from the Instrument, including the requirement that an auditor's report express an unmodified opinion. A modification of opinion includes a qualification of opinion, an adverse opinion, and a disclaimer of opinion. However, staff will generally recommend that relief not be granted if the modification of opinion or other similar communication is:

(a) due to a departure from accounting principles permitted by the Instrument, or

(b) due to a limitation in the scope of the auditor's examination that

(i) results in the auditor being unable to form an opinion on the financial statements as a whole,

(ii) is imposed or could reasonably be eliminated by management, or

(iii) could reasonably be expected to be recurring.

3.5 Identification of the financial reporting framework used to prepare an operating statement or carve-out financial statements – Paragraph 3.12(2)(e) requires an auditor's report to identify the financial reporting framework used to prepare an operating statement or carve-out financial statements as addressed in subsections 3.11(5) and (6). To comply with this requirement, the auditor's report may identify the applicable requirement in the Instrument, and refer the reader's attention to the note in the operating statement or carve-out financial statements that describes the financial reporting framework.

This document is an unofficial consolidation of all amendments to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, effective as of November 17, 2015. This document is for reference purposes only. The unofficial consolidation of the Instrument is not an official statement of the law.

National Instrument 52-109
Certification of Disclosure in Issuers' Annual and Interim Filings

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National Instrument 52-109
Certification of Disclosure in Issuers' Annual and Interim Filings

PART 1 – DEFINITIONS AND APPLICATION

1.1 **Definitions** – In this Instrument,

"AIF" has the meaning ascribed to it in NI 51-102;

"accounting principles" has the meaning ascribed to it in NI 52-107;

"annual certificate" means the certificate required to be filed under Part 4 or section 6.1;

"annual filings" means an issuer's AIF, if any, its annual financial statements and its annual MD&A filed under securities legislation for a financial year, including, for greater certainty, all documents and information that are incorporated by reference in the AIF;

"annual financial statements" means the annual financial statements required to be filed under NI 51-102;

"certifying officer" means each chief executive officer and each chief financial officer of an issuer, or in the case of an issuer that does not have a chief executive officer or a chief financial officer, each individual performing similar functions to those of a chief executive officer or chief financial officer;

"DC&P" means disclosure controls and procedures;

"disclosure controls and procedures" means controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the issuer's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure;

"financial period" means a financial year or an interim period;

"financial statements" has the meaning ascribed to it in section 1.1 of NI 51-102;

"ICFR" means internal control over financial reporting;

"internal control over financial reporting" means a process designed by, or under the supervision of, an issuer's certifying officers, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP and includes those policies and procedures that:

(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer;

(b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the issuer's GAAP, and

that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and

(c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the annual financial statements or interim financial reports;

"interim certificate" means the certificate required to be filed under Part 5 or section 6.2;

"interim filings" means an issuer's interim financial report and its interim MD&A filed under securities legislation for an interim period;

"interim financial report" means the interim financial report required to be filed under NI 51-102;

"interim period" has the meaning ascribed to it in NI 51-102;

"issuer's GAAP" has the meaning ascribed to it in NI 52-107;

"marketplace" has the meaning ascribed to it in National Instrument 21-101 *Marketplace Operation*;

"material weakness" means a deficiency, or a combination of deficiencies, in ICFR such that there is a reasonable possibility that a material misstatement of the reporting issuer's annual financial statements or interim financial report will not be prevented or detected on a timely basis;

"MD&A" has the meaning ascribed to it in NI 51-102;

"NI 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"NI 52-107" means National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"non-venture issuer" means a reporting issuer that is not a venture issuer;

"proportionately consolidated entity" means an entity in which an issuer has an interest that is accounted for by combining, on a line-by-line basis, the issuer's *pro rata* share of each of the assets, liabilities, revenue and expenses of the entity with similar items in the issuer's financial statements;

"reverse takeover" has the meaning ascribed to it in NI 51-102;

"reverse takeover acquiree" has the meaning ascribed to it in NI 51-102;

"reverse takeover acquirer" has the meaning ascribed to it in NI 51-102;

"Sarbanes-Oxley Act" means the Sarbanes-Oxley Act of 2002 of the United States of America, Pub.L. 107-204, 116 Stat. 745 (2002), as amended from time to time;

"special purpose entity" has, in respect of an issuer, the meaning ascribed to that term in the issuer's GAAP;

"SOX 302 Rules" means U.S. federal securities laws implementing the annual report certification requirements in section 302(a) of the Sarbanes-Oxley Act;

"SOX 404 Rules" means U.S. federal securities laws implementing the internal control report requirements in sections 404(a) and (b) of the Sarbanes-Oxley Act;

"U.S. marketplace" has the meaning ascribed to it in NI 51-102; and

"venture issuer" means a reporting issuer that, as at the end of the period covered by the annual or interim filings, as the case may be, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

1.2 **Application**

(1) This Instrument applies to a reporting issuer other than an investment fund.

(2) This Instrument applies in respect of annual filings and interim filings for financial periods ending on or after December 15, 2008.

PART 2 – CERTIFICATION OBLIGATION

2.1 **Certifying officers' certification obligation** – Each certifying officer must certify the matters prescribed by the required form that must be filed under Part 4 or Part 5.

PART 3 – DC&P AND ICFR

3.1 **Establishment and maintenance of DC&P and ICFR** – A non-venture issuer must establish and maintain DC&P and ICFR.

3.2 **MD&A disclosure of material weakness** – Despite section 3.1, if a non-venture issuer determines that it has a material weakness which exists as at the end of the period covered by its annual or interim filings, as the case may be, it must disclose in its annual or interim MD&A for each material weakness

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

3.3 **Limitations on scope of design**

(1) Despite section 3.1, a non-venture issuer may limit its design of DC&P or ICFR to exclude controls, policies and procedures of

(a) subject to subsection (3), a proportionately consolidated entity or a special purpose entity in which the issuer has an interest; or

(b) subject to subsection (4), a business that the issuer acquired not more than 365 days before the end of the financial period to which the certificate relates.

(2) An issuer that limits its design of DC&P or ICFR under subsection (1) must disclose in its MD&A

(a) the limitation; and

(b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

(3) An issuer must not limit its design of DC&P or ICFR under paragraph (1)(a) except where the certifying officers would not have a reasonable basis for making the representations in the annual or interim certificates because they do not have sufficient access to a proportionately consolidated entity or special purpose entity, as applicable, to design and evaluate controls, policies and procedures carried out by that entity.

(4) An issuer must not limit its design of DC&P or ICFR under paragraph (1)(b) except in the case of

(a) an annual certificate relating to the financial year in which the issuer acquired the business; and

(b) an interim certificate relating to the first, second or third interim period ending on or after the date the issuer acquired the business.

3.4 **Use of a control framework for the design of ICFR**

(1) A non-venture issuer must use a control framework to design the issuer's ICFR.

(2) If a venture issuer files a Form 52-109F1 or Form 52-109F2 for a financial period, the venture issuer must use a control framework to design the issuer's ICFR.

PART 4 – CERTIFICATION OF ANNUAL FILINGS

4.1 **Requirement to file**

(1) A reporting issuer must file a separate annual certificate in the wording prescribed by the required form

(a) for each individual who, at the time of filing the annual certificate, is a certifying officer; and

(b) signed by the certifying officer.

(2) A reporting issuer must file a certificate required under subsection (1) on the later of the dates on which it files the following:

(a) its AIF if it is required to file an AIF under NI 51-102; or

(b) its annual financial statements and annual MD&A.

(3) If a venture issuer voluntarily files an AIF for a financial year after it has filed its annual financial

statements, annual MD&A and annual certificates for the financial year, the venture issuer must file on the same date that it files its AIF a separate annual certificate in the wording prescribed by the required form

(a) for each individual who, at the time of filing the annual certificate, is a certifying officer; and

(b) signed by the certifying officer.

(4) A reporting issuer must file a certificate required under subsection (1) or (3) separately from the documents to which the certificate relates.

4.2 **Required form of annual certificate**

(1) The required form of annual certificate under subsection 4.1(1) is

(a) Form 52-109F1, in the case of an issuer that is a non-venture issuer; and

(b) Form 52-109FV1, in the case of an issuer that is a venture issuer.

(2) Despite subsection (1)(b), a venture issuer may file Form 52-109F1 in the wording prescribed by that Form instead of Form 52-109FV1 for a financial year.

(3) The required form of annual certificate under subsection 4.1(3) is Form 52-109F1 – AIF.

4.3 **Alternative form of annual certificate for first financial period after initial public offering** – Despite subsection 4.2(1), an issuer may file an annual certificate in Form 52-109F1 – IPO/RTO for the first financial year that ends after the issuer becomes a reporting issuer if

(a) the issuer becomes a reporting issuer by filing a prospectus; and

(b) the first financial period that ends after the issuer becomes a reporting issuer is a financial year.

4.4 **Alternative form of annual certificate for first financial period after certain reverse takeovers** – Despite subsection 4.2(1), an issuer may file an annual certificate in Form 52-109F1 – IPO/RTO for the first financial year that ends after the completion of a reverse takeover if

(a) the issuer is the reverse takeover acquiree in the reverse takeover;

(b) the reverse takeover acquirer was not a reporting issuer immediately before the reverse takeover; and

(c) the first financial period that ends after the completion of the reverse takeover is a financial year.

4.5 **Alternative form of annual certificate for first financial period after becoming a non-venture issuer** – Despite subsection 4.2(1), an issuer may file an annual certificate in Form 52-109F1 – IPO/RTO for the first financial year that ends after the issuer becomes a non-venture issuer if the first financial period that ends after the issuer becomes a non-venture issuer is a financial year.

4.6 **Exception for new reporting issuers** – Despite section 4.1, a reporting issuer does not have to file an annual certificate relating to

(a) the annual financial statements required under section 4.7 of NI 51-102 for financial years that ended before the issuer became a reporting issuer; or

(b) the annual financial statements for a reverse takeover acquirer required under section 4.10 of NI 51-102 for financial years that ended before the completion of the reverse takeover.

PART 5 – CERTIFICATION OF INTERIM FILINGS

5.1 **Requirement to file**

(1) A reporting issuer must file a separate interim certificate in the wording prescribed by the required form

(a) for each individual who, at the time of filing the interim certificate, is a certifying officer; and

(b) signed by the certifying officer.

(2) A reporting issuer must file a certificate required under subsection (1) on the same date that the issuer files its interim filings.

(3) A reporting issuer must file a certificate required under subsection (1) separately from the documents to which the certificate relates.

5.2 **Required form of interim certificate**

(1) The required form of interim certificate under subsection 5.1(1) is

(a) Form 52-109F2, in the case of an issuer that is a non-venture issuer; and

(b) Form 52-109FV2, in the case of an issuer that is a venture issuer.

(2) Despite subsection (1)(b), a venture issuer may file Form 52-109F2 in the wording prescribed by that Form instead of Form 52-109FV2 for an interim period.

5.3 **Alternative form of interim certificate for first financial period after initial public offering** – Despite subsection 5.2(1), an issuer may file an interim certificate in Form 52-109F2 – IPO/RTO for the first interim period that ends after the issuer becomes a reporting issuer if

(a) the issuer becomes a reporting issuer by filing a prospectus; and

(b) the first financial period that ends after the issuer becomes a reporting issuer is an interim period.

5.4 **Alternative form of interim certificate for first financial period after certain reverse takeovers** – Despite subsection 5.2(1), an issuer may file an interim certificate in Form 52-109F2 – IPO/RTO for the first interim period that ends after the completion of a reverse takeover if

(a) the issuer is the reverse takeover acquiree in the reverse takeover;

(b) the reverse takeover acquirer was not a reporting issuer immediately before the reverse takeover; and

(c) the first financial period that ends after the completion of the reverse takeover is an interim period.

5.5 **Alternative form of interim certificate for first financial period after becoming a non-venture issuer** – Despite subsection 5.2(1), an issuer may file an interim certificate in Form 52-109F2 – IPO/RTO for the first interim period that ends after the issuer becomes a non-venture issuer if the first financial period that ends after the issuer becomes a non-venture issuer is an interim period.

5.6 **Exception for new reporting issuers** – Despite section 5.1, a reporting issuer does not have to file an interim certificate relating to

(a) the interim financial reports required under section 4.7 of NI 51-102 for interim periods that ended before the issuer became a reporting issuer; or

(b) the interim financial reports for a reverse takeover acquirer required under section 4.10 of NI 51-102 for interim periods that ended before the completion of the reverse takeover.

PART 6 – REFILED FINANCIAL STATEMENTS, MD&A OR AIF

6.1 **Refiled annual financial statements, annual MD&A or AIF** – If an issuer refiles its annual financial statements, annual MD&A or AIF for a financial year, it must file separate annual certificates for that financial year in Form 52-109F1R on the date that it refiles the annual financial statements, annual MD&A or AIF, as the case may be.

6.2 **Refiled interim financial report or interim MD&A** – If an issuer refiles its interim financial report or interim MD&A for an interim period, it must file separate interim certificates for that interim period in Form 52-109F2R on the date that it refiles the interim financial report or interim MD&A, as the case may be.

PART 7 – GENERAL REQUIREMENTS FOR CERTIFICATES

7.1 **Dating of certificates** – A certifying officer must date a certificate filed under this Instrument the same date the certificate is filed.

7.2 **French or English**

(1) A certificate filed by an issuer under this Instrument must be in French or in English.

(2) In Québec, an issuer must comply with linguistic obligations and rights prescribed by Québec law.

PART 8 – EXEMPTIONS

8.1 **Exemption from annual requirements for issuers that comply with U.S. laws**

(1) Subject to subsection (2), Parts 2, 3, 4, 6 and 7 do not apply to an issuer for a financial year if

(a) the issuer is in compliance with the SOX 302 Rules and the issuer files signed certificates relating to its annual report under the 1934 Act separately, but concurrently, and as soon as practicable after they are filed with or furnished to the SEC; and

(b) the issuer is in compliance with the SOX 404 Rules, and the issuer files management's annual report on internal control over financial reporting and the attestation report on management's assessment of internal control over financial reporting included in the issuer's annual report under the 1934 Act for the financial year, if applicable, as soon as practicable after they are filed with or furnished to the SEC.

(2) Despite subsection (1), Parts 2, 3, 4, 6 and 7 apply to an issuer for a financial year if the issuer's annual financial statements, annual MD&A or AIF, that together comprise the issuer's annual filings, differ from the annual financial statements, annual MD&A or AIF filed with or furnished to the SEC, or included as exhibits to other documents filed with or furnished to the SEC, and certified in compliance with the SOX 302 Rules.

8.2 **Exemption from interim requirements for issuers that comply with U.S. laws**

(1) Subject to subsection (3), Parts 2, 3, 5, 6 and 7 do not apply to an issuer for an interim period if the issuer is in compliance with the SOX 302 Rules and the issuer files signed certificates relating to its quarterly report under the 1934 Act for the quarter separately, but concurrently, and as soon as practicable after they are filed with or furnished to the SEC.

(2) Subject to subsection (3), Parts 2, 3, 5, 6 and 7 do not apply to an issuer for an interim period if

(a) the issuer files with or furnishes to the SEC a report on Form 6-K containing the issuer's quarterly financial statements and MD&A;

(b) the Form 6-K is accompanied by signed certificates that are filed with or furnished to the SEC in the same form required by the SOX 302 Rules; and

(c) the issuer files signed certificates relating to the quarterly report filed or furnished under cover of the Form 6-K as soon as practicable after they are filed with or furnished to the SEC.

(3) Despite subsections (1) and (2), Parts 2, 3, 5, 6 and 7 apply to an issuer for an interim period if the issuer's interim financial report or interim MD&A, that together comprise the issuer's interim filings, differ from the interim financial report or interim MD&A filed with or furnished to the SEC, or included as exhibits to other documents filed with or furnished to the SEC, and certified in compliance with the SOX 302 Rules.

8.3 **Exemption for certain foreign issuers** – This Instrument does not apply to an issuer if it qualifies under, and is in compliance with, sections 5.4 and 5.5 of National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*.

8.4 **Exemption for certain exchangeable security issuers** – This Instrument does not apply to an issuer if it qualifies under, and is in compliance with, subsection 13.3(2) of NI 51-102.

8.5 **Exemption for certain credit support issuers** – This Instrument does not apply to an issuer if it qualifies under, and is in compliance with, subsection 13.4(2) of NI 51-102.

8.6 **General exemption**

(1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 9 – EFFECTIVE DATE AND REPEAL

9.1 **Effective date** – This Instrument comes into force on December 15, 2008.

9.2 **Repeal** – Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, which came into force on

(a) March 30, 2004, in all jurisdictions other than British Columbia, New Brunswick and Québec,

(b) June 30, 2005, in Québec,

(c) July 28, 2005, in New Brunswick, and

(d) September 19, 2005 in British Columbia,

is repealed.

This is an unofficial consolidation of Form 52-109F1 *Certification of Annual Filings Full Certificate* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning ***on or after*** January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 52-109F1
Certification of Annual Filings
Full Certificate

I, ***<identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>***, certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of ***<identify issuer>*** (the "issuer") for the financial year ended ***<state the relevant date>***.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is ***<insert the name of the control framework used>*** .

<insert paragraph 5.2 or 5.3 if applicable. If paragraph 5.2 or 5.3 is not applicable, insert "5.2 N/A" or "5.3 N/A" as applicable. For paragraph 5.3, include (a)(i), (a)(ii) or (a)(iii) as applicable, and subparagraph (b).>

5.2 ***ICFR – material weakness relating to design:*** The issuer has disclosed in its annual MD&A for each material weakness relating to design existing at the financial year end

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 ***Limitation on scope of design:*** The issuer has disclosed in its annual MD&A

(a) the fact that the issuer's other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of

(i) a proportionately consolidated entity in which the issuer has an interest;

(ii) a special purpose entity in which the issuer has an interest; or

(iii) a business that the issuer acquired not more than 365 days before the issuer's financial year end; and

(b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

<insert subparagraph 6(b)(ii) if applicable. If subparagraph 6(b)(ii) is not applicable, insert "(ii) N/A".>

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

(a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

(b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

(i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

(ii) for each material weakness relating to operation existing at the financial year end

(A) a description of the material weakness;

(B) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(C) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on ***<insert the date immediately following the end of the period in respect of which the issuer made its most recent interim or annual filing, as applicable>*** and ended on ***<insert the last day of the financial year>*** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Date: ***<insert date of filing>***

_____

[Signature]
[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

This is an unofficial consolidation of Form 52-109FV1 *Certification of Annual Filings Venture Issuer Basic Certificate* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning ***on or after*** January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 52-109FV1
Certification of Annual Filings
Venture Issuer Basic Certificate

I, ***<identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>***, certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of ***<identify issuer>*** (the "issuer") for the financial year ended ***<state the relevant date>***.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: ***<insert date of filing>***

_____
[Signature]
[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

This is an unofficial consolidation of Form 52-109F1 – IPO/RTO *Certification of Annual Filings Following an Initial Public Offering, Reverse Takeover or Becoming a Non-Venture Issuer* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning ***on or after*** January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 52-109F1 – IPO/RTO
Certification of Annual Filings Following an Initial Public Offering, Reverse Takeover or Becoming a Non-Venture Issuer

I, ***<identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>***, certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of ***<identify issuer>*** (the "issuer") for the financial year ended ***<state the relevant date>***.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: ***<insert date of filing>***

_____
[Signature]
[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

NOTE TO READER

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F1, this Form 52-109F1 – IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 in the first financial period following

- completion of the issuer's initial public offering in the circumstances described in s. 4.3 of NI 52-109;
- completion of a reverse takeover in the circumstances described in s. 4.4 of NI 52-109; or
- the issuer becoming a non-venture issuer in the circumstances described in s. 4.5 of NI 52-109;

may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Form 52-109F1R
Certification of refiled annual filings

This certificate is being filed on the same date that ***<identify the issuer>*** (the "issuer") has refiled ***<identify the filing(s) that have been refiled>***.

I, ***<identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>***, certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of the issuer for the financial year ended ***<state the relevant date>***.

<Insert all paragraphs included in the annual certificates originally filed with the annual filings, other than paragraph 1. If the originally filed annual certificates were in Form 52-109FV1 or Form 52-109F1 – IPO/RTO, include the "note to reader" contained in Form 52-109FV1 or Form 52-109F1 – IPO/RTO, as the case may be, in this certificate.>

Date: ***<insert date of filing>***

_____
[Signature]
[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

Form 52-109F1 – AIF
Certification of annual filings
in connection with voluntarily filed AIF

This certificate is being filed on the same date that ***<identify the issuer>*** (the "issuer") has voluntarily filed an AIF.

I, ***<identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>***, certify the following:

1. ***Review:*** I have reviewed the AIF, annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the AIF (together, the "annual filings") of the issuer for the financial year ended ***<state the relevant date>***.

<Insert all paragraphs included in the annual certificates originally filed with the annual filings, other than paragraph 1. If the originally filed annual certificates were in Form 52-109FV1 or Form 52-109F1 – IPO/RTO, include the "note to reader" contained in Form 52-109FV1 or Form 52-109F1 – IPO/RTO, as the case may be, in this certificate.>

Date: ***<insert date of filing>***

_____
[Signature]
[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

This is an unofficial consolidation of Form 52-109F2 *Certification of Interim Filings Full Certificate* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning ***on or after*** January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 52-109F2
Certification of Interim Filings
Full Certificate

I, ***<identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>***, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of ***<identify the issuer>*** (the "issuer") for the interim period ended ***<state the relevant date>***.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings,* for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is ***<insert the name of the control framework used>***.

<insert paragraph 5.2 or 5.3 if applicable. If paragraph 5.2 or 5.3 is not applicable, insert "5.2 N/A" or "5.3 N/A" as applicable. For paragraph 5.3, include (a)(i), (a)(ii) or (a)(iii) as applicable, and subparagraph (b).>

5.2 ***ICFR – material weakness relating to design:*** The issuer has disclosed in its interim MD&A for each material weakness relating to design existing at the end of the interim period

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 ***Limitation on scope of design:*** The issuer has disclosed in its interim MD&A

(a) the fact that the issuer's other certifying officer(s) and I have limited the scope of our design of DC&P and ICFR to exclude controls, policies and procedures of

(i) a proportionately consolidated entity in which the issuer has an interest;

(ii) a special purpose entity in which the issuer has an interest; or

(iii) a business that the issuer acquired not more than 365 days before the last day of the period covered by the interim filings; and

(b) summary financial information about the proportionately consolidated entity, special purpose entity or business that the issuer acquired that has been proportionately consolidated or consolidated in the issuer's financial statements.

6. ***Reporting changes in ICFR:*** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on ***<insert the date immediately following the end of the period in respect of which the issuer made its most recent interim or annual filing, as applicable>*** and ended on ***<insert the last day of the period covered by the interim filings>*** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: ***<insert date of filing>***

_____

[Signature]
[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

This is an unofficial consolidation of Form 52-109FV2 *Certification of Interim Filings Venture Issuer Basic Certificate* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning ***on or after*** January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 52-109FV2
Certification of Interim Filings
Venture Issuer Basic Certificate

I, ***<identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>***, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of ***<identify the issuer>*** (the "issuer") for the interim period ended ***<state the relevant date>***.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: ***<insert date of filing>***

_____
[Signature]
[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

NOTE TO READER

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

This is an unofficial consolidation of Form 52-109F2 – IPO/RTO *Certification of Interim Filings Following an Initial Public Offering, Reverse Takeover or Becoming a Non-Venture Issuer* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning ***on or after*** January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 52-109F2 – IPO/RTO
Certification of Interim Filings Following an Initial Public Offering, Reverse Takeover or Becoming a Non-Venture Issuer

I, ***<identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>***, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of ***<identify the issuer>*** (the "issuer") for the interim period ended ***<state the relevant date>***.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

Date: ***<insert date of filing>***

_____
[Signature]
[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

NOTE TO READER

In contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), namely, Form 52-109F2, this Form 52-109F2 – IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 in the first financial period following

- completion of the issuer's initial public offering in the circumstances described in s. 5.3 of NI 52-109;
- completion of a reverse takeover in the circumstances described in s. 5.4 of NI 52-109; or
- the issuer becoming a non-venture issuer in the circumstances described in s. 5.5 of NI 52-109;

may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

This is an unofficial consolidation of Form 52-109F2R *Certification of Refiled Interim Filings* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning ***on or after*** January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Form 52-109F2R
Certification of Refiled Interim Filings

This certificate is being filed on the same date that ***<identify the issuer>*** (the "issuer") has refiled ***<identify the filing(s) that have been refiled>***.

I, ***<identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate>***, certify the following:

1. ***Review:*** I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of the issuer for the interim period ended ***<state the relevant date>***.

<Insert all paragraphs included in the interim certificates originally filed with the interim filings, other than paragraph 1. If the originally filed interim certificates were in Form 52-109FV2 or Form 52-109F2 – IPO/RTO, include the "note to reader" contained in Form 52-109FV2 or Form 52-109F2 – IPO/RTO, as the case may be, in this certificate .>

Date: ***<insert date of filing>***

_____
[Signature]
[Title]

<If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.>

This is an unofficial consolidation of Companion Policy 52-109CP *Certification of Disclosure in Issuers' Annual and Interim Filings* reflecting amendments made effective January 1, 2011 in connection with Canada's changeover to IFRS. The amendments apply for financial periods relating to financial years beginning ***on or after*** January 1, 2011. This document is for reference purposes only and is not an official statement of the law.

Companion Policy 52-109CP
to National Instrument 52-109
Certification of Disclosure in Issuers' Annual and Interim Filings

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Companion Policy 52-109CP
to National Instrument 52-109
Certification of Disclosure in Issuers' Annual and Interim Filings

PART 1 – GENERAL

1.1 **Introduction and purpose** – National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (the Instrument) sets out disclosure and filing requirements for all reporting issuers, other than investment funds. The objective of these requirements is to improve the quality, reliability and transparency of annual filings, interim filings and other materials that issuers file or submit under securities legislation.

This Companion Policy (the Policy) describes how the provincial and territorial securities regulatory authorities intend to interpret and apply the provisions of the Instrument.

1.2 **Application to non-corporate entities** – The Instrument applies to both corporate and non-corporate entities. Where the Instrument or the Policy refers to a particular corporate characteristic, such as the audit committee of the board of directors, the reference should be read to also include any equivalent characteristic of a non-corporate entity.

1.3 **Application to venture issuers** – Venture issuers should note that the guidance provided in Parts 5 through 14 of this Policy is intended for issuers filing Form 52-109F1 and Form 52-109F2. Under Parts 4 and 5 of the Instrument venture issuers are not required, but may elect, to use those Forms.

1.4 **Definitions** – For the purposes of the Policy, "DC&P" means disclosure controls and procedures (as defined in the Instrument) and "ICFR" means internal control over financial reporting (as defined in the Instrument).

1.5 **Accounting terms** – The Instrument uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that National Instrument 14-101 *Definitions* provides that a term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure; or (b) the context otherwise requires.

1.6 **Acceptable accounting principles other than Canadian GAAP applicable to publicly accountable enterprises** – If an issuer is permitted under NI 52-107 to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP applicable to publicly accountable enterprises, then the issuer may interpret any reference in the Instrument to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in the other acceptable accounting principles.

1.7 **Rate-regulated activities** - If a qualifying entity is relying on the exemption in paragraph 5.4(1)(a) of NI 52-107, then the qualifying entity may interpret any reference in the Instrument to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in Part V of the Handbook.

PART 2 – FORM OF CERTIFICATES

2.1 **Prescribed wording** – Parts 4 and 5 of the Instrument require the annual and interim certificates to be filed in the exact wording prescribed by the required form (including the form number and form title) without any amendment. Failure to do so will be a breach of the Instrument.

PART 3 – CERTIFYING OFFICERS

3.1 **One individual acting as chief executive officer and chief financial officer** – If only one individual is serving as the chief executive officer and chief financial officer of an issuer, or is performing functions similar to those performed by such officers, that individual may either:

(a) provide two certificates (one in the capacity of the chief executive officer and the other in the capacity of the chief financial officer); or

(b) provide one certificate in the capacity of both the chief executive officer and chief financial officer and file this certificate twice, once in the filing category for certificates of chief executive officers and once in the filing category for certificates of chief financial officers.

3.2 **Individuals performing the functions of a chief executive officer or chief financial officer**

(1) ***No chief executive officer or chief financial officer*** – If an issuer does not have a chief executive officer or chief financial officer, each individual who performs functions similar to those performed by a chief executive officer or chief financial officer must certify the annual filings and interim filings. If an issuer does not have a chief executive officer or chief financial officer, in order to comply with the Instrument the issuer will need to identify at least one individual who performs functions similar to those performed by a chief executive officer or chief financial officer, as applicable.

(2) ***Management resides at underlying business entity level or external management company*** – In the case of a reporting issuer where executive management resides at the underlying business entity level or in an external management company such as for an income trust (as described in National Policy 41-201 *Income Trusts and Other Indirect Offerings*), the chief executive officer and chief financial officer of the underlying business entity or the external management company should generally be identified as individuals performing functions for the reporting issuer similar to a chief executive officer and chief financial officer.

(3) ***Limited partnership*** – In the case of a limited partnership reporting issuer with no chief executive officer and chief financial officer, the chief executive officer and chief financial officer of its general partner should generally be identified as individuals performing functions for the limited partnership reporting issuer similar to a chief executive officer and chief financial officer.

3.3 **"New" certifying officers** – An individual who is the chief executive officer or chief financial officer at the time that an issuer files annual and interim certificates is the individual who must sign a certificate.

Certain forms included in the Instrument require each certifying officer to certify that he or she has designed, or caused to be designed under his or her supervision, the issuer's DC&P and ICFR. If an issuer's DC&P and ICFR have been designed prior to a certifying officer assuming office, the certifying officer would:

(a) review the design of the existing DC&P and ICFR after assuming office; and

(b) design any modifications to the existing DC&P and ICFR determined to be necessary following his or her review,

prior to certifying the design of the issuer's DC&P and ICFR.

PART 4 – FAIR PRESENTATION, FINANCIAL CONDITION AND RELIABILITY OF FINANCIAL REPORTING

4.1 Fair presentation of financial condition, financial performance and cash flows

(1) ***Fair presentation not limited to issuer's GAAP*** – The forms included in the Instrument require each certifying officer to certify that an issuer's financial statements (including prior period comparative financial information) and other financial information included in the annual or interim filings *fairly present* in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date and for the periods presented.

This certification is not qualified by the phrase "in accordance with generally accepted accounting principles" which is typically included in audit reports accompanying annual financial statements. The forms specifically exclude this qualification to prevent certifying officers from relying entirely on compliance with the issuer's GAAP in this representation, particularly as the issuer's GAAP financial statements might not fully reflect the financial condition of the issuer. Certification is intended to provide assurance that the financial information disclosed in the annual filings or interim filings, viewed in its entirety, provides a materially accurate and complete picture that may be broader than financial reporting under the issuer's GAAP. As a result, certifying officers cannot limit the fair presentation representation by referring to the issuer's GAAP.

Although the concept of fair presentation as used in the annual and interim certificates is not limited to compliance with the issuer's GAAP, this does not permit an issuer to depart from the issuer's GAAP in preparing its financial statements. If a certifying officer believes that the issuer's financial statements do not fairly present the issuer's financial condition, the certifying officer should ensure that the issuer's MD&A includes any necessary additional disclosure.

(2) ***Quantitative and qualitative factors*** – The concept of fair presentation encompasses a number of quantitative and qualitative factors, including:

(a) selection of appropriate accounting policies;

(b) proper application of appropriate accounting policies;

(c) disclosure of financial information that is informative and reasonably reflects the underlying transactions; and

(d) additional disclosure necessary to provide investors with a materially accurate and complete picture of financial condition, financial performance and cash flows.

4.2 **Financial condition** – The Instrument does not formally define financial condition. However, the term "financial condition" in the annual certificates and interim certificates reflects the overall

financial health of the issuer and includes the issuer's financial position (as shown on the statement of financial position) and other factors that may affect the issuer's liquidity, capital resources and solvency.

4.3 **Reliability of financial reporting** – The definition of ICFR refers to the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. In order to have reliable financial reporting and financial statements to be prepared in accordance with the issuer's GAAP, the amounts and disclosures in the financial statements must not contain any material misstatement.

PART 5 – CONTROL FRAMEWORKS FOR ICFR

5.1 **Requirement to use a control framework** – Section 3.4 of the Instrument requires an issuer to use a control framework in order to design the issuer's ICFR. The framework used should be a suitable control framework that is established by a body or group that has followed due-process procedures, including the broad distribution of the framework for public comment.

Examples of suitable frameworks that an issuer could use to design ICFR are:

(a) the *Risk Management and Governance: Guidance on Control* (COCO Framework), formerly known as Guidance of the Criteria of Control Board, published by The Canadian Institute of Chartered Accountants;

(b) the *Internal Control – Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO); and

(c) the *Guidance on Internal Control* (Turnbull Guidance) published by The Institute of Chartered Accountants in England and Wales.

A smaller issuer can also refer to *Internal Control over Financial Reporting – Guidance for Smaller Public Companies* published by COSO, which provides guidance to smaller public companies on the implementation of the COSO Framework.

In addition, *IT Control Objectives for Sarbanes-Oxley* published by the IT Governance Institute, might provide useful guidance for the design and evaluation of information technology controls that form part of an issuer's ICFR.

5.2 **Scope of control frameworks** – The control frameworks referred to in section 5.1 include in their definition of "internal control" three general categories: effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. ICFR is a subset of internal controls relating to financial reporting. ICFR does not encompass the elements of these control frameworks that relate to effectiveness and efficiency of an issuer's operations or an issuer's compliance with applicable laws and regulations, except for compliance with the applicable laws and regulations directly related to the preparation of financial statements.

PART 6 – DESIGN OF DC&P AND ICFR

6.1 **General** – Most sections in this Part apply to the design of both DC&P (DC&P design) and ICFR (ICFR design); however, some sections provide specific guidance relating to DC&P design or ICFR design. The term "design" in this context generally includes both developing and implementing the controls, policies and procedures that comprise DC&P and ICFR. This Policy

often refers to such controls, policies and procedures as the "components" of DC&P and ICFR.

A control, policy or procedure is implemented when it has been placed in operation. An evaluation of effectiveness does not need to be performed to assess whether the control, policy or procedure is operating as intended in order for it to be placed in operation.

6.2 **Overlap between DC&P and ICFR** – There is a substantial overlap between the definitions of DC&P and ICFR. However, some elements of DC&P are not subsumed within the definition of ICFR and some elements of ICFR are not subsumed within the definition of DC&P. For example, an issuer's DC&P should include those elements of ICFR that provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with the issuer's GAAP. However, the issuer's DC&P might not include certain elements of ICFR, such as those pertaining to the safeguarding of assets.

6.3 **Reasonable assurance** – The definition of DC&P includes reference to reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The definition of ICFR includes the phrase "reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP". In this Part the term "reasonable assurance" refers to one or both of the above uses of this term.

Reasonable assurance is a high level of assurance, but does not represent absolute assurance. DC&P and ICFR cannot provide absolute assurance due to their inherent limitations. Each involves diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human error. As a result of these limitations, DC&P and ICFR cannot prevent or detect all errors or intentional misstatements resulting from fraudulent activities.

The terms "reasonable", "reasonably" and "reasonableness" in the context of the Instrument do not imply a single conclusion or methodology, but encompass a range of potential conduct, conclusions or methodologies upon which certifying officers may base their decisions.

6.4 **Judgment** – The Instrument does not prescribe specific components of DC&P or ICFR or their degree of complexity. Certifying officers should design the components and complexity of DC&P and ICFR using their judgment, acting reasonably, giving consideration to various factors particular to an issuer, including its size, nature of business and complexity of operations.

6.5 **Delegation permitted in certain cases** – Section 3.1 of the Instrument requires a non-venture issuer to establish and maintain DC&P and ICFR. Employees or third parties, supervised by the certifying officers, may conduct the design of the issuer's DC&P and ICFR. Such employees should individually and collectively have the necessary knowledge, skills, information and authority to design the DC&P and ICFR for which they have been assigned responsibilities. Nevertheless, certifying officers of the issuer must retain overall responsibility for the design and resulting MD&A disclosure concerning the issuer's DC&P and ICFR.

6.6 **Risk considerations for designing DC&P and ICFR**

(1) ***Approaches to consider for design*** – The Instrument does not prescribe the approach certifying officers should use to design the issuer's DC&P or ICFR. However, we believe that a top-down, risk-based approach is an efficient and cost-effective approach that certifying officers should consider. This approach allows certifying officers to avoid unnecessary time and effort designing

components of DC&P and ICFR that are not required to obtain reasonable assurance. Alternatively, certifying officers might use some other approach to design, depending on the issuer's size, nature of business and complexity of operations.

(2) ***Top-down, risk-based approach*** – Under a top-down, risk-based approach to designing DC&P and ICFR certifying officers first identify and assess risks faced by the issuer in order to determine the scope and necessary complexity of the issuer's DC&P or ICFR. A top-down, risk-based approach helps certifying officers to focus their resources on the areas of greatest risk and avoid expending unnecessary resources on areas with little or no risk.

Under a top-down, risk-based approach, certifying officers initially consider risks without considering any existing controls of the issuer. Using this approach to design DC&P, the certifying officers identify the risks that could, individually or in combination with others, reasonably result in a material misstatement in its annual filings, interim filings or other reports filed or submitted by it under securities legislation. Using this approach to design ICFR, the certifying officers identify those risks that could, individually or in combination with others, reasonably result in a material misstatement of the financial statements (financial reporting risks). A material misstatement includes misstatements due to error, fraud or omission in disclosure.

Identifying risks involves considering the size and nature of the issuer's business and the structure and complexity of business operations. If an issuer has multiple locations or business units, certifying officers initially identify the risks that could reasonably result in a material misstatement and then consider the significance of these risks at individual locations or business units. If the officers identify a risk that could reasonably result in a material misstatement, but the risk is either adequately addressed by controls, policies or procedures that operate centrally or is not present at an individual location or business unit, then certifying officers do not need to focus their resources at that location or business unit to address the risk.

For the design of DC&P, the certifying officers assess risks for various types and methods of disclosure. For the design of ICFR, identifying risks involves identifying significant accounts and disclosures and their relevant assertions. After identifying risks that could reasonably result in a material misstatement, the certifying officers then ensure that the DC&P and ICFR designs include controls, policies and procedures to address each of the identified risks.

(3) ***Fraud risk*** – When identifying risks, certifying officers should explicitly consider the vulnerability of the entity to fraudulent activity (e.g., fraudulent financial reporting and misappropriation of assets). Certifying officers should consider how incentives (e.g., compensation programs) and pressures (e.g., meeting analysts' expectations) might affect risks, and what areas of the business provide opportunity for an individual to commit fraud. For the purposes of this Instrument, fraud would generally include an intentional act by one or more individuals among management, other employees, those charged with governance or third parties, involving the use of deception to obtain an unjust or illegal advantage. Although fraud is a broad legal concept, for the purposes of this Instrument, the certifying officers should be concerned with fraud that could cause a material misstatement in the issuer's annual filings, interim filings or other reports filed or submitted under securities legislation.

(4) ***Designing controls, policies and procedures*** – If the certifying officers choose to use a top-down, risk-based approach, they design specific controls, policies and procedures that, in combination with an issuer's control environment, appropriately address the risks discussed in subsections (2) and (3).

If certifying officers choose to use an approach other than a top-down, risk-based approach, they should still consider whether the combination of the components of DC&P and ICFR that they have designed are a sufficient basis for the representations about reasonable assurance required in paragraph 5 of the certificates.

6.7 **Control environment**

(1) ***Importance of control environment*** – An issuer's control environment is the foundation upon which all other components of DC&P and ICFR are based and influences the tone of an organization. An effective control environment contributes to the reliability of all other controls, processes and procedures by creating an atmosphere where errors or fraud are either less likely to occur, or if they occur, more likely to be detected. An effective control environment also supports the flow of information within the issuer, thus promoting compliance with an issuer's disclosure policies.

An effective control environment alone will not provide reasonable assurance that any of the risks identified will be addressed and managed. An ineffective control environment, however, can undermine an issuer's controls, policies and procedures designed to address specific risks.

(2) ***Elements of a control environment*** – A key element of an issuer's control environment is the attitude towards controls demonstrated by the board of directors, audit committee and senior management through their direction and actions in the organization. An appropriate tone at the top can help to develop a culture of integrity and accountability at all levels of an organization which support other components of DC&P and ICFR. The tone at the top should be reinforced on an ongoing basis by those accountable for the organization's DC&P and ICFR.

In addition to an appropriate tone at the top, certifying officers should consider the following elements of an issuer's control environment:

(a) *organizational structure of the issuer* – a structure which relies on established and documented lines of authority and responsibility may be appropriate for some issuers, whereas a structure which allows employees to communicate informally with each other at all levels may be more appropriate for some issuers;

(b) *management's philosophy and operating style* – a philosophy and style that emphasises managing risks with appropriate diligence and demonstrates receptiveness to negative as well as positive information will foster a stronger control environment;

(c) *integrity, ethics, and competence of personnel* –controls, policies and procedures are more likely to be effective if they are carried out by ethical, competent and adequately supervised employees;

(d) *external influences that affect the issuer's operations and risk management practices* – these could include global business practices, regulatory supervision, insurance coverage and legislative requirements; and

(e) *human resources policies and procedures* – an issuer's hiring, training, supervision, compensation, termination and evaluation practices can affect the quality of the issuer's workforce and its employees' attitudes towards controls.

(3) ***Sources of information about the control environment*** – The following documentation might provide useful information about an issuer's control environment:

(a) written codes of conduct or ethics policies;

(b) procedure manuals, operating instructions, job descriptions and training materials;

(c) evidence that employees have confirmed their knowledge and understanding of items (a) and (b);

(d) organizational charts that identify approval structures and the flow of information; and

(e) written correspondence provided by an issuer's external auditor regarding the issuer's control environment.

6.8 **Controls, policies and procedures to include in DC&P design** – In order for DC&P to provide reasonable assurance that information required by securities legislation to be disclosed by an issuer is recorded, processed, summarized and reported within the required time periods, DC&P should generally include the following components:

(a) written communication to an issuer's employees and directors of the issuer's disclosure obligations, including the purpose of disclosure and DC&P and deadlines for specific filings and other disclosure;

(b) assignment of roles, responsibilities and authorizations relating to disclosure;

(c) guidance on how authorized individuals should assess and document the materiality of information or events for disclosure purposes; and

(d) a policy on how the issuer will receive, document, evaluate and respond to complaints or concerns received from internal or external sources regarding financial reporting or other disclosure issues.

An issuer might choose to include these components in a document called a disclosure policy. Part 6 of National Policy 51-201 *Disclosure Standards* encourages issuers to establish a written disclosure policy and discusses in more detail some of these components. For issuers that are subject to National Instrument 52-110 *Audit Committees* (NI 52-110), compliance with the instrument will also form part of the issuer's DC&P design.

6.9 **Controls, policies and procedures to include in ICFR design** – In order for ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP, ICFR should generally include the following components:

(a) controls for initiating, authorizing, recording and processing transactions relating to significant accounts and disclosures;

(b) controls for initiating, authorizing, recording and processing non-routine transactions and journal entries, including those requiring judgments and estimates;

(c) procedures for selecting and applying appropriate accounting policies that are in accordance with the issuer's GAAP;

(d) controls to prevent and detect fraud;

(e) controls on which other controls are dependent, such as information technology general controls; and

(f) controls over the period-end financial reporting process, including controls over entering transaction totals in the general ledger, controls over initiating, authorizing, recording and processing journal entries in the general ledger and controls over recording recurring and non-recurring adjustments to the financial statements (e.g., consolidating adjustments and reclassifications).

6.10 **Identifying significant accounts and disclosures and their relevant assertions**

(1) ***Significant accounts and disclosures and their relevant assertions*** – As described in subsection 6.6(2) of the Policy, a top-down, risk-based approach to designing ICFR involves identifying significant accounts and disclosures and the relevant assertions that affect each significant account and disclosure. This method assists certifying officers in identifying the risks that could reasonably result in a material misstatement in the issuer's financial statements and not all possible risks the issuer faces.

(2) ***Identifying significant accounts and disclosures*** – A significant account could be an individual line item on the issuer's financial statements, or part of a line item. For example, an issuer might present "net revenue", which represents a combination of "gross revenue" and "returns", but might identify "gross revenue" as a significant account. By identifying part of a line item as a significant account, certifying officers might be able to focus on balances that are subject to specific risks that can be separately identified.

A significant disclosure relating to the design of ICFR could be any form of disclosure included in the issuer's financial statements, or notes to the financial statements, that is presented in accordance with the issuer's GAAP. The identification of significant disclosures for the design of ICFR does not extend to the preparation of the issuer's MD&A or other similar financial information presented in a continuous disclosure filing other than financial statements.

(3) ***Considerations for identifying significant accounts and disclosures*** – A minimum threshold expressed as a percentage or a dollar amount could provide a reasonable starting point for evaluating the significance of an account or disclosure. However, certifying officers should use their judgment, taking into account qualitative factors, to assess accounts or disclosures for significance above or below that threshold. The following factors will be relevant when determining whether an account or disclosure is significant:

(a) the size, nature and composition of the account or disclosure;

(b) the risk of overstatement or understatement of the account or disclosure;

(c) the susceptibility to misstatement due to errors or fraud;

(d) the volume of activity, complexity and homogeneity of the individual transactions processed through the account or reflected in the disclosure;

(e) the accounting and reporting complexities associated with the account or disclosure;

(f) the likelihood (or possibility) of conditions that will give rise to significant contingent liabilities in the account or disclosure;

(g) the existence of related party transactions; and

(h) the impact of the account on existing debt covenants.

(4) ***Assertions*** – Using a top-down, risk-based approach, the certifying officers identify those assertions for each significant account and disclosure that presents a risk that could reasonably result in a material misstatement in that significant account or disclosure. For each significant account and disclosure the following assertions could be relevant:

(a) *existence or occurrence* – whether assets or liabilities exist and whether transactions and events that have been recorded have occurred and pertain to the issuer;

(b) *completeness* – whether all assets, liabilities and transactions that should have been recorded have been recorded;

(c) *valuation or allocation* – whether assets, liabilities, equity, revenue and expenses have been included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded;

(d) *rights and obligations* – whether assets are legally owned by the issuer and liabilities are the obligations of the issuer; and

(e) *presentation and disclosure* – whether particular components of the financial statements are appropriately presented and described and disclosures are clearly expressed.

The certifying officers might consider assertions that differ from those listed above if the certifying officers determine that they have identified the pertinent risks in each significant account and disclosure that could reasonably result in a material misstatement.

(5) ***Identifying relevant assertions for each significant account and disclosure*** – To identify relevant assertions for each significant account and disclosure, the certifying officers determine the source of potential misstatements for each significant account or disclosure. When determining whether a particular assertion is relevant, the certifying officers would consider the nature of the assertion, the volume of transactions or data related to the assertion and the complexity of the underlying systems supporting the assertion. If an assertion does not present a risk that could reasonably result in a material misstatement in a significant account, it is likely not a relevant assertion.

For example, valuation might not be relevant to the cash account unless currency translation is involved; however, existence and completeness are always relevant. Similarly, valuation might not be relevant to the gross amount of the accounts receivable balance, but is relevant to the related allowance accounts.

(6) ***Identifying controls, policies and procedures for relevant assertions*** – Using a top-down, risk-based approach, the certifying officers design components of ICFR to address each relevant assertion. The certifying officers do not need to design all possible components of ICFR to address each relevant assertion, but should identify and design an appropriate combination of

controls, policies and procedures to address all relevant assertions.

The certifying officers would consider the efficiency of evaluating an issuer's ICFR design when designing an appropriate combination of ICFR components. If more than one potential control, policy or procedure could address a relevant assertion, certifying officers could select the control, policy or procedure that would be easiest to evaluate (e.g., automated control vs. manual control). Similarly, if a control, policy or procedure can be designed to address more than one relevant assertion, then certifying officers could choose it rather than a control, policy or procedure that addresses only one relevant assertion. For example, the certifying officers would consider whether any entity-wide controls exist that adequately address more than one relevant assertion or improve the efficiency of evaluating operating effectiveness because such entity-wide controls negate the need to design and evaluate other components of ICFR at multiple locations or business units.

When designing a combination of controls, policies and procedures, the certifying officers should also consider how the components in subsection 6.7(2) of the Policy interact with each other. For example, the certifying officers should consider how information technology general controls interact with controls, policies and procedures over initiating, authorizing, recording, processing and reporting transactions.

6.11 **ICFR design challenges** – Key features of ICFR and related design challenges are described below.

(a) *Segregation of duties* – The term "segregation of duties" refers to one or more employees or procedures acting as a check and balance on the activities of another so that no one individual has control over all steps of processing a transaction or other activity. Assigning different people responsibility for authorizing transactions, recording transactions, reconciling information and maintaining custody of assets reduces the opportunity for any one employee to conceal errors or perpetrate fraud in the normal course of his or her duties. Segregating duties also increases the chance of discovering inadvertent errors early. If an issuer has few employees, a single employee may be authorized to initiate, approve and effect payment for transactions and it might be difficult to re-assign responsibilities to segregate those duties appropriately.

(b) *Board expertise* – An effective board objectively reviews management's judgments and is actively engaged in shaping and monitoring the issuer's control environment. An issuer might find it challenging to attract directors with the appropriate financial reporting expertise, objectivity, time, ability and experience.

(c) *Controls over management override* – An issuer might be dominated by a founder or other strong leader who exercises a great deal of discretion and provides personal direction to other employees. Although this type of individual can help an issuer meet its growth and other objectives, such concentration of knowledge and authority could allow the individual an opportunity to override established policies or procedures or otherwise reduce the likelihood of an effective control environment.

(d) *Qualified personnel* – Sufficient accounting and financial reporting expertise is necessary to ensure reliable financial reporting and the preparation of financial statements in accordance with the issuer's GAAP. Some issuers might be unable to obtain qualified accounting personnel or outsourced expert advice on a cost-effective basis. Even if an issuer obtains outsourced expert advice, the issuer might not have the internal expertise to

understand or assess the quality of the outsourced advice. If an issuer consults on technically complex accounting matters, this consultation alone is not indicative of a deficiency relating to the design of ICFR.

An issuer's external auditor might perform certain services (e.g., income tax, valuation or internal audit services), where permitted by auditor independence rules, that provide skills which would otherwise be addressed by hiring qualified personnel or outsourcing expert advice from a party other than the external auditor. This type of arrangement should not be considered to be a component of the issuer's ICFR design.

If an issuer identifies one or more of these ICFR design challenges, additional involvement by the issuer's audit committee or board of directors could be a suitable compensating control or alternatively could mitigate risks that exist as a result of being unable to remediate a material weakness relating to the design challenge. The control framework the certifying officers use to design ICFR could include further information on these design challenges. See section 9.1 of the Policy for a discussion of compensating controls versus mitigating procedures.

6.12 **Corporate governance for internal controls** – The board of directors of an issuer is encouraged to consider adopting a written mandate to explicitly acknowledge responsibility for the stewardship of the issuer, including responsibility for internal control and management information systems.

6.13 **Maintaining design** – Following their initial development and implementation of DC&P and ICFR, and prior to certifying design each quarter, certifying officers should consider:

(a) whether the issuer faces any new risks and whether each design continues to provide a sufficient basis for the representations about reasonable assurance required in paragraph 5 of the certificates;

(b) the scope and quality of ongoing monitoring of DC&P and ICFR, including the extent, nature and frequency of reporting the results from the ongoing monitoring of DC&P and ICFR to the appropriate levels of management;

(c) the work of the issuer's internal audit function;

(d) communication, if any, with the issuer's external auditors; and

(e) the incidence of weaknesses in DC&P or material weaknesses in ICFR that have been identified at any time during the financial year.

6.14 **Efficiency and effectiveness** – In addition to the considerations set out in this Part that will assist certifying officers in appropriately designing DC&P and ICFR, other steps that certifying officers could take to enhance the efficiency and effectiveness of the designs are:

(a) embedding DC&P and ICFR in the issuer's business processes;

(b) implementing consistent policies and procedures and issuer-wide programs at all locations and business units;

(c) including processes to ensure that DC&P and ICFR are modified to adapt to any changes in business environment; and

(d) including procedures for reporting immediately to the appropriate levels of management any identified issues with DC&P and ICFR together with details of any action being undertaken or proposed to be undertaken to address such issues.

6.15 **Documenting design**

(1) ***Extent and form of documentation for design*** – The certifying officers should generally maintain documentary evidence sufficient to provide reasonable support for their certification of design of DC&P and ICFR. The extent of documentation supporting the certifying officers' design of DC&P and ICFR for each interim and annual certificate will vary depending on the certifying officers' assessment of risk, as discussed in section 6.6 of the Policy, as well as the size and complexity of the issuer's DC&P and ICFR. The documentation might take many forms (e.g., paper documents, electronic, or other media) and could be presented in a number of different ways (e.g., policy manuals, process models, flowcharts, job descriptions, documents, internal memoranda, forms, etc). Certifying officers should use their judgment, acting reasonably, to determine the extent and form of documentation.

(2) ***Documentation of the control environment*** - To provide reasonable support for the certifying officers' design of DC&P and ICFR, the certifying officers should generally document the key elements of an issuer's control environment, including those described in subsection 6.7(2) of the Policy.

(3) ***Documentation for design of DC&P*** – To provide reasonable support for the certifying officers' design of DC&P, the certifying officers should generally document:

(a) the processes and procedures that ensure information is brought to the attention of management, including the certifying officers, in a timely manner to enable them to determine if disclosure is required; and

(b) the items listed in section 6.8 of the Policy.

(4) ***Documentation for design of ICFR*** – To provide reasonable support for the certifying officers' design of ICFR, the certifying officers should generally document:

(a) the issuer's ongoing risk-assessment process and those risks which need to be addressed in order to conclude that the certifying officers have designed ICFR;

(b) how significant transactions, and significant classes of transactions, are initiated, authorized, recorded and processed;

(c) the flow of transactions to identify when and how material misstatements or omissions could occur due to error or fraud;

(d) a description of the controls over relevant assertions related to all significant accounts and disclosures in the financial statements;

(e) a description of the controls designed to prevent or detect fraud, including who performs the controls and, if applicable, how duties are segregated;

(f) a description of the controls over period-end financial reporting processes;

(g) a description of the controls over safeguarding of assets; and

(h) the certifying officers' conclusions on whether a material weakness relating to the design of ICFR exists at the end of the period.

PART 7 – EVALUATING OPERATING EFFECTIVENESS OF DC&P AND ICFR

7.1 **General** – Most sections in this Part apply to both an evaluation of the operating effectiveness of DC&P (DC&P evaluation) and an evaluation of the operating effectiveness of ICFR (ICFR evaluation); however, some sections apply specifically to an ICFR evaluation.

7.2 **Scope of evaluation of operating effectiveness** – The purpose of the DC&P and ICFR evaluations is to determine whether the issuer's DC&P and ICFR designs are operating as intended. To support a conclusion that DC&P or ICFR is effective, certifying officers should obtain sufficient appropriate evidence at the date of their assessment that the components of DC&P and ICFR that they designed, or caused to be designed, are operating as intended. Regardless of the approach the certifying officers use to design DC&P or ICFR, they could use a top-down, risk-based approach to evaluate DC&P or ICFR in order to limit the evaluation to those controls and procedures that are necessary to address the risks that might reasonably result in a material misstatement.

Form 52-109F1 requires disclosure of each material weakness relating to the operation of the issuer's ICFR. Therefore, the scope of the ICFR evaluation must be sufficient to identify any such material weaknesses.

7.3 **Judgment** – The Instrument does not prescribe how the certifying officers should conduct their DC&P and ICFR evaluations. Certifying officers should exercise their judgment, acting reasonably, and should apply their knowledge and experience in determining the nature and extent of the evaluation.

7.4 **Knowledge and supervision** – Form 52-109F1 requires the certifying officers to certify that they have evaluated, or supervised the evaluation of, the issuer's DC&P and ICFR. Employees or third parties, supervised by the certifying officers, may conduct the evaluation of the issuer's DC&P and ICFR. Such employees should individually and collectively have the necessary knowledge, skills, information and authority to evaluate the DC&P and ICFR for which they have been assigned responsibilities. Nevertheless, certifying officers must retain overall responsibility for the evaluation and resulting MD&A disclosure concerning the issuer's DC&P and ICFR.

Certifying officers should ensure that the evaluation is performed with the appropriate level of objectivity. Generally, the individuals who evaluate the operating effectiveness of specific controls or procedures should not be the same individuals who perform the specific controls or procedures. See section 7.10 of the Policy for guidance on self-assessments.

7.5 **Use of external auditor or other third party** – The certifying officers might decide to use a third party to assist with their DC&P or ICFR evaluations. In these circumstances, the certifying officers should assure themselves that the individuals performing the agreed-upon evaluation procedures have the appropriate knowledge and ability to complete the procedures. The certifying officers should be actively involved in determining the procedures to be performed, the findings to be communicated and the manner of communication.

If an issuer chooses to engage its external auditor to assist the certifying officers in the DC&P and ICFR evaluations, the certifying officers should determine the procedures to be performed, the findings to be communicated and the manner of communication. The certifying officers should not rely on ICFR-related procedures performed and findings reported by the issuer's external auditor solely as part of the financial statement audit. However, if the external auditor is separately engaged to perform specified ICFR-related procedures, the certifying officers might use the results of those procedures as part of their evaluation even if the auditor uses those results as part of the financial statement audit.

If the issuer refers, in a continuous disclosure document, to an audit report relating to the issuer's ICFR, prepared by its external auditor, then it would be appropriate for the issuer to file a copy of the internal control audit report with its financial statements.

7.6 **Evaluation tools** – Certifying officers can use a variety of tools to perform their DC&P and ICFR evaluations. These tools include:

(a) certifying officers' daily interaction with the control systems;

(b) walkthroughs;

(c) interviews of individuals who are involved with the relevant controls;

(d) observation of procedures and processes, including adherence to corporate policies;

(e) reperformance; and

(f) review of documentation that provides evidence that controls, policies or procedures have been performed.

Certifying officers should use a combination of tools for the DC&P and ICFR evaluations. Although inquiry and observation alone might provide an adequate basis for an evaluation of an individual control with a lower risk, they will not provide an adequate basis for the evaluation as a whole.

The nature, timing and extent of evaluation procedures necessary for certifying officers to obtain reasonable support for the effective operation of a component of DC&P or ICFR depends on the level of risk the component of DC&P or ICFR is designed to address. The level of risk for a component of DC&P or ICFR could change each year to reflect management's experience with a control's operation during the year and in prior evaluations.

7.7 **Certifying officers' daily interaction** – The certifying officers' daily interaction with their control systems provides them with opportunities to evaluate the operating effectiveness of the issuer's DC&P and ICFR during a financial year. This daily interaction could provide an adequate basis for the certifying officers' evaluation of DC&P or ICFR if the operation of controls, policies and procedures is centralized and involves a limited number of personnel. Reasonable support of such daily interaction would include memoranda, e-mails and instructions or directions from the certifying officers to other employees.

7.8 **Walkthroughs** – A walkthrough is a process of tracing a transaction from origination, through the issuer's information systems, to the issuer's financial reports. A walkthrough can assist certifying officers to confirm that:

(a) they understand the components of ICFR, including those components relating to the prevention or detection of fraud;

(b) they understand how transactions are processed;

(c) they have identified all points in the process at which misstatements related to each relevant financial statement assertion could occur; and

(d) the components of ICFR have been implemented.

7.9 **Reperformance**

(1) ***General*** – Reperformance is the independent execution of certain components of the issuer's DC&P or ICFR that were performed previously. Reperformance could include inspecting records whether internal (e.g., a purchase order prepared by the issuer's purchasing department) or external (e.g., a sales invoice prepared by a vendor), in paper form, electronic form or other media. The reliability of records varies depending on their nature, source and the effectiveness of controls over their production. An example of reperformance is inspecting whether the quantity and price information in a sales invoice agree with the quantity and price information in a purchase order, and confirming that an employee previously performed this procedure.

(2) ***Extent of reperformance*** – The extent of reperformance of a component of DC&P or ICFR is a matter of judgment for the certifying officers, acting reasonably. Components that are performed more frequently (e.g., controls for recording revenue) will generally require more testing than components that are performed less frequently (e.g., controls for monthly bank reconciliations). Components that are manually operated will likely require more rigorous testing than automated controls. Certifying officers could determine that they do not have to test every individual step comprising a control in order to conclude that the overall control is operating effectively.

(3) ***Reperformance for each evaluation*** – Certifying officers might find it appropriate to adjust the nature, extent and timing of reperformance for each evaluation. For example, in "year 1", certifying officers might test information technology controls extensively, while in "year 2", they could focus on monitoring controls that identify changes made to the information technology controls. Certifying officers should consider the specific risks the controls address when making these types of adjustments. It might also be appropriate to test controls at different interim periods, increase or reduce the number and types of tests performed or change the combination of procedures used in order to introduce unpredictability into the testing and respond to changes in circumstances.

7.10 **Self-assessments** – A self-assessment is a walk-through or reperformance of a control, or another procedure to analyze the operation of controls, performed by an individual who might or might not be involved in operating the control. A self-assessment could be done by personnel who operate the control or members of management who are not responsible for operating the control. The evidence of operating effectiveness from self-assessment activities depends on the personnel involved and how the activities are conducted.

A self-assessment performed by personnel who operate the control would normally be supplemented with direct testing by individuals who are independent from the operation of the control being tested and who have an equal or higher level of authority. In these situations, direct testing of controls would be needed to corroborate evidence from the self-assessment since the

self-assessment alone would not have a reasonable level of objectivity.

In some situations a certifying officer might perform a self-assessment and the certifying officer is involved in operating the control. Even if no other members of management independent from the operation of the control with equal or higher level of authority can perform direct testing, the certifying officer's self-assessment alone would normally provide sufficient evidence since the certifying officer signs the annual certificate. In situations where there are two certifying officers and one is performing a self-assessment, it would be appropriate for the other certifying officer to perform direct testing of the control.

7.11 **Timing of evaluation** – Form 52-109F1 requires certifying officers to certify that they have evaluated the effectiveness of the issuer's DC&P and ICFR, as at the financial year end. Certifying officers might choose to schedule testing of some DC&P and ICFR components throughout the issuer's financial year. However, since the evaluation is at the financial year end, the certifying officers will have to perform sufficient procedures to evaluate the operation of the components at year end.

Since some year-end procedures occur subsequent to the year end (e.g., financial reporting close process), some testing of DC&P and ICFR components could also occur subsequent to year-end. The timing of evaluation activities will depend on the risk associated with the components being evaluated, the tools used to evaluate the components, and whether the components being evaluated are performed prior to, or subsequent to, year end.

7.12 **Extent of examination for each annual evaluation** – For each annual evaluation the certifying officers must evaluate those components of ICFR that, in combination, provide reasonable assurance regarding the reliability of financial reporting. For example, the certifying officers cannot decide to exclude components of ICFR for a particular process from the scope of their evaluation simply based on prior-year evaluation results. To have a reasonable basis for their assessment of the operating effectiveness of ICFR, the certifying officers must have sufficient evidence supporting operating effectiveness of all relevant components of ICFR as of the date of their assessment.

7.13 **Documenting evaluations**

(1) ***Extent of documentation for evaluation*** – The certifying officers should generally maintain documentary evidence sufficient to provide reasonable support for their certification of a DC&P and ICFR evaluation. The extent of documentation used to support the certifying officers' evaluations of DC&P and ICFR for each annual certificate will vary depending on the size and complexity of the issuer's DC&P and ICFR. The extent of documentation is a matter of judgment for the certifying officers, acting reasonably.

(2) ***Documentation for evaluations of DC&P and ICFR*** – To provide reasonable support for a DC&P or ICFR evaluation the certifying officers should generally document:

(a) a description of the process the certifying officers used to evaluate DC&P or ICFR;

(b) how the certifying officers determined the extent of testing of the components of DC&P or ICFR;

(c) a description of, and results from applying, the evaluation tools discussed in sections 7.6 and 7.7 of the Policy or other evaluation tools; and

(d) the certifying officers' conclusions about:

(i) the operating effectiveness of DC&P or ICFR, as applicable; and
(ii) whether a material weakness relating to the operation of ICFR existed as at the end of the period.

PART 8 – USE OF A SERVICE ORGANIZATION OR SPECIALIST FOR AN ISSUER'S ICFR

8.1 **Use of a service organization** – An issuer might outsource a significant process to a service organization. Examples include payroll, production accounting for oil and gas companies, or other bookkeeping services. Based on their assessment of risks as discussed in subsection 6.6(2) of the Policy, the certifying officers might identify the need for controls, policies and procedures relating to an outsourced process. In considering the design and evaluation of such controls, policies and procedures, the officers should consider whether:

(a) the service organization can provide a service auditor's report on the design and operation of controls placed in operation and tests of the operating effectiveness of controls at the service organization;

(b) the certifying officers have access to the controls in place at the service organization to evaluate the design and effectiveness of such controls; or

(c) the issuer has controls that might eliminate the need for the certifying officers to evaluate the design and effectiveness of the service organization's controls relating to the outsourced process.

8.2 **Service auditor's reporting on controls at a service organization** – If a service auditor's report on controls placed in operation and tests of the operating effectiveness of controls is available, the certifying officers should evaluate whether the report provides them sufficient evidence to assess the design and effectiveness of controls relating to the outsourced process. The following factors will be relevant in evaluating whether the report provides sufficient evidence:

(a) the time period covered by the tests of controls and its relation to the as-of date of the certifying officers' assessment of the issuer's ICFR;

(b) the scope of the examination and applications covered and the controls tested; and

(c) the results of the tests of controls and the service auditor's opinion on the operating effectiveness of controls.

8.3 **Elapsed time between date of a service auditor's report and date of certificate** – If a significant period of time has elapsed between the time period covered by the tests of controls in a service auditor's report and the date of the certifying officer's assessment of ICFR, the certifying officers should consider whether the service organization's controls have changed subsequent to the period covered by the service auditor's report. The service organization might communicate certain changes such as changes in its personnel or changes in reports or other data that it provides. Changes might also be indicated by errors identified in the service organization's processing. If the certifying officers identify changes in the service organization's controls, they

should evaluate the effect of these changes and consider the need for additional procedures. These might include obtaining further information from the service organization, performing procedures at the service organization, or requesting that a service auditor perform specified procedures.

8.4 **Indicators of a material weakness relating to use of a service organization** – There could be circumstances in which a service auditor's report is not available, the certifying officers do not have access to controls in place at the service organization and the certifying officers have not identified any compensating controls performed by the issuer. In these circumstances the inability to assess the service organization's controls, policies and procedures might represent a material weakness since the certifying officers might not have sufficient evidence to conclude whether the components of the issuer's ICFR at the service organization have been designed or are operating as intended.

8.5 **Use of a specialist** – A specialist is a person or firm possessing expertise in specific subject matter. A reporting issuer might arrange for a specialist to provide certain specialized expertise such as actuarial services, taxation services or valuation services. Based on their assessment of risks as discussed in subsection 6.6(2) of the Policy, the certifying officers might identify the need for the services provided by a specialist. The certifying officers should ensure the issuer has controls, policies or procedures in place relating to the source data and the reasonableness of the assumptions used to support the specialist's findings. The certifying officers should also consider whether the specialist has the necessary competence, expertise and integrity.

PART 9 – MATERIAL WEAKNESS

9.1 Identifying a deficiency in ICFR

(1) ***Deficiency relating to the design of ICFR*** – A deficiency relating to the design of ICFR exists when:

(a) necessary components of ICFR are missing from the design;

(b) an existing component of ICFR is designed so that, even if the component operates as designed, the financial reporting risks would not be addressed; or

(c) a component of ICFR has not been implemented and, as a result, the financial reporting risks have not been addressed.

Subsection 6.6(2) of the Policy provides guidance on financial reporting risks.

(2) ***Deficiency relating to the operation of ICFR*** – A deficiency relating to the operation of ICFR exists when a properly designed component of ICFR does not operate as intended. For example, if an issuer's ICFR design requires two individuals to sign a cheque in order to authorize a cash disbursement and the certifying officers conclude that this process is not being followed consistently, the control may be designed properly but is deficient in its operation.

(3) ***Compensating controls versus mitigating procedures*** – If the certifying officers identify a component of ICFR that does not operate as intended they should consider whether there is a compensating control that addresses the financial reporting risks that the deficient ICFR component failed to address. If the certifying officers are unable to identify a compensating control, then the issuer would have a deficiency relating to the operation of ICFR.

In the process of determining whether there is a compensating control, the certifying officers might identify mitigating procedures which help to reduce the financial reporting risks that the deficient ICFR component failed to address, but do not meet the threshold of being a compensating control because:

(a) the procedures only partially address the financial reporting risks or
(b) the procedures are not designed by, or under the supervision of, the issuer's certifying officers, and thus may not represent an internal control.

In these circumstances, since the financial reporting risks are not addressed with an appropriate compensating control, the issuer would continue to have a deficiency relating to the operation of ICFR and would have to assess the significance of the deficiency. The issuer may have one or more mitigating procedures that reduce the financial reporting risks that the deficient ICFR component failed to address and may consider disclosure of those procedures, as discussed in section 9.7 of the Policy. In disclosing these mitigating procedures in its MD&A, an issuer should not imply that the procedures eliminate the existence of a material weakness.

9.2 **Assessing significance of deficiencies in ICFR** – If a deficiency or combination of deficiencies in the design or operation of one or more components of ICFR is identified, certifying officers should assess the significance of the deficiency, or combination of deficiencies, to determine whether a material weakness exists. Their assessment should generally include both qualitative and quantitative analyses.

Certifying officers evaluate the severity of a deficiency, or combination of deficiencies, by considering whether (a) there is a reasonable possibility that the issuer's ICFR will fail to prevent or detect a material misstatement of a financial statement amount or disclosure; and (b) the magnitude of the potential misstatement resulting from the deficiency or deficiencies. The severity of a deficiency in ICFR does not depend on whether a misstatement has actually occurred but rather on whether there is a reasonable possibility that the issuer's ICFR will fail to prevent or detect a material misstatement on a timely basis.

9.3 **Factors to consider when assessing significance of deficiencies in ICFR**

(1) **Reasonable possibility of misstatement** – Factors that affect whether there is a reasonable possibility that a deficiency, or combination of deficiencies would result in ICFR not preventing or detecting in a timely manner a misstatement of a financial statement amount or disclosure, include, but are not limited to:

(a) the nature of the financial statement accounts, disclosures and assertions involved (e.g., related-party transactions involve greater risk);

(b) the susceptibility of the related asset or liability to loss or fraud (e.g., greater susceptibility increases risk);

(c) the subjectivity, complexity, or extent of judgment required to determine the amount involved (e.g., greater subjectivity, complexity, or judgment increases risk);

(d) the interaction or relationship of the control with other controls, including whether they are interdependent or address the same financial reporting risks;

(e) the interaction of the deficiencies (e.g., when evaluating a combination of two or more

deficiencies, whether the deficiencies could affect the same financial statement amounts or disclosures); and

(f) the possible future consequences of the deficiency.

(2) **Magnitude of misstatement** – Various factors affect the magnitude of a misstatement that might result from a deficiency or deficiencies in ICFR. These factors include, but are not limited, to the following:

(a) the financial statement amounts or total of transactions relating to the deficiency; and

(b) the volume of activity in the account balance or class of transactions relating to the deficiency that has occurred in the current period or that is expected in future periods.

9.4 **Indicators of a material weakness** – It is a matter for the certifying officers' judgment whether the following situations indicate that a deficiency in ICFR exists and, if so, whether it represents a material weakness:

(a) identification of fraud, whether or not material, on the part of the certifying officers or other senior management who play a significant role in the issuer's financial reporting process;

(b) restatement of previously issued financial statements to reflect the correction of a material misstatement;

(c) identification by the issuer or its external auditor of a material misstatement in the financial statements in the current period in circumstances that indicate that the misstatement would not have been detected by the issuer's ICFR; and

(d) ineffective oversight of the issuer's external financial reporting and ICFR by the issuer's audit committee.

9.5 **Conclusions on effectiveness if a material weakness exists** – If the certifying officers identify a material weakness relating to the design or operation of ICFR existing as at the period-end date, the certifying officers could not conclude that the issuer's ICFR is effective. Certifying officers may not qualify their assessment by stating that the issuer's ICFR is effective subject to certain qualifications or exceptions unless the qualification pertains to one of the permitted scope limitations available in section 3.3 of the Instrument. As required by paragraph 6 in Form 52-109F1, the certifying officers must ensure the issuer has disclosed in the annual MD&A the certifying officers' conclusions about the effectiveness of ICFR at the financial year end.

9.6 **Disclosure of a material weakness**

(1) ***Disclosure of a material weakness relating to the design of ICFR*** – If the certifying officers become aware of a material weakness relating to the design of ICFR that existed at the end of the annual or interim period, the issuer's annual or interim MD&A must describe each material weakness relating to design, the impact of each material weakness on the issuer's financial reporting and its ICFR, and the issuer's current plans, if any, or any actions already undertaken, for remediating each material weakness as required by paragraph 5.2 of Form 52-109F1 and Form 52-109F2.

(2) ***Disclosure of a material weakness relating to the operation of ICFR*** – If the certifying officers become aware of a material weakness relating to the operation of ICFR that existed at the financial year end, the issuer's annual MD&A must describe each material weakness relating to operation, the impact of each material weakness on the issuer's financial reporting and its ICFR, and the issuer's current plans, if any, or any actions already undertaken, for remediating each material weakness as required by subparagraphs 6(b)(ii)(A), (B) and (C) of Form 52-109F1. If a material weakness relating to the operation of ICFR continues to exist, the certifying officers should consider whether the deficiency initially relating to the operation of ICFR has become a material weakness relating to the design of ICFR that must be disclosed in the interim, as well as the annual MD&A under paragraph 5.2 of Form 52-109F1 and Form 52-109F2.

(3) ***Description of a material weakness*** – Disclosure pertaining to an identified material weakness should provide investors with an accurate and complete picture of the material weakness, including its effect on the issuer's ICFR. Issuers should consider providing disclosure in the annual or interim MD&A that allows investors to understand the cause of the material weakness and assess the potential impact on, and importance to, the financial statements of the identified material weakness. The disclosure will be more useful to investors if it distinguishes between those material weaknesses that may have a pervasive impact on ICFR from those material weaknesses that do not.

9.7 **Disclosure of remediation plans and actions undertaken** – If an issuer commits to a remediation plan to correct a material weakness relating to the design or operation of ICFR prior to filing a certificate, the annual or interim MD&A would describe the issuer's current plans, or any actions already undertaken, for remediating each material weakness.

Once an issuer has completed its remediation it would disclose information about the resulting change in the issuer's ICFR in its next annual or interim MD&A as required by paragraph 7 of Form 52-109F1 or paragraph 6 of Form 52-109F2.

If an issuer is unable to, or chooses not to, remediate a material weakness, but identifies mitigating procedures that reduce the impact of the material weakness on the issuer's ICFR, then disclosure about these mitigating procedures could provide investors with an accurate and complete picture of the material weakness, including its effect on the issuer's ICFR. If an issuer does not plan to remediate the material weakness, regardless of whether there are mitigating procedures, the issuer would continue to have a material weakness that the issuer must disclose in the annual or interim MD&A.

PART 10 – WEAKNESS IN DC&P THAT IS SIGNIFICANT

10.1 **Conclusions on effectiveness of DC&P if a weakness exists that is significant** – If the certifying officers identify a weakness relating to the design or operation of DC&P that is significant existing as at the period-end date, the certifying officers could not conclude that the issuer's DC&P is effective. Certifying officers may not qualify their assessment by stating that the issuer's DC&P is effective subject to certain qualifications or exceptions unless the qualification pertains to one of the permitted scope limitations available in section 3.3 of the Instrument. A certifying officer could not conclude that the issuer's DC&P is effective if there is a deficiency, or combination of deficiencies, in DC&P such that there is a reasonable possibility that the issuer will not disclose material information required to be disclosed under securities legislation, within the time periods specified in securities legislation.

As required by paragraph 6(a) in Form 52-109F1, the certifying officers must ensure the issuer

has disclosed in its annual MD&A the certifying officers' conclusions about the effectiveness of DC&P. The MD&A disclosure about the effectiveness of DC&P will be useful to investors if it discusses any identified weaknesses that are significant, whether the issuer has committed, or will commit, to a plan to remediate the identified weaknesses, and whether there are any mitigating procedures that reduce the risks that have not been addressed as a result of the identified weaknesses.

10.2 **Interim certification of DC&P design if a weakness exists that is significant** – If the certifying officers identify a weakness in the design of DC&P that is significant at the time of filing an interim certificate, to provide reasonable context for their certifications of the design of DC&P, it would be appropriate for the issuer to disclose in its interim MD&A the identified weakness and any other information necessary to provide an accurate and complete picture of the condition of the design of the issuer's DC&P.

10.3 **Certification of DC&P if a material weakness in ICFR exists** – As discussed in section 6.2 of the Policy, there is a substantial overlap between the definitions of DC&P and ICFR. If the certifying officers identify a material weakness in the issuer's ICFR, this will almost always represent a weakness that is significant in the issuer's DC&P.

PART 11 – REPORTING CHANGES IN ICFR

11.1 **Assessing the materiality of a change in ICFR** – Paragraph 7 of Form 52-109F1 and paragraph 6 of Form 52-109F2 require an issuer to disclose any change in the issuer's ICFR that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR. A material change in ICFR might occur regardless of whether the change is being made to remediate a material weakness (e.g., a change from a manual payroll system to an automated payroll system). A change in an issuer's ICFR that was made to remediate a material weakness would generally be considered a material change in an issuer's ICFR.

PART 12 – ROLE OF BOARD OF DIRECTORS AND AUDIT COMMITTEE

12.1 **Board of directors** – Form 52-109F1 requires the certifying officers to represent that the issuer has disclosed in its annual MD&A certain information about the certifying officers' evaluation of the effectiveness of DC&P. Form 52-109F1 also requires the certifying officers to represent that the issuer has disclosed in its annual MD&A certain information about the certifying officers' evaluation of the effectiveness of ICFR. Under National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102), the board of directors must approve the issuer's annual MD&A, including the required disclosure concerning DC&P and ICFR, before it is filed. To provide reasonable support for the board of directors' approval of an issuer's MD&A disclosure concerning ICFR, including any material weaknesses, the board of directors should understand the basis upon which the certifying officers concluded that any particular deficiency or combination of deficiencies did or did not constitute a material weakness (see section 9.2 of the Policy).

12.2 **Audit committee** – NI 52-110 requires the audit committee to review an issuer's financial disclosure and to establish procedures for dealing with complaints and concerns about accounting or auditing matters. Issuers subject to NI 52-110 should consider its specific requirements in designing and evaluating their DC&P and ICFR.

12.3 **Reporting fraud** – Paragraph 8 of Form 52-109F1 requires certifying officers to disclose to the issuer's auditors, the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Subsection 6.6(3) of the Policy provides guidance on the term "fraud" for purposes of this Instrument.

Two types of intentional misstatements are (i) misstatements resulting from fraudulent financial reporting, which includes omissions of amounts or disclosures in financial statements to deceive financial statement users, and (ii) misstatements resulting from misappropriation of assets.

PART 13 – CERTAIN LONG TERM INVESTMENTS

13.1 **Underlying entities** – An issuer might have a variety of long term investments that affect how the certifying officers design and evaluate the effectiveness of the issuer's DC&P and ICFR. In particular, an issuer could have any of the following interests:

(a) an interest in an entity that is a subsidiary which is consolidated in the issuer's financial statements;

(b) an interest in an entity that is a special purpose entity (a SPE) which is consolidated in the issuer's financial statements;

(c) an interest in an entity that is proportionately consolidated in the issuer's financial statements;

(d) an interest in an entity that is accounted for using the equity method in the issuer's financial statements (an equity investment); or

(e) an interest in an entity that is not accounted for by consolidation, proportionate consolidation or the equity method (a portfolio investment).

In this Part, the term entity is meant to capture a broad range of structures, including, but not limited to, corporations. The terms "consolidated", "subsidiary", "SPE", "proportionately consolidated", and "equity method" have the meaning ascribed to such terms under the issuer's GAAP. In this Part, the term "underlying entity" refers to one of the entities referred to in items (a) through (e) above.

13.2 **Fair presentation** – As discussed in section 4.1 of the Policy, the concept of fair presentation is not limited to compliance with the issuer's GAAP. If the certifying officers believe that an issuer's financial statements do not fairly present its financial condition insofar as it relates to an underlying entity, the certifying officers should cause the issuer to provide additional disclosure in its MD&A.

13.3 **Design and evaluation of DC&P and ICFR**

(1) ***Access to underlying entity*** – The nature of an issuer's interest in an underlying entity will affect the certifying officer's ability to design and evaluate the effectiveness of the controls, policies and procedures carried out by the underlying entity.

Subsidiary – In the case of an issuer with an interest in a subsidiary, as the issuer controls the subsidiary, certifying officers will have sufficient access to the subsidiary to design and evaluate the effectiveness of the controls, policies and procedures carried out by the underlying entity.

Proportionately consolidated entity or SPE – In the case of an issuer with an interest in a proportionately consolidated entity or a SPE, certifying officers might not always have sufficient

access to the underlying entity to design and evaluate the effectiveness of the controls, policies and procedures carried out by the underlying entity.
Whether the certifying officers have sufficient access to a proportionately consolidated entity or a SPE to design and evaluate the effectiveness of the controls, policies and procedures carried out by the underlying entity is a question of fact. The sufficiency of their access could depend on, among other things:

(a) the issuer's percentage ownership of the underlying entity;

(b) whether the other underlying entity owners are reporting issuers;

(c) the nature of the relationship between the issuer and the operator of the underlying entity if the issuer is not the operator;

(d) the terms of the agreement(s) governing the underlying entity; and

(e) the date of creation of the underlying entity.

Portfolio investment or equity investment – In the case of an issuer with a portfolio investment or an equity investment, certifying officers will generally not have sufficient access to the underlying entity to design and evaluate the effectiveness of the controls, policies and procedures carried out by the underlying entity.

(2) ***Access to an underlying entity in certain indirect offering structures*** – In the case of certain indirect offering structures, including certain income trust and limited partnership offering structures, the issuer could have:

(a) a significant equity interest in the underlying entity but not legally control the underlying entity, since legal control is retained by a third party (typically the party involved in establishing the indirect offering structure) or

(b) an equity interest in an underlying entity that represents a significant asset of the issuer and results in the issuer providing the issuer's equity holders with separate audited annual financial statements and interim financial reports prepared in accordance with the same accounting principles as the issuer's financial statements.

In these cases, we generally expect the trust indenture, limited partnership agreement or other constating documents to include appropriate terms ensuring the certifying officers will have sufficient access to the underlying entity to design and evaluate the effectiveness of the controls, policies and procedures carried out by the underlying entity.

(3) ***Reasonable steps to design and evaluate*** – Certifying officers should take all reasonable steps to design and evaluate the effectiveness of the controls, policies and procedures carried out by the underlying entity that provide the certifying officers with a basis for the representations in the annual and interim certificates. However, it is left to the discretion of the certifying officers, acting reasonably, to determine what constitutes "reasonable steps".

If the certifying officers have access to the underlying entity to design the controls, policies and procedures discussed in subsection (2) and they are not satisfied with those controls, policies and procedures, the certifying officers should consider whether there exists a material weakness or a weakness in DC&P that is significant.

(4) ***Disclosure of a scope limitation relating to a proportionately consolidated entity or SPE*** – A scope limitation exists if the certifying officers would not have a reasonable basis for making the representations in the annual or interim certificates because they do not have sufficient access to a proportionately consolidated entity or SPE, as applicable, to design and evaluate the controls, policies and procedures carried out by that underlying entity.

When determining whether a scope limitation exists, certifying officers must initially consider whether one, or a combination of more than one, proportionately consolidated entity or SPE includes risks that could reasonably result in a material misstatement in the issuer's annual filings, interim filings or other reports. The certifying officers would consider such risks when the certifying officers first identify the risks faced by the issuer in order to determine the scope and necessary complexity of the issuer's DC&P or ICFR, as discussed in subsection 6.6(2) of the Policy.

The certifying officers would disclose a scope limitation if one, or a combination of more than one, proportionately consolidated entity or SPE includes risks that could reasonably result in a material misstatement and the certifying officers do not have sufficient access to design and evaluate the controls, policies and procedures carried out by each underlying entity.

The certifying officers would not disclose a scope limitation if a proportionately consolidated entity or SPE, individually or in combination with another such entity, does not include risks that could reasonably result in a material misstatement.

The issuer must disclose in its MD&A a scope limitation and summary financial information about each underlying entity in accordance with section 3.3 of the Instrument. The summary financial information may be disclosed in aggregate or individually for each proportionately consolidated entity or SPE.

Meaningful summary financial information about an underlying entity, or combination of underlying entities, that is the subject of a scope limitation would include:

(a) revenue;

(b) profit or loss before discontinued operations;

(c) profit or loss for the period; and

unless (i) the accounting principles used to prepare the financial statements of the underlying entity permit the preparation of its statement of financial position without classifying assets and liabilities between current and non-current, and (ii) the MD&A includes alternative meaningful financial information about the underlying entity, or combination of underlying entities, which is more appropriate to the underlying entity's industry,

(d) current assets;

(e) non-current assets;

(f) current liabilities; and

(g) non-current liabilities.

Meaningful disclosure about an underlying entity that is the subject of a scope limitation would also include any contingent liabilities and commitments for the proportionately consolidated entity or SPE.

(5) ***Limited access to the underlying entity of a portfolio investment or equity investment*** – Although the certifying officers may not have sufficient access to design and evaluate controls, policies and procedures carried out by the underlying entity of a portfolio investment or equity investment, the issuer's DC&P and ICFR should address the issuer's controls over its disclosure of material information relating to:

(a) the carrying amount of the investment;

(b) any dividends the issuer receives from the investment;

(c) any impairment loss in the investment; and

(d) if applicable, the issuer's share of any profit or loss from the equity investment.

(6) ***Reliance on financial information of underlying entity*** – In most cases, certifying officers will have to rely on the financial information reported by a proportionately consolidated entity, SPE or the underlying entity of an equity investment. In order to certify an issuer's annual or interim filings that include information regarding the issuer's investment in these underlying entities, the certifying officers should perform the following minimum procedures:

(a) ensure that the issuer receives the underlying entity's financial information on a timely basis;

(b) review the underlying entity's financial information to determine whether it has been prepared in accordance with the issuer's GAAP; and

(c) review the underlying entity's accounting policies and evaluate whether they conform to the issuer's accounting policies.

PART 14 – BUSINESS ACQUISITIONS

14.1 **Access to acquired business** – In many circumstances it is difficult for certifying officers to design or evaluate controls, policies and procedures carried out by an acquired business shortly after acquiring the business. In order to address these situations, paragraph 3.3(1)(c) of the Instrument permits an issuer to limit the scope of its design of DC&P and ICFR for a business that the issuer acquired not more than 365 days before the end of the financial period to which the certificate relates. Generally this will result in an issuer limiting the scope of its design for a business acquisition for three interim certificates and one annual certificate.

14.2 **Disclosure of scope limitation** – When determining whether a scope limitation exists, certifying officers must initially consider whether an acquired business includes risks that could reasonably result in a material misstatement in the issuer's annual filings, interim filings or other reports. The certifying officers would consider such risks when the certifying officers first identify the risks faced by the issuer in order to determine the scope and necessary complexity of the issuer's DC&P or ICFR, as discussed in subsection 6.6(2) of the Policy. If the certifying officers limit the scope of their design of DC&P and ICFR for a recent business acquisition, this scope limitation and summary financial information about the business must be disclosed in the issuer's MD&A in

accordance with section 3.3 of the Instrument and paragraph 5.3 in Form 52-109F1, or 52-109F2 as applicable. Meaningful summary financial information about the acquired business would include:

(a) revenue;

(b) profit or loss before discontinued operations;

(c) profit or loss for the period; and

unless (i) the accounting principles used to prepare the financial statements of the acquired business permit the preparation of its statement of financial position without classifying assets and liabilities between current and non-current, and (ii) the MD&A includes alternative meaningful financial information about the acquired business which is more appropriate to the acquired business' industry,

(d) current assets;

(e) non-current assets;

(f) current liabilities; and

(g) non-current liabilities.

Meaningful disclosure about the acquired business would also include the issuer's share of any contingent liabilities and commitments, which arise as a result of the acquisition. In the case of related businesses, as defined in NI 51-102, the issuer may present the summary financial information about the businesses on a combined basis.

PART 15 – VENTURE ISSUER BASIC CERTIFICATES

15.1 **Venture issuer basic certificates** – Many venture issuers have few employees and limited financial resources which make it difficult for them to address the challenges described in section 6.11 of the Policy. As a result, many venture issuers are unable to design DC&P and ICFR without (i) incurring significant additional costs, (ii) hiring additional employees, or (iii) restructuring the board of directors and audit committee. Since these inherent limitations exist for many venture issuers, the required forms of certificate for venture issuers are Forms 52-109FV1 and 52-109FV2. These forms do not include representations relating to the establishment and maintenance of DC&P and ICFR.

Although Forms 52-109FV1 and 52-109FV2 are the required forms for venture issuers, a venture issuer may elect to file Forms 52-109F1 or 52-109F2, which include representations regarding the establishment and maintenance of DC&P and ICFR.

Certifying officers of a non-venture issuer are not permitted to use Forms 52-109FV1 and 52-109FV2. Although a non-venture issuer may face similar challenges in designing its ICFR, such as those described in section 6.11 of the Policy, the issuer is still required to file Forms 52-109F1 and 52-109F2 and disclose in the MD&A a description of each material weakness existing at the end of the financial period.

15.2 **Note to reader included in venture issuer basic certificates** – Forms 52-109FV1 and 52-

109FV2 include a note to reader that clarifies the responsibility of certifying officers and discloses that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

15.3 **Voluntary disclosure regarding DC&P and ICFR** – If a venture issuer files Form 52-109FV1 or 52-109FV2, it is not required to discuss in its annual or interim MD&A the design or operating effectiveness of DC&P or ICFR. If a venture issuer files Form 52-109FV1 or 52-109FV2 and chooses to discuss in its annual or interim MD&A or other regulatory filings the design or operation of one or more components of its DC&P or ICFR, it should also consider disclosing in the same document that:

(a) the venture issuer is not required to certify the design and evaluation of the issuer's DC&P and ICFR and has not completed such an evaluation; and

(b) inherent limitations on the ability of the certifying officers to design and implement on a cost effective basis DC&P and ICFR for the issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

A selective discussion in a venture issuer's MD&A about one or more components of a venture issuer's DC&P or ICFR without these accompanying statements will not provide transparent disclosure of the state of the venture issuer's DC&P or ICFR.

PART 16 – CERTIFICATION REQUIREMENTS FOR A NEW REPORTING ISSUER AND AN ISSUER THAT BECOMES A NON-VENTURE ISSUER

16.1 **Certification requirements after becoming a non-venture issuer** – Sections 4.5 and 5.5 of the Instrument permit an issuer that becomes a non-venture issuer to file Forms 52-109F1 – IPO/RTO and 52-109F2 – IPO/RTO for the first certificate that the issuer is required to file under this Instrument, for a financial period that ends after the issuer becomes a non-venture issuer. If, subsequent to becoming a non-venture issuer, the issuer is required to file an annual or interim certificate for a period that ended while it was a venture issuer, the required form of certificate for that annual or interim filing is Form 52-109FV1 or 52-109FV2.

PART 17 – EXEMPTIONS

17.1 **Issuers that comply with U.S. laws** – Some Canadian issuers that comply with U.S. laws might choose to prepare two sets of financial statements and file financial statements in Canada with accounting principles that differ from those that are filed or furnished in the U.S. For example, an issuer may file U.S. GAAP financial statements in the U.S. and financial statements using another acceptable form of accounting principles in Canada. In order to ensure that the financial statements filed in Canada are certified (under either the Instrument or SOX 302 Rules), those issuers will not have recourse to the exemptions in sections 8.1 and 8.2 of the Instrument.

PART 18 – LIABILITY FOR CERTIFICATES CONTAINING MISREPRESENTATIONS

18.1 **Liability for certificates containing misrepresentations** – A certifying officer providing a certificate containing a misrepresentation potentially could be subject to quasi-criminal, administrative or civil proceedings under securities law.

A certifying officer providing a certificate containing a misrepresentation could also potentially be subject to private actions for damages either at common law or, in Québec, under civil law, or under the statutory civil liability regimes in certain jurisdictions.

PART 19 – TRANSITION

19.1 **Representations regarding DC&P and ICFR following the transition periods** – If an issuer files an annual certificate in Form 52-109F1 or an interim certificate in Form 52-109F2 that includes representations regarding DC&P or ICFR, these representations would not extend to the prior period comparative information included in the annual filings or interim filings if:

(a) the prior period comparative information was previously the subject of certificates that did not include these representations; or

(b) no certificate was required for the prior period.

19.2 **Application of Amendments** – The amendments to the Instrument and this Policy which came into effect on January 1, 2011 only apply to annual filings and interim filings for periods relating to financial years beginning on or after January 1, 2011.

PART 20 – CERTIFICATION OF REVISED OR RESTATED ANNUAL OR INTERIM FILINGS

20.1 **Certification of revised or restated annual or interim filings** – If an issuer files a revised or restated continuous disclosure document that was originally certified as part of its annual or interim filings, the certifying officers would need to file Form 52-109F1R or Form 52-109F2R. These certificates would be dated the same date the certificate is filed and filed on the same date as the revised or restated continuous disclosure document.

20.2 **Disclosure considerations if an issuer revises or restates a continuous disclosure document** – If an issuer determines that it needs to revise or restate previously issued financial statements, the issuer should consider whether its original disclosures regarding the design or operating effectiveness of ICFR are still appropriate and should modify or supplement its original disclosure to include any other material information that is necessary for such disclosures not to be misleading in light of the revision or restatement.

Similarly, if an issuer determines that it needs to revise or restate a previously issued continuous disclosure document, the issuer should consider whether its original disclosures regarding the design or operating effectiveness of DC&P are still appropriate and should modify or supplement its original disclosure to include any other material information that is necessary for such disclosures not to be misleading in light of the revision or restatement.

[Amended January 1, 2011]

National Instrument 52-110

Audit Committees

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National Instrument 52-110

Audit Committees

PART 1 DEFINITIONS AND APPLICATION

1.1 Definitions

In this Instrument,

"accounting principles" has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"AIF" has the meaning ascribed to it in NI 51-102;

"asset-backed security" has the meaning ascribed to it in NI 51-102;

"audit committee" means a committee (or an equivalent body) established by and among the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer, and, if no such committee exists, the entire board of directors of the issuer;

"audit services" means the professional services rendered by the issuer's external auditor for the audit and review of the issuer's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

"credit support issuer" has the meaning ascribed to it in section 13.4 of NI 51-102;

"designated foreign issuer" has the meaning ascribed to it in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;

"exchangeable security issuer" has the meaning ascribed to it in section 13.3 of NI 51-102;

"executive officer" of an entity means an individual who is:

(a) a chair of the entity;

(b) a vice-chair of the entity;

(c) the president of the entity;

(d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production;

(e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or

(f) any other individual who performs a policy-making function in respect of the entity;

"foreign private issuer" means an issuer that is a foreign private issuer within the meaning of Rule 405 under the 1934 Act;

"immediate family member" means an individual's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual's immediate family member) who shares the individual's home;

"marketplace" has the meaning ascribed to it in National Instrument 21-101 *Marketplace Operation*;

"MD&A" has the meaning ascribed to it in NI 51-102;

"NI 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"non-audit services" means services other than audit services;

"SEC foreign issuer" has the meaning ascribed to it in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;

"U.S. marketplace" means an exchange registered as a 'national securities exchange' under section 6 of the 1934 Act, or the Nasdaq Stock Market;

"venture issuer" means an issuer that, at the end of its most recently completed financial year, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by the PLUS Markets Group plc.

1.2 Application

This Instrument applies to all reporting issuers other than:

(a) investment funds;

(b) issuers of asset-backed securities;

(c) designated foreign issuers;

(d) SEC foreign issuers;

(e) issuers that are subsidiary entities, if

(i) the subsidiary entity does not have equity securities (other than non-convertible, non-participating preferred securities) trading on a marketplace, and

(ii) the parent of the subsidiary entity is

(A) subject to the requirements of this Instrument, or

(B) an issuer that (1) has securities listed or quoted on a U.S. marketplace, and (2) is in compliance with the requirements of that U.S. marketplace applicable to issuers, other than foreign private issuers, regarding the role and composition of audit committees;

(f) exchangeable security issuers, if the exchangeable security issuer qualifies for the relief contemplated by, and is in compliance with the requirements and conditions set out in, section 13.3 of NI 51-102; and

(g) credit support issuers, if the credit support issuer qualifies for the relief contemplated by, and is in compliance with the requirements and conditions set out in, section 13.4 of NI 51-102.

1.3 Meaning of Affiliated Entity, Subsidiary Entity and Control

(1) For the purposes of this Instrument, a person or company is considered to be an affiliated entity of another person or company if

(a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or

(b) the person is an individual who is

(i) both a director and an employee of an affiliated entity, or

(ii) an executive officer, general partner or managing member of an affiliated entity.

(2) For the purposes of this Instrument, a person or company is considered to be a subsidiary entity of another person or company if

(a) it is controlled by,

(i) that other, or

(ii) that other and one or more persons or companies each of which is controlled by that other, or

(iii) two or more persons or companies, each of which is controlled by that other; or

(b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

(3) For the purpose of this Instrument, "control" means the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise.

(4) Despite subsection (1), an individual will not be considered to control an issuer for the purposes of this Instrument if the individual:

(a) owns, directly or indirectly, ten per cent or less of any class of voting securities of the issuer; and

(b) is not an executive officer of the issuer.

1.4 Meaning of Independence

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

(c) an individual who:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than $75,000 in direct compensation from the issuer during any 12 month period within the last three years.

(4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because

(a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or

(b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.

(5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(6) For the purposes of clause (3)(f), direct compensation does not include:

(a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

(8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.5 Additional Independence Requirements

(1) Despite any determination made under section 1.4, an individual who

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities,

is considered to have a material relationship with the issuer.

(2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

(a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

(3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service."

1.6 Meaning of Financial Literacy

For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

PART 2 AUDIT COMMITTEE RESPONSIBILITIES

2.1 Audit Committee

Every issuer must have an audit committee that complies with the requirements of the Instrument.

2.2 Relationship with External Auditors

Every issuer must require its external auditor to report directly to the audit committee.

2.3 Audit Committee Responsibilities

(1) An audit committee must have a written charter that sets out its mandate and responsibilities.

(2) An audit committee must recommend to the board of directors:

(a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer; and

(b) the compensation of the external auditor.

(3) An audit committee must be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.

(4) An audit committee must pre-approve all non-audit services to be provided to the issuer or its subsidiary entities by the issuer's external auditor.

(5) An audit committee must review the issuer's financial statements, MD&A and annual and interim profit or loss press releases before the issuer publicly discloses this information.

(6) An audit committee must be satisfied that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the public disclosure referred to in subsection (5), and must periodically assess the adequacy of those procedures.

(7) An audit committee must establish procedures for:

(a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

(8) An audit committee must review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.

2.4 *De Minimis* Non-Audit Services

An audit committee satisfies the pre-approval requirement in subsection 2.3(4) if:

(a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the fiscal year in which the services are provided;

(b) the issuer or the subsidiary entity of the issuer, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

(c) the services are promptly brought to the attention of the audit committee of the issuer and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated by the audit committee.

2.5 Delegation of Pre-Approval Function

(1) An audit committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(4).

(2) The pre-approval of non-audit services by any member to whom authority has been delegated pursuant to subsection (1) must be presented to the audit committee at its first scheduled meeting following such pre-approval.

2.6 Pre-Approval Policies and Procedures

An audit committee satisfies the pre-approval requirement in subsection 2.3(4) if it adopts specific policies and procedures for the engagement of the non-audit services, if:

(a) the pre-approval policies and procedures are detailed as to the particular service;

(b) the audit committee is informed of each non-audit service; and

(c) the procedures do not include delegation of the audit committee's responsibilities to management.

PART 3 COMPOSITION OF THE AUDIT COMMITTEE

3.1 Composition

(1) An audit committee must be composed of a minimum of three members.

(2) Every audit committee member must be a director of the issuer.

(3) Subject to sections 3.2, 3.3, 3.4, 3.5 and 3.6, every audit committee member must be independent.

(4) Subject to sections 3.5 and 3.8, every audit committee member must be financially literate.

3.2 Initial Public Offerings

(1) Subject to section 3.9, if an issuer has filed a prospectus to qualify the distribution of securities that constitutes its initial public offering, subsection 3.1(3) does not apply for a period of up to 90 days commencing on the date of the receipt for the prospectus, provided that one member of the audit committee is independent.

(2) Subject to section 3.9, if an issuer has filed a prospectus to qualify the distribution of securities that constitutes its initial public offering, subsection 3.1(3) does not apply for a period of up to one year commencing on the date of the receipt for the prospectus, provided that a majority of the audit committee members are independent.

3.3 Controlled Companies

(1) An audit committee member that sits on the board of directors of an affiliated entity is exempt from the requirement in subsection 3.1(3) if the member, except for being a director (or member of a board committee) of the issuer and the affiliated entity, is otherwise independent of the issuer and the affiliated entity.

(2) Subject to section 3.7, an audit committee member is exempt from the requirement in subsection 3.1(3) if:

(a) the member would be independent of the issuer but for the relationship described in paragraph 1.5(1)(b) or as a result of subsection 1.4(8);

(b) the member is not an executive officer, general partner or managing member of a person or company that

(i) is an affiliated entity of the issuer, and

(ii) has its securities trading on a marketplace;

(c) the member is not an immediate family member of an executive officer, general partner or managing member referred to in paragraph (b), above;

(d) the member does not act as the chair of the audit committee; and

(e) the board determines in its reasonable judgement that

(i) the member is able to exercise the impartial judgement necessary for the member to fulfill his or her responsibilities as an audit committee member, and

(ii) the appointment of the member is required by the best interests of the issuer and its shareholders.

3.4 Events Outside Control of Member

Subject to section 3.9, if an audit committee member ceases to be independent for reasons outside the member's reasonable control, the member is exempt from the requirement in subsection 3.1(3) for a period ending on the later of:

(a) the next annual meeting of the issuer, and

(b) the date that is six months from the occurrence of the event which caused the member to not be independent.

3.5 Death, Disability or Resignation of Member

Subject to section 3.9, if the death, disability or resignation of an audit committee member has resulted in a vacancy on the audit committee that the board of directors is required to fill, an audit committee member appointed to fill such vacancy is exempt from the requirements in subsections 3.1(3) and 3.1(4) for a period ending on the later of:

(a) the next annual meeting of the issuer, and

(b) the date that is six months from the day the vacancy was created.

3.6 Temporary Exemption for Limited and Exceptional Circumstances

Subject to section 3.7, an audit committee member is exempt from the requirement in subsection 3.1(3) if:

(a) the member is not an individual described in subsection 1.5(1);

(b) the member is not an employee or officer of the issuer, or an immediate family member of an employee or officer of the issuer;

(c) the board, under exceptional and limited circumstances, determines in its reasonable judgement that

(i) the member is able to exercise the impartial judgement necessary for the member to fulfill his or her responsibilities as an audit committee member, and

(ii) the appointment of the member is required by the best interests of the issuer and its shareholders;

(d) the member does not act as chair of the audit committee; and

(e) the member does not rely upon this exemption for a period of more than two years.

3.7 Majority Independent

The exemptions in subsection 3.3(2) and section 3.6 are not available to a member unless a majority of the audit committee members would be independent.

3.8 Acquisition of Financial Literacy

Subject to section 3.9, an audit committee member who is not financially literate may be appointed to the audit committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment.

3.9 Restriction on Use of Certain Exemptions

The exemptions in sections 3.2, 3.4, 3.5 and 3.8 are not available to a member unless the issuer's board of directors has determined that the reliance on the exemption will not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of this Instrument.

PART 4 AUTHORITY OF THE AUDIT COMMITTEE

4.1 Authority

An audit committee must have the authority

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,

(b) to set and pay the compensation for any advisors employed by the audit committee, and

(c) to communicate directly with the internal and external auditors.

PART 5 REPORTING OBLIGATIONS

5.1 Required Disclosure

Every issuer must include in its AIF the disclosure required by Form 52-110F1.

5.2 Management Information Circular

If management of an issuer solicits proxies from the security holders of the issuer for the purpose of electing directors to the issuer's board of directors, the issuer must include in its management information circular a cross-reference to the sections in the issuer's AIF that contain the information required by section 5.1.

PART 6 VENTURE ISSUERS

6.1 Venture Issuers

Venture issuers are exempt from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*).

6.1.1. Composition of Audit Committee

(1) An audit committee of a venture issuer must be composed of a minimum of three members.

(2) Every member of an audit committee of a venture issuer must be a director of the issuer.

(3) Subject to subsections (4), (5) and (6), a majority of the members of an audit committee of a venture issuer must not be executive officers, employees or control persons of the venture issuer or of an affiliate of the venture issuer.

(4) If a circumstance arises that affects the business or operations of the venture issuer, and a reasonable person would conclude that the circumstance can be best addressed by a member of the audit committee becoming an executive officer or employee of the venture issuer, subsection (3) does not apply to the audit committee in respect of the member until the later of:

(a) the next annual meeting of the venture issuer;

(b) the date that is six months after the date on which the circumstance arose.

(5) If an audit committee member becomes a control person of the venture issuer or of an affiliate of the venture issuer for reasons outside the member's reasonable control, subsection (3) does not apply to the audit committee in respect of that member until the later of:

(a) the next annual meeting of the venture issuer;

(b) the date that is six months after the event which caused the member to become a control person.

(6) If a vacancy on the audit committee arises as a result of the death, incapacity or resignation of an audit committee member and the board of directors is required

to fill the vacancy, subsection (3) does not apply to the audit committee, in respect of the member appointed to fill the vacancy, until the later of:

(a) the next annual meeting of the venture issuer;

(b) the date that is six months from the day the vacancy was created.

(7) This section applies to a venture issuer in respect of a financial year beginning on or after January 1, 2016.

6.2 Required Disclosure

(1) Subject to subsection (2), if management of a venture issuer solicits proxies from the security holders of the venture issuer for the purpose of electing directors to its board of directors, the venture issuer must include in its management information circular the disclosure required by Form 52-110F2.

(2) A venture issuer that is not required to send a management information circular to its security holders must provide the disclosure required by Form 52-110F2 in its AIF or annual MD&A.

PART 7 U.S. LISTED ISSUERS

7.1 U.S. Listed Issuers

An issuer that has securities listed or quoted on a U.S. marketplace is exempt from the requirements of Parts 2 (*Audit Committee Responsibilities*), 3 (*Composition of the Audit Committee*), 4 (*Authority of the Audit Committee*), and 5 (*Reporting Obligations*), if:

(a) the issuer is in compliance with the requirements of that U.S. marketplace applicable to issuers, other than foreign private issuers, regarding the role and composition of audit committees; and

(b) if the issuer is incorporated, continued or otherwise organized in a jurisdiction in Canada, the issuer includes in its AIF the disclosure (if any) required by paragraph 7 of Form 52-110F1.

PART 8 EXEMPTIONS

8.1 Exemptions

(1) The securities regulatory authority or regulator may grant an exemption from this rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

PART 9 EFFECTIVE DATE

9.1 Effective Date

This Instrument comes into force on March 17, 2008.

Form 52-110F1

Audit Committee Information Required in an AIF

1. The Audit Committee's Charter

Disclose the text of the audit committee's charter.

2. Composition of the Audit Committee

Disclose the name of each audit committee member and state whether or not the member is (i) independent and (ii) financially literate.

3. Relevant Education and Experience

Describe the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member and, in particular, disclose any education or experience that would provide the member with:

(a) an understanding of the accounting principles used by the issuer to prepare its financial statements;

(b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising one or more individuals engaged in such activities; and

(d) an understanding of internal controls and procedures for financial reporting.

4. Reliance on Certain Exemptions

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied on

(a) the exemption in section 2.4 (*De Minimis Non-audit Services*),

(b) the exemption in section 3.2 (*Initial Public Offerings*),

(c) the exemption in section 3.4 (*Events Outside Control of Member*),

(d) the exemption in section 3.5 (*Death, Disability or Resignation of Audit Committee Member*) or

(e) an exemption from this Instrument, in whole or in part, granted under Part 8 (*Exemptions*),

state that fact.

5. Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied upon the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*), state that fact and disclose

(a) the name of the member, and

(b) the rationale for appointing the member to the audit committee.

6. Reliance on Section 3.8

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied upon section 3.8 (*Acquisition of Financial Literacy*), state that fact and disclose

(a) the name of the member,

(b) that the member is not financially literate, and

(c) the date by which the member expects to become financially literate.

7. Audit Committee Oversight

If, at any time since the commencement of the issuer's most recently completed financial year, a recommendation of the audit committee to nominate or compensate an external auditor was not adopted by the board of directors, state that fact and explain why.

8. Pre-Approval Policies and Procedures

If the audit committee has adopted specific policies and procedures for the engagement of non-audit services, describe those policies and procedures.

9. External Auditor Service Fees (By Category)

(a) Disclose, under the caption "Audit Fees", the aggregate fees billed by the issuer's external auditor in each of the last two fiscal years for audit services.

(b) Disclose, under the caption "Audit-Related Fees", the aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under clause (a) above. Include a description of the nature of the services comprising the fees disclosed under this category.

(c) Disclose, under the caption "Tax Fees", the aggregate fees billed in each of the last two fiscal years for professional services rendered by the issuer's external auditor for tax compliance, tax advice, and tax planning. Include a description of the nature of the services comprising the fees disclosed under this category.

(d) Disclose, under the caption "All Other Fees", the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer's external auditor, other than the services reported under clauses (a), (b) and (c), above. Include a description of the nature of the services comprising the fees disclosed under this category.

INSTRUCTION
The fees required to be disclosed by this paragraph 9 relate only to services provided to the issuer or its subsidiary entities by the issuer's external auditor.

[Amended January 1, 2011]

Form 52-110F2

Disclosure by Venture Issuers

1. The Audit Committee's Charter

Disclose the text of the audit committee's charter.

2. Composition of the Audit Committee

Disclose the name of each audit committee member and state whether or not the member is (i) independent and (ii) financially literate.

3. Relevant Education and Experience

Describe the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member and, in particular, disclose any education or experience that would provide the member with:

(a) an understanding of the accounting principles used by the issuer to prepare its financial statements;

(b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising one or more individuals engaged in such activities; and

(d) an understanding of internal controls and procedures for financial reporting."

4. Audit Committee Oversight

If, at any time since the commencement of the issuer's most recently completed financial year, a recommendation of the audit committee to nominate or compensate an external auditor was not adopted by the board of directors, state that fact and explain why.

5. Reliance on Certain Exemptions

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied on

(a) the exemption in section 2.4 (*De Minimis Non-audit Services*),

(b) the exemption in subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*),

(c) the exemption in subsection 6.1.1(5) (*Events Outside Control of Member*),

(d) the exemption in subsection 6.1.1(6) (*Death, Incapacity or Resignation*), or

(e) an exemption from this Instrument, in whole or in part, granted under Part 8 (*Exemption*),

state that fact.

6. Pre-Approval Policies and Procedures

If the audit committee has adopted specific policies and procedures for the engagement of non-audit services, describe those policies and procedures.

7. External Auditor Service Fees (By Category)

(a) Disclose, under the caption "Audit Fees", the aggregate fees billed by the issuer's external auditor in each of the last two fiscal years for audit fees.

(b) Disclose, under the caption "Audit-Related Fees", the aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under clause (a) above. Include a description of the nature of the services comprising the fees disclosed under this category.

(c) Disclose, under the caption "Tax Fees", the aggregate fees billed in each of the last two fiscal years for professional services rendered by the issuer's external auditor for tax compliance, tax advice, and tax planning. Include a description of the nature of the services comprising the fees disclosed under this category.

(d) Disclose, under the caption "All Other Fees", the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer's external auditor, other than the services reported under clauses (a), (b) and (c), above. Include a description of the nature of the services comprising the fees disclosed under this category.

INSTRUCTION
The fees required to be disclosed by this paragraph 7 relate only to services provided to the issuer or its subsidiary entities by the issuer's external auditor.

8. Exemption

Disclose that the issuer is relying upon the exemption in section 6.1 of the Instrument.

Companion Policy 52-110CP to National Instrument 52-110

Audit Committees

PART 1 GENERAL

1.1 Purpose

National Instrument 52-110 *Audit Committees* (the Instrument) is a rule in each of Québec, Alberta, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland and Labrador and British Columbia, a Commission regulation in Saskatchewan and Nunavut, a policy in Prince Edward Island and the Yukon Territory, and a code in the Northwest Territories. We, the securities regulatory authorities in each of the foregoing jurisdictions (the Jurisdictions), have implemented the Instrument to encourage reporting issuers to establish and maintain strong, effective and independent audit committees. We believe that such audit committees enhance the quality of financial disclosure made by reporting issuers, and ultimately foster increased investor confidence in Canada's capital markets.

This companion policy (the Policy) provides information regarding the interpretation and application of the Instrument.

1.2 Application to Non-Corporate Entities

The Instrument applies to both corporate and non-corporate entities. Where the Instrument or this Policy refers to a particular corporate characteristic, such as a board of directors, the reference should be read to also include any equivalent characteristic of a non-corporate entity. For example, in the case of a limited partnership, the directors of the general partner who are independent of the limited partnership (including the general partner) should form an audit committee which fulfils these responsibilities.

Income trust issuers should apply the Instrument in a manner which recognizes that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. For this purpose, references to "the issuer" refer to both the trust and any underlying entities, including the operating entity.

If the structure of an issuer will not permit it to comply with the Instrument, the issuer should seek exemptive relief.

1.3 Management Companies

The definition of "executive officer" includes any individual who performs a policy-making function in respect of the entity in question. We consider this aspect of the definition to include an individual who, although not employed by the entity in question, nevertheless performs a policy-making function in respect of that entity, whether through another person or company or otherwise.

1.4 Audit Committee Procedures

The Instrument establishes requirements for the responsibilities, composition and authority of audit committees. Nothing in the Instrument is intended to restrict the ability of the board of directors or the audit committee to establish the committee's quorum or procedures, or to restrict the committee's ability to invite additional parties to attend audit committee meetings.

PART 2 THE ROLE OF THE AUDIT COMMITTEE

2.1 The Role of the Audit Committee

An audit committee is a committee of a board of directors to which the board delegates its responsibility for oversight of the financial reporting process. Traditionally, the audit committee has performed a number of roles, including

- helping directors meet their responsibilities,
- providing better communication between directors and the external auditors,
- enhancing the independence of the external auditor,
- increasing the credibility and objectivity of financial reports, and
- strengthening the role of the directors by facilitating in-depth discussions among directors, management and the external auditor.

The Instrument requires that the audit committee also be responsible for managing, on behalf of the shareholders, the relationship between the issuer and the external auditors. In particular, it provides that an audit committee must have responsibility for:

(a) overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or related work; and

(b) recommending to the board of directors the nomination and compensation of the external auditors.

Although under corporate law an issuer's external auditors are responsible to the shareholders, in practice, shareholders have often been too dispersed to effectively exercise meaningful oversight of the external auditors. As a result, management has typically assumed this oversight role. However, the auditing process may be compromised if the external auditors view their main responsibility as serving management rather than the shareholders. By assigning these responsibilities to an independent audit committee, the Instrument ensures that the external audit will be conducted independently of the issuer's management.

2.2 Relationship between External Auditors and Shareholders

Subsection 2.3(3) of the Instrument provides that an audit committee must be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditors regarding financial reporting. Notwithstanding this responsibility, the external auditors are retained by, and are ultimately accountable to, the shareholders. As a result, subsection 2.3(3) does not detract from the external auditors' right and responsibility to also provide their views directly to the shareholders if they disagree with an approach being taken by the audit committee.

2.3 Public Disclosure of Financial Information

Issuers are reminded that, in our view, the extraction of information from financial statements that have not previously been reviewed by the audit committee and the release of that information into the marketplace is inconsistent with the issuer's obligation to have its audit committee review the financial statements. See also National Policy 51-201 *Disclosure Standards*.

PART 3 INDEPENDENCE

3.1 Meaning of Independence

The Instrument generally requires every member of an audit committee to be independent. Subsection 1.4(1) of the Instrument defines independence to mean the absence of any direct or indirect material relationship between the director and the issuer. In our view, this may include a commercial, charitable, industrial, banking, consulting, legal, accounting or familial relationship, or any other relationship that the board considers to be material. Although shareholding alone may not interfere with the exercise of a director's independent judgement, we believe that other relationships between an issuer and a shareholder may constitute material relationships with the issuer, and should be considered by the board when determining a director's independence. However, only those relationships which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement should be considered material relationships within the meaning of section 1.4.

Subsection 1.4(3) and section 1.5 of the Instrument describe those individuals that we believe have a relationship with an issuer that would reasonably be expected to interfere with the exercise of the individual's independent judgement. Consequently, these individuals are not considered independent for the purposes of the Instrument and are therefore precluded from serving on the issuer's audit committee. Directors and their counsel should therefore consider the nature of the relationships outlined in subsection 1.4(3) and section 1.5 as guidance in applying the general independence requirement set out in subsection 1.4(1).

3.2 Derivation of Definition

In the United States, listed issuers must comply with the audit committee requirements contained in SEC rules as well as the director independence and audit committee requirements of the applicable securities exchange or market. The definition of independence included in the Instrument has therefore been derived from both the applicable SEC rules and the corporate governance rules issued by the New York Stock Exchange. The portion of the definition of independence that parallels the NYSE rules is found in section 1.4 of the Instrument. Section 1.5 of the Instrument contains additional rules regarding audit committee member independence that were derived from the applicable SEC rules. To be independent for the purposes of the Instrument, a director must satisfy the requirements in both sections 1.4 and 1.5.

3.3 Safe Harbour

Subsection 1.3(1) of the Instrument provides, in part, that a person or company is an affiliated entity of another entity if the person or company controls the other entity. Subsection 1.3(4), however, provides that an individual will not be considered to control an issuer if the individual:

(a) owns, directly or indirectly, ten per cent or less of any class of voting equity securities of the issuer; and

(b) is not an executive officer of the issuer.

Subsection 1.3(4) is intended only to identify those individuals who are not considered to control an issuer. The provision is not intended to suggest that an individual who owns more than ten percent of an issuer's voting equity securities automatically controls an issuer. Instead, an individual who owns more than ten percent of an issuer's voting equity securities should examine all relevant facts and circumstances to determine if he or she controls the issuer and is therefore an affiliated entity within the meaning of subsection 1.3(1).

3.4 Remuneration of Chair of Board, Etc.

Subsection 1.4(6) of the Instrument provides that, for the purpose of the prescribed relationship described in clause 1.4(3)(f), direct compensation does not include remuneration for acting as a member of the board of directors or of any board committee of the issuer. In our view, remuneration for acting as a member of the board also includes remuneration for acting as the chair of the board or of any committee of the board.

PART 4 FINANCIAL LITERACY, FINANCIAL EDUCATION AND EXPERIENCE

4.1 Financial Literacy

For the purposes of the Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level

of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. In our view, it is not necessary for a member to have a comprehensive knowledge of GAAP and GAAS to be considered financially literate.

4.2 Disclosure of Relevant Education and Experience.

(1) Item 3 of Forms 52-110F1 and 52-110F2 require an issuer to disclose any education or experience of an audit committee member that would provide the member with, among other things, an understanding of the accounting principles used by the issuer to prepare its financial statements. The level of understanding that is requisite is influenced by the complexity of the business being carried on. For example, if the issuer is a complex financial institution, a greater degree of education and experience is necessary than would be the case for an audit committee member of an issuer with a more simple business.

(2) Item 3 of Forms 52-110F1 and 52-110F2 also require an issuer to disclose any experience that the member has, among other things, actively supervising persons engaged in preparing, auditing, analyzing or evaluating certain types of financial statements. The phrase active supervision means more than the mere existence of a traditional hierarchical reporting relationship between supervisor and those being supervised. An individual engaged in active supervision participates in, and contributes to, the process of addressing (albeit at a supervisory level) the same general types of issues regarding preparation, auditing, analysis or evaluation of financial statements as those addressed by the individual or individuals being supervised. The supervisor should also have experience that has contributed to the general expertise necessary to prepare, audit, analyze or evaluate financial statements that is at least comparable to the general expertise of those being supervised. An executive officer should not be presumed to qualify. An executive officer with considerable operations involvement, but little financial or accounting involvement, likely would not be exercising the necessary active supervision. Active participation in, and contribution to, the process, albeit at a supervisory level, of addressing financial and accounting issues that demonstrate a general expertise in the area would be necessary.

PART 5 NON-AUDIT SERVICES

5.1 Pre-Approval of Non-Audit Services

Section 2.6 of the Instrument allows an audit committee to satisfy, in certain circumstances, the pre-approval requirements in subsection 2.3(4) by adopting specific policies and procedures for the engagement of non-audit services. The following guidance should be noted in the development and application of such policies and procedures:

- Monetary limits should not be the only basis for the pre-approval policies and procedures. The establishment of monetary limits will not, alone, constitute policies

that are detailed as to the particular services to be provided and will not, alone, ensure that the audit committee will be informed about each service.

- The use of broad, categorical approvals (*e.g.* tax compliance services) will not meet the requirement that the policies must be detailed as to the particular services to be provided.

- The appropriate level of detail for the pre-approval policies will differ depending upon the facts and circumstances of the issuer. The pre-approval policies must be designed to ensure that the audit committee knows precisely what services it is being asked to pre-approve so that it can make a well-reasoned assessment of the impact of the service on the auditor's independence. Furthermore, because the Instrument requires that the policies cannot result in a delegation of the audit committee's responsibility to management, the pre-approval policies must be sufficiently detailed as to particular services so that a member of management will not be called upon to determine whether a proposed service fits within the policy.

PART 6 DISCLOSURE OBLIGATIONS

6.1 Incorporation by Reference

National Instrument 51-102 permits disclosure required to be included in an issuer's AIF or information circular to be incorporated by reference, provided that the referenced document has already been filed with the applicable securities regulatory authorities.[1] Any disclosure required by the Instrument to be included in an issuer's AIF or management information circular may also incorporated by reference, provided that the procedures set out in National Instrument 51-102 are followed.

[Amended July 4, 2008]

[1] See Part 1, paragraph (f) of Form 51-102F2 (*Annual Information Form*) and Part 1, paragraph (c) of Form 51-102F5 (*Information Circular*)

CSA/ACVM Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

CSA Staff Notice 52-306 (Revised)
Non-GAAP Financial Measures

January 14, 2016

I. Purpose

The primary purpose of this notice is to provide guidance to an issuer that discloses non-GAAP financial measures. The guidance applies both to an issuer that uses International Financial Reporting Standards (IFRS) and to an issuer that uses accounting principles other than IFRS. Non-GAAP financial measures may mislead investors if they are not accompanied by the appropriate disclosure. Therefore, staff will monitor disclosure accompanying non-GAAP financial measures.

The notice also provides guidance on additional subtotals presented in the financial statements but disclosed before the financial statements are filed, and additional subtotals presented in the statement of cash flows for IFRS financial statements.

The guidance is intended to help ensure that the information disclosed does not mislead investors.

Staff cautions issuers that regulatory action may be taken if an issuer discloses information in a manner considered misleading and therefore potentially harmful to the public interest.

II. Non-GAAP Financial Measures

For the purpose of this notice, a non-GAAP financial measure is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not specified, defined or determined under the issuer's GAAP (as that term is defined in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*) and is not presented in an issuer's financial statements. A non-GAAP financial measure excludes amounts that are included in, or includes amounts that are excluded from, the most directly comparable measure specified, defined or determined under the issuer's GAAP.

Some issuers disclose non-GAAP financial measures in press releases, management's discussion and analysis, prospectus filings, websites and marketing materials.

Many non-GAAP financial measures are derived from profit or loss determined under an issuer's GAAP and, by omission of selected items, present a more positive picture of financial performance. Terms used to identify non-GAAP financial measures may include "pro forma earnings", "cash earnings", "free cash flow", "distributable cash", "Adjusted EBITDA", "adjusted earnings", and "earnings before non-recurring items". Many of these terms lack standard meanings and different issuers may use the same term to refer to different calculations.

Staff is concerned that investors may be confused or even misled by non-GAAP financial measures. Staff is also concerned about the prominence of disclosure given to non-GAAP financial measures related to earnings compared to the prominence of earnings measures specified, defined or determined under an issuer's GAAP. In staff's view, these concerns can be addressed by appropriate disclosure accompanying non-GAAP financial measures.

Some issuers disclose performance measures that are calculated without using financial measures (for example, number of units or number of subscribers). Some issuers disclose performance measures that are calculated using financial information presented in the financial statements (for example, sales per square foot, where the sales figure is extracted directly from the financial statements). In both of the preceding

scenarios, such performance measures are not considered to be non-GAAP financial measures. However, if a non-GAAP financial measure is used to calculate a performance measure (such as an "adjusted earnings" financial measure used to calculate an "adjusted earnings per unit" measure), then that non-GAAP financial measure should be disclosed and Section III of this notice applies to that non-GAAP financial measure.

III. Disclosure Accompanying Non-GAAP Financial Measures

Financial statements prepared in accordance with an issuer's GAAP provide investors with a clear basis for financial analysis and comparison among issuers. Staff recognizes that non-GAAP financial measures may provide investors with additional information to assist them in understanding critical components of an issuer's financial performance. However, an issuer should not present a non-GAAP financial measure in a way that confuses or obscures the most directly comparable measure specified, defined or determined under the issuer's GAAP presented in its financial statements.

Staff reminds issuers of their responsibility to ensure that information they provide to the public is not misleading. Staff also reminds certifying officers of their obligations under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* to make certifications regarding misrepresentations, fair presentation, and disclosure controls and procedures. A non-GAAP financial measure may be misleading if it includes positive components of the most directly comparable measure specified, defined or determined under the issuer's GAAP presented in its financial statements but omits similar negative components.

In order to ensure that a non-GAAP financial measure does not mislead investors, an issuer should:

1. state explicitly that the non-GAAP financial measure does not have any standardized meaning under the issuer's GAAP and therefore may not be comparable to similar measures presented by other issuers;
2. name the non-GAAP financial measure in a way that distinguishes it from disclosure items specified, defined or determined under an issuer's GAAP and in a way that is not misleading. For example, in presenting EBITDA as a non-GAAP financial measure, it would be misleading to exclude amounts for items other than interest, taxes, depreciation and amortization;
3. explain why the non-GAAP financial measure provides useful information to investors and the additional purposes, if any, for which management uses the non-GAAP financial measure;
4. present with equal or greater prominence to that of the non-GAAP financial measure, the most directly comparable measure specified, defined or determined under the issuer's GAAP presented in its financial statements;
5. provide a clear quantitative reconciliation from the non-GAAP financial measure to the most directly comparable measure specified, defined or determined under the issuer's GAAP and presented in its financial statements, referencing to the reconciliation when the non-GAAP financial measure first appears in the document, or in the case of content on a website, in a manner that meets this objective (for example, by providing a link to the reconciliation);

6. ensure that the non-GAAP financial measure does not describe adjustments as non-recurring, infrequent or unusual, when a similar loss or gain is reasonably likely to occur within the next two years or occurred during the prior two years; and

7. present the non-GAAP financial measure on a consistent basis from period to period; however, where an issuer changes the composition of the non-GAAP financial measure, explain the reason for the change and restate any comparative period presented.

IV. Disclosing Additional Subtotals before Filing Financial Statements

An issuer's GAAP may require the presentation of additional subtotals in the financial statements when such presentation is relevant to an understanding of the issuer's financial position or financial performance. An example of this requirement is found in paragraphs 55 and 85 of IAS 1 *Presentation of Financial Statements* (IAS 1). An issuer may choose to present these additional subtotals in a press release or some other location outside of an issuer's financial statements before filing on SEDAR its financial statements. In order to avoid any confusion about these additional subtotals, management should explain their composition. This may be accomplished by:

- including a copy of the statement that contains these additional subtotals (for example, the statement of profit or loss and other comprehensive income), or
- reconciling these additional subtotals to the most directly comparable line item specified or defined by IFRS that will be presented in financial statements (for example, profit or loss).

V. Presentation of Additional Subtotals in the Statement of Cash Flows for IFRS Financial Statements

IAS 1 includes requirements that apply to additional subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income (see paragraphs 55A, 85A and 85B of IAS 1). The practices outlined in the paragraphs noted, will also help ensure that additional subtotals presented in the statement of cash flows do not mislead investors.

In addition, if an issuer chooses to present additional subtotals from the statement of cash flows in a press release or some other location outside of an issuer's financial statements before filing on SEDAR its financial statements, then in order to avoid any confusion about these additional subtotals, management should explain their composition (as discussed in Section IV of this notice).

VI. Distributable Cash

National Policy 41-201 *Income Trusts and Other Indirect Offerings* provides additional guidance on measures of cash available for distribution.

VII. Forward-Looking Information

The contents of this notice apply equally to disclosure of forward-looking non-GAAP financial measures.

VIII. Revision and Republication

Staff updated this notice on November 9, 2010 to reflect the changeover to IFRS.

Staff updated this notice on February 17, 2012 to provide further guidance on accompanying disclosure for additional line items, headings or subtotals presented in financial statements and additional financial measures presented in notes to financial statements under IFRS.

Staff updated this notice on January 14, 2016 to reflect amendments to IAS 1 regarding additional subtotals presented in the financial statements.

IX. Questions

Please refer your questions to any of the following individuals:

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Note: [31 Dec 2016] - The following is a consolidation of NI 58-101. It incorporates the amendments to this document that came into effect on December 31, 2007, March 17, 2008, November 17, 2015, December 31, 2016 and local amendments in all CSA jurisdictions other than Alberta, British Columbia and Prince Edward Island as described in Multilateral CSA Notice of Amendments dated October 15, 2014 and in CSA Staff Notice 11-328. This consolidation is provided for your convenience and should not be relied on as authoritative.

National Instrument 58-101
Disclosure of Corporate Governance Practices

PART 1 DEFINITIONS AND APPLICATION

1.1 Definitions —

In this Instrument,

"AIF" has the same meaning as in NI 51-102;

"asset-backed security" has the same meaning as in NI 51-102;

"CEO" means a chief executive officer;

"code" means a code of business conduct and ethics;

"executive officer" has the same meaning as in NI 51-102;

"major subsidiary" has the same meaning as in National Instrument 55-104 *Insider Reporting Requirements and Exemptions* (Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Québec, Saskatchewan and Yukon only);

"marketplace" has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

"MD&A" has the same meaning as in NI 51-102;

"NI 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"NI 52-110" means National Instrument 52-110 *Audit Committees*;

"SEDAR" has the same meaning as in National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;

"significant security holder" means, in relation to an issuer, a security holder that

(a) owns or controls 10% or more of any class of the issuer's voting securities, or

(b) is able to affect materially the control of the issuer, whether alone or by acting in concert with others;

"subsidiary entity" has the meaning set out in NI 52-110;

"U.S. marketplace" means an exchange registered as of the effective date of this Instrument as a 'national securities exchange' under section 6 of the 1934 Act, or the Nasdaq Stock Market; and

"venture issuer" means an issuer that, at the end of its most recently completed financial year, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by the PLUS Markets Group plc.

1.2 Meaning of Independence —

(1) For the purposes of this Instrument, a director is independent if he or she would be independent within the meaning of section 1.4 of NI 52-110.

(2) [Repealed]

1.3 Application —

This Instrument applies to a reporting issuer other than:

(a) an investment fund or issuer of asset-backed securities, as defined in NI 51-102;

(b) a designated foreign issuer or SEC foreign issuer, as defined in National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;

(c) an exchangeable security issuer or credit support issuer that is exempt under section 13.3 or 13.4 of NI 51-102, as applicable; and

(d) an issuer that is a subsidiary entity, if

(i) the issuer does not have equity securities, other than non-convertible, non-participating preferred securities, trading on a marketplace, and

(ii) the person or company that owns the issuer is

(A) subject to the requirements of this Instrument, or

(B) an issuer that has securities listed or quoted on a U.S. marketplace, and is in compliance with the corporate governance disclosure requirements of that U.S. marketplace.

PART 2 DISCLOSURE AND FILING REQUIREMENTS

2.1 Required Disclosure —

(1) If management of an issuer, other than a venture issuer, solicits a proxy from a security holder of the issuer for the purpose of electing directors to the issuer's board of directors, the issuer must include in its management information circular the disclosure required by Form 58-101F1.

(2) An issuer, other than a venture issuer, that does not send a management information circular to its security holders must provide the disclosure required by Form 58-101F1 in its AIF.

2.2 Venture Issuers —

(1) If management of a venture issuer solicits a proxy from a security holder of the venture issuer for the purpose of electing directors to the issuer's board of directors, the venture issuer must include in its management information circular the disclosure required by Form 58-101F2.

(2) A venture issuer that does not send a management information circular to its security holders must provide the disclosure required by Form 58-101F2 in its AIF or annual MD&A.

2.3 Filing of Code —

If an issuer has adopted or amended a written code, the issuer must file a copy of the code or amendment on SEDAR no later than the date on which the issuer's next financial statements must be filed, unless a copy of the code or amendment has been previously filed.

PART 3 EXEMPTIONS AND EFFECTIVE DATE

3.1 Exemptions —

(1) The securities regulatory authority or regulator may grant an exemption from this rule, in whole or in part, subject to any conditions or restrictions imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.

3.2 Effective Date —

(1) This Instrument comes into force on June 30, 2005.

(2) Despite subsection (1), sections 2.1 and 2.2 only apply to management information circulars, AIFs and annual MD&A, as the case may be, which are filed following an issuer's financial year ending on or after June 30, 2005.

Note: [31 Dec 2016] - The following is a consolidation of 58-101F1. It incorporates the amendments to this document that came into effect on October 31, 2011, December 31, 2016 and local amendments in all CSA jurisdictions other than Alberta, British Columbia and Prince Edward Island as described in Multilateral CSA Notice of Amendments dated October 15, 2014. This consolidation is provided for your convenience and should not be relied on as authoritative.

Form 58-101F1
Corporate Governance Disclosure

1. Board of Directors —

(a) Disclose the identity of directors who are independent.

(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.

(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the **board**) does to facilitate its exercise of independent judgement in carrying out its responsibilities.

(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.

(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.

(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.

2. Board Mandate —

Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.

3. Position Descriptions —

(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

(b) Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

4. Orientation and Continuing Education —

(a) Briefly describe what measures the board takes to orient new directors regarding

(i) the role of the board, its committees and its directors, and

(ii) the nature and operation of the issuer's business.

(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

5. Ethical Business Conduct —

(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:

(i) disclose how a person or company may obtain a copy of the code;

(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and

(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

(b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

6. Nomination of Directors —

(a) Describe the process by which the board identifies new candidates for board nomination.

(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.

(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

7. Compensation —

(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.

(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

(d) [Repealed]

8. Other Board Committees —

If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

9. Assessments —

Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

10. Director Term Limits and Other Mechanisms of Board Renewal (Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Québec, Saskatchewan and Yukon only) —

Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term

limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.

11. Policies Regarding the Representation of Women on the Board (Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Québec, Saskatchewan and Yukon only) —

(a) Disclosure whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.

(b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy:

(i) a short summary of its objectives and key provisions,

(ii) the measures taken to ensure that the policy has been effectively implemented,

(iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and

(iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.

12. Consideration of the Representation of Women in the Director Identification and Selection Process (Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Québec, Saskatchewan and Yukon only) —

Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.

13. Consideration Given to the Representation of Women in Executive Officer Appointments (Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Québec, Saskatchewan and Yukon only) —

Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.

14. Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions (Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Québec, Saskatchewan and Yukon only) —

(a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.

(b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.

(c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.

(d) If the issuer has adopted a target referred to in either (b) or (c), disclose:

(i) the target, and

(ii) the annual and cumulative progress of the issuer in achieving the target.

15. Number of Women on the Board and in Executive Officer Positions (Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Québec, Saskatchewan and Yukon only) —

(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.

(b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.

INSTRUCTION:

(1) This Form applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board, includes any equivalent characteristic of a non-corporate entity.

Income trust issuers must provide disclosure in a manner which recognizes that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. In the case of an income trust, references to "the issuer" refer to both the trust and any underlying entities, including the operating entity.

(2) If the disclosure required by Item 1 is included in a management information circular distributed to security holders of the issuer for the purpose of electing directors to the

issuer's board of directors, provide disclosure regarding the existing directors and any proposed directors.

(3) Disclosure regarding board committees made under Item 8 of this Form may include the existence and summary content of any committee charter.

(3.1) Issuers may incorporate disclosure regarding compensation made under Item 7 of this Form by reference to the information required to be included in Form 51-102F6 Statement of Executive Compensation. Clearly identify the information that is incorporated by reference into this Form.

(4) An issuer may disclose any additional information that is relevant in order to understand the context of the information disclosed by the issuer under Item 15(a) or (b) of this Form.

(5) An issuer may incorporate information required to be disclosed under Items 10 to 15 by reference to another document. The issuer must clearly identify the reference document or any excerpt of it that the issuer incorporates into the disclosure provided under Items 10 to 15. Unless the issuer has already filed the reference document or excerpt under its SEDAR profile, the issuer must file it at the same time as it files the document containing the disclosure required under this Form.

Form 58-101F2
Corporate Governance Disclosure
(Venture Issuers)

1. **Board of Directors** — Disclose how the board of directors (the board) facilitates its exercise of independent supervision over management, including

   (i) the identity of directors that are independent, and

   (ii) the identity of directors who are not independent, and the basis for that determination.

2. **Directorships** — If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

3. **Orientation and Continuing Education** — Describe what steps, if any, the board takes to orient new board members, and describe any measures the board takes to provide continuing education for directors.

4. **Ethical Business Conduct** — Describe what steps, if any, the board takes to encourage and promote a culture of ethical business conduct.

5. **Nomination of Directors** — Disclose what steps, if any, are taken to identify new candidates for board nomination, including:

   (i) who identifies new candidates, and

   (ii) the process of identifying new candidates.

6. **Compensation** — Disclose what steps, if any, are taken to determine compensation for the directors and CEO, including:

   (i) who determines compensation, and

   (ii) the process of determining compensation.

7. **Other Board Committees** — If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

8. **Assessments** — Disclose what steps, if any, that the board takes to satisfy itself that the board, its committees, and its individual directors are performing effectively.

INSTRUCTION:

(1) This form applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board, includes any equivalent characteristic of a non-corporate entity.

Income trust issuers must provide disclosure in a manner which recognizes that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. In the case of an income trust, references to "the issuer" refer to both the trust and any underlying entities, including the operating entity.

(2) If the disclosure required by Items 1 and 2 is included in a management information circular distributed to security holders of the issuer for the purpose of electing directors to the issuer's board of directors, provide disclosure regarding the existing directors and any proposed directors.

(3) Disclosure regarding board committees made under Item 7 of this Form may include the existence and summary content of any committee charter.

(3.1) Issuers may incorporate disclosure regarding compensation made under Item 6 of this Form by reference to the information required to be included in Form 51-102F6 Statement of Executive Compensation. Clearly identify the information that is incorporated by reference into this Form.

[Amended October 31, 2011]

National Policy 58-201
Corporate Governance Guidelines

Part 1 Purpose and Application

1.1 Purpose of this Policy — This Policy provides guidance on corporate governance practices which have been formulated to:

- achieve a balance between providing protection to investors and fostering fair and efficient capital markets and confidence in capital markets;
- be sensitive to the realities of the greater numbers of small companies and controlled companies in the Canadian corporate landscape;
- take into account the impact of corporate governance developments in the U.S. and around the world; and
- recognize that corporate governance is evolving.

The guidelines in this Policy are not intended to be prescriptive. We encourage issuers to consider the guidelines in developing their own corporate governance practices.

We do, however, understand that some parties have concerns about how this Policy and National Instrument 58-101 *Disclosure of Corporate Governance Practices* affect controlled companies. Accordingly, we intend, over the next year, to carefully consider these concerns in the context of a study to examine the governance of controlled companies. We will consult market participants in conducting the study. After completing the study, we will consider whether to change how this Policy and National Instrument 58-101 treat controlled companies.

1.2 Application — This Policy applies to all reporting issuers, other than investment funds. Consequently, it applies to both corporate and non-corporate entities. Reference to a particular corporate characteristic, such as a board of directors (the board), includes any equivalent characteristic of a non-corporate entity. For example, in the case of a limited partnership, we recommend that a majority of the directors of the general partner should be independent of the limited partnership (including the general partner).

Income trust issuers should, in applying these guidelines, recognize that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. For this

purpose, references to "the issuer" refer to both the trust and any underlying entities, including the operating entity.

Part 2 Meaning of Independence

2.1 Meaning of Independence — For the purposes of this Policy, a director is independent if he or she would be independent for the purposes of National Instrument 58-101 *Disclosure of Corporate Governance Practices.*

Part 3 Corporate Governance Guidelines

Composition of the Board

3.1 The board should have a majority of independent directors.

3.2 The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as "lead director". However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.

Meetings of Independent Directors

3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

Board Mandate

3.4 The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:

(a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;

(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;

(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;

(d) succession planning (including appointing, training and monitoring senior management);

(e) adopting a communication policy for the issuer;

(f) the issuer's internal control and management information systems; and

(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer. [1]

The written mandate of the board should also set out:

(i) measures for receiving feedback from stakeholders (*e.g.*, the board may wish to establish a process to permit stakeholders to directly contact the independent directors), and

(ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.

In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 *Disclosure Standards*.

For purposes of this Policy, "executive officer" has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*.

Position Descriptions

3.5 The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.

Orientation and Continuing Education

3.6 The board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer

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[1] Issuers may consider appointing a corporate governance committee to consider these issues. A corporate governance committee should have a majority of independent directors, with the remaining members being "non-management" directors.

expects from its directors). All new directors should also understand the nature and operation of the issuer's business.

3.7 The board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.

Code of Business Conduct and Ethics

3.8 The board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:

(a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;

(b) protection and proper use of corporate assets and opportunities;

(c) confidentiality of corporate information;

(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;

(e) compliance with laws, rules and regulations; and

(f) reporting of any illegal or unethical behaviour.

3.9 The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board (or a board committee) only.

Although issuers must exercise their own judgement in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a "material change" within the meaning of National Instrument 51-102 *Continuous Disclosure Obligations*. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things:

- the date of the departure(s),

- the party(ies) involved in the departure(s),
- the reason why the board has or has not sanctioned the departure(s), and
- any measures the board has taken to address or remedy the departure(s).

Nomination of Directors

3.10 The board should appoint a nominating committee composed entirely of independent directors.

3.11 The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members and subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.

3.12 Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:

(A) Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.

(B) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.

The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.

In carrying out each of these functions, the board should consider the advice and input of the nominating committee.

3.13 The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.

3.14 In making its recommendations, the nominating committee should consider:

(a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess;

(b) the competencies and skills that the board considers each existing director to possess; and

(c) the competencies and skills each new nominee will bring to the boardroom.

The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.

Compensation

3.15 The board should appoint a compensation committee composed entirely of independent directors.

3.16 The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.

3.17 The compensation committee should be responsible for:

(a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation;

(b) making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and

(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.

Regular Board Assessments

3.18 The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider

(a) in the case of the board or a board committee, its mandate or charter, and

(b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board.

National Instrument 54-101
Communication with Beneficial Owners of Securities of a Reporting Issuer

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National Instrument 54-101
Communication with Beneficial Owners
of Securities of a Reporting Issuer

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions - In this Instrument

"affairs" means the relationship among a reporting issuer, its affiliates, and their securityholders, partners, directors and officers, other than the business carried on by the reporting issuer;

"annual report" means an annual report of a reporting issuer that includes the audited annual financial statements of the reporting issuer, and any other document required by Canadian securities legislation to be included in or sent with an annual report;

"beneficial owner" means, for a security held by an intermediary in an account, the person or company that is identified as providing the instructions contained in a client response form or, if no instructions are provided, the person or company that has the authority to provide those instructions;

"beneficial ownership determination date" means, for a meeting,

(a) the record date for voting, or

(b) in the absence of a record date for voting, the record date for notice;

"business day" means a day other than a Saturday, Sunday or statutory holiday in the local jurisdiction;

"CDS" means the Canadian Depository for Securities Limited and any successor to its depository business;

"client" means a person or company on whose behalf an intermediary directly holds a security;

"client response form" means the form of response set out in Form 54-101F1;

"corporate law" means, for a reporting issuer, any legislation, constating instrument or agreement that governs the affairs of the reporting issuer;

"day" means a calendar day unless express reference is made to a business day;

"depository" means CDS and any other person or company recognized as a depository by the securities regulatory authority for the purpose of this Instrument;

"explanation to clients" means an explanation to clients set out in the form of Form 54-101F1;

"FINS" means Financial Institution Numbering System;

"intermediary" means, for a security, a person or company that, in connection with its business, holds the security on behalf of another person or company, and that is not

(a) a person or company that holds the security only as a custodian, and is not the registered securityholder of the security nor holding the security as a participant in a depository,

(b) a depository, or

(c) a beneficial owner of the security;

"intermediary master list" means a list of intermediaries that a depository maintains under section 5.1;

"intermediary search request" means the request referred to in section 2.3;

"meeting" means a meeting of securityholders of a reporting issuer;

"NOBO" means a non-objecting beneficial owner;

"NOBO list" means a non-objecting beneficial owner list;

"nominee" means a person or company that acts as a passive title-holder to hold securities and does not carry on business in its own right;

"non-objecting beneficial owner" means a beneficial owner of securities that

(a) has provided instructions to an intermediary holding the securities in an account on behalf of the beneficial owner that the beneficial owner does not object, for that account, to the intermediary disclosing ownership information about the beneficial owner under this Instrument, or

(b) is a non-objecting beneficial owner under subparagraph (i) or (ii) of paragraph 3.3(b);

"non-objecting beneficial owner list" means, for an intermediary, a list that includes ownership information concerning NOBOs on whose behalf the intermediary, or another intermediary holding directly or indirectly through the intermediary, holds securities and information regarding instructions from those NOBOs concerning receipt of securityholder materials and

(a) if prepared in non-electronic form, is in a clear and readable format and contains the information referred to in paragraph (b), or

(b) if prepared in electronic form, is prepared in the form of, and contains the information prescribed in, Form 54-101F5;

"notice-and-access" means

(a) in respect of registered holders of voting securities of a reporting issuer, the delivery procedures referred to in section 9.1.1 of National Instrument 51-102 *Continuous Disclosure Obligations*, or

(b) in respect of beneficial owners of securities of a reporting issuer, the delivery procedures referred to in section 2.7.1;

"notification of meeting and record dates" means the notification referred to in section 2.2;

"NP41" means National Policy Statement No. 41;

"objecting beneficial owner" means a beneficial owner of securities that

(a) has provided instructions to an intermediary holding the securities in an account on behalf of the beneficial owner that the beneficial owner objects, for that account, to the intermediary disclosing ownership information about the beneficial owner under this Instrument, or

(b) is an objecting beneficial owner under subparagraph (iii) of paragraph 3.3(b);

"OBO" means an objecting beneficial owner;

"omnibus proxy" means, for a meeting,

(a) for a depository, a proxy in the form of Form 54-101F3, and

(b) for an intermediary, a proxy in the form of Form 54-101F4;

"ownership information" means, for a beneficial owner of securities that holds the securities through an intermediary in an account of the intermediary, the beneficial owner's name, address, holdings of the securities in the account, preferred language of communication, if known, the electronic mail address of the beneficial owner, and whether the beneficial owner has given to the intermediary a currently valid consent to the electronic delivery of documents from the intermediary;

"participant in a depository" means a person or company for whom a depository maintains an account in which entries may be made to effect a transfer or pledge of a security;

"preferred language of communication" means either the English language or the French language;

"proximate intermediary" means, for a security,

(a) a participant in a depository holding the security, or

(b) an intermediary that is the registered holder of the security;

"proxy-related materials" means securityholder material relating to a meeting that the reporting issuer is required under corporate law or securities legislation to send to the registered holders or beneficial owners of the securities;

"record date for notice" means, for a meeting, the date established in accordance with corporate law for the determination of the registered holders of securities that are entitled to receive notice of the meeting;

"record date for voting" means, for a meeting, the date, if any, established in accordance with corporate law for the determination of the registered holders of securities that are entitled to vote at the meeting;

"registered holder" means, for a security, the person or company shown as the holder of the security on the books or records of the reporting issuer;

"request for beneficial ownership information" means, for a security, a request for beneficial ownership information in the form of Form 54-101F2 sent by a reporting issuer to a proximate intermediary holding the security;

"SEC issuer" means an issuer that

(a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, and

(b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America, as amended;

"security" means a security of a reporting issuer;

"securityholder" means, for a security, the registered holder of the security, the beneficial owner of the security, or both, depending upon the context;

"securityholder materials" means, for a reporting issuer, materials that are sent to registered holders or beneficial owners of securities of the reporting issuer;

"send" means to deliver, send or forward or arrange to deliver, send or forward in any manner, including by prepaid mail, courier or by electronic means; and

"special resolution" for a meeting,

(a) has the same meaning given to the term "special resolution" under corporate law, or

(b) if no such term exists under corporate law, means a resolution that is required to be passed by at least two-thirds of the votes cast;

"special meeting" means a meeting at which a special resolution is being submitted to the securityholders of a reporting issuer;

"stratification", in relation to a reporting issuer using notice-and-access, means procedures whereby a paper copy of the information circular and, if

applicable, the documents in paragraph 2.7.1 (2) (b), are included with either or both of the following:

(a) the documents required to be sent to registered holders under subsection 9.1 (1) of National Instrument 51-102 *Continuous Disclosure Obligations*;

(b) the documents required to be sent to beneficial owners under subsection 2.7.1 (1);

"transfer agent" means a person or company that carries on the business of a transfer agent.

1.2 **Holding of Security by Intermediary** - In this Instrument, an intermediary is considered to hold a security if the security is held

(a) by the intermediary directly; or

(b) by the intermediary indirectly through another person or company on behalf of the intermediary.

1.3 **Use of Required Forms**

(1) A person or company required to send or use a required form or document under a provision of this Instrument may substitute for that form or document another form or document, or combine the required form or document with another form or document, if the substituted or combined form or document requests or includes the same information contemplated by the form or document that is otherwise required.

(2) Subsection (1) does not apply to a NOBO list in the form of Form 54-101F5 unless both the party requesting and the party providing the NOBO list agree to an alternative form.

1.4 **Fees** - A fee payable under this Instrument shall be, unless prescribed by the regulator or securities regulatory authority, a reasonable amount.

PART 2 REPORTING ISSUERS

2.1 **Establishment of Meeting and Record Dates** - A reporting issuer that is required to give notice of a meeting to the registered holders of any of its securities shall fix

(a) a date for the meeting;

(b) a record date for notice of the meeting, which shall be no fewer than 30 and no more than 60 days before the meeting date; and

(c) if required or permitted by corporate law, a record date for voting at the meeting.

2.2 Notification of Meeting and Record Dates

(1) Subject to section 2.20, at least 25 days before the record date for notice of a meeting, the reporting issuer shall send a notification of meeting and record dates to

(a) all depositories;

(b) the securities regulatory authority; and

(c) each exchange in Canada on which securities of the reporting issuer are listed.

(2) The notification of meeting and record dates referred to in subsection (1) shall specify

(a) the name of the reporting issuer;

(b) the date fixed for the meeting;

(c) the record date for notice;

(d) the record date for voting, if any;

(e) the beneficial ownership determination date;

(f) the classes or series of securities that entitle the holder to receive notice of the meeting;

(g) the classes or series of securities that entitle the holder to vote at the meeting;

(h) whether the meeting is a special meeting;

(i) whether the reporting issuer is sending proxy-related materials to registered holders or beneficial owners using notice-and-access and, if stratification will be used, the types of registered holders or beneficial owners who will receive paper copies of the information circular or other proxy-related materials;

(j) whether the reporting issuer is sending the proxy-related materials directly to NOBOs; and

(k) whether the reporting issuer intends to pay for a proximate intermediary to send the proxy-related materials to OBOs.

2.3 Intermediary Search Request - Request to Depository

(1) At the same time as a reporting issuer sends a notification of meeting and record dates for a meeting to a depository, the reporting issuer shall request the depository to send to the reporting issuer

(a) subject to section 2.4, a report that specifies the number of securities of the reporting issuer of each class or series that entitle the holder to receive notice of the meeting or to vote at the meeting that are currently registered in the name of the depository, the identity of any other person or company that holds securities of the reporting issuer of the series or class specified in the request on behalf of the depository and the number of those securities held by that other person or company;

(b) subject to section 2.4, a list of all intermediaries and their nominees shown on the intermediary master list;

(c) subject to section 2.4, a list setting out the names, addresses, telephone numbers, fax numbers, any electronic mail addresses and the respective holdings of participants in the depository of each class or series of securities that entitle the holder to receive notice of the meeting or to vote at the meeting; and

(d) the omnibus proxy required to be sent under subsection 5.4(1).

(2) In addition to the request referred to in subsection (1), a reporting issuer may request, at any time, a depository to send any or all of the information referred to in subsection (1), other than paragraph (1)(d), for any class or series of securities of the reporting issuer, and as of a date, specified in the request.

2.4 **No Intermediary Search Request if Reporting Issuer has Electronic Access** - A reporting issuer shall not request from the depository information referred to in paragraph 2.3(1)(a), 2.3(1)(b) or 2.3(1)(c) if the information is included on a file maintained by the depository in electronic format and the reporting issuer has access to the file.

2.5 **Request for Beneficial Ownership Information**

(1) Subject to section 2.20, at least 20 days before the record date for notice of a meeting, the reporting issuer, using information, including the intermediary master lists, provided by depositories under section 5.3 or referred to in section 2.4, shall complete Part 1 of a request for beneficial ownership information and send it to each proximate intermediary that is

(a) identified by a depository as a participant in the depository holding securities that entitle the holder to receive notice of the meeting or to vote at the meeting; or

(b) listed as an intermediary on the intermediary master list provided by a depository where the intermediary, or a nominee of the intermediary that is identified on the intermediary master list, is a registered holder of securities that entitle the holder to receive notice of the meeting or to vote at the meeting.

(2) In addition to making the request referred to in subsection (1) in connection with a meeting, a reporting issuer, using information, including the intermediary master lists, provided by depositories under section 5.3 or referred to in section 2.4, may make, for any class or series of securities of the reporting issuer, at any time, a request for beneficial ownership information by completing Part 1 of a request for beneficial ownership information and sending it to any proximate intermediary that is

(a) identified by a depository as a participant in the depository holding the securities; or

(b) listed as an intermediary on the intermediary master list provided by a depository where the intermediary, or a nominee of the intermediary that is identified on the intermediary master list, is a registered holder of the securities.

(3) A reporting issuer that makes a request for beneficial ownership information under either subsection (1) or subsection (2) that includes a request for NOBO lists shall provide a written undertaking to the proximate intermediary in the form of Form 54-101F9.

(4) A reporting issuer that requests beneficial ownership information under this section must do so through a transfer agent.

(5) Despite subsection (4), a reporting issuer may request beneficial ownership information without using a transfer agent for the sole purpose of obtaining a NOBO list if the reporting issuer has provided an undertaking using Form 54-101F9.

2.6 **No Depositories or Intermediaries are Registered Holders** - A reporting issuer is not subject to section 2.3 or 2.5 if, on the 25th day before the record date for notice of the meeting,

(a) none of the registered holders of its securities is a depository, a nominee of a depository, or a person or company listed as an intermediary or the nominee of an intermediary on the intermediary master list of any depository; or

(b) all of the information contemplated in Part 2 of the request for beneficial ownership information is known to the reporting issuer.

2.7 **Sending Proxy-Related Materials to Beneficial Owners** - A reporting issuer that is required by Canadian securities legislation to send proxy-related materials to the registered holders of any class or series of its securities shall, subject to section 2.10 and subsection 2.12(3) send the proxy-related materials to beneficial owners of the securities, by either sending

(a) directly to NOBOs, and indirectly under section 2.12 to OBOs; or

(b) indirectly under section 2.12 to beneficial owners.

2.7.1 Notice-and-Access

(1) A reporting issuer that is not an investment fund may use notice-and-access to send proxy-related materials relating to a meeting to a beneficial owner of its securities if all of the following apply:

(a) the beneficial owner is sent a notice that contains the following information and no other information:

(i) the date, time and location of the meeting for which the proxy-related materials are being sent;

(ii) a description of each matter or group of related matters identified in the form of proxy to be voted on, unless that information is already included in a Form 54-101F6 or Form 54-101F7 as applicable, that is being sent to the beneficial owner under paragraph (b);

(iii) the website addresses for SEDAR and the non-SEDAR website where the proxy-related materials are posted;

(iv) a reminder to review the information circular before voting;

(v) an explanation of how to obtain a paper copy of the information circular and, if applicable, the documents in paragraph (2)(b) from the reporting issuer;

(vi) a plain-language explanation of notice-and-access that includes the following information:

(A) if the reporting issuer is using stratification, a list of the types of registered holders or beneficial owners who will receive paper copies of the information circular, and if applicable, the documents in paragraph (2)(b);

(B) the estimated date and time by which a request for a paper copy of the information circular and, if applicable, the documents in

paragraph (2)(b), is to be received in order for the requester to receive the paper copy in advance of any deadline for the submission of voting instructions and the date of the meeting;

(C) an explanation of how the beneficial owner is to return voting instructions, including any deadline for return of those instructions;

(D) the sections of the information circular where disclosure regarding each matter or group of related matters identified in the notice can be found;

(E) a toll-free telephone number the beneficial owner can call to get information about notice-and-access;

(b) using the procedures referred to in section 2.9 or 2.12, as applicable, the beneficial owner is sent, by prepaid mail, courier or the equivalent, the notice required by paragraph (a) and a Form 54-101F6 or Form 54-101F7, as applicable;

(c) the reporting issuer files on SEDAR the notification of meeting and record dates on the same date that it sends the notification under subsection 2.2(1);

(d) public electronic access to the information circular and the notice in paragraph (a) is provided on or before the date that the reporting issuer sends the notice in paragraph (a) to beneficial owners, in the following manner:

(i) the documents are filed on SEDAR;

(ii) the documents are posted until the date that is one year from the date that the documents are posted, on a website other than the website for SEDAR;

(e) a toll-free telephone number is provided for use by the beneficial owner to request a paper copy of the information circular and, if applicable, the documents in paragraph (2)(b), at any time from the date that the reporting issuer sends the notice in paragraph (a) to the beneficial owner up

to and including the date of the meeting, including any adjournment;

(f) if a request for a paper copy of the information circular and, if applicable, the documents in paragraph (2)(b), is received at the toll-free telephone number provided under paragraph (e) or by any other means, a paper copy of any such document requested is sent free of charge by the reporting issuer to the requester at the address specified in the request in the following manner:

(i) in the case of a request received prior to the date of the meeting, within 3 business days after receiving the request, by first class mail, courier or the equivalent;

(ii) in the case of a request received on or after the date of the meeting, and within one year of the information circular being filed, within 10 calendar days after receiving the request, by prepaid mail, courier or the equivalent.

(2) Unless an information circular is included with the proxy-related materials, a reporting issuer that sends proxy-related materials to a beneficial owner of its securities using notice-and-access must not include with the proxy-related materials any information or document that relates to the particulars of any matter to be submitted to the meeting, except for the following:

(a) the information required to be included in the notice under paragraph (1)(a);

(b) financial statements of the reporting issuer to be approved at the meeting, and MD&A related to those financial statements, which may be part of an annual report.

2.7.2 **Notice in Advance of First Use of Notice-and-Access** – Despite paragraph 2.7.1(1)(c) and subsection 2.20(a.1), the first time that a reporting issuer uses notice-and-access to send proxy-related materials to a beneficial owner of its securities, the reporting issuer must file on SEDAR the notification of meeting and record dates at least 25 days before the record date for notice.

2.7.3 Restrictions on Information Gathering

(1) A reporting issuer that receives a request for a paper copy of the information circular or other documents referred to in paragraph 2.7.1(1)(e) using the toll-free telephone number or by any other means must not do any of the following:

(a) ask for any information about the requester, other than the name and address to which the information circular and, if applicable, the documents in paragraph 2.7.1(2)(b), are to be sent;

(b) disclose or use the name or address of the requester for any purpose other than sending the information circular and, if applicable, the documents in paragraph 2.7.1(2)(b).

(2) A reporting issuer that posts proxy-related materials pursuant to subparagraph 2.7.1(1)(d)(ii) must not collect information that can be used to identify a person or company who has accessed the website address where the proxy-related materials are posted.

2.7.4 Posting materials on non-SEDAR website

(1) A reporting issuer that posts proxy-related materials in the manner referred to in subparagraph 2.7.1(1)(d)(ii) must also post on the website the following documents:

(a) any disclosure material regarding the meeting that the reporting issuer has sent to registered holders or beneficial owners of its securities;

(b) any written communications the reporting issuer has made available to the public regarding each matter or group of matters to be voted on at the meeting, whether or not they were sent to registered holders or beneficial owners of its securities.

(2) Proxy-related materials that are posted under subparagraph 2.7.1(1)(d)(ii) must be posted in a manner and be in a format that permit an individual with a reasonable level of computer skill and knowledge to do all of the following easily:

(a) access, read and search the documents on the website;

(b) download and print the documents.

2.7.5 Consent to Other Delivery Methods – For greater certainty, section 2.7.1 does not

(a) prevent a beneficial owner from consenting to a reporting issuer, an intermediary or another person or company's use of other delivery methods to send proxy-related materials,

(b) terminate or modify a consent that a beneficial owner of voting securities previously gave to a reporting issuer, an intermediary or another person or company regarding the use of other delivery methods to send proxy-related materials, or

(c) prevent a reporting issuer, an intermediary or another person or company from sending proxy-related materials using a delivery method to which a beneficial owner has consented prior to February 11, 2013.

2.7.6 Instructions to Receive Paper Copies

(1) Despite section 2.7.1, an intermediary may obtain standing instructions from a beneficial owner that is a client of the intermediary that a paper copy of the information circular and, if applicable, the documents in paragraph 2.7.1(2)(b), be sent to the beneficial owner in all cases when a reporting issuer uses notice-and-access.

(2) If an intermediary has obtained standing instructions from a beneficial owner under subsection (1), the intermediary must do all of the following:

(a) if the reporting issuer is sending proxy-related materials directly under section 2.9, indicate in the NOBO list provided to the reporting issuer those NOBOs who have provided standing instructions under subsection (1) as at the date the NOBO list is generated;

(b) if the intermediary is sending proxy-related materials to a beneficial owner on behalf of a reporting issuer using notice-and-access, request appropriate quantities of paper copies of the information circular and, if applicable, the documents in paragraph 2.7.1(2)(b), from the reporting

issuer for forwarding to beneficial owners who have provided standing instructions to be sent paper copies;

(c) include with the proxy-related materials a description, or otherwise inform the beneficial owner of, the means by which the beneficial owner may revoke the beneficial owner's standing instructions.

2.7.7 Application to Non-Management Solicitations

(1) A person or company other than management of a reporting issuer that is required by law to send materials to registered holders or beneficial owners of securities in connection with a meeting may use notice-and-access to send the materials.

(2) Section 2.7.1, other than paragraph (1)(c), and sections 2.7.3, 2.7.4 and 2.7.5 apply to a person or company in subsection (1) as if the person or company were a reporting issuer.

(3) Paragraph 2.7.1(1)(c) and section 2.7.8 apply to a person or company referred to in subsection (1) only if the person or company has requisitioned a meeting.

2.7.8 Record Date for Notice – Despite subsection 2.1(b), a reporting issuer that uses notice-and-access must set a record date for notice that is no fewer than 40 days before the date of the meeting.

2.8 Other Securityholder Materials - A reporting issuer may, but is not required to, send securityholder materials other than proxy-related materials to beneficial owners of its securities, by either sending

(a) directly to NOBOs, and indirectly under section 2.12 to OBOs; or

(b) indirectly under section 2.12 to beneficial owners.

2.9 Direct Sending of Proxy-Related Materials to NOBOs by A Reporting Issuer

(1) A reporting issuer that has stated in its request for beneficial ownership information sent in connection with a meeting, that it will send proxy-related materials to, and seek voting instructions from, NOBOs must send at its own expense the proxy-related materials for the meeting directly to the NOBOs on the NOBO lists received in response to the request.

(2) A reporting issuer that sends by prepaid mail, courier or the equivalent, paper copies of proxy-related materials directly to a NOBO must send the proxy-related materials at least 21 days before the date of the meeting.

(3) A reporting issuer that sends proxy-related materials directly to a NOBO using notice-and-access must send the notice required by paragraph 2.7.1(1)(a) and, if applicable, any paper copies of information circulars and documents in paragraph 2.7.1(2)(b), at least 30 days before the date of the meeting.

2.10 **Sending Securityholder Materials Against Instructions** - Except as required by securities legislation, and despite subsection 2.9(1), no reporting issuer that uses a NOBO list to send securityholder materials directly to NOBOs on the NOBO list shall send the securityholder materials to NOBOs that are identified on the NOBO list as having declined to receive those materials unless the reporting issuer has specified in the request for beneficial ownership information sent under section 2.5 in connection with the sending of materials that the securityholder materials will be sent to all beneficial owners of securities.

2.11 **Disclose How Information Obtained**

(1) A reporting issuer that uses a NOBO list to send securityholder materials directly to NOBOs on the NOBO list shall include in the materials the following statement:

> *These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.*

(2) A reporting issuer that uses a NOBO list to send proxy-related materials that solicit votes or voting instructions directly to a NOBO on the NOBO list shall include, after the text required by subsection (1), the following statement:

By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

2.12 Indirect Sending of Securityholder Materials by A Reporting Issuer

(1) A reporting issuer sending securityholder materials indirectly to beneficial owners must send to each proximate intermediary that responded to the applicable request for beneficial ownership information the number of sets of those materials specified by that proximate intermediary for sending to beneficial owners.

(2) A reporting issuer that sends proxy-related materials indirectly to a beneficial owner by having the proximate intermediary send the proxy-related materials by prepaid mail must send the proxy-related materials to the proximate intermediary

(a) at least 3 business days before the 21st day before the date of the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary by first class mail, courier or the equivalent, or

(b) at least 4 business days before the 21st day before the date of the meeting, in the case of proxy-related materials that are to be sent using any other type of prepaid mail.

(3) A reporting issuer that sends proxy-related materials indirectly to a beneficial owner using notice-and-access must send the notice required by paragraph 2.7.1(1)(a) and, if applicable, any paper copies of information circulars and documents in paragraph 2.7.1(2)(b), to the proximate intermediary

(a) at least 3 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent on by the proximate intermediary by first class mail, courier or the equivalent, or

(b) at least 4 business days before the 30th day before the date of the meeting, in the case of proxy-related materials that are to be sent using any other type of prepaid mail.

(4) A reporting issuer that sends securityholder materials that are not proxy-related materials indirectly to beneficial owners must send the securityholder materials to the intermediary on the date specified in the request for beneficial ownership information.

(5) Despite section 2.9, a reporting issuer must not send securityholder materials directly to a NOBO if a proximate intermediary in a foreign jurisdiction holds securities on behalf of the NOBO and one or both of the following applies:

(a) the law of the foreign jurisdiction does not permit the reporting issuer to send securityholder materials directly to NOBOs;

(b) the proximate intermediary has stated in a response to a request for beneficial ownership information that the law in the foreign jurisdiction requires the proximate intermediary to deliver securityholder materials to beneficial owners.

2.13 **Fee for Search** - A reporting issuer shall pay a fee to a proximate intermediary for furnishing the information requested in a request for beneficial ownership information made by the reporting issuer.

2.14 **Fee for Sending Materials Indirectly**

(1) A reporting issuer that sends securityholder materials indirectly to NOBOs through a proximate intermediary shall pay to the proximate intermediary, upon receipt by the reporting issuer of a certificate of sending to NOBOs in accordance with the instructions specified by the reporting issuer in the request for beneficial ownership information

(a) a fee for sending the securityholder materials to the NOBOs;

(b) the actual cost of any postage incurred by the proximate intermediary in sending the securityholder materials to the NOBOs in accordance with any mailing instructions specified by the reporting issuer in the request for beneficial ownership information; and

(c) if the securityholder materials were sent by mail other than first class mail in accordance with the mailing instructions specified by the reporting issuer in the request for beneficial ownership information, the reasonable additional handling

costs associated with the preparation by the proximate intermediary of the securityholder materials for mailing to NOBOs.

(2) A reporting issuer that sends securityholder materials, indirectly through a proximate intermediary, to OBOs that have declined in accordance with this Instrument to receive those materials, shall pay to the proximate intermediary, upon receipt by the reporting issuer of a certificate of sending to OBOs in accordance with the instructions specified by the reporting issuer in the request for beneficial information

(a) a fee for sending the securityholder materials to the OBOs;

(b) the actual cost of any postage incurred by the proximate intermediary in sending the securityholder materials to the OBOs in accordance with any mailing instructions specified by the reporting issuer in the request for beneficial ownership information; and

(c) if the securityholder materials were sent by mail other than first class mail in accordance with the mailing instructions specified by the reporting issuer in the request for beneficial information, the reasonable additional handling costs associated with the preparation by the proximate intermediary of the securityholder materials for mailing to OBOs.

2.15 **Adjournment or Change in Meeting** - A reporting issuer that sends a notice of adjournment or other change for a meeting to registered holders of its securities shall concurrently send the notice, including any change in the beneficial ownership determination date,

(a) to each of the persons or companies referred to in subsection 2.2(1);

(b) to each proximate intermediary to which the reporting issuer sent a request for beneficial ownership information for the meeting under subsection 2.5(1);

(c) directly, in accordance with section 2.9, other than the timing requirement of that section, to each of the NOBOs to which it previously directly sent proxy-related materials for the meeting under section 2.9; and

(d) indirectly, in accordance with section 2.12, other than the timing requirement of that section, to each of the NOBOs and OBOs to which it previously indirectly sent proxy-related materials for the meeting under section 2.12.

2.16 Explanation of Voting Rights

(1) If a reporting issuer sends proxy-related materials for a meeting to a beneficial owner of its securities, the materials must explain, in plain language, how the beneficial owner can exercise voting rights attached to the securities, including an explanation of how to attend and vote the securities directly at the meeting.

(2) Management of a reporting issuer must provide the following disclosure in the information circular:

(a) whether the reporting issuer is sending proxy-related materials to registered holders or beneficial owners using notice-and-access, and if stratification will be used, the types of registered holders or beneficial owners who will receive paper copies of the information circular and, if applicable, the documents in paragraph 2.7.1(2)(b);

(b) whether the reporting issuer is sending proxy-related materials directly to NOBOs;

(c) whether the reporting issuer intends to pay for an intermediary to deliver to OBOs the proxy-related materials and Form 54-101F7, and if the reporting issuer does not intend to pay for such delivery, a statement that OBOs will not receive the materials unless their intermediary assumes the costs of delivery.

2.17 Voting Instruction Form (Form 54-101F6) - A reporting issuer that sends proxy-related materials directly to a NOBO that solicit votes or voting instructions from securityholders must include with the proxy-related materials a Form 54-101F6.

2.18 Appointing Beneficial Owner as Proxy Holder

(1) A reporting issuer whose management holds a proxy in respect of securities beneficially owned by a NOBO must arrange, without expense to the NOBO, to appoint the NOBO or a nominee of the NOBO as a proxy holder in respect of those securities if the NOBO

has instructed the reporting issuer to do so using either of the following methods:

(a) the NOBO filled in and submitted the Form 54-101F6 previously sent to the NOBO by the reporting issuer;

(b) the NOBO submitted any other document in writing that requests that the NOBO or a nominee of the NOBO be appointed as a proxyholder.

(2) If management appoints a NOBO or a nominee of the NOBO as a proxy holder under subsection (1), the NOBO or nominee of the NOBO, as applicable, must be given authority to attend, vote and otherwise act for and on behalf of management of the reporting issuer in respect of all matters that may come before the applicable meeting and at any adjournment or continuance, unless corporate law prohibits the giving of that authority.

(3) A reporting issuer who appoints a NOBO as a proxy holder pursuant to subsection (1) must deposit the proxy within any time specified for the deposit in the information circular if the reporting issuer obtains the instructions under subsection (1) at least one business day before the termination of that time.

(4) If corporate law requires an intermediary or depository to appoint the NOBO or nominee of the NOBO as a proxy holder in respect of securities beneficially owned by the NOBO in accordance with any written voting instructions received from the NOBO, and the intermediary has received the written voting instructions, the reporting issuer must provide, upon request by the intermediary, confirmation of both of the following:

(a) management of the reporting issuer will comply with subsections 2.18(1) and (2);

(b) management of the reporting issuer is acting on behalf of the intermediary or depository to the extent it appoints the NOBO or nominee of the NOBO as proxy holder in respect of the securities of the reporting issuer beneficially owned by the NOBO.

(5) A confirmation provided under subsection (4) must identify the specific meeting to which the confirmation applies, but is not

required to specify each proxy appointment that management of the reporting issuer has made.

2.19 **Tabulation and Execution of Voting Instructions** - A reporting issuer shall

(a) tabulate the voting instructions received from NOBOs in response to a request for voting instructions referred to in section 2.17; and

(b) through the actions of management of the reporting issuer, execute the voting instructions as instructed by the NOBOs, to the extent that the management of the reporting issuer holds the corresponding proxy.

2.20 **Abridging Time** - A reporting issuer may abridge the time prescribed in subsections 2.1(b), 2.2(1) or 2.5(1) if the reporting issuer

(a) arranges to have proxy-related materials for the meeting sent in compliance with the applicable timing requirements in sections 2.9 and 2.12;

(a.1) if the reporting issuer uses notice-and-access, fixes the record date for notice to be at least 40 days before the date of the meeting and sends the notification of meeting and record dates under section 2.2 at least 3 business days before the record date for notice;

(b) arranges to have carried out all of the requirements of this Instrument in addition to those described in subparagraph (a); and

(c) files at the time it files the proxy-related materials, a certificate of one of its officers reporting that it made the arrangements described in paragraphs (a) and (b) and that the reporting issuer is relying upon this section.

PART 3 INTERMEDIARIES' OBLIGATIONS CONCERNING THE OBTAINING OF BENEFICIAL OWNER INSTRUCTIONS

3.1 **Intermediary Information to Depository**

(1) Before a person or company acts as an intermediary, the person or company shall send the following information to each depository:

(a) the intermediary's name and address;

(b) the name and address of each nominee of the intermediary in whose name the intermediary holds securities on behalf of beneficial owners; and

(c) the name, address, telephone number, fax number and any electronic mail address of a representative of the intermediary.

(2) A person or company that is an intermediary on the date of the coming into force of this Instrument shall, on that date, send to each depository the information referred to in subsection (1), unless it has already done so.

(3) An intermediary shall send notice to each depository of a change in the information contained in a notice given under this section within five business days after the change.

3.2 **Instructions from New Clients** - Subject to section 3.4, an intermediary that opens an account for a client shall,

(a) as part of its procedures to open the account, send to the client an explanation to clients and a client response form; and

(b) before the intermediary holds securities on behalf of the client in the account

(i) obtain instructions from the client on the matters to which the client response form pertains;

(ii) obtain the electronic mail address of the client, if available; and

(iii) if applicable, enquire whether the client wishes to consent and, if so, obtain the consent of the client, to electronic delivery of documents by the intermediary to the client.

3.3 **Transitional - Instructions from Existing Clients** - An intermediary that holds securities on behalf of a client in an account that was opened before the coming into force of this Instrument

(a) may seek new instructions from its client in relation to the matters to which the client response form pertains; and

(b) in the absence of new instructions from the client, shall rely on the instructions previously given or deemed to have been given by the client under NP41 in respect of that account, on the following basis:

(i) If the client chose to permit the intermediary to disclose the client's name and security holdings to the issuer of the security or other sender of material, the client is a NOBO under this Instrument;

(ii) If the client was deemed to have permitted the intermediary to disclose the client's name and security holdings to the issuer of the security or other sender of material, the intermediary may choose to treat the client as a NOBO under this Instrument;

(iii) If the client chose not to permit the intermediary to disclose the client's name and security holdings to the issuer of the security or other sender of material, the client is an OBO under this Instrument;

(iv) If the client chose not to receive material relating to annual or special meetings of securityholders or audited financial statements, the client is considered to have declined under this Instrument to receive:

(A) proxy-related materials that are sent in connection with a securityholder meeting;

(B) financial statements and annual reports that are not part of proxy-related materials; and

(C) materials sent to securityholders that are not required by corporate or securities law to be sent to registered securityholders;

(v) If the intermediary was permitted not to provide material relating to annual meetings of securityholders or audited financial statements, the client is considered to have declined under this Instrument to receive:

(A) proxy-related materials that are sent in connection with a securityholder meeting that is not a special meeting;

(B) financial statements and annual reports that are not part of proxy-related materials; and

(C) materials sent to securityholders that are not required by corporate or securities law to be sent to registered securityholders;

(vi) If the client chose to receive material relating to annual or special meetings of securityholders and audited financial statements, the client is considered to have chosen under this Instrument to receive all securityholder materials sent to beneficial owners of securities;

(vii) The client is considered to have chosen under this Instrument as the client's preferred language of communication the language that has been customarily used by the intermediary to communicate with the client.

3.4 **Amending Client Instructions** - A client may at any time change the instructions it has given or is deemed to have given in connection with any of the choices provided for in the client response form by advising the intermediary that holds securities on the client's behalf of the change.

3.5 **Application of Instructions to Accounts** - The instructions given to an intermediary by a beneficial owner under this Part apply in respect of all securities held by the beneficial owner in the account of the intermediary identified in the client response form.

PART 4 INTERMEDIARIES' OTHER OBLIGATIONS

4.1 **Request for Beneficial Ownership Information - Response**

(1) A proximate intermediary that receives a request for beneficial ownership information from a reporting issuer, that pertains to a meeting, shall send to the reporting issuer, through the transfer agent, or in the case of a NOBO list, a person or company described in subsection 2.5(5) that sent the request

(a) within three business days of receiving the request, the information referred to in Part 2 of the request for beneficial ownership information other than Item 7;

(b) if the request contains a request for a NOBO list, within three business days after the beneficial ownership determination date for the meeting specified in the request, the NOBO list and other information required in accordance with Item 7 of Part 2 of the request for beneficial ownership information as at the beneficial ownership determination date of the meeting; and

(c) within three business days after the beneficial ownership determination date for the meeting specified in the request, if the request stated that the reporting issuer will send proxy-related materials to, and seek voting instructions from, NOBOs, a form of omnibus proxy that appoints management of the reporting issuer as the proximate intermediary's proxy holder for the securities held, as of the beneficial ownership determination date, on behalf of each NOBO identified on the NOBO list, in respect of which the proximate intermediary is either the registered holder or proxy holder.

(2) A proximate intermediary that receives a request for beneficial ownership information from a reporting issuer that pertains to the sending of securityholder materials other than in connection with a meeting shall, within three business days of receiving the request, send to the reporting issuer, through the transfer agent of the reporting issuer that sent the request, the NOBO lists if applicable and the other information referred to in Part 2 of the request for beneficial ownership information.

(3) A proximate intermediary that receives a request for beneficial ownership information from a reporting issuer that contains a request for a NOBO list but does not pertain to a meeting or the sending of securityholder materials shall, within three business days of receiving the request, send to the reporting issuer, through the transfer agent of the reporting issuer that sent the request, the NOBO lists if applicable and the other information referred to in Part 2 of the request for beneficial ownership information.

(4) The response of a proximate intermediary to a reporting issuer given under this section shall be a consolidated response relating to all beneficial owners of each class and series of securities, specified in the request for beneficial ownership information, that hold, directly or indirectly, through the proximate intermediary.

(5) An intermediary holding securities, directly or indirectly, through a proximate intermediary, shall take all necessary steps to ensure that the proximate intermediary is provided with the information required to enable it to satisfy its obligations under this section within the times required by this section.

(6) An intermediary is not required under this Instrument to provide ownership information concerning an OBO to any person or company.

4.2 Sending of Securityholder Materials to Beneficial Owners by Intermediaries

(1) Subject to sections 4.3 and 4.7, a proximate intermediary that receives securityholder materials from a reporting issuer for sending to beneficial owners shall send

(a) one set of the materials to each OBO of the relevant securities that is a client of the proximate intermediary;

(b) one set of the materials to each NOBO of the relevant securities if the reporting issuer stated in the applicable request for beneficial ownership information, or otherwise advised the proximate intermediary, that the reporting issuer will send the materials to NOBOs indirectly through intermediaries; and

(c) appropriate quantities of materials to all intermediaries holding securities of the relevant class or series that are clients of the proximate intermediary, for sending by them under subsection (3).

(2) A proximate intermediary shall comply with subsection (1)

(a) within four business days after receipt in the case of securityholder materials to be sent by prepaid mail other than first class mail; and

(b) within three business days after receipt in the case of securityholder materials to be sent by any other means.

(3) An intermediary that receives securityholder materials from another intermediary under this section shall send, within one business day of receipt

(a) one set of the materials to each OBO that is a client of the intermediary; and

(b) appropriate quantities of the materials to all intermediaries holding securities of the relevant class or series that are clients of the intermediary for sending by them under this subsection.

(4) The persons or companies to whom securityholder materials are sent under this section shall be determined

(a) as at the beneficial ownership determination date, in the case of proxy-related materials; and

(b) as at the date specified in the relevant request for beneficial ownership information, in the case of securityholder materials not sent in connection with a meeting.

(5) An intermediary may satisfy its obligation to send securityholder materials to another intermediary under this section by sending the securityholder materials to a person or company designated by the other intermediary.

4.3 **Sending Securityholder Materials Against Instructions** - An intermediary that receives securityholder materials that are to be sent to a beneficial owner of securities shall not send the securityholder materials to the beneficial owner if the beneficial owner has declined in accordance with this Instrument to receive those materials unless the reporting issuer has specified in the request for beneficial ownership information sent under section 2.5 in connection with the sending of the securityholder materials that the securityholder materials shall be sent to all beneficial owners of securities.

4.4 **Voting Instruction Form (Form 54-101F7)** - An intermediary that forwards proxy-related materials to a beneficial owner that solicit votes or voting instructions from securityholders must include with the proxy-related materials a Form 54-101F7.

4.5 **Appointing Beneficial Owner as Proxy Holder**

(1) An intermediary who is the registered holder of, or holds a proxy in respect of, securities owned by a beneficial owner must arrange, without expense to the beneficial owner, to appoint the beneficial owner or a nominee of the beneficial owner as a proxy holder in

respect of those securities if the beneficial owner has instructed the intermediary to do so using either of the following methods:

(a) the beneficial owner filled in and submitted the Form 54-101F7 previously sent to the beneficial owner by the intermediary;

(b) the beneficial owner submitted any other document in writing that requests that the beneficial owner or a nominee of the beneficial owner be appointed as a proxy holder.

(2) If an intermediary appoints a beneficial owner or a nominee of the beneficial owner as a proxy holder under subsection (1), the beneficial owner or nominee of the beneficial owner, as applicable, must be given authority to attend, vote and otherwise act for and on behalf of the intermediary in respect of all matters that may come before the applicable meeting and at any adjournment or continuance, unless corporate law does not permit the giving of that authority.

(3) An intermediary who appoints a beneficial owner as proxy holder pursuant to subsection (1) must deposit the proxy within any time specified for deposit in the information circular if the intermediary obtains the instructions under subsection (1) at least one business day before the termination of that time.

4.6 **Tabulation and Execution of Voting Instructions** - An intermediary shall

(a) tabulate voting instructions received from beneficial owners of securities in response to a request for voting instructions sent by the intermediary under section 4.4; and

(b) for each beneficial owner, execute the voting instructions received from the beneficial owner to the extent that the intermediary holds a proxy directly given by the registered holder, or indirectly given by the registered holder through one or more other proxy holders, in respect of the securities held by the intermediary for the beneficial owner.

4.7 **Securities Legislation** - Despite any other provision of this Part, nothing in this Part requires a person or company to send securityholder materials to a beneficial owner if securities legislation specifically permits the person or company to decline to send those materials to the beneficial owner.

4.8 **Fees from Persons or Companies other than Reporting Issuers** – A proximate intermediary that receives securityholder materials from a person or company that is not a reporting issuer for sending to beneficial owners is not required to send the securityholder materials to any beneficial owners or intermediaries that are clients of the proximate intermediary unless the proximate intermediary receives reasonable assurance of payment for the delivery of the securityholder materials.

PART 5 DEPOSITORIES

5.1 **Intermediary Master List** - A depository shall maintain a current list of intermediaries containing the information received by the depository from intermediaries under section 3.1 and shall send a copy of that list to any new depository recognized under this Instrument.

5.2 **Index of Meeting and Record Dates**

(1) A depository shall maintain an index of pending meetings containing the information that it receives from reporting issuers under section 2.2.

(2) A depository shall arrange for the timely publication of the information it receives from a reporting issuer under section 2.2 in the national financial press and may charge the reporting issuer a publication fee in a reasonable amount for the publication.

5.3 **Depository Response to Intermediary Search Request by Reporting Issuer** - Within two business days of its receipt of an intermediary search request from a reporting issuer, a depository shall send to the reporting issuer a report, containing information that is as current as possible, that

(a) specifies the number of securities of the reporting issuer of the series or class specified in the request that are registered in the name of the depository, the identity of any other person or company that holds on behalf of the depository securities of the reporting issuer of the series or class specified in the request and the number of such securities held by that other person or company;

(b) specifies the names, addresses, telephone numbers, fax numbers, any electronic mail addresses and respective holdings of participants in the depository of securities of the series or class

specified in the request, on whose behalf the depository holds the securities; and

(c) contains a copy of the intermediary master list.

5.4 Depository to send Participant Omnibus Proxy to Reporting Issuer

(1) Within two business days after the beneficial ownership determination date specified in the notification of meeting and record dates referred to in section 2.2, the depository shall send to the reporting issuer an omnibus proxy, appointing each participant, on whose behalf, and to the extent that, the depository holds, as of the beneficial ownership determination date, securities that entitle the holder to vote at the meeting, as the depository's proxy holder in respect of the securities held by the depository on behalf of the participant.

(2) The depository shall send to each of the participants named in an omnibus proxy referred to in subsection (1), at the same time as the depository sends the omnibus proxy to the reporting issuer, confirmation of the proxy given by the depository.

(3) If corporate law requires a depository to appoint a beneficial owner or nominee of the beneficial owner as a proxy holder in respect of securities beneficially owned by the beneficial owner in accordance with any written voting instructions received from the beneficial owner, and the depository has received the written voting instructions, any participant described in subsection (1) must provide, upon request by the depository, confirmation of all of the following:

(a) the participant will comply with subsections 4.5(1) and (2);

(b) the participant is acting on behalf of the depository to the extent it appoints a beneficial owner or nominee of a beneficial owner as proxy holder in respect of the securities of the reporting issuer beneficially owned by the beneficial owner;

(c) if the participant is required to execute an omnibus proxy under section 4.1, that the participant will take reasonable steps to request the confirmation set out in subsection 2.18(4).

(4) A confirmation provided under subsection (3) must identify the specific securityholder meeting to which the confirmation applies, but is not required to specify each proxy appointment that the participant has made.

PART 6 OTHER PERSONS OR COMPANIES

6.1 Requests for NOBO Lists from a Reporting Issuer

(1) A person or company may request from a reporting issuer the most recently prepared NOBO list, for any proximate intermediary holding securities of the reporting issuer, that is in the reporting issuer's possession.

(2) A request for a NOBO list under this section shall be accompanied by an undertaking in the form of Form 54-101F9 of the person or company making the request.

(3) The person or company making a request under subsection (1) shall pay a fee to the reporting issuer for preparing the NOBO list for sending under this section.

(4) A reporting issuer shall send any NOBO list requested under this section, within ten days of receipt of both the request and the fee for preparing the list for sending under this section.

(5) A reporting issuer shall delete from any NOBO list sent under this section any reference to FINS numbers referred to in any form and any other information that would identify the intermediary through which a NOBO holds securities.

6.2 Other Rights and Obligations of Persons and Companies other than Reporting Issuers

(1) A person or company may take any action permitted under this Instrument to be taken by a reporting issuer and, in so doing, has all the rights, and is subject to all of the obligations, of a reporting issuer in connection with that action, unless this Instrument specifies a different right or obligation.

(2) In connection with actions taken under subsection (1) by a person or company other than the reporting issuer, references in this Instrument to a "reporting issuer" shall be read as references to

that person or company and all other persons and companies will have the same obligations under this Instrument to that person or company as they would have if the person or company were the reporting issuer.

(3) Subsections (1) and (2) do not apply to sections 2.1, 2.2, subsections 2.3(1) and 2.5(1), paragraphs 2.12(1) (a) and (b), sections 2.14 and 2.18, paragraph 4.1(1)(c), section 5.4.

(4) A person or company other than the reporting issuer to which the request relates that makes an intermediary search request under subsection 2.3(2) or a request for beneficial ownership information under subsection 2.5(2) shall concurrently send a copy of that request to the reporting issuer of the securities to which the request relates.

(5) A person or company other than the reporting issuer to which the request relates that makes an intermediary search request under subsection 2.3(2) or a request for beneficial ownership information under subsection 2.5(2) shall provide an undertaking in the form of Form 54-101F9.

(6) A person or company, other than the reporting issuer to which the request relates, that sends materials indirectly to beneficial owners must comply with the following:

(a) the person or company must pay to the proximate intermediary a fee for sending the securityholder materials to the beneficial owners;

(b) the person or company must provide an undertaking to the proximate intermediary in the form of Form 54-101F10.

PART 7 USE OF NOBO LIST AND INDIRECT SENDING OF MATERIALS

7.1 Use of NOBO List

(1) A reporting issuer may use a NOBO list, or a report prepared under section 5.3 relating to the reporting issuer and obtained under this Instrument, in connection with any matter relating to the affairs of the reporting issuer.

(2) A person or company that is not the reporting issuer must not use a NOBO list, or a report prepared under section 5.3 relating to the reporting issuer and obtained under this Instrument, in any manner other than any of the following:

(a) for sending securityholder materials directly to NOBOs in accordance with this Instrument;

(b) in respect of an effort to influence the voting of securityholders of the reporting issuer;

(c) in respect of an offer to acquire securities of the reporting issuer.

7.2 Sending of Materials

(1) A reporting issuer may send securityholder materials indirectly to beneficial owners of securities of the reporting issuer using the procedures in section 2.12, or directly to NOBOs of the reporting issuer using a NOBO list, in connection with any matter relating to the affairs of the reporting issuer.

(2) A person or company that is not the reporting issuer may send securityholder materials indirectly to beneficial owners of securities of the reporting issuer using the procedures in section 2.12, or directly to NOBOs of the reporting issuer using a NOBO list, only in connection with one or both of the following:

(a) an effort to influence the voting of securityholders of the reporting issuer;

(b) an offer to acquire securities of the reporting issuer.

PART 8 MISCELLANEOUS

8.1 Default of Party in Communication Chain - If a person or company fails to send information or materials in accordance with the requirements of this Instrument, the person or company whose required response or action under this Instrument is dependent upon receiving the information or materials shall use reasonable efforts to obtain the information or materials from the other person or company, and in so doing is exempt from the timing provisions of this Instrument in connection with the response or action to the extent that the delay arose from the failure of the other person or company.

8.2 **Right to Proxy** - Nothing in this Instrument shall be interpreted to restrict in any way

(a) a beneficial owner's right to demand and to receive from an intermediary holding securities on behalf of the beneficial owner a proxy enabling the beneficial owner to vote the securities; or

(b) the right of a depository or intermediary to vary an omnibus proxy in respect of securities to properly reflect a change in the registered or beneficial ownership of the securities.

PART 9 EXCEPTIONS AND EXEMPTIONS

9.1 **Audited Annual Financial Statements or Annual Report** - The time periods applicable to sending of proxy-related materials prescribed in this Instrument do not apply to the sending of proxy-related materials that are annual financial statements or an annual report if the statements or report are sent directly or indirectly in accordance with the Instrument to beneficial owners of the securities within the time limitations established in applicable corporate law and securities legislation for the sending of the statements or report to registered holders of the securities.

9.1.1 **Compliance with SEC Notice-and-Access Rules**

(1) Despite section 2.7, a reporting issuer that is an SEC issuer can send proxy-related materials to beneficial owners using a delivery method permitted under U.S. federal securities law, if all of the following apply:

(a) the SEC issuer is subject to, and complies with Rule 14a-16 under the 1934 Act;

(b) the SEC issuer has arranged with each intermediary through whom the beneficial owner holds its interest in the reporting issuer's securities to have each intermediary send the proxy-related materials to the beneficial owner by implementing the procedures under Rule 14b-1 or Rule 14b-2 of the 1934 Act that relate to the procedures in Rule 14a-16 under the 1934 Act;

(c) residents of Canada do not own, directly or indirectly, outstanding voting securities of the issuer carrying more

than 50 % of the votes for the election of directors, and none of the following apply:

(i) the majority of the executive officers or directors of the issuer are residents of Canada;

(ii) more than 50 % of the consolidated assets of the issuer are located in Canada;

(iii) the business of the issuer is administered principally in Canada.

(2) Part 4 does not apply to an intermediary with whom a reporting issuer has made arrangements under paragraph (1)(b) if the intermediary implements the procedures under Rule 14b-1 or Rule 14b-2 of the 1934 Act that relate to the procedures in Rule 14a-16 under the 1934 Act.

9.2 Exemptions

(1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the regulator may grant such an exemption.

PART 10 EFFECTIVE DATES AND TRANSITION

10.1 Effective Date of Instrument - This Instrument comes into force on July 1, 2002.

10.2 Transition - A reporting issuer that has filed a notice of a meeting and record date with the securities regulatory authority in accordance with the provisions of NP41 before the coming into force of this Instrument is, with respect to that meeting, exempt from the provisions of this Instrument if the reporting issuer complies with the provisions of NP41.

10.3 Sending of Proxy-Related Materials - Despite section 2.7, a reporting issuer sending proxy-related materials to beneficial owners of securities under section 2.7 for a meeting to be held before September 1, 2004 shall

send those materials only indirectly to the beneficial owners under section 2.12.

10.4 **NOBO Lists** - No person or company shall be obliged to furnish a NOBO list under this Instrument before September 1, 2002.

[Amended February 11, 2013]

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F1
EXPLANATION TO CLIENTS AND CLIENT RESPONSE FORM

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101.
The use of this Form is referenced in sections 1.1, 3.2, 3.3, 3.4 and 3.5 of National Instrument 54-101.

EXPLANATION TO CLIENTS

[Letterhead of Intermediary]

Based on your instructions, the securities in your account with us are not registered in your name but in our name or the name of another person or company holding your securities on our behalf. The issuers of the securities in your account may not know the identity of the beneficial owner of these securities.

We are required under securities law to obtain your instructions concerning various matters relating to your holding of securities in your account.

Disclosure of Beneficial Ownership Information

Securities law permits reporting issuers and other persons and companies to send materials related to the affairs of the reporting issuer directly to beneficial owners of the reporting issuer's securities if the beneficial owner does not object to having information about it disclosed to the reporting issuer or other persons and companies. Part 1 of the client response form allows you to tell us if you **OBJECT** to the disclosure by us to the reporting issuer or other persons or companies of your beneficial ownership information, consisting of your name, address, electronic mail address, securities holdings and preferred language of communication. Securities legislation restricts the use of your beneficial ownership information to matters relating to the affairs of the reporting issuer.

If you **DO NOT OBJECT** to the disclosure of your beneficial ownership information, please mark the first box in Part 1 of the form. In those circumstances, you will not be charged with any costs associated with sending securityholder materials to you.

If you **OBJECT** to the disclosure of your beneficial ownership information by us, please mark the second box in Part 1 of the form. If you do this, all materials to be delivered to you as a beneficial owner of securities will be delivered by us. *[**Instruction**: Disclose particulars of any fees or charges that the intermediary may require an objecting beneficial owner to pay in connection with the sending of securityholder materials.]*

Receiving Securityholder Materials

For securities that you hold through your account, you have the right to receive proxy-related materials sent by reporting issuers to registered holders of their securities in connection with meetings of such securityholders. Among other things, this permits you to receive the necessary information to allow you to have your securities voted in accordance with your instructions at a securityholder meeting. [***Optional**: Revise this paragraph, if appropriate, to state that objecting beneficial owners will not receive materials unless they or the relevant issuers bear the costs.*]

In addition, reporting issuers may choose to send other securityholder materials to beneficial owners, although they are not obliged to do so.

Securities law permits you to decline to receive securityholder materials. The three types of materials that you may decline to receive are:

(a) proxy-related materials, including annual reports and financial statements, that are sent in connection with a securityholder meeting;

(b) annual reports and financial statements that are not part of proxy-related materials; and

(c) materials that a reporting issuer or other person or company sends to securityholders that are not required by corporate or securities law to be sent to registered holders.

Part 2 of the client response form allows you to receive all materials sent to beneficial owners of securities or to decline to receive the three types of materials referred to above.

If you want to receive **ALL** materials that are sent to beneficial owners of securities, please mark the first box on Part 2 of the enclosed client response form. If you want to **DECLINE** to receive the three types of materials referred to above, please mark the second box in Part 2 of the form.

*(**Note**: Even if you decline to receive the three types of materials referred to above, a reporting issuer or other person or company is entitled to deliver these materials to you, provided that the reporting issuer or other person or company pays all costs associated with the sending of these materials. These materials would be delivered to you through your intermediary if you have objected to the disclosure of your beneficial ownership information to reporting issuers.)*

Preferred Language of Communication

Part 3 of the client response form allows you to tell us your preferred language of communication (English or French). You will receive materials in your preferred language of communication if the materials are available in that language.

Electronic Delivery of Documents

Securities law permits us to deliver some documents by electronic means if the consent of the recipient to the means of delivery has been obtained. Please provide your electronic mail address if you have one.

*[**Instruction:** If applicable, either state (1) if the client wishes to receive documents by electronic delivery from the intermediary, the client should complete, sign and return an enclosed consent form with the client response form or (2) inform the client that electronic delivery of documents by the intermediary may be available upon his or her consent, and provide information as to how the client may provide that consent.]*

CONTACT

If you have any questions or want to change your instructions in the future, please contact [name] at [phone number] or [address, fax number, electronic mail address and/or website].

CLIENT RESPONSE FORM

TO: [NAME OF INTERMEDIARY]

Account Number(s) _____

I have read and understand the explanation to clients that you have provided me in connection with this form and the choices indicated by me apply to all of the securities held in the above account(s).

PART 1 - Disclosure of Beneficial Ownership Information

*Please mark the corresponding box to show whether you **DO NOT OBJECT** or **OBJECT** to us disclosing your name, address, electronic mail address, securities holdings and preferred language of communication (English or French) to issuers of securities you hold with us and to other persons or companies in accordance with securities law. [**Optional:** For clients that **OBJECT**, disclose particulars of any fees or charges that the intermediary may require the client to pay in connection with the sending of securityholder materials.] [**Note:** The client response form may contain a place where an objecting beneficial owner can indicate its agreement to pay costs of delivery of securityholder materials that are not borne or required to be borne by another person or company.]*

☐ **I DO NOT OBJECT to you disclosing the information described above.**

☐ **I OBJECT to you disclosing the information described above.**

PART 2 - Receiving Securityholder Materials

Please mark the corresponding box to show what materials you want to receive. Securityholder materials sent to beneficial owners of securities consist of the following materials: (a) proxy-related materials for annual and special meetings; (b) annual reports and financial statements that are not part of proxy-related materials; and (c) materials sent to securityholders that are not required by corporate or securities law to be sent.

☐ **I WANT to receive ALL securityholder materials sent to beneficial owners of securities.**

☐ **I DECLINE to receive ALL securityholder materials sent to beneficial owners of securities. (Even if I decline to receive these types of materials, I understand that a reporting issuer or other person or company is entitled to send these materials to me at its expense.)**

☐ **I WANT to receive ONLY proxy-related materials that are sent in connection with a special meeting.**

(Important note: These instructions do not apply to any specific request you give or may have given to a reporting issuer concerning the sending of interim financial reports of the reporting issuer. In addition, in some circumstances, the instructions you give in this client response form will not apply to annual reports or financial statements of an investment fund that are not part of proxy-related materials. An investment fund is also entitled to obtain specific instructions from you on whether you wish to receive its annual report or financial statements, and where you provide specific instructions, the instructions in this form with respect to financial statements will not apply.)

PART 3 - Preferred Language of Communication

Please mark the corresponding box to show your preferred language of communication.

☐ **ENGLISH**

☐ **FRENCH**

I understand that the materials I receive will be in my preferred language of communication if the materials are available in that language.

[Amended January 1, 2011]

National Instrument 54-101
Communication with Beneficial Owners of Securities of a Reporting Issuer
Form 54-101F2
Request for Beneficial Ownership Information

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101.

The use of this Form is referenced in sections 1.1, 2.5, 2.6, 2.9, 2.10, 2.12, 2.13, 2.14 and 4.1, 4.2, 4.3 and 6.2 of National Instrument 54-101.

References in this Form should be amended as appropriate to refer to any person or company using this Form in accordance with section 6.2 of National Instrument 54-101.

PART 1
REPORTING ISSUER INFORMATION

Item 1 - Name and address of the reporting issuer.

State the name and address of the reporting issuer in English and, if applicable, French.

Item 2 - Contact person(s)

State the name, address, telephone number, facsimile number and email address of the contact person(s) of the reporting issuer, and of the reporting issuer's agent, if applicable, with whom the intermediary should deal. If different from the foregoing, also state the name, address, telephone number, facsimile number and email address of the contact person(s) of the reporting issuer responsible for dealing with invoices.

Item 3 - Name and ISIN[1] number of each class or series of securities to be searched

State the name and ISIN number of each class or series of securities of the reporting issuer for which information is requested.

Item 4 - Purpose of the request for beneficial ownership information

State whether the request is being made

(a) in connection with neither a meeting nor the sending of securityholder materials;

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[1] "ISIN" means International Stock Identification Number.

(b) for the purpose of obtaining a NOBO list, and in connection with sending securityholder materials, but not in connection with a meeting;

(c) for the purpose of obtaining a NOBO list, and in connection with a meeting;

(d) in connection with sending securityholder materials, not in connection with a meeting, and without a NOBO list being requested; or

(e) in connection with a meeting, without a NOBO list being requested.

Item 5 - Information to be Included or Requested if Item 4(a) is Applicable

5.1 If a NOBO list is desired, request a NOBO list without FINS number information.

5.2 If desired, request information on the number of OBOs and NOBOs of the reporting issuer, indicating the number of each that have declined to accept materials to the extent applicable and the number of OBOs and NOBOs who have consented to electronic delivery of documents.

5.3 Specify the date as of which the NOBO list or the information referred to in item 5.2 is to be prepared.

5.4 If a NOBO list is requested, confirm that an undertaking of the reporting issuer in the form of Form 54-101F9 is enclosed or is being concurrently provided with the request for beneficial ownership information.

Item 6 - Information to be Included or Requested if Item 4(b) is Applicable

6.1 Request a NOBO list without FINS number information.

6.2 Provide an itemized list of the securityholder materials to be sent.

6.3 Indicate whether the securityholder materials are available in English or French only or in both English and French.

6.4 State whether the reporting issuer will send the materials directly to NOBOs or whether the reporting issuer will send the materials to the proximate intermediary for sending to NOBOs.

6.5 State the date as of which information provided in response to the request, including the NOBO lists, is to be provided.

6.6 State the date when the reporting issuer anticipates that proximate intermediaries will receive the materials referred to in item 6.2.

6.7 State whether the materials are to be sent by first class mail to the beneficial owners of securities and if not, state what method is to be used to send the materials, bearing in mind the different timing requirements in section 2.12 of the National Instrument. State whether the reporting issuer would like materials to be sent electronically when consent has been obtained from the beneficial owner of securities. *[If materials are to be sent electronically, the sender should bear in mind the principles of National Policy 11-201Electronic Delivery of Documents.]*

6.8 Confirm that an undertaking of the reporting issuer in the form of Form 54-101F9 is enclosed or is being concurrently provided with the request for beneficial ownership information.

6.9 State if securityholder materials are to be sent to (a) all beneficial owners of securities (including beneficial owners that have declined to receive them), (b) only those beneficial owners who have requested to receive all securityholder materials, or (c) only those beneficial owners who have requested to receive all securityholder materials or special meeting materials.

Item 7 - Information to be Included or Requested if Item 4(c) is Applicable

7.1 Request a NOBO list. If the reporting issuer will send proxy-related materials directly to NOBOs and seek voting instructions from NOBOs, specify that the NOBO list will include FINS number information. Otherwise, specify that the NOBO list will exclude FINS number information.

7.2 Provide an itemized list of the proxy-related materials to be sent.

7.3 Indicate whether the proxy-related materials are available in English or French only or in both English and French.

7.4 State whether the reporting issuer will send the materials directly to NOBOs or whether the reporting issuer will send the materials to the proximate intermediary for sending to NOBOs. If the reporting issuer will send materials directly to NOBOs, state whether the reporting issuer will be seeking voting instructions from NOBOs in connection with the meeting.

7.5 State:

(a) the type of meeting (annual, special or annual and special);

(b) the beneficial ownership determination date of the meeting;

(c) the date, time and place of meeting; and

(d) the cut-off date and time for proxy receipt, if applicable.

7.6 State the name and ISIN number of each class or series of securities that carry the right to receive notice of the meeting or the right to vote at the meeting.

7.7 State that the information to be provided in response to the request, including the NOBO list, is to be provided as at the beneficial ownership determination date of the meeting.

7.8 State the date when the reporting issuer anticipates that proximate intermediaries will receive the materials referred to in item 7.2.

7.9 State whether the materials are to be sent by first class mail to the beneficial owners of securities and if not, state what method is to be used to send the materials, bearing in mind the different timing requirements in section 2.12 of the National Instrument. State whether the reporting issuer would like materials to be sent electronically when consent has been obtained from the beneficial owner of securities. *[If materials are*

to be sent electronically, the sender should bear in mind the principles of National Policy 11-201 Electronic Delivery of Documents]

7.10 Confirm that an undertaking of the reporting issuer in the form of Form 54-101F9 is enclosed or is being concurrently provided with the request for beneficial ownership information.

7.11 State if securityholder materials are to be sent to (a) all beneficial owners of securities (including beneficial owners that have declined to receive them), (b) only those beneficial owners who have requested to receive all securityholder materials, or (c) only those beneficial owners who have requested to receive all securityholder materials or special meeting materials.

7.12 State whether the reporting issuer is using notice-and-access, and any stratification criteria to be used. *[Before completing this item, the reporting issuer should discuss with the intermediary what stratification criteria the intermediary is able to apply.]*

Item 8 - Information to be Included or Requested if Item 4(d) is Applicable

8.1 Provide an itemized list of the securityholder materials to be sent.

8.2 Indicate whether the securityholder materials are available in English or French only or in both English and French.

8.3 State the date as at which information provided in response to the request is to be provided.

8.4 State the date when the reporting issuer anticipates that proximate intermediaries will receive the materials referred to in item 8.1.

8.5 State whether the materials are to be sent by first class mail to the beneficial owners of securities, and, if not, state what method is to be used to send the materials, bearing in mind the different timing requirements in section 2.12 of the National Instrument. State whether the reporting issuer would like materials to be sent electronically when consent has been obtained from the beneficial owner of securities. *[If materials are to be sent electronically, the sender should bear in mind the principles of National Policy 11-201 Electronic Delivery of Documents.]*

8.6 State if securityholder materials are to be sent to (a) all beneficial owners of securities (including beneficial owners that have declined to receive them), (b) only those beneficial owners who have requested to receive all securityholder materials, or (c) only those beneficial owners who have requested to receive all securityholder materials or special meeting materials.

Item 9 - Information to be Included or Requested if Item 4(e) is Applicable

9.1 Provide an itemized list of the proxy-related materials to be sent.

9.2 Indicate whether the proxy-related materials are available in English or French only or in both English and French.

9.3 State:

(a) the type of meeting (annual, special or annual and special);

(b) the beneficial ownership determination date of the meeting;

(c) the date, time and place of meeting; and

(d) the cut-off date and time for proxy receipt, if applicable.

9.4 State the name and ISIN number of each class or series of securities that carry the right to receive notice of the meeting or the right to vote at the meeting.

9.5 State that the information to be provided in response to the request is to be provided as at the beneficial ownership determination date of the meeting.

9.6 State the date when the reporting issuer anticipates that proximate intermediaries will receive the materials referred to in item 9.1.

9.7 State whether the materials are to be sent by first class mail to the beneficial owners of securities and, if not, state what method is to be used to send the materials, bearing in mind the different timing requirements in section 2.12 of the National Instrument. State whether the reporting issuer would like materials to be sent electronically when consent has been obtained from the beneficial owner of securities. *[If materials are to be sent electronically, the sender should bear in mind the principles of National Policy 11-201 Electronic Delivery of Documents.]*

9.8 State if securityholder materials are to be sent to (a) all beneficial owners of securities (including beneficial owners that have declined to receive them), (b) only those beneficial owners who have requested to receive all securityholder materials, or (c) only those beneficial owners who have requested to receive all securityholder materials or special meeting materials..

9.9 State whether the reporting issuer is using notice-and-access, and any stratification criteria to be used. *[Before completing this item, the reporting issuer should discuss with the intermediary what stratification criteria the intermediary is able to apply.]*

Item 10 - Payment of Costs of Sending to OBOs

10.1 State whether the reporting issuer will pay the costs associated with the delivery of the securityholder materials to OBOs by intermediaries.

PART 2
PROXIMATE INTERMEDIARY RESPONSE

Item 1 - Name and address of proximate intermediary

State the name and address of the proximate intermediary.

Item 2 - Contact person

State the name, telephone number, fax number and any electronic mail address and website of the contact person(s) of the proximate intermediary, or of the proximate intermediary's agent, if applicable, with whom the reporting issuer should deal.

Item 3 - Consolidation of replies

3.1 If applicable, provide a list of

(a) all nominees and depositories who hold securities on behalf of the proximate intermediary; and

(b) all nominees, depositories and other intermediaries for whom the proximate intermediary, directly or indirectly, holds securities.

3.2 Provide a list showing the number and class of securities held by each of the persons or companies referred to in Item 3.1.

3.3 Confirm that the information provided in the response includes securities held through those nominees, depositories and intermediaries holding, directly or indirectly, through the proximate intermediary.

Item 4 - Address for receipt of materials

If the request for beneficial ownership information was made either in connection with sending securityholder materials apart from a meeting, or in connection with a meeting, provide, if different from the information provided under Item 2, the name and municipal address to which the materials are to be sent for forwarding by the intermediary to beneficial owners or other intermediaries.

Also provide the name, telephone number, fax number and any electronic mail address and website of the contact person at that address if different from the information provided under item 2.

Item 5 - Number of sets of materials required for forwarding by proximate intermediary to beneficial owners

5.1 Unless the request for beneficial ownership information was made only to obtain NOBO lists, state the number, including the number required in each case in English and French, of materials specified in Part 1 of this form required for forwarding by the proximate intermediary to beneficial owners. If the proximate intermediary is in a foreign jurisdiction and the law in that jurisdiction requires the proximate intermediary to send securityholder materials to beneficial owners including NOBOs, this fact may be stated and the number of sets of materials specified may include the number required for such NOBOs.

5.2 If the reporting issuer has specified that it will send documents electronically, state the

(a) aggregate number of beneficial owners that hold securities, directly or indirectly, through the proximate intermediary; and

(b) the aggregate number of the beneficial owners referred to in paragraph (a) that have consented to electronic delivery of the documents by the intermediary through whom they hold the relevant securities.

5.3 State the number of OBOs with addresses, as shown in the records of the intermediary through which the OBO holds securities, in each jurisdiction.

Item 6 - Preliminary Search Information

If the request for beneficial ownership information was made to receive information under item 5.2 of the request, provide information on the number of OBOs and NOBOs of the reporting issuer, indicating the number of each that have declined to receive materials in accordance with the Instrument.

Item 7 - NOBO Lists

If a NOBO list was requested and if the proximate intermediary is able to provide the list in electronic form in the form of Form 54-101F5, confirm that the proximate intermediary shall send it electronically in that form. If a NOBO list was requested and if the proximate intermediary is unable to provide the list electronically in the form of Form 54-101F5, enclose the list with the response. Unless the request for beneficial ownership information stated that the request was being made for the purpose of obtaining NOBO lists and in connection with a meeting where the reporting issuer would be sending materials to NOBOs and seeking voting instructions from NOBOs, exclude from the NOBO list the FINS number information.

Item 8 - Confirmation of the search

Confirm the completeness and accuracy of the foregoing information.

Item 9 - Warning

If NOBO lists were requested, the response shall contain the following statement:

WARNING: IT IS AN OFFENCE TO USE A NOBO LIST FOR PURPOSES OTHER THAN IN CONNECTION WITH:

a. sending securityholder materials to NOBOs in accordance with National Instrument 54-101;

b. an effort to influence the voting of securityholders of the reporting issuer;

c. an offer to acquire securities of the reporting issuer; or

d. any other matter relating to the affairs of the reporting issuer.

Item 10 - Non-Delivery to OBOs

10.1 State whether the proximate intermediary or any other intermediaries on whose behalf the proximate intermediary holds securities are entitled to decline to send, and will not send, securityholder materials to an OBO unless the OBO, or the relevant issuer, pays the costs of sending. *[This provision is not necessary if a reporting issuer has indicated in Form 54-102F2 that it will pay the costs of the intermediaries sending materials to OBOs.]*

10.2 Estimate the number of OBOs and their aggregate approximate holdings in securities of the reporting issuer that hold through the intermediaries referred to in item 10.1.

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F3
OMNIBUS PROXY (DEPOSITORIES)

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101. The use of this Form is referenced in sections 1.1, 2.3, 5.4 and 8.2 of National Instrument 54-101.

[Letterhead of Depository]

OMNIBUS PROXY

Subject to the paragraph that follows, [the undersigned], being a registered holder or proxy holder in respect of securities of the reporting issuer specified below, as at the beneficial ownership determination date, hereby appoints each of the persons or companies identified in the attached schedule, in respect of the corresponding securities referred to below, with power of substitution in each, to attend, vote and otherwise act for and on behalf of [the undersigned] to the extent of the number of securities specified, in respect of all matters that may come before the meeting of securityholders described below, and at any adjournment or continuance thereof.

The appointees shall not vote, or give a proxy requiring or authorizing another person or company to vote, the securities represented by this omnibus proxy except in accordance with voting instructions received from the beneficial owners whose securities are represented by this omnibus proxy or in accordance with other legal authority to vote the securities.

This instrument supersedes and revokes any prior appointment of proxy made by [the undersigned] with respect to the voting of the securities specified below at such meeting, or at any adjournment thereof.

Reporting issuer: _____

Class/Series of Security: _____

ISIN Number: _____

Number of Securities: _____

Date of Meeting: _____

Beneficial Ownership Determination Date: _____

[Include date and signature]

Schedule to Form 54-101F3

[Letterhead of Depository]

SCHEDULE TO OMNIBUS PROXY

Participant Security Positions

Reporting issuer: _____

ISIN Number: _____

Effective Date/Beneficial
Ownership Determination Date: _____

Participant	Total Number of Securities of the relevant class or series
[Name/address of participant]	[position held by participant]
[Name/address of participant]	[position held by participant]
[Name/address of participant]	[position held by participant]
Total Number of Securities held by Participants for the relevant class or series	[Total]

NATIONAL INSTRUMENT 54-101
COMMUNICATION WITH BENEFICIAL OWNERS
OF SECURITIES OF A REPORTING ISSUER
FORM 54-101F4
OMNIBUS PROXY (PROXIMATE INTERMEDIARIES)

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101. The use of this Form is referenced in sections 1.1, 4.1 and 8.2 of National Instrument 54-101.

[Letterhead of Proximate Intermediary]

OMNIBUS PROXY

Subject to the paragraph that follows, [the undersigned], being a registered holder or proxy holder in respect of securities of the reporting issuer specified below, as at the beneficial ownership determination date, hereby appoints [*insert names from reporting issuer's management proxy*], with power of substitution, to attend, vote and otherwise act for and on behalf of [the undersigned] to the extent of the number of securities specified, in respect of all matters that may come before the meeting of securityholders described below, and at any adjournment or continuance.

The appointees shall not vote, or give a proxy requiring or authorizing another person or company to vote, the securities represented by this omnibus proxy except in accordance with voting instructions received from the beneficial owners whose securities are represented by this omnibus proxy or in accordance with other legal authority to vote the securities.

This instrument supersedes and revokes any prior appointment of proxy made by [the undersigned] with respect to the voting of the securities specified below at such meeting, or at any adjournment thereof.

Reporting issuer: _____

Class/Series of Security: _____

ISIN Number: _____

Number of Securities: _____

Name of Registered Holder of Securities[1]: _____

Date of Meeting: _____

Beneficial Ownership Determination Date: _____

[Include date and signature]

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1 *[Instruction: Specify if securities are held through more than one registered holder, and specify the number of securities held through each registered holder.]*

National Instrument 54-101
Communication with Beneficial Owners
of Securities of a Reporting Issuer
Form 54-101F5
Electronic Format for NOBO List

HEADER RECORD DESCRIPTION	**TYPE**	**LENGTH**	**POSITION**	**COMMENTS**
RECORD TYPE	A	1	1	Header record = A
FINS NUMBER	A	4	2-5	Prefix T,M,V or C
ISIN	A	12	6-17	
FILLER	X	3	18-20	Blank
SECURITY DESC.	A	32	21-52	Security Description
RECORD DATE	N	8	53-60	Format YYYYMMDD
CREATION DATE	N	8	61-68	Format YYYYMMDD
FILLER	X	250	69-318	Blank
DETAIL RECORD DESCRIPTION	**TYPE**	**LENGTH**	**POSITION**	**COMMENTS**
RECORD TYPE	A	1	1	Detail Record = B
FINS NUMBER	A	4	2-5	Same as in Header record
ISIN	A	12	6-17	
FILLER	X	3	18-20	Blank
FILLER	X	20	21-40	Blank
NAME	A	32	41-72	Holder Name
ADDRESS	A	32 x 6	73- 264	Occurs 6 times
FILLER	X	32	265- 296	Blank
POSTAL CODE	A	9	297- 305	
POSTAL REGION	A	1	306	C=Canada; U=USA; F=Foreign; (other than USA); H=Hand Deliver
NOTICE AND ACCESS	A	1	307	Y=Full Package; N=Notice Only
FILLER	X	1	308	Blank
E-MAIL ADDRESS	A	32	309- 340	
LANGUAGE CODE	A	1	341	E=English; F=French

NUMBER OF SHARES	N	9	342- 350	Shareholder Position
RECEIVE ALL MATERIAL	A	1	351	A – ALL Material, S – Material for SPECIAL Meetings only, D – DECLINE to receive Materials
AGREE TO ELECTRONIC DELIVERY BY INTERMEDIARY	A	1	352	Y/N
TRAILER RECORD DESCRIPTION	TYPE	LENGTH	POSITION	COMMENTS
RECORD TYPE	A	1	1	Trailer record = C
FINS NUMBER	A	4	2-5	Same as in Header Record
ISIN	A	12	6-17	
FILLER	X	3	18-20	
TOTAL SHAREHOLDERS	N	7	21-27	Number of "B" type records
TOTAL SHARES	N	11	27-38	Total Shares on "B" type records
FILLER	X	280	39-318	Blank

National Instrument 54-101
Communication with Beneficial Owners of Securities of a Reporting Issuer
Form 54-101F6

Request for Voting Instructions made by Reporting Issuer

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101.

The use of this Form is referenced in sections 1.1, 2.11, 2.17 and 2.19 of National Instrument 54-101.

References in this Form should be amended as appropriate to refer to the person or company using this Form, in accordance with section 6.2 of National Instrument 54-101.

[Letterhead of Reporting issuer]

Request for Voting Instructions

To our securityholders:

We are sending to you the enclosed proxy-related materials that relate to a meeting of the holders of the series or class of securities that are held on your behalf by the intermediary identified below. Unless you attend the meeting and vote in person, your securities can be voted only by management, as proxy holder of the registered holder, in accordance with your instructions.

[Include instructions for appointing alternative proxy.]

We are prohibited from voting these securities on any of the matters to be acted upon at the meeting without your specific voting instructions. In order for these securities to be voted at the meeting, **it will be necessary for us to have your specific voting instructions.** Please complete and return the information requested in this form to provide your voting instructions to us promptly.

[Specify how and to whom the voting instructions may be returned.]

If you want to attend the meeting and vote in person, write your name in the place provided for that purpose in this form. You can also write the name of someone else whom you wish to attend the meeting and vote on your behalf. Unless prohibited by law, the person whose name is written in the space provided will have full authority to present

matters to the meeting and vote on all matters that are presented at the meeting, even if those matters are not set out in this form or the information circular. Consult a legal advisor if you wish to modify the authority of that person in any way. If you require help, contact [*insert name*].

[Insert proximate intermediary name, code or identifier; name, address and respective holdings of securities of the relevant series or class held for the NOBO.]

[Insert description of proposals to be voted upon, other instructions or explanations, etc.]

By providing voting instructions as requested, you are acknowledging that you are the beneficial owner of, and are entitled to instruct us with respect to the voting of, these securities.

(If these voting instructions are given on behalf of a body corporate set out the full legal name of the body corporate, the name and position of the person giving voting instructions on behalf of the body corporate and the address for service of the body corporate.)

National Instrument 54-101
Communication with Beneficial Owners of Securities of a Reporting Issuer
Form 54-101F7
Request for Voting Instructions made by Intermediary

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101.

The use of this Form is referenced in sections 1.1, 4.4 and 4.6 of National Instrument 54-101.

References in this Form should be amended as appropriate to refer to the person or company using this Form, in accordance with section 6.2 of National Instrument 54-101.

[Letterhead of Intermediary]

Request for Voting Instructions

To our clients:

We are sending to you the enclosed proxy-related materials that relate to a meeting of the holders of securities of the series or class held by us in your account but not registered in your name. Unless you attend the meeting and vote in person, your securities can be voted only by us, as registered holder or proxy holder of the registered holder, in accordance with your written instructions.

[Include instructions for appointing alternative proxy.]

We are prohibited from voting these securities on any of the matters to be acted upon at the meeting without your specific voting instructions. In order for these securities to be voted at the meeting, **it will be necessary for us to have your specific voting instructions.** Please complete and return the information requested in this form to provide your voting instructions to us promptly.

[Specify how and to whom the voting instructions may be returned.]

If you want to attend the meeting and vote in person, write your name in the place provided for that purpose in this form. You can also write the name of someone else whom you wish to attend the meeting and vote on your behalf. Unless prohibited by law, the person whose name is written in the space provided will have full authority to present matters to the meeting and vote on all matters that are presented at the meeting, even if

those matters are not set out in this form or the information circular. Consult a legal advisor if you wish to modify the authority of that person in any way. If you require help, contact [*insert name*].

[Insert intermediary name, code or identifier; name, address and respective holdings of securities of the relevant series or class held for the beneficial owner.]

[Insert description of proposals to be voted upon, other instructions or explanations, etc.]

By providing voting instructions as requested, you are acknowledging that you are the beneficial owner of, and are entitled to instruct us with respect to the voting of, these securities.

(If these voting instructions are given on behalf of a body corporate set out the full legal name of the body corporate, the name and position of the person giving voting instructions on behalf of the body corporate and the address for service of the body corporate.)

National Instrument 54-101
Communication with Beneficial Owners of Securities of a Reporting Issuer
Form 54-101F9
Undertaking

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101.

The use of this Form is referenced in sections 2.5, 6.1 and 6.2 of National Instrument 54-101.

I, _____,
(Full Residence Address) _____,
(If this undertaking is made on behalf of a body corporate, set out the full legal name of the body corporate, position of person signing and address for service of the body corporate).
SOLEMNLY DECLARE AND UNDERTAKE THAT:

1. I require a list in the required format of the non-objecting beneficial owners of securities of [*insert name of the reporting issuer*] on whose behalf intermediaries hold securities (a NOBO list), as shown on the records of the intermediaries.
<Option #1: *use this alternative if the reporting issuer is providing the undertaking*>

2. I undertake that the information set out on the NOBO list will be used only in connection with matters relating to the affairs of the reporting issuer.
<Option #2: *use this alternative if a person or company other than the reporting issuer is providing the undertaking*>

2. I undertake that the information set out on the NOBO list will be used only for one or more of the following purposes:

   (a) sending securityholder materials directly to NOBOs in accordance with National Instrument 54-101;

   (b) an effort to influence the voting of securityholders of the reporting issuer;

   (c) an offer to acquire securities of the reporting issuer.

3. I undertake that, except as permitted under National Instrument 54-101, the NOBO list will not be used to send securityholder materials to those NOBOs that are identified on the NOBO list as having chosen not to receive the materials, and that the materials sent shall include the following statement:
"These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf."

4. I am aware that it is a contravention of the law to use a NOBO list for purposes other than in connection with one or more of the following:

   (a) sending securityholder materials directly to NOBOs in accordance with National Instrument 54-101;

(b) an effort to influence the voting of securityholders of the reporting issuer;

(c) an offer to acquire securities of the reporting issuer.

5. I declare that I (or the person or company I am using to make this request) has the technological capacity to receive the NOBO list.

_____
Signature

_____
Name of person signing

_____
Date

National Instrument 54-101
Communication with Beneficial Owners of Securities of a Reporting Issuer
Form 54-101F10
Undertaking

Note: Terms used in this Form have the meanings given to them in National Instrument 54-101.

The use of this Form is referenced in section 6.2 of National Instrument 54-101.

I, _____,

(Full Residence Address) _____,

(If this undertaking is made on behalf of a person or company other than an individual, set out the full legal name of that person or company, position of the individual signing on behalf of that person or company and address for service).

SOLEMNLY DECLARE AND UNDERTAKE THAT:

1. I wish to send materials to beneficial owners of securities of [*insert name of the reporting issuer*] on whose behalf intermediaries hold securities, using the indirect sending procedures provided in National Instrument 54-101 (the "NI 54-101 Procedures").

2. I undertake that I am using the NI 54-101 Procedures to send materials to beneficial owners only for the purpose of one or both of the following:

   (a) an effort to influence the voting of securityholders of the reporting issuer;

   (b) an offer to acquire securities of the reporting issuer.

3. I am aware that it is a contravention of the law to send materials using the NI 54-101 Procedures for purposes other than in connection with one or both of the following:

   (a) an effort to influence the voting of securityholders of the reporting issuer;

   (b) an offer to acquire securities of the reporting issuer.

_____
Signature

_____
Name of person signing

_____
Date

Companion Policy 54-101CP
to National Instrument 54-101
Communication with Beneficial Owners
of Securities of a Reporting Issuer

Table of Contents

Companion Policy 54-101CP
to National Instrument 54-101
Communication with Beneficial Owners
of Securities of a Reporting Issuer

PART 1 BACKGROUND

1.1 History

(1) Obligations imposed on reporting issuers under corporate law and securities legislation to communicate with securityholders are typically cast as obligations in respect of registered holders and not in respect of beneficial owners. For purposes of market efficiency, securities are generally no longer registered in the names of the beneficial owners but rather in the names of depositories, or their nominees, who hold on behalf of intermediaries, such as dealers, trust companies or banks, who, in turn, hold on behalf of the beneficial owners. Securities may also be registered directly in the names of intermediaries who hold on behalf of the beneficial owners.

(2) Corporate law and securities legislation require reporting issuers to send to their registered holders information and materials that enable such holders to exercise their right to vote. To address concerns that beneficial owners who hold their securities through intermediaries or their nominees may not receive the information and materials, in 1987, the CSA approved National Policy Statement No. 41 ("NP41"), which has since been replaced by National Instrument 54-101 (the "Instrument").

(3) The purpose of this Policy is to state the views of the Canadian securities regulatory authorities on various matters relating to the Instrument in order to provide guidance and interpretation to market participants in the practical application of the Instrument.

1.2 Fundamental Principles - The following fundamental principles have guided the preparation of the Instrument:

(a) all securityholders of a reporting issuer, whether registered holders or beneficial owners, should have the opportunity to be treated alike as far as is practicable;

(b) efficiency should be encouraged; and

(c) the obligations of each party in the securityholder communication process should be equitable and clearly defined.

PART 2 GENERAL

2.1 Application of Instrument

(1) The securityholder communication procedures in the Instrument are relevant to all securityholder materials sent by a reporting issuer to beneficial owners of its securities under Canadian securities legislation. Securityholder materials include, but are not limited to, proxy-related materials. Securityholder materials include:

(a) materials required by securities legislation or applicable corporate law to be sent to registered holders or beneficial owners of a reporting issuer's securities, such as interim financial reports or annual financial statements;

(b) materials required by securities legislation or applicable corporate law to be sent only to registered holders of a reporting issuer's securities, such as issuer bid and directors circulars and dissident proxy-related materials;

(c) materials sent to registered holders or beneficial owners of a reporting issuer's securities absent any legal requirement to do so.

(2) As provided in section 2.7 of the Instrument, compliance with the procedures set out in the Instrument is mandatory for reporting issuers when sending proxy-related materials to beneficial owners, and, under section 2.8 of the Instrument, is optional for the sending of other materials. Once a reporting issuer, or another person or company pursuant to Part 6 of the Instrument, chooses to use the communications procedures specified in the Instrument for a reporting issuer, depositories, intermediaries and other persons or companies must comply with their corresponding obligations under the Instrument.

2.2 Application to Foreign Securityholders and U.S. Issuers

(1) As provided in subsection 2.12(5) of the Instrument, a reporting issuer that is precluded from sending securityholder materials directly to NOBOs because of conflicting legal requirements in the United States or elsewhere outside of Canada shall send the materials indirectly, i.e., by forwarding the materials to NOBOs through proximate intermediaries for those securities. Subsection 2.12(3) does not require a reporting issuer to send proxy-related materials to all beneficial owners outside Canada. A reporting issuer need only send proxy-related materials to beneficial owners who hold through proximate intermediaries that are either participants in a recognized depository, or intermediaries on the depository's intermediary master list.

(2) National Instrument 71-101 *The Multijurisdictional Disclosure System* provides, in Part 18, that a "U.S. issuer", as defined in that Instrument, is considered to satisfy the requirements of National Instrument 54-101, other than in respect of fees, if the issuer complies with the requirements of Rule 14a-13 under the 1934 Act for any Canadian clearing agency and any intermediary whose last address as shown on the books of the issuer is in the local jurisdiction. Those requirements are designed to achieve the same purpose as the requirements of the Instrument.

(3) A Canadian reporting issuer may be exempt from complying with U.S. requirements under a reciprocal provision in the U.S. Multijurisdictional Disclosure regime.

2.3 [Deleted]

2.4 "Client" and "Intermediary" to be Distinguished From "Beneficial Owner"

(1) Section 1.1 of the Instrument distinguishes between "client" and "beneficial owner". The two definitions recognize that, for many reporting issuers, there may be layers of intermediaries between the registered holder of a security and the ultimate beneficial owner. For example, a dealer could hold a security on behalf of another dealer that in turn holds the security for the beneficial owner.

(2) For the purposes of the Instrument, if an intermediary that holds securities has discretionary voting authority over the securities, it

will be the beneficial owner of those securities for purposes of providing instructions in a client response form, and would not also be an "intermediary" with respect to those securities.

(3) The term "client" refers to the person or company for whom an intermediary directly holds securities, regardless of whether the client is a beneficial owner. For example, if a dealer holds securities on behalf of a bank that in turn holds the securities on behalf of the beneficial owner, the bank is a client of the dealer, and the beneficial owner is a client of the bank. The beneficial owner is not a client of the dealer. Section 1.2 of the Instrument recognizes that, under the Instrument, an intermediary may "hold" securities for a client, even if another person or company is shown on the books or records of the reporting issuer or the records of another intermediary or depository as the holder of the securities.

2.5 **Definition of "Corporate Law"** - Section 1.1 of the Instrument defines "corporate law" as any legislation, constating instrument or agreement that governs the affairs of a reporting issuer. The term "corporate law" therefore encompasses Canadian and foreign laws, a declaration or deed of trust in the case of a trust, and the partnership agreement in the case of a partnership.

2.6 **Fees** - Section 1.4 provides that fees payable under the Instrument, unless prescribed by the regulator or securities regulatory authority, shall be a reasonable amount. Section 2.13 provides that a reporting issuer shall pay a fee to a proximate intermediary for furnishing the information requested in a request for beneficial ownership information (which would be used by reporting issuer to request a NOBO list) made by the reporting issuer. Paragraph 2.14(1)(a) provides that a reporting issuer that sends securityholder materials indirectly to NOBOs through a proximate intermediary shall pay to the proximate intermediary, upon receipt by the reporting issuer of a certificate of sending to NOBOs in accordance with the instructions specified by the reporting issuer and the request for beneficial ownership information, a fee for sending the securityholder materials to the NOBOs. In determining what is a reasonable amount the Canadian securities regulatory authorities expect that market participants will be guided by fees previously prescribed by Canadian securities regulatory authorities and by the fees payable for comparable services in other jurisdictions such as the United States, as well as by technological developments. In the case of fees for sending securityholder materials to NOBOs, referred to in paragraph 2.14(1)(a), the CSA would regard as currently reasonable an amount not exceeding $1 (being the amount previously specified in NP41).

2.7 **Agent** - A depository, intermediary, reporting issuer or any other person or company subject to obligations under the Instrument's securityholder communication procedures may use a service provider as its agent to fulfil its obligations. A person or company that uses an agent remains fully responsible for fulfilling its obligations under the Instrument, and for the conduct of the agent in this regard. In particular, section 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") requires any person or company that is a registered firm under NI 31-103 to establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation.

A person or company is permitted to fulfil its obligations relating to another party through an agent of that other party. For example, under section 2.12 of the Instrument, a reporting issuer fulfills its obligation to send securityholder materials to a proximate intermediary if the proximate intermediary designates an agent to whom the reporting issuer will provide the materials, and the reporting issuer sends the materials to such agent. If an intermediary has designated an agent in the foregoing circumstances, we expect reporting issuers to send materials to that designated agent unless a reporting issuer previously has made alternate arrangements agreeable to that intermediary well in advance of the reporting issuer's meeting. We expect that any such alternate arrangements would be at least as efficient and user-friendly as established industry practices.

PART 3 REPORTING ISSUERS

3.1 Timing for Notice of Meeting and Record Dates and Intermediary Searches

(1) Section 2.2 of the Instrument requires that, 25 days before the record date for notice of a meeting, a reporting issuer send to the entities named in that section a notification of meeting and record dates that includes certain basic information about the meeting. Section 2.5 of the Instrument requires that 20 days before the record date for notice, a reporting issuer send a request for beneficial ownership information to proximate intermediaries. Section 2.20 allows these timing requirements to be abridged so long as the reporting issuer arranges to have the proxy-related materials for the meeting sent in compliance with the applicable timing requirements in sections 2.9 and 2.12, and upon filing of an

officer's certificate containing the information specified in section 2.20. Where the reporting issuer uses notice-and-access, the reporting issuer also must fix the record date for notice to be at least 40 days before the date of the meeting, and send the notification of meeting and record dates at least 25 days before the meeting.

Nevertheless, reporting issuers should commence the notice and searches referred to in sections 2.2, 2.3 and 2.5 at an early date and in sufficient time to allow the completion of all steps and actions required before the sending of materials, including allowing for the response time permitted for intermediaries in section 4.1 and depositories in section 5.3, so that the materials may be sent within the times contemplated by sections 2.9 and 2.12 of the Instrument.

(2) The time frames stipulated by sections 2.9 and 2.12 of the Instrument are minimum requirements. For a meeting that will deal with contentious matters, the CSA expect that good corporate practice will often require that materials be sent earlier than the minimum required dates to ensure that securityholders have a full opportunity to understand and react to the matters raised.

(3) It remains the reporting issuer's responsibility when planning a meeting timetable to factor in all timing considerations, including deadlines external to the Instrument. For example, reporting issuers that have obligations under corporate law to advertise in advance of a record date for notice, or satisfy other publication obligations, would need to comply with those obligations. Reporting issuers that intend to satisfy their advance publication obligation by relying upon publication by CDS of meeting and record dates under subsection 5.2(2) of the Instrument would need to factor in the timing of publication by CDS and the advance notice required by CDS, as described in section 3.4 of this Policy, in order to permit inclusion of meeting and record date information in the publication. Reporting issuers will also need to factor in the time needed to produce and assemble the relevant securityholder materials after quantities have been determined.

(4) Proximate intermediaries are required under section 4.1 of the Instrument to furnish the information requested in a request for beneficial ownership information, in certain circumstances, within three business days of receipt. It should be noted that this timing refers to receipt of the request by the proximate intermediary, which may not be the same date as the request was sent by the

reporting issuer. The time necessary for a request for beneficial ownership information to be received by a proximate intermediary should be factored into a reporting issuer's planning.

3.2 Adjournment or Change in Meeting

(1) Under section 2.15, a reporting issuer that sends a notice of adjournment or other change for a meeting to registered holders of its securities shall concurrently send the notice, including any change in the beneficial ownership determination date, to the persons and companies listed in section 2.15. Issuers are reminded of a number of other potential implications associated with an adjournment or other change, including those set out below.

(2) If additional proxy-related materials are sent in connection with the meeting after proxy-related materials have previously been sent, a new intermediary search may be required if the beneficial ownership determination date for the meeting is changed.

(3) New intermediary searches may have to be conducted if the nature of the business to be transacted at the meeting is materially changed. If the nature of the business is changed to add business that results in the meeting becoming a special meeting, it may be necessary to conduct new intermediary searches in order to ensure that beneficial owners that had elected to receive only proxy-related materials that are sent in connection with a special meeting receive proxy-related materials for the meeting.

(4) If an adjournment or other change to the business of the meeting requires that new proxy-related materials be sent to securityholders, the meeting date or the date of the adjourned meeting may have to be delayed to satisfy the time periods specified in the Instrument, unless an exemption from the time periods of the Instrument is obtained. If the change in the business of the meeting is significant, such as a change from only routine business to special business, Canadian securities regulatory authorities will not generally grant exemptions from timing requirements for sending proxy-related materials in the absence of exceptional circumstances.

3.3 Request for Beneficial Ownership Information

(1) A request for beneficial ownership information made under subsection 2.5(2) of the National Instrument may be for any class

or series of securities and is not restricted to only those securities carrying the right to receive notice of, or to vote at, a meeting, as is the case with a request under subsection 2.5(1). A request under subsection 2.5(2) need not necessarily be addressed to all proximate intermediaries holding the class or series of securities.

(2) If it is able to do so, a proximate intermediary is required to respond to a request for a NOBO list by providing the NOBO list in electronic format. Subsection 2.5(4) provides that a request for beneficial ownership information must be made through a transfer agent. However, where only a NOBO list is being requested, the request may be made by the reporting issuer (or another person or company retained by the reporting issuer), provided the requester has provided the necessary undertaking in Form 54-101F10.

3.4 **Depository's Index of Meetings** - CDS advises that the index referred to in section 5.2 of the Instrument is currently published in the Monday edition of *The Globe and Mail Report on Business* and in the Tuesday edition of *La Presse*. CDS advises that notices of meetings received by CDS by noon on Wednesday are usually published in *The Globe and Mail* on the following Monday and in *La Presse* on the following Tuesday. A reporting issuer should contact CDS for current forms and fee schedules of CDS.

3.4.1 **Explanation of Voting Rights**

(1) Subsection 2.16(1) of the Instrument requires a reporting issuer's proxy-related materials to contain a plain language explanation of how the beneficial owner can exercise the voting rights attached to the securities.

(2) Subsection 2.16(2) of the Instrument requires management of a reporting issuer to provide in the information circular disclosure about the following:

(a) whether the reporting issuer is sending proxy-related materials to registered holders or beneficial owners using notice-and-access, and if stratification will be used, the types of registered holders or beneficial owners who will receive paper copies of the information circular;

(b) whether the reporting issuer is sending proxy-related materials directly to NOBOs;

(c) whether the reporting issuer intends to pay for delivery to OBOs. If the reporting issuer does not intend to pay for such delivery, the information circular must disclose this fact and state that an OBO will not receive the materials unless the OBO's intermediary assumes the costs of delivery.

This disclosure is intended to explain to beneficial owners why they may receive different proxy-related materials than other beneficial owners and why they may not receive proxy-related materials even if they have requested them. Item 4.3 of Form 51-102F5 Information Circular also requires this disclosure.

We also encourage reporting issuers to disclose whether they are sending proxy-related materials to beneficial owners who have declined to receive them and explain their decision.

(3) If a reporting issuer has chosen not to pay for proximate intermediaries to deliver proxy-related materials and Form 54-101F7 to OBOs, section 2.12 still requires that it send to a proximate intermediary the number of sets of proxy-related materials that the proximate intermediary requested for forwarding to OBOs.

3.5 **NOBO Voting Instructions** – (1) Voting instructions that the reporting issuer requests directly from NOBOs will be returned directly to the reporting issuer. Management of the reporting issuer will then vote the securities beneficially owned by NOBOs according to the instructions received from the NOBOs to the extent that management has the corresponding proxy. The proximate intermediary that provides the NOBO list under subsection 4.1(1) of the Instrument gives management that proxy.

We expect reporting issuers that choose to solicit voting instructions directly from NOBOs to have appropriate procedures for NOBO voting, which includes doing the following in a timely manner:

(a) responding to inquiries from NOBOs or intermediaries with NOBO clients about the voting process;

(b) appointing a NOBO or nominee of the NOBO as a proxyholder in respect of securities beneficially owned by the NOBO;

(c) generating a new Form 54-101F6 if a NOBO requests one. For example, a NOBO may have misplaced a Form 54-101F6 that he or she had received; or may now wish to provide voting instructions although he or she had previously indicated on his or her client response form that he or she did not wish to receive proxy-related materials.

We expect reporting issuers and intermediaries to work together to address any issues arising from the NOBO voting process.

3.6 **Appointing NOBO as Proxy Holder** – Section 2.18 of the Instrument requires reporting issuers who request voting instructions from NOBOs to:

- arrange to appoint the NOBO as proxy holder, if he or she so instructs, at no expense to the NOBO; and

- deposit the proxy within any time specified in the information circular for the deposit of proxies (a "proxy cut-off") if the reporting issuer obtains the instructions at least one business day before the proxy cut-off. We expect reporting issuers to make best efforts to deposit the proxy even if the instructions are obtained less than one business day before the proxy cut-off.

However, subject to these basic obligations, reporting issuers have flexibility as to the specific mechanism used to appoint the beneficial owner as proxy holder.

PART 4 INTERMEDIARIES

4.1 **Client Response Form** - By completing a client response form as provided in Part 3 of the Instrument, a beneficial owner gives notice of its choices concerning the receipt of materials and the disclosure of ownership information concerning it. Pursuant to section 3.4 of the Instrument, a beneficial owner may, by notice to the intermediary through which it holds, change any prior instructions given in a client response form. Proximate intermediaries should alert their clients to the costs and other consequences of the options in the client response form. Section 4.6 of National Instrument 51-102 *Continuous Disclosure Obligations* requires reporting issuers to send annually a request form to the registered holders and beneficial holders of its securities that the holders may use to request a copy of the reporting issuer's financial statements and MD&A. Failing to return the request form or otherwise specifically request a copy of the financial statements or MD&A from the reporting issuer will

override the beneficial owner's standing instructions under this Instrument in respect of the financial statements.

4.2 **Separate Accounts** - A client that wishes to make different choices concerning receipt of securityholder materials or disclosure of ownership information with respect to some of the securities beneficially owned by it should hold those securities in separate accounts.

4.3 **Reconciliation of Positions**

(1) The records of an intermediary must show which of its clients are NOBOs, OBOs or other intermediaries, and specify the holdings of each of those clients.

(2) In order that the Instrument work properly, it is important that the records of an intermediary be accurate. Its records must reconcile accurately with the records of the person or company through whom the intermediary itself holds the securities, which could either be another intermediary or a depository, or the security register of the relevant issuer, if the intermediary is a registered securityholder. This reconciliation must include securities held both directly and through nominees.

(3) A proximate intermediary should provide accurate responses to requests for beneficial ownership information. Information about the holdings of NOBOs, when added to the holdings of OBOs, the holdings of other intermediaries holding through the proximate intermediary and the holdings that the proximate intermediary holds as principal, must not exceed the total security holdings of the proximate intermediary, including its nominees, as shown on the register of the issuer or in the records of the depository.

(4) It is important as well that the total number of votes cast at a meeting by an intermediary or persons or companies holding through an intermediary not exceed the number of votes for which the intermediary itself is a proxyholder.

4.4 **Identification of Intermediary**

(1) A NOBO list with FINS numbers will only be provided where the list is sought by a reporting issuer in conjunction with a meeting of its securityholders in circumstances in which the issuer is sending proxy-related materials under paragraph 4.1(1)(c) of the Instrument.

The FINS number should not be required in circumstances where it is not necessary to reconcile voting instructions and/or proxies.

(2) Identification of the intermediary and the holdings specified in the corresponding NOBO list on requests for voting instructions as required in Form 54-101F6 is necessary for the reporting issuer to be able to reconcile voting instructions received from a NOBO to the corresponding position registered in the name of the intermediary or its nominee or in respect of which the intermediary holds a proxy. In addition, should a NOBO wish to change its voting instructions, before or at a meeting of securityholders, knowledge of the corresponding intermediary and the NOBO's holdings is necessary.

4.5 **Changes to Intermediary Master List** - It is the obligation of intermediaries under section 3.1 of the Instrument to notify each depository of any changes in the information required to be provided under that section within five business days after the change. The five business days is a maximum requirement and it is expected that intermediaries will provide notice of such changes as soon as possible and, if possible in advance, in order that their clients not be prejudiced.

4.6 **Incomplete or Late Deliveries** - If sets of securityholder materials of a reporting issuer are incomplete or received after the prescribed time limits, the intermediary should advise the reporting issuer and request instructions.

4.7 **Other Obligations of Intermediaries** - The Instrument addresses the obligations of intermediaries in connection with the forwarding of securityholder materials. It is noted that intermediaries will have other obligations to the beneficial owners holding through them that arise from the nature of the relationship between the intermediary and the beneficial owners. These obligations will likely include advising the beneficial owners of the commencement of take-over bids, issuer bids, rights offerings and other events, and advising as to how the beneficial owners can obtain the relevant materials.

4.8 **Instructions from Existing Clients** – A client deemed to be a NOBO under NP41 can continue to be treated as a NOBO under paragraph 3.3(b)(ii) of this Instrument. However, intermediaries are responsible for ensuring that they comply with their obligations under privacy legislation with respect to their clients' personal information. Intermediaries may find that, notwithstanding paragraph 3.3(b)(ii), privacy legislation requires that they take measures to obtain their clients' consent before they

disclose their clients' names and security holdings to a reporting issuer or other sender of material.

4.9 **Appointing Beneficial Owner as Proxy Holder** – Section 4.5 of the Instrument requires intermediaries to:

- arrange to appoint the beneficial owner as proxy holder, if he or she so instructs, at no expense to the beneficial owner; and
- deposit the proxy within any proxy cut-off if the intermediary obtains the instructions at least one business day before the proxy cut-off. We encourage intermediaries to make best efforts to deposit the proxy even if the instructions are obtained less than one business day before the proxy cut-off.

However, subject to these basic obligations, intermediaries have flexibility as to the specific method used to appoint the beneficial owner as proxy holder. One method in current use and permitted under section 4.5 of the Instrument is the "appointee system". Under the appointee system, a beneficial owner who wishes to be appointed as proxy holder for the intermediary in respect of securities that he or she beneficially owns can print his or her name or the name of his or her appointee in a space provided on the voting instruction form. The name of the beneficial owner or her appointee is then recorded on a cumulative proxy, which is provided to the proxy tabulator or meeting scrutineer. When the beneficial owner or his or her appointee arrives at the meeting, the scrutineer has all the necessary proxies and information at hand to enable the beneficial owner or other appointees to vote at the meeting.

PART 5 MEANS OF SENDING

5.1 General

The following tables illustrate the options available for sending proxy-related materials to beneficial owners.

Table A: Direct Sending to NOBOs

Delivery Method	Documents Sent	Beneficial Owner Prior Consent Required?
Prepaid mail, courier or the equivalent	Reporting issuer sends paper copies of proxy-related materials, including notice of meeting, management information circular, Form 54-101F6 and, if applicable, annual financial statements and related MD&A, which may be part of an annual report.	No.
Notice-and-access	Reporting issuer files management information circular and notice on SEDAR and posts on non-SEDAR website. Reporting issuer sends notice and Form 54-101F6. Reporting issuer is responsible for providing on request paper copy of information circular and, if applicable, the annual financial statements and related MD&A. Reporting issuer may send some NOBOs paper copies of the information circular and, if applicable, the annual financial statements and related MD&A, pursuant to stratification and/or previously obtained or standing instructions.	No, if notice package is sent using prepaid mail, courier or the equivalent. Yes, if notice package is being sent by other method, i.e., electronically.
Other delivery method	Reporting issuer sends proxy-related materials and Form 54-101F6 using delivery method that is not (i) prepaid mail, courier or the equivalent, or (ii) notice-and-access, e.g., an e-mail with embedded links.	Yes.

Table B: Indirect Sending to Beneficial Owners

Delivery Method	Documents Sent	Beneficial Owner Prior Consent Required?
Prepaid mail, courier or the equivalent	Reporting issuer sends paper copies of proxy-related materials, including notice of meeting, management information circular and, if applicable, annual financial statements and related MD&A, which may be part of an annual report. Proximate intermediary (or in some cases, intermediary) will add to that package a paper copy of Form 54-101F7.	No.
Notice-and-access	Reporting issuer files management information circular and notice on SEDAR and posts on non-SEDAR website. Reporting issuer sends requested number of copies of notice to proximate intermediaries (and in some cases, intermediaries) for sending to beneficial owners. Reporting issuer also sends appropriate numbers of paper copies of the information circular and, if applicable, annual financial statements and related MD&A, for proximate intermediaries (in some cases, intermediaries) to send pursuant to stratification and/or previously obtained or standing instructions. Proximate intermediary (or in some cases, intermediary) will add to that package a paper copy of Form 54-101F7.	No, if notice package is sent using prepaid mail, courier or the equivalent. Yes, if notice package is being sent by other method, i.e., electronically.
Other delivery method	Proximate intermediary (or in some cases, intermediary) sends proxy-related materials and Form 54-101F7 using delivery method that is not (i) prepaid mail, courier or the equivalent, or (ii) notice-and-access, e.g., email with embedded links.	Yes.

5.2 **Securityholder Materials Sent to Intermediaries** – Reporting issuers and other persons or companies should make arrangements with proximate intermediaries to send securityholder materials to beneficial owners in a timely manner. A proximate intermediary should not request sets of securityholder materials for NOBOs if the reporting issuer will be sending the materials directly to those NOBOs.

5.3 **Prepaid Mail, Courier or the Equivalent** – Paper copies of proxy-related materials must be sent using prepaid mail, courier or an equivalent delivery method. We consider "first class mail" to be the equivalent of Canada Post Lettermail. An equivalent delivery method is any delivery method where the beneficial owner receives paper copies in a similar time frame as prepaid mail or courier. For example, a reporting issuer that sponsors an employee share purchase plan could arrange for the proximate intermediary to deliver proxy-related materials to beneficial owner employees through the reporting issuer's internal mail system.

5.4 **Notice-and-Access**

(1) The Instrument permits a reporting issuer to use notice-and-access to send proxy-related materials to beneficial owners. Notice-and-access cannot be used for sending proxy-related materials relating to meetings of investment fund reporting issuers. However, it can be used for all other types of meetings.

When using notice-and-access for the first time, a reporting issuer must file on SEDAR the notification of meeting and record dates at least 25 days before the record date for notice, i.e., the abridgment provisions in section 2.20 do not apply. We also encourage issuers to consider what additional methods of advance notice are appropriate. For example, an issuer could consider a special purpose mailing to its retail beneficial owners in advance of the first meeting for which notice-and-access is used.

We expect reporting issuers to evaluate the potential impact of using notice-and-access on beneficial owners of their voting securities when deciding whether to use notice-and-access. Factors that reporting issuers should take into account include:

- the nature of the meeting business (including whether it is expected to be contentious); and
- whether notice-and-access resulted in material declines in beneficial owner voting rates in prior meetings where notice-and-access was used.

(2) Notice-and-access can be used by reporting issuers to send proxy-related materials directly to NOBOs under section 2.9 of the Instrument or indirectly under section 2.12 of the Instrument.

Direct sending to NOBOs:
The reporting issuer must send at least 30 days before the meeting the notice required by paragraph 2.7.1(1)(a) and Form 54-101F6 (subsection 2.9(3) of the Instrument). The reporting issuer also must at the same time send any paper copies of the information circular and, if applicable, annual financial statements and annual MD&A required to comply with previously obtained or standing instructions.

Indirect sending to beneficial owners:
The reporting issuer must send within the relevant timelines set out in subsection 2.12(3) the notice required by paragraph 2.7.1(1)(a). The reporting issuer also must at the same time send any paper copies of the information circular and, if applicable, annual financial statements and annual MD&A required to comply with previously obtained or standing instructions. The proximate intermediary (or in some cases, the intermediary) must prepare a Form 54-101F7 and forward it with the foregoing documents (section 4.4 of the Instrument). The notice can be combined with Form 54-101F7 in a single document.

(3) With respect to matters to be voted on at the meeting, the notice must only contain a description of each matter or group of related matters identified in the form of proxy, unless the information is already included in an applicable voting instruction form. We expect that reporting issuers will state each matter or group of related matters in the proxy (or voting instruction form) in a reasonably clear and user-friendly manner. For example, it would be inappropriate to identify the matter to be voted on solely by referring to disclosure contained in the information circular as follows: "To vote For or Against the resolution in Schedule A of management's information circular".

The notice must contain a plain-language explanation of notice-and-access. The explanation also can address other aspects of the proxy voting process. However, there should not be any substantive discussion of the matters to be considered at the meeting.

(4) Paragraph 2.7.1(1)(b) of the Instrument requires the beneficial owner to be sent as part of the notice package the appropriate voting instruction form, i.e., a Form 54-101F6 where the reporting issuer is sending proxy-related materials directly and soliciting voting instructions from NOBOs, and a Form 54-101F7 where an

intermediary is doing so.

(5) Paragraph 2.7.1(1)(c) of the Instrument requires the reporting issuer to file on SEDAR the notification of meeting and record dates required by subsection 2.2(1) on the same date that it sends the notification under subsection 2.2(1). This provision is subject to section 2.7.2, which specifies that the first time that a reporting issuer uses notice-and-access, the reporting issuer must file on SEDAR the notification of meeting and record dates at least 25 days before the record date for notice.

(6) Paragraph 2.7.1(1)(d) of the Instrument requires the notice and the information circular to be filed on SEDAR and posted on a website other than SEDAR. The non-SEDAR website can be the reporting issuer's website or the website of a service provider.

(7) Paragraph 2.7.1(1)(e) of the Instrument requires the reporting issuer to establish a toll-free telephone number for the beneficial owner to request a paper copy of the information circular. A reporting issuer may choose to, but is not required to, provide additional methods for requesting a paper copy of the information circular. If a reporting issuer does so, it must still comply with the fulfillment timelines in paragraph 2.7.1(1)(f) of the Instrument and the restrictions on use of information obtained in connection with the request.

(8) Section 2.7.3 of the Instrument is intended to restrict intentional information gathering about beneficial owners by reporting issuers who receive requests for paper copies of information circulars or via the website other than SEDAR.

(9) Section 2.7.4 of the Instrument is intended to allow beneficial owners to access the posted proxy-related materials in a user-friendly manner. For example, requiring the beneficial owner to navigate through several web pages to access the proxy-related materials would not be user-friendly. Providing the beneficial owner with the specific URL where the documents are posted would be more user-friendly. We encourage reporting issuers and their service providers to develop best practices in this regard.

(10) Where a reporting issuer uses notice-and-access, it generally must send the same basic notice package to all beneficial owners. However, the following are exceptions to this general principle:

- Section 2.7.5 of the Instrument provides that where a reporting issuer uses notice-and-access, a beneficial owner still can be sent proxy-related materials using an alternate method to which the beneficial owner has previously consented. For example, service providers acting on behalf of reporting issuers or intermediaries may have previously obtained (and continue to obtain) consents from beneficial owners for proxy-related materials to be sent by email. This delivery method would still be available.

- Section 2.7.6 of the Instrument permits an intermediary to obtain standing instructions from a beneficial owner client to be sent a paper copy of the information circular and if applicable, annual financial statements and annual MD&A in all cases where a reporting issuer uses notice-and-access. Where such standing instructions have been obtained, the notice package for the beneficial owner will contain a paper copy of the relevant documents.

- Subsection 4.6 of National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") establishes an annual request form mechanism for registered holders and beneficial owners to request copies of a reporting issuer's annual financial statements and annual MD&A for the following year. A request for annual financial statements and annual MD&A can also contain a request that the notice package for the registered holder or beneficial owner contain a paper copy of the information circular.

- Notice-and-access also can be used to send annual financial statements and annual MD&A pursuant to subsection 4.6(5) of NI 51-102. Notice-and-access is consistent with the principles for electronic delivery set out in National Policy 11-201 *Electronic Delivery of Documents* ("NP 11-201").

(11) The addition of a paper information circular to the notice package sent to some beneficial owners is referred to as "stratification", and is a term defined in section 1.1 of the Instrument.

We do not mandate the use of stratification, except if it is necessary to comply with standing instructions or other requests for paper copies of information circulars that reporting issuers or intermediaries have chosen to obtain from registered holders or

beneficial owners. We expect that any additional stratification criteria will develop and evolve through market demand and practice. However, we expect that a reporting issuer that uses stratification for purposes other than complying with beneficial owner instructions does so in order to enhance effective communication, and not to disenfranchise beneficial owners. We require reporting issuers to disclose whether they are using stratification, and what criteria they are applying to determine which types of beneficial owners will receive a copy of the information circular.

One example of how stratification could enhance communication is where a reporting issuer wishes to send proxy-related materials to all its beneficial owners, including those who have declined to receive materials ("declining beneficial owners"). These declining beneficial owners could be sent a notice package only, while the reporting issuer would send other beneficial owners who wished to receive all materials the notice package and the information circular. All beneficial owners thus would receive the documentation necessary to vote, but those declining to receive materials would not receive a paper copy of the information circular unless they requested it.

5.5 **Consent to Electronic Delivery** – NP 11-201 discusses the sending of materials by electronic means. The guidelines set out in NP 11-201, particularly the suggestion that consent be obtained to an electronic transmission of a document, are applicable to documents sent under the Instrument.

5.6 **Multiple Deliveries to One Person or Company** - A single investor may hold securities of the same class in two or more accounts with the same address. Delivering a single set of securityholder materials to that person or company would satisfy the delivery requirements under the Instrument. We encourage this practice as a way to help reduce the costs of securityholder communications.

PART 6 USE OF NOBO LIST

6.1 Permitted Uses

(1) A person or company that is not a reporting issuer may only use the NOBO list and the procedures in sections 2.9 or 2.12 of the Instrument in connection with an effort to influence voting or an offer to acquire securities of a reporting issuer. In our view, a

person or company may obtain the NOBO list if the person or company, acting reasonably and in good faith, intends to use the NOBO list to determine whether to begin an effort to influence securityholder voting or an offer to acquire securities of the reporting issuer.

(2) Using a NOBO list contrary to Part 7 of the Instrument will constitute a breach of the Instrument and securities legislation. Penalty provisions of securities legislation may be applied.

PART 7 EXEMPTIONS

7.1 **Materials Sent in Less Than the Required Number of Days Before Meeting** - In general, exemptive relief to shorten the relevant periods in sections 2.9 and 2.12 of the Instrument will not be granted, except in extraordinary circumstances.

7.2 **Delay of Audited Annual Financial Statements or Annual Report** - Section 9.1 of the Instrument recognizes that corporate law or securities legislation may permit a reporting issuer to send its audited annual financial statements or annual report to registered holders of its securities later than other proxy-related materials. The Instrument provides that the time periods applicable to sending proxy-related materials prescribed in the Instrument do not apply to the sending of proxy-related materials that are annual financial statements or an annual report if the statements or report are sent by the reporting issuer to beneficial owners of the securities within the time limitations established in applicable corporate law and securities legislation for the sending of the statements or report to registered holders of the securities. Reporting issuers are nonetheless encouraged to send their audited annual financial statements or annual report at the same time as other proxy-related materials.

7.3 **Additional Costs for Expedited Processing** – Where reporting issuers wish to have intermediaries comply with the procedures in the Instrument within shorter time limits than provided in the Instrument, they should provide for recovery by the intermediary of reasonable costs incurred in expedited processing of securityholder materials in order to ensure forwarding of the materials to beneficial owners. Examples of such costs include courier, long distance telephone and overtime costs.

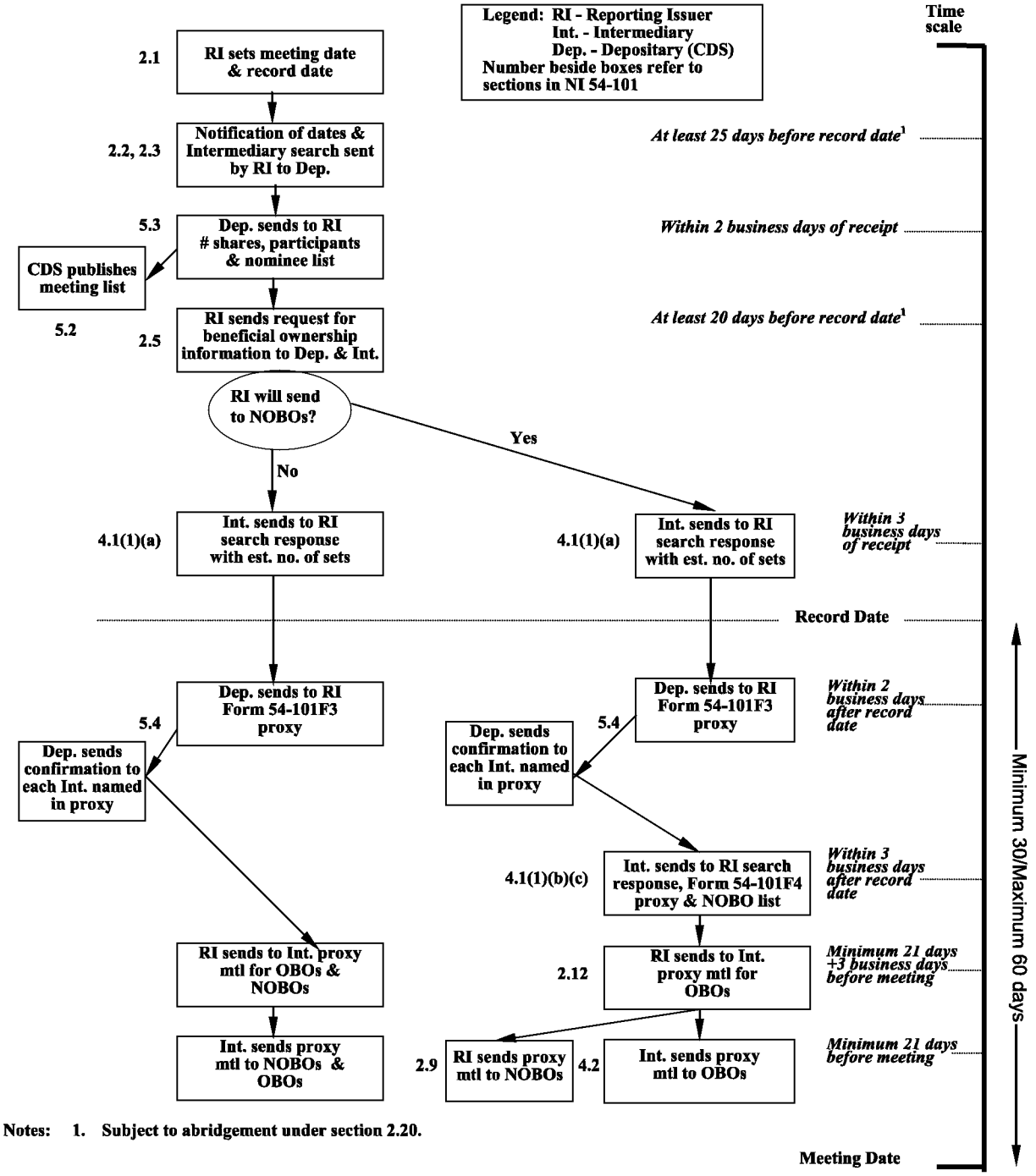
7.4 **Applications** – Major exemptions from the requirements of the Instrument will likely be granted infrequently. We encourage applicants to discuss

requests for exemptive relief on a pre-file basis with the relevant Canadian securities regulatory authorities.

PART 8 APPENDIX A

8.1 **Appendix A** - This Companion Policy contains, as Appendix A, a flow chart outlining the processes prescribed by the Instrument for the sending of proxy-related materials by prepaid mail.

Appendix A
Proxy Solicitation under NI 54-101



Notes: 1. Subject to abridgement under section 2.20.

British Columbia Securities Commission

National Instrument 71-102
Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

The British Columbia Securities Commission, considering that to do so would not be prejudicial to the public interest, orders effective November 17, 2015 that National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* is varied by:

1. replacing the definition of "marketplace" with the following in section 1.1:

   "marketplace" has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

2. adding ", Aequitas NEO Exchange Inc., the Canadian Securities Exchange" after "on the TSX" in sections 4.7(2)(a) and 5.8(2)(a);

so that the instrument reads as attached.

November 12, 2015

Brenda M. Leong
Chair

(This part is for administrative purposes only and is not part of the Order)

Authority under which Order is made:
Act and sections: *Securities Act*, sections 91, 114(2) and 119

National Instrument 71-102
Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

Table of Contents

National Instrument 71-102
Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions and Interpretation

In this Instrument:

"AIF" means a completed Form 51-102F2 *Annual Information Form* or, in the case of an SEC foreign issuer, a completed Form 51-102F2 or an annual report or transition report under the 1934 Act on Form 10-K or Form 20-F;

"business acquisition report" means a completed Form 51-102F4 *Business Acquisition Report*;

"class" includes a series of a class;

"convertible security" means a security of an issuer that is convertible into, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of the same issuer;

"designated foreign issuer" means a foreign reporting issuer

(a) that does not have a class of securities registered under section 12 of the 1934 Act and is not required to file reports under section 15(d) of the 1934 Act;

(b) that is subject to foreign disclosure requirements in a designated foreign jurisdiction; and

(c) for which the total number of equity securities owned, directly or indirectly, by residents of Canada does not exceed 10 per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, calculated in accordance with sections 1.2 and 1.3;

"designated foreign jurisdiction" means Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom of Great Britain and Northern Ireland;

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of another issuer;

"exchange-traded security" means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of

National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

"executive officer" means, for a reporting issuer, an individual who is

(a) a chair, vice-chair or president;

(b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or

(c) performing a policy-making function in respect of the issuer;

"financial statements" has the same meaning as in section 1.1 of National Instrument 51-102 *Continuous Disclosure Obligations*;

"foreign disclosure requirements" means the requirements to which a foreign reporting issuer is subject concerning the disclosure made to the public, to securityholders of the issuer or to a foreign regulatory authority

(a) relating to the foreign reporting issuer and the trading in its securities; and

(b) that is made publicly available in the foreign jurisdiction under

(i) the securities laws of the foreign jurisdiction in which the principal trading market of the foreign reporting issuer is located; or

(ii) the rules of the marketplace that is the principal trading market of the foreign reporting issuer;

"foreign regulatory authority" means a securities commission, exchange or other securities market regulatory authority
in a designated foreign jurisdiction;

"foreign reporting issuer" means a reporting issuer, other than an investment fund, that is incorporated or organized under the laws of a foreign jurisdiction, unless

(a) outstanding voting securities carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada; and

(b) any one or more of the following is true:

(i) the majority of the executive officers or directors of the issuer are residents of Canada;

(ii) more than 50 per cent of the consolidated assets of the issuer are located in Canada; or

(iii) the business of the issuer is administered principally in Canada;

"inter-dealer bond broker" means a person or company that is approved by the Investment Industry Regulatory Organization of Canada under its Rule 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its Rule 36 and its Rule 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

"interim period" means,

(a) in the case of a year other than a non-standard year or a transition year, a period commencing on the first day of the financial year and ending nine, six or three months before the end of the financial year,

(a.1) in the case of a non-standard year, a period commencing on the first day of the financial year and ending within 22 days of the date that is nine, six or three months before the end of the financial year; or

(b) in the case of a transition year, a period commencing on the first day of the transition year and ending

(i) three, six, nine or twelve months, if applicable, after the end of the old financial year; or

(ii) twelve, nine, six or three months, if applicable, before the end of the transition year;

"marketplace" has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

"MD&A" means a completed Form 51-102F1 *Management's Discussion & Analysis* or, in the case of an SEC foreign issuer, a completed Form 51-102F1 or management's discussion and analysis prepared in accordance with Item 303 of Regulation S-K under the 1934 Act;

"multiple convertible security" means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

"Nasdaq" means Nasdaq National Market and Nasdaq SmallCap Market;

"NI 52-107" means National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"non-standard year" means a financial year, other than a transition year, that does not

have 365 days, or 366 days if it includes February 29;

"old financial year" means the financial year of a reporting issuer that immediately precedes its transition year;

"principal trading market" means the published market on which the largest trading volume in the equity securities of the issuer occurred during the issuer's most recent financial year that ended before the date the determination is being made;

"published market" means, for a class of securities, a marketplace on which the securities have traded that discloses regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means the prices at which those securities have traded;

"recognized exchange" means

(a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange;

(a.1) in Québec, a person or company authorized by the securities regulatory authority to carry on business as an exchange; and

(b) in every other jurisdiction, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

"recognized quotation and trade reporting system" means

(a) in every jurisdiction other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system; and

(b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

"SEC foreign issuer" means a foreign reporting issuer that

(a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act; and

(b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America, as amended;

"transition year" means the financial year of a reporting issuer in which the issuer changes its financial year-end;

"TSX" means the Toronto Stock Exchange;

"underlying security" means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security;

"U.S. market" means an exchange in the United States of America or Nasdaq; and

"U.S. market requirements" means the requirements of the U.S. market on which the reporting issuer's securities are listed or quoted.

1.2 Determination of Canadian Shareholders

(1) For the purposes of section 4.14 and paragraph (c) of the definition of "designated foreign issuer", a reference to equity securities owned, directly or indirectly, by residents of Canada, includes

(a) the underlying securities that are equity securities of the foreign reporting issuer; and

(b) the equity securities of the foreign reporting issuer represented by an American depositary receipt or an American depositary share issued by a depositary holding equity securities of the foreign reporting issuer.

(2) For the purposes of paragraph (a) of the definition of "foreign reporting issuer", securities represented by American depositary receipts or American depositary shares issued by a depositary holding voting securities of the foreign

reporting issuer must be included as outstanding in determining both the number of votes attached to securities owned, directly or indirectly, by residents of Canada and the number of votes attached to all of the issuer's outstanding voting securities.

1.3 Timing for Calculation of Designated Foreign Issuer and Foreign Reporting Issuer

For the purposes of paragraph (c) of the definition of "designated foreign issuer", paragraph (a) of the definition of "foreign reporting issuer" and section 4.14, the calculation is made,

(a) if the issuer has not completed a financial year since becoming a reporting issuer, at the date that the issuer became a reporting issuer; and

(b) for all other issuers,

(i) for the purpose of financial statement and MD&A filings under this Instrument, on the first day of the most recent financial year or year-to-date interim period for which financial performance is presented in the

financial statements or MD&A; and

(ii) for the purpose of other continuous disclosure filing obligations under this Instrument, on the first day of the issuer's current financial year.

PART 2 LANGUAGE OF DOCUMENTS

2.1 French or English

(1) A person or company must file a document required to be filed under this Instrument in either French or English.

(2) Notwithstanding subsection (1), if a person or company files a document only in French or only in English but delivers to securityholders of an issuer a version of the document in the other language, the person or company must file that other version not later than when it is first delivered to securityholders.

(3) In Québec, a reporting issuer must comply with linguistic obligations and rights prescribed by Québec law.

2.2 Filings Prepared in a Language other than French or English

(1) If a person or company files a document that is required to be filed under this Instrument that is a translation of a document prepared in a language other than French or English, the person or company must file the document upon which the translation was based.

(2) A foreign reporting issuer filing a document upon which the translation was based under subsection (1) must attach to the document a certificate as to the accuracy of the translation.

PART 3 FILING AND SENDING OF DOCUMENTS

3.1 Timing of Filing of Documents

A person or company filing a document under this Instrument must file the document at the same time as, or as soon as practicable after, the filing or furnishing of the document to the SEC or to a foreign regulatory authority.

3.2 Sending of Documents to Canadian Securityholders

If a person or company sends a document to holders of securities of any class under U.S. federal securities law, or the laws or requirements of a designated foreign jurisdiction, and that document is required to be filed under this Instrument, then the document must be sent in the same manner and at the same time, or as soon as practicable after, to holders of securities of that class in the local jurisdiction.

PART 4 SEC FOREIGN ISSUERS

4.1 Amendments and Supplements

Any amendments or supplements to disclosure documents filed by an SEC foreign issuer under this Instrument must also be filed.

4.2 Material Change Reporting

An SEC foreign issuer satisfies securities legislation requirements relating to disclosure of material changes if the issuer

(a) complies with the U.S. market requirements for making public disclosure of material information on a timely basis;

(b) complies with foreign disclosure requirements for making public disclosure of material information on a timely basis, if securities of the issuer are not listed or quoted on a U.S. market;

(c) promptly files each news release issued by it for the purpose of complying with the requirements referred to in paragraph (a) or (b);

(d) complies with the requirements of U.S. federal securities law for filing or furnishing current reports to the SEC; and

(e) files the current reports filed with or furnished to the SEC.

4.3 Financial Statements

An SEC foreign issuer satisfies securities legislation requirements relating to the preparation, approval, filing and delivery of financial statements and auditor's reports on annual financial statements if it

(a) complies with the requirements of U.S. federal securities law relating to financial statements and auditor's reports on annual financial statements;

(b) complies with the U.S. market requirements relating to financial statements, if securities of the issuer are listed or quoted on a U.S. market;

(c) files the financial statements and auditor's reports on annual financial statements required to be filed with or furnished to the SEC or a U.S. market;

(d) complies with section 3.2 of this Instrument;

(e) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (c); and

(f) complies with NI 52-108 *Auditor Oversight*.

4.4 AIFs and MD&A

An SEC foreign issuer satisfies securities legislation requirements relating to the preparation, approval, filing and delivery of AIFs and MD&A if it

(a) complies with the requirements of U.S. federal securities law relating to annual reports, quarterly reports, current reports and management's discussion and analysis;

(b) files each annual report, quarterly report, current report and management's discussion and analysis filed with or furnished to the SEC;

(c) complies with section 3.2 of this Instrument; and

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (b).

4.5 Business Acquisition Reports

An SEC foreign issuer satisfies securities legislation requirements relating to the preparation and filing of business acquisition reports if it

(a) complies with the requirements of U.S. federal securities law relating to business acquisition reports;

(b) files each business acquisition report filed with or furnished to the SEC;

(c) complies with section 3.2 of this Instrument; and

(d) complies with NI 52-107 as it relates to financial statements that are included in any documents specified in paragraph (b).

4.6 Proxies and Proxy Solicitation by the Issuer and Information Circulars

An SEC foreign issuer satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation if it

(a) complies with the requirements of U.S. federal securities law relating to proxy statements, proxies and proxy solicitation;

(b) files all material relating to a meeting of securityholders that is filed with or furnished to the SEC;

(c) sends each document filed under paragraph (b) to securityholders in the local jurisdiction in the manner and at the time required by U.S. federal securities laws and U.S. market requirements; and

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (b).

4.7 Proxy Solicitation by Another Person or Company

(1) A person or company, other than the SEC foreign issuer, satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation with respect to an SEC foreign issuer if the person or company complies with the requirements of subsection 4.6.

(2) If a proxy solicitation is made with respect to an SEC foreign issuer by a person or company other than the SEC foreign issuer and the person or company soliciting proxies lacks access to the relevant list of securityholders of the SEC foreign issuer, subsection (1) is not available, if

(a) the aggregate published trading volume of the class on the TSX, Aequitas NEO Exchange Inc., the Canadian Securities Exchange and the TSX Venture Exchange exceeded the aggregate published trading volume of the class on all U.S. markets

(i) for the 12 calendar month period before commencement of the proxy solicitation, if there is no other proxy solicitation for securities of the same class in progress, or

(ii) for the 12 calendar month period before commencement of the first proxy solicitation, if another proxy solicitation for securities of the same class is already in progress;

(b) the information disclosed by the SEC foreign issuer in its most recent Form 10-K or Form 20-F filed with the SEC under the 1934 Act demonstrated that paragraph (a) of the definition of "foreign reporting issuer" applied to the SEC foreign issuer; or

(c) the person or company soliciting proxies reasonably believes that paragraph (a) of the definition of "foreign reporting issuer" applies to the SEC foreign issuer.

4.8 Disclosure of Voting Results

An SEC foreign issuer satisfies securities legislation requirements relating to disclosure of securityholder voting results if the issuer

(a) complies with the requirements of U.S. federal securities law relating to disclosure of securityholder voting results; and

(b) files a copy of all disclosure of securityholder voting results filed with or furnished to the SEC.

4.9 Filing of Certain News Releases

An SEC foreign issuer satisfies securities legislation requirements relating to the filing of news releases that disclose information regarding its financial performance or financial condition if the issuer

(a) complies with the requirements of U.S. federal securities laws relating to the filing of news releases disclosing financial information; and

(b) files a copy of each news release disclosing financial information that is filed with or furnished to the SEC.

4.10 Filing of Certain Documents

Securities legislation requirements relating to the filing of documents affecting the rights of securityholders and the filing of material contracts do not apply to an SEC foreign issuer.

4.11 Early Warning

A person or company satisfies the early warning requirements and acquisition announcement provisions of securities legislation in respect of securities of an SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act if the person or company

(a) complies with the requirements of U.S. federal securities law relating to the reporting of beneficial ownership of equity securities of the SEC foreign issuer; and

(b) files each report of beneficial ownership that is filed with or furnished to the SEC.

4.12 Insider Reporting

The insider reporting requirement does not apply to an insider of an SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act if the insider complies with the requirements of U.S. federal securities law relating to insider reporting.

4.13 Communication with Beneficial Owners of Securities

An SEC foreign issuer that has a class of securities registered under section 12 of the 1934 Act satisfies securities legislation requirements relating to communications with, delivery of materials to and conferring voting rights upon non-registered holders of its

securities who hold their interests in the securities through one or more intermediaries if the issuer

(a) complies with the requirements of Rule 14a-13 under the 1934 Act for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada; and

(b) complies with the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* with respect to fees payable to intermediaries, for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada.

4.14 Business Combinations and Related Party Transactions

Securities legislation requirements relating to business combinations and related party transactions in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* do not apply to an SEC foreign issuer carrying out a business combination or related party transaction if the total number of equity securities of the SEC foreign issuer owned, directly or indirectly, by residents of Canada, does not exceed 20 per cent, on a diluted basis, of the total number of equity securities of the SEC foreign issuer.

4.15 Change of Auditor

An SEC foreign issuer satisfies securities legislation requirements relating to a change of auditor if the issuer

(a) complies with the requirements of U.S. federal securities laws relating to a change of auditor; and

(b) files a copy of all materials relating to a change of auditor that are filed with or furnished to the SEC.

4.16 Restricted Securities

(1) Securities legislation continuous disclosure requirements relating to restricted securities do not apply in respect of SEC foreign issuers.

(2) Securities legislation minority approval requirements relating to restricted securities do not apply in respect of SEC foreign issuers.

PART 5 DESIGNATED FOREIGN ISSUERS

5.1 Amendments and Supplements

Any amendments or supplements to disclosure documents filed by a designated foreign

issuer under this Instrument
must also be filed.

5.2 Mandatory Annual Disclosure by Designated Foreign Issuer

To rely on this Part, a designated foreign issuer must, at least once a year, disclose in, or as an appendix to, a document that it is required by foreign disclosure requirements to send to its securityholders and that it sends to its securityholders in Canada

(a) that it is a designated foreign issuer as defined in this Instrument;

(b) that it is subject to the foreign regulatory requirements of a foreign regulatory authority; and

(c) the name of the foreign regulatory authority referred to in paragraph (b).

5.3 Material Change Reporting

A designated foreign issuer satisfies securities legislation requirements relating to disclosure of material changes if the issuer

(a) complies with foreign disclosure requirements for making public disclosure of material information on a timely basis;

(b) promptly files each news release issued by it for the purpose of complying with the requirements referred to in paragraph (a); and

(c) files the documents disclosing the material information filed with or furnished to the foreign regulatory authority or disseminated to the public or securityholders of the issuer.

5.4 Financial Statements

A designated foreign issuer satisfies securities legislation requirements relating to the preparation, approval, filing and delivery of financial statements and auditor's reports on annual financial statements if it

(a) complies with the foreign disclosure requirements relating to financial statements and auditor's reports on annual financial statements;

(b) files the financial statements and auditor's reports on annual financial statements required to be filed with or furnished to the foreign regulatory authority;

(c) complies with section 3.2 of this Instrument;

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are

included in any documents specified in paragraph (b); and

(e) complies with NI 52-108 *Auditor Oversight.*

5.5 AIFs & MD&A

A designated foreign issuer satisfies securities legislation requirements relating to the preparation, approval, filing and delivery of AIFs and MD&A if it

(a) complies with the foreign disclosure requirements relating to annual reports, quarterly reports and management's discussion and analysis;

(b) files each annual report, quarterly report and management's discussion and analysis required to be filed with or furnished to the foreign regulatory authority;

(c) complies with section 3.2 of this Instrument; and

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (b).

5.6 Business Acquisition Reports

A designated foreign issuer satisfies securities legislation requirements relating to the preparation and filing of business acquisition reports if it

(a) complies with the foreign disclosure requirements relating to business acquisitions;

(b) files each report in respect of a business acquisition required to be filed with or furnished to the foreign regulatory authority;

(c) complies with section 3.2 of this Instrument; and

(d) complies with NI 52-107 as it relates to financial statements that are included in any documents specified in paragraph (b).

5.7 Proxies and Proxy Solicitation by the Issuer and Information Circulars

A designated foreign issuer satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation if it

(a) complies with the foreign disclosure requirements relating to proxy statements, proxies and proxy solicitation;

(b) files all material relating to a meeting of securityholders that is filed with or furnished to the foreign regulatory authority;

(c) complies with section 3.2 of this Instrument; and

(d) complies with NI 52-107 as it relates to financial statements of the issuer that are included in any documents specified in paragraph (b).

5.8 Proxy Solicitation by Another Person or Company

(1) A person or company, other than the designated foreign issuer, satisfies securities legislation requirements relating to information circulars, proxies and proxy solicitation with respect to a designated foreign issuer if the person or company satisfies the requirements of section 5.7.

(2) If a proxy solicitation is made with respect to a designated foreign issuer by a person or company other than the designated foreign issuer and the person or company soliciting proxies lacks access to the relevant list of securityholders of the designated foreign issuer, subsection (1) is not available, if

(a) the aggregate published trading volume of the class on the TSX, Aequitas NEO Exchange Inc., the Canadian Securities Exchange and the TSX Venture Exchange exceeded the aggregate trading volume on securities marketplaces outside Canada

(i) for the 12 calendar months before commencement of the proxy solicitation, if there is no other proxy solicitation for securities of the same class in progress, or

(ii) for the 12 calendar month period before the commencement of the first proxy solicitation, if another proxy solicitation for securities of the same class is already in progress;

(b) the information disclosed by the designated foreign issuer in a document filed within the previous 12 months with a foreign regulatory authority, demonstrated that paragraph (a) of the definition of "foreign reporting issuer" applied to the designated foreign issuer; or

(c) the person or company soliciting proxies reasonably believes that paragraph (a) of the definition of "foreign reporting issuer" applies to the designated foreign issuer.

5.9 Disclosure of Voting Results

A designated foreign issuer satisfies securities legislation requirements relating to disclosure of securityholder voting results if the issuer

(a) complies with the foreign disclosure requirements relating to disclosure of securityholder voting results; and

(b) files each report disclosing securityholder voting results that is filed with or furnished to a foreign regulatory authority.

5.10 Filing of Certain News Releases

A designated foreign issuer satisfies securities legislation requirements relating to the filing of news releases that disclose information regarding its financial performance or financial condition if the issuer

(a) complies with the foreign disclosure requirements relating to the filing of news releases disclosing financial information; and

(b) files a copy of each news release disclosing financial information that is filed with or furnished to a foreign regulatory authority.

5.11 Filing of Certain Documents

Securities legislation requirements relating to the filing of documents affecting the rights of securityholders and the filing of material contracts do not apply to a designated foreign issuer.

5.12 Early Warning

A person or company satisfies the early warning requirements and acquisition announcement provisions of securities legislation in respect of securities of a designated foreign issuer if the person or company

(a) complies with the foreign disclosure requirements relating to reporting of beneficial ownership of equity securities of the designated foreign issuer; and

(b) files each report of beneficial ownership that is filed with or furnished to the foreign regulatory authority.

5.13 Insider Reporting

The insider reporting requirement does not apply to an insider of a designated foreign issuer if the insider complies with foreign disclosure requirements relating to insider reporting.

5.14 Communication with Beneficial Owners of Securities

A designated foreign issuer satisfies securities legislation requirements relating to communications with, delivery of materials to and conferring voting rights upon non-registered holders of its securities who hold their interests in the securities through one or more intermediaries if the issuer

(a) complies with foreign disclosure requirements relating to communication with beneficial owners of securities; and

(b) complies with the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* with respect to fees payable to intermediaries, for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada.

5.15 Business Combinations and Related Party Transactions

Securities legislation requirements relating to business combinations and related party transactions in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* do not apply to a designated foreign issuer carrying out a business combination or related party transaction.

5.16 Change in Year-End

A designated foreign issuer satisfies securities legislation requirements relating to a change in year-end if the issuer

(a) complies with foreign disclosure requirements relating to a change in year-end; and

(b) files a copy of all filings made under foreign disclosure requirements relating to the change in year-end.

5.17 Change of Auditor

A designated foreign issuer satisfies securities legislation requirements relating to a change of auditor if the issuer

(a) complies with foreign disclosure requirements relating to a change of auditor; and

(b) files a copy of all filings made under foreign disclosure requirements relating to the change of auditor.

5.18 Restricted Securities

(1) Securities legislation continuous disclosure requirements relating to restricted securities do not apply in respect of designated foreign issuers.

(2) Securities legislation minority approval requirements relating to restricted securities do not apply in respect of designated foreign issuers.

PART 6 [REPEALED]

6.1 [Repealed]

6.2 [Repealed]

6.3 [Repealed]

PART 7 EFFECTIVE DATE

7.1 Effective Date

This Instrument comes into force on March 30, 2004.

Companion Policy 71-102CP
Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

PART 1 GENERAL

1.1 Introduction and Purpose

(1) National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (the "Instrument") provides broad relief from most of the requirements of National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102") for two sub-categories of foreign reporting issuers – SEC foreign issuers and designated foreign issuers – on the condition that they comply with the continuous disclosure ("CD") requirements of the SEC or a designated foreign jurisdiction. SEC foreign issuers and designated foreign issuers are also exempted from certain other requirements of provincial and territorial securities legislation, including insider reporting and early warning, that are not contained in NI 51-102.

(2) This Companion Policy provides information about how the provincial and territorial securities regulatory authorities interpret the Instrument, and should be read in conjunction with it.

1.2 Other Relevant Legislation

In addition to the Instrument, foreign issuers should consult the following non-exhaustive list of legislation to see how it may apply to them:

(1) implementing legislation (the regulation, rule, ruling, order or other instrument that implements the Instrument in each applicable jurisdiction);

(2) NI 51-102;

(3) National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* ("NI 52-107"); and

(4) National Instrument 71-101 *The Multijurisdictional Disclosure System* ("NI 71-101").

1.3 Multijurisdictional Disclosure System

NI 71-101 permits certain U.S. incorporated issuers to satisfy specified Canadian CD requirements by using disclosure prepared in accordance with U.S. requirements. The Instrument does not replace or alter NI 71-101. There are instances in which NI 71-101 and the Instrument offer similar relief to a reporting issuer, but other instances in which the relief available to a reporting issuer in one instrument differs from the relief available to the reporting issuer under the other instrument. Many issuers that are eligible for an exemption under the Instrument will be ineligible to rely on NI 71-101 and vice versa. For example, the Instrument defines a class of "SEC foreign issuers". Not all U.S. issuers referred to in NI 71-101 are SEC foreign issuers and not all SEC foreign issuers are U.S. issuers.

1.4 Exemptions May Not Require Disclosure

Most of the exemptions in the Instrument are only available to a person or company that complies with a particular aspect of either U.S. federal securities laws or the laws of a designated foreign jurisdiction. If those laws do not require the issuer to disclose, file or send any information, for example, because the issuer may rely on an exemption under those laws, then the issuer is not required to disclose, file or send any information to rely on the exemption contained in the Instrument.

PART 2 DEFINITIONS

2.1 Foreign Reporting Issuers

To qualify for any of the exemptions contained in the Instrument the issuer in question must be a "foreign reporting issuer". The definition of foreign reporting issuer is based upon the definition of foreign private issuer in Rule 405 of the 1933 Act and Rule 3b-4 of the 1934 Act. For the purposes of the definition of "foreign reporting issuer", it is the CSA's view that

(a) in calculating the percentage of assets located in Canada, the issuer should use the book value of the assets recorded in its most recent consolidated financial statements, either annual or interim; and

(b) in determining the outstanding voting securities that are owned, directly or indirectly, by residents of Canada, an issuer should

  (i) use reasonable efforts to identify securities held by a broker, dealer, bank, trust company or nominee or any of them for the accounts of customers resident in Canada;

  (ii) count securities beneficially owned by residents of Canada as reported on reports of beneficial ownership, including insider reports and early warning reports; and

  (iii) assume that a customer is a resident of the jurisdiction or foreign jurisdiction in which the nominee has its principal place of business if, after reasonable inquiry, information regarding the jurisdiction or foreign jurisdiction of residence of the customer is unavailable.

The determination of the percentage of securities of the foreign issuer owned by residents of Canada should be made in the same manner for the purposes of paragraph (c) of the definition of "designated foreign issuer". This method of calculation differs from that of NI 71-101, which only requires a calculation based on the address of record. Accordingly, some SEC foreign issuers may qualify for exemptive relief under NI 71-101 but not under the Instrument.

2.2 Investment Funds

Generally, the definition of "investment fund" would not include a trust or other entity that issues securities which entitle the holder to substantially all of the net cash flows generated by: (i) an underlying business owned by the trust or other entity, or (ii) the income-producing properties owned by the trust or other entity. Examples of trusts or other entities that are not included in the

definition are business income trusts, real estate investment trusts and royalty trusts.

PART 3 INSIDER REPORTS

3.1 [Repealed]

PART 4 FILING OF DISCLOSURE DOCUMENTS

4.1 Filing of Disclosure Documents on SEDAR

A foreign issuer does not have to file multiple copies of a foreign disclosure document that it is filing to satisfy the conditions of more than one exemption under the Instrument. The issuer need only file the document in one SEDAR category, and under any other applicable SEDAR category may provide an appropriate reference to the location of the filed document. For example, a foreign issuer may wish to file its U.S. Form 20F to satisfy the conditions relating to both the AIF exemption and the MD&A exemption. The foreign issuer could file the Form 20F on SEDAR under either of the AIF category or the MD&A category, and under the other category would file a letter giving the SEDAR project number that the Form 20F is filed under.

PART 5 ELECTRONIC DELIVERY OF DOCUMENTS

5.1 Electronic Delivery of Documents

Any documents required to be sent under the Instrument may be sent by electronic delivery, as long as such delivery is made in compliance with Québec Notice 11-201 *Relating to the Delivery of Documents by Electronic Means*, in Québec, and National Policy 11-201 *Delivery of Documents by Electronic Means*, in the rest of Canada.

PART 6 EXEMPTIONS NOT INCLUDED

6.1 Resource Issuers - Standards of Disclosure for Mineral Projects and Oil and Gas Activities

The Instrument does not provide an exemption from National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. Issuers are reminded that those National Instruments apply to SEC foreign issuers and designated foreign issuers.

6.2 SEC Foreign Issuers

NI 51-102 contains exemptions for SEC issuers from the change in year-end requirements in NI 51-102. SEC foreign issuers under the Instrument will also meet the definition of SEC issuers under NI 51-102, and so will be able to rely on the change in year-end exemption in NI 51-102.

6.3 Foreign Reporting Issuers

The Instrument does not provide an exemption for any foreign reporting issuers from the requirement in section 4.9 of NI 51-102. A foreign reporting issuer must deliver a notice if it has been a party to an amalgamation, arrangement, merger, winding-up, reverse takeover, reorganization or other transaction that will have the effect of changing its continuous disclosure

obligations under NI 51-102. The Instrument also does not provide an exemption for any foreign reporting issuers from the requirement to file disclosure materials under section 11.1 of NI 51-102 or to file a notice of change of status under section 11.2 of NI 51-102.

6.4 Financial statements and auditor's report relief

Section 4.3 of the Instrument provides certain relief for an SEC foreign issuer relating to financial statements and auditors' reports on annual financial statements. Section 5.4 provides similar relief for a designated foreign issuer. The relief is available only if the particular foreign issuer meets all of the conditions listed in sections 4.3 and 5.4, respectively, including the requirement to comply with NI 52-107 and NI 52-108 *Auditor Oversight*. Sections 4.3 and 5.4 do not provide relief from

(a) the certification requirements in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual or Interim Filings*, or

(b) the audit committee requirements in National Instrument 52-110 *Audit Committees*.

SEC foreign issuers and designated foreign issuers must look to those instruments for any exemptions that may be available to them.

PART 7 EXEMPTIONS

7.1 Exemptions

(1) The exemptions contained in the Instrument are in addition to any exemptions that may be available to an issuer under any other applicable legislation.

(2) Issuers that have been given an exemption, waiver or approval by a regulator or securities regulatory authority before the Instrument and NI 51-102 came into effect, may be entitled to continue to rely on that exemption, waiver or approval. Issuers should refer to section 13.2 of NI 51-102 to determine in what circumstances the prior exemption, waiver or approval is available and what the reporting issuer must do to continue to rely on it.

(3) If an issuer wishes to seek exemptive relief from NI 51-102 or other requirements of provincial and territorial securities legislation on grounds similar but not identical to those permitted under the Instrument, the issuer should apply for this relief under the exemptive provisions of NI 51-102, or other provincial and territorial securities legislation, as the case may be.

[Amended September 30, 2014]

National Policy 12-202
Revocation of Certain Cease Trade Orders

PART 1
INTRODUCTION

Scope of this policy

1. This policy[1] provides guidance for issuers applying for the revocation of a cease trade order (or CTO, as defined below) for a continuous disclosure default that is not covered by the definition of failure-to-file cease trade order in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions*. These CTOs include all of the following:

(a) a CTO issued in respect of a failure to file deficiency that is not a specified default;[2]

(b) a CTO issued where a reporting issuer has made a required filing but the required filing is deficient in terms of content (a content deficiency);[3]

(c) a management cease trade order as defined in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions* ;

(d) a CTO issued in respect of an issuer that is only a reporting issuer in one jurisdiction;

(e) a CTO issued prior to the effective date of Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions*.

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[1] National Policy 12-202 *Revocation of a Compliance-Related Cease Trade Order* has been withdrawn and replaced by this policy, National Policy 12-202 *Revocation of Certain Cease Trade Orders*. This replacement policy, which includes a title change, reflects the fact that the processes surrounding the full or partial revocation (including variation) of cease trade orders that fall within the definition of failure-to-file cease trade order in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions* have been moved to National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*.

[2] The definition of "specified default" does not include certain failure to file deficiencies described in section 1 of CSA Notice 51-322 *Reporting Issuer Defaults*, such as a failure to file a material change report, or a failure to file technical disclosure or other reports required by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. We have omitted these items from the definition because these filings will generally be non-periodic in nature and in some cases it may be unclear whether a filing requirement has been triggered.

[3] Examples of content deficiencies are set out in section 2 of CSA Notice 51-322 *Reporting Issuer Defaults*.

This policy describes what the issuer should file, the general type of review that the Canadian Securities Administrators (or we) will perform, and explains some of the factors that we will consider when determining whether to grant a full or partial revocation of the CTO.[4] It also applies, where the context permits, to a securityholder or other party applying for a revocation order.

PART 2
DEFINITIONS AND INTERPRETATION

Definitions

2. In this policy:

"application" means an application for a partial or full revocation of a CTO submitted to the applicable jurisdictions (see Appendix A for section references); in British Columbia, if the CTO has been in effect for 90 days or less, the filing of the required continuous disclosure documents constitutes the application;

"CSA regulator" means a securities regulatory authority or a regulator, as applicable;

"cease trade order" (or "CTO") has the same meaning as in National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions;*

"MD&A" has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

"MRFP" means a management report of fund performance as defined in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

"partial revocation order" has the same meaning as in National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*;

"SEDAR" means System for Electronic Document Analysis and Retrieval;

"SEDI" means System for Electronic Disclosure by Insiders;

"venture issuer" has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations.*

[4] The full or partial revocation of a CTO will have an automatic effect in jurisdictions that have a statutory reciprocal order provision, as this term is defined in section 3 of National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions.*

Further definitions

3. Terms used in this policy that are defined in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions* or National Instrument 14-101 *Definitions* have the same meaning as in those instruments.

Interpretation

4. **(1)** In certain jurisdictions, the CSA regulator may issue a CTO that prohibits trading in, and the acquisition or purchase of, securities of a reporting issuer. In these jurisdictions, references in this policy to a "trade" refer to a trade in, acquisition of, or purchase of securities of the reporting issuer, as applicable.

(2) In Québec, "trade" is not defined in the *Securities Act* (Québec). This policy covers any activity in respect of a transaction in securities that may be the object of an order issued under paragraph 3 of section 265 of the *Securities Act* (Québec), other than CTOs that fall within the definition of failure-to-file cease trade order in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions*.

PART 3
REVOCATION QUALIFICATION CRITERIA AND CONSIDERATIONS

DIVISION 1 FULL REVOCATION

Filing outstanding continuous disclosure for a full revocation

5. **(1)** We will generally not exercise our discretion to grant a full revocation order, subject to sections 6 and 7, unless the issuer has filed all of its outstanding continuous disclosure.

(2) Most of the continuous disclosure requirements are in the following rules or regulations:

(a) National Instrument 51-102 *Continuous Disclosure Obligations*;

(b) National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*;

(c) National Instrument 81-106 *Investment Fund Continuous Disclosure*;

(d) National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

(e) National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;

(f) Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*;

(g) National Instrument 52-110 *Audit Committees*;

(h) National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

Exceptions to interim filing requirements

6. In exercising our discretion to revoke a CTO, we may elect not to require the issuer to file certain outstanding interim financial reports, interim MD&A, interim MRFP, or interim certificates under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, subject to section 7, if the issuer has filed all of the following:

(a) audited annual financial statements, annual MD&A, annual MRFP, and annual certificates, required to be filed under applicable securities legislation;

(b) annual information forms, information circulars and material change reports required to be filed under applicable securities legislation;

(c) for all interim periods in the current fiscal year, interim financial reports (which include the applicable comparatives from the prior fiscal year), interim MD&A, interim MRFP, and interim certificates, required to be filed under applicable securities legislation.

Exceptions to annual filing requirements

7. In certain cases, an issuer seeking a revocation order may consider that the length of time that has elapsed since the date of the CTO makes the preparation and filing of all outstanding disclosure impractical or of limited use to investors. This may particularly apply to disclosure for periods that ended more than 3 years before the date of the application for a non-venture issuer or more than 2 years before the date of the application for a venture issuer, or for periods prior to a significant change in the issuer's business. An issuer seeking a revocation order in these circumstances should make detailed submissions explaining its position. In appropriate cases, we will consider whether the filing of certain outstanding disclosure may be unnecessary as a condition of a full revocation order. The factors that we may consider include one or more of the following:

(a) the age of information to be contained in the continuous disclosure filing: information from older periods may be less relevant than information from more recent periods;

(b) whether there is access to records of the issuer: lack of access to records may hinder compliance with some filing requirements;

(c) whether the issuer conducted activity during the period: if an issuer was inactive or changed its business at any time while it was cease-traded, disclosure of information from or prior to this time may be less relevant;

(d) the length of time the CTO has been in effect;

(e) whether the historical disclosure relates to significant transactions or litigation.

We generally consider that disclosure for periods within the most recent 3 financial years for a non-venture issuer, or the most recent 2 financial years for a venture issuer, provides useful information for investors. We generally do not consider the time and cost required to prepare disclosure to be a compelling factor in the determination of the disclosure to be provided in connection with an application to revoke a CTO.

Outstanding fees

8. Before a full revocation order is issued, the issuer should pay all outstanding fees to each CSA regulator in whose jurisdiction it is a reporting issuer. Outstanding fees generally include, where applicable, all activity and participation fees, and late filing fees.

Depending on how long the CTO has been in effect, and whether the issuer filed its continuous disclosure documents in a timely manner while it was cease-traded, the amount of outstanding fees can be considerable. Before submitting an application, an issuer should contact each relevant CSA regulator to confirm the fees that will be payable.

Annual meeting

9. An issuer should ensure that it has complied with the requirement in applicable corporate or similar governing legislation or any equivalent requirement in its constating documents to hold an annual meeting of securityholders. If the issuer has not complied with the annual meeting requirement, we will generally not exercise our discretion to issue a full revocation order unless the issuer provides an undertaking to

the relevant CSA regulator(s) to hold the annual meeting within 3 months after the date on which the CTO is revoked.

An undertaking does not relieve the issuer from any requirement to hold an annual meeting requirement.

News release

10. If the issuance of a revocation order or the circumstances giving rise to the issuer seeking the revocation order are a "material change", the issuer is required by Canadian securities legislation to issue and file a news release and material change report. For example, if the issuer has ceased to carry on an active business, or its business purpose has been abandoned, the circumstances giving rise to the issuer seeking the revocation order may be a "material change". If so, the news release and material change report should disclose that the issuer has ceased to carry on an active business or that its business purpose has been abandoned, and should disclose the issuer's future business plans or that the issuer has no future business plans.

Even if there is no material change, the issuer should consider issuing a news release that announces the revocation order.

DIVISION 2 PARTIAL REVOCATIONS

Permitted transactions

11. We will consider granting a partial revocation order to permit certain transactions involving trades in securities of the issuer, such as a private placement to raise sufficient funds to prepare and file outstanding continuous disclosure documents or a shares-for-debt transaction to allow the issuer to recapitalize. We will generally not exercise our discretion to grant a partial revocation order unless the issuer intends to subsequently apply for a full revocation order and reasonably anticipates having sufficient resources after the proposed transaction to bring its continuous disclosure and fees up to date.

Other circumstances may arise that warrant a partial revocation order. For example, we will generally consider granting a partial revocation order to permit a securityholder to sell securities for a nominal amount solely to establish a tax loss, or if the issuer is winding up or in the context of insolvency. It may be possible to establish a loss for tax purposes without disposing of the securities. Securityholders may want to consult the *Income Tax Act* before applying for a partial revocation order.

Issuers may wish to consult their legal counsel to determine whether a particular transaction constitutes a trade and therefore requires an application for a partial revocation order. For example, in most jurisdictions of Canada, a disposition of

securities by way of a bona fide gift, made in good faith and not as part of a plan or scheme to evade requirements of securities legislation, would generally not be considered a "trade" under securities legislation. As such, a partial revocation order would not typically be required in these circumstances. However, after the gift, the securities will generally remain subject to the CTO.

Acts in furtherance of a trade

12. The definition of trade, where applicable, includes acts in furtherance of a trade. In any particular case, it is a question of legal interpretation whether a step taken by an issuer or other party is an act in furtherance of a trade, and therefore a breach of the CTO. If securities have been issued in breach of a CTO, we will consider whether enforcement action is appropriate. Issuers should consult their legal counsel whenever there is doubt as to whether a proposed action would be an act in furtherance of a trade. We generally expect an issuer to obtain a partial revocation order before carrying out an act in furtherance of a trade. For example, we expect an issuer or other party intending to conduct a trade to obtain a partial revocation order before entering into an agreement to transfer securities and before publicly disclosing an intended transaction in securities.

Continuing effect of CTO

13. Following the completion of a trade permitted by a partial revocation order, all securities of the issuer remain subject to the CTO until a full revocation is granted, depending on the terms of the CTO.

PART 4
APPLICATIONS

Application for a full revocation

14. **(1)** All applications for a full revocation will result in some level of review of the issuer's continuous disclosure record for compliance.

(2) An issuer requesting a full revocation order should submit an application, with the application fees, to the CSA regulator in all jurisdictions where the issuer's securities are cease-traded. The application should include all of the following information:

(a) the jurisdictions where the issuer's securities are cease-traded;

(b) details of any revocation applications currently in progress in the other jurisdictions;

(c) a copy of any draft material change report or news release as discussed in section 10;

(d) confirmation that all continuous disclosure documents have been filed with the relevant CSA regulator or a description of the documents that will be filed;

(e) confirmation that the issuer has the necessary financial resources to pay all outstanding fees, referred to in section 8, or has paid these fees to each relevant CSA regulator;

(f) confirmation that the issuer's SEDAR and SEDI profiles are up-to-date;

(g) a draft revocation order;

(h) a completed personal information form and authorization in the form set out in Appendix A of National Instrument 41-101 *General Prospectus Requirements* for each current and incoming director, executive officer and promoter of the issuer;

(i) if the issuer has been subject to another CTO within the 12-month period before the date of the current CTO, the issuer should provide a detailed explanation of the reasons for the multiple defaults.

(3) With respect to paragraph 14(2)(h), if the promoter is not an individual, the issuer should provide a completed personal information form and authorization for each director and executive officer of the promoter. If the issuer is an investment fund, the issuer should also provide a completed personal information form and authorization for each director and executive officer of the manager of the investment fund.

Application for a partial revocation

15. (1) An issuer requesting a partial revocation order should submit an application with the application fees, where applicable, to the CSA regulator in all jurisdictions where the issuer's securities are cease-traded and where the proposed trades would occur. The application should include all of the following information:

(a) the jurisdictions where the issuer's securities are cease-traded and where the proposed trades would occur;

(b) details of any revocation applications currently in progress in the other jurisdictions;

(c) a description of the proposed trades and their purpose;

(d) a draft partial revocation order that includes conditions that the applicant will

(i) obtain, and provide upon request to the relevant CSA regulators, signed and dated acknowledgements from all participants in the proposed trades, which clearly state that the securities of the issuer acquired by the participant will remain subject to the CTO until a full revocation order is granted, the issuance of which is not certain, and

(ii) provide a copy of the CTO and partial revocation order to all participants in the proposed trades;

(e) if the purpose of the proposed partial revocation is to permit an issuer to raise funds, use of proceeds information as discussed in subsection (2);

(f) if applicable, details of the exemptions the issuer intends to rely on to complete the proposed trades;

(g) if the proposed trades are the result of a decision by a court, a copy of the relevant court order.

(2) If the purpose of a proposed partial revocation of a CTO is to permit the issuer to raise funds, the application and the offering document, if any, should contain all of the following:

(a) an estimate, reasonably supported, of the amount the issuer expects to raise from the financing;

(b) a reasonably detailed explanation of the purpose of the financing and how the issuer plans to use the funds;

(c) an estimate, reasonably supported, of the total amount the issuer will need in order to apply for a full revocation order, which includes the amount of funds required to prepare and file the documents that are necessary to bring the issuer's continuous disclosure up to date and pay outstanding fees.

Request for confidentiality

16. **(1)** An issuer requesting that a CSA regulator hold an application and supporting materials in confidence during the application review process should provide a substantive reason for the request in its application.

(2) Any request for confidentiality should explain why the request is reasonable in the circumstances and not prejudicial to the public interest and when any decision granting confidentiality would expire.

(3) Staff of a CSA regulator is unlikely to recommend that an order be held in confidence after its effective date. However, if an issuer requests that a CSA regulator hold the application, supporting materials, or order in confidence after its effective date, the issuer should describe the request for confidentiality separately in its application, and pay any required fee to the CSA regulator.

(4) Communications on requests for confidentiality will normally take place by e-mail. If an issuer is concerned with this practice, the issuer may request in the application that all communications take place by telephone.

PART 5
EFFECTIVE DATE

Prior policy

17. National Policy 12-202 *Revocation of a Compliance-Related Cease Trade Order* is withdrawn and replaced by this policy.

Effective date

18. This new policy comes into effect on June 23, 2016.

Appendix A

Legislative references for an application under local securities legislation

British Columbia:
Securities Act: sections 164 and 171.

Alberta:
Securities Act: section 214.

Saskatchewan:
The Securities Act, 1988: subsections 158(3) and (4).

Manitoba:
Securities Act: subsection 148(1).

Ontario:
Securities Act: section 144.

Quebec:
Securities Act: section 265 paragraph 3 and section 318.

New Brunswick:
Securities Act: section 188.2.

Nova Scotia:
Securities Act: section 151.

Prince Edward Island:
Securities Act: sections 15 and 59.

Newfoundland and Labrador:
Securities Act: section 142.1.

Yukon:
Securities Act: sections 15 and 59.

Northwest Territories:
Securities Act: sections 15 and 59.

Nunavut:
Securities Act: sections 15 and 59.

National Policy 12-203
Management Cease Trade Orders

PART 1
INTRODUCTION

Scope of this policy

1. This policy[1] provides guidance to issuers, investors and other market participants as to when the Canadian Securities Administrators (CSA or we) will consider responding to a specified default by issuing a management cease trade order (or MCTO). It explains what we mean by the term MCTO and why we issue MCTOs, addresses what other actions we will ordinarily take when issuing an MCTO, and identifies what we expect from defaulting reporting issuers in these circumstances.

The definition of "specified default" does not include certain defaults described in CSA Notice 51-322 *Reporting Issuer Defaults*, such as a failure to file a material change report, or a failure to file technical disclosure or other reports required by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* or National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

We have omitted these items from the definition because these filings will generally be non-periodic in nature, and in some cases it may be unclear whether the issuer has triggered a filing requirement. However, a CSA regulator may apply this policy statement if a reporting issuer is in default of a continuous disclosure requirement that is not included in the definition of specified default. Similarly, a CSA regulator may apply this policy statement if a reporting issuer has made a required filing but the required filing is deficient in terms of content.

The guidance in this policy is general in nature. Each CSA regulator will decide how to respond to a specified default, including whether to issue an MCTO on a case-by-case basis after considering all relevant facts and circumstances.

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[1] National Policy 12-203 *Cease Trade Orders for Continuous Disclosure Defaults* has been withdrawn and replaced by this policy, National Policy 12-203 *Management Cease Trade Orders*. This replacement policy, which includes a title change, reflects the fact that the process surrounding the issuance of failure-to-file cease trade orders has been moved to National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*.

PART 2
DEFINITIONS AND INTERPRETATION

Definitions

2. In this policy:

"alternative information guidelines" means the guidelines relating to a default announcement and default status report described in sections 9 and 10;

"cease trade order" has the same meaning as in National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*;

"CSA regulator" means a securities regulatory authority or a regulator, as applicable;

"default announcement" means a news release and material change report as described in section 9;

"default status report" means a report as described in section 10;

"failure-to-file cease trade order" has the same meaning as in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions*;

"management cease trade order" (or "MCTO") has the same meaning as in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions;*

"principal regulator" has the same meaning as in National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*;

"specified default" has the same meaning as in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions*;

"specified requirement" means the requirement to file within the time period prescribed by securities legislation one or more of the following:

(a) annual financial statements;

(b) an interim financial report;

(c) annual or interim MD&A or annual or interim MRFP;

(d) an annual information form;

(e) a certification of filings under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*;

"SEDAR" means System for Electronic Document Analysis and Retrieval.

Further definitions

3. Terms used in this policy that are defined in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions* or National Instrument 14-101 *Definitions* have the same meaning as in those instruments.

Interpretation

4. In certain jurisdictions, the CSA regulator may issue cease trade orders and MCTOs that prohibit trading in, and the purchase or acquisition of, securities of a reporting issuer. In these jurisdictions, references in this policy to a "trade" refer to a trade in, acquisition of, or purchase of securities of the reporting issuer, as applicable.

In Québec, "trade" is not defined in the *Securities Act* (Québec). This policy covers any activity in respect of a transaction of securities that may be the object of an order issued under paragraph 3 of section 265 of the *Securities Act* (Québec), other than cease trade orders that fall within the definition of failure-to-file cease trade order in Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions*.

PART 3
ISSUANCE AND REVOCATION OF A MANAGEMENT CEASE TRADE ORDER

Possible regulatory responses to a specified default

5. In the jurisdictions where the issuer is a reporting issuer, the CSA regulators will generally respond to a specified default by noting the issuer in default on their default lists. For more information about the CSA default lists, refer to CSA Notice 51-322 *Reporting Issuer Defaults*.

The CSA regulators will then generally respond to a specified default in one of two ways:

(a) by issuing a failure-to-file cease trade order;

(b) if an issuer applies under section 8, and demonstrates that it is able to comply with this policy, by issuing an MCTO.

For more information about failure-to-file cease trade orders refer to National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*.

If the outstanding filing is expected to be filed relatively quickly, the default is not expected to be recurring and the issuer meets the eligibility criteria outlined in section 6, an MCTO may be an appropriate response to the default.

If the issuer's principal regulator decides that an MCTO is appropriate, it will generally issue an MCTO that restricts the trading of the issuer's chief executive officer and chief financial officer. At the discretion of the principal regulator, it will similarly decide whether to extend it to the issuer's directors or other persons or companies. Since MCTOs are not covered by Multilateral Instrument 11-103 *Failure-to-File Cease Trade Orders in Multiple Jurisdictions*, the non-principal regulators in the jurisdictions in which the issuer is a reporting issuer will generally issue MCTOs in respect of persons or companies named in the principal regulator's MCTO that reside in their jurisdiction.[2]

Eligibility criteria

6. We will consider granting an MCTO if the issuer satisfies all of the following criteria:

(a) the outstanding filings are expected to be filed as soon as they are available and within a reasonable period. In most cases, we expect this to be within 2 months. However, in exceptional circumstances, as determined by the principal regulator, we may permit an issuer to take longer than 2 months to remedy the default;

(b) the issuer is generating revenue from its principal business or, if it is in the development stage, the issuer is actively pursuing the development of its products or properties;

(c) the issuer has the necessary financial and human resources, including a reasonable number of directors and officers in place, to remedy the default in a timely and effective manner and complies with all other continuous disclosure requirements (other than requirements reasonably linked to the specified default) for the duration of the default;

(d) the issuer's securities are listed on a Canadian stock exchange and there is an active, liquid market for those securities. Thinly traded issuers will generally not be considered eligible for an MCTO;

[2] Management cease trade orders will be automatically reciprocated in jurisdictions that have a statutory reciprocal order provision as this term is defined in section 3 of National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*. This automatic reciprocation will occur in these jurisdictions even where the issuer is not a reporting issuer.

(e) the issuer is not on the defaulting reporting issuer list in any CSA jurisdiction for any reason other than the failure to comply with the specified requirement (and any other requirement that is reasonably linked to the specified requirement).

We will also consider an issuer's history of complying with its continuous disclosure obligations when evaluating the issuer's request for an MCTO. A reporting issuer subject to insolvency proceedings should also refer to section 14 for additional considerations.

Application timing

7. If an issuer satisfies the eligibility criteria set out above, it should contact its principal regulator at least 2 weeks before the due date for the required filings and apply in writing for an MCTO instead of a having a cease trade order issued against the issuer.

We believe that, in most cases, an issuer exercising reasonable diligence should be able to determine whether it can comply with a specified requirement at least 2 weeks in advance of the deadline. We acknowledge, however, that there will be rare situations where an issuer, notwithstanding the exercise of reasonable diligence, will be unable make this determination at least 2 weeks before the due date. In these rare cases, the issuer should include a brief explanation of the reasons for the delayed filing in its application.

We will generally not consider an application for an MCTO that is submitted after a filing deadline.

Application contents

8. An issuer that wishes to apply for an MCTO under this policy should apply to the issuer's principal regulator and send a copy of the application to each CSA regulator in the other jurisdictions in which the issuer is a reporting issuer.

In its application, the issuer should

(a) identify the specified default, the reasons for the default and the anticipated duration of the default,

(b) explain how the issuer satisfies each of the eligibility criteria described in section 6,

(c) set out a detailed remediation plan that explains how the issuer proposes to remedy the default and includes a realistic timetable for remedying the default,

(d) include consents signed by the chief executive officer and the chief financial officer (or equivalent) to the issuance of an MCTO (see Appendix A),

(e) include a copy of the proposed or actual default announcement,

(f) confirm that the issuer will comply with the alternative information guidelines,

(g) include a copy of the issuer undertaking described in section 13, and

(h) briefly describe the issuer's blackout policies and other policies and procedures relating to insider trading.

Alternative Information Guidelines — Default Announcement

9. If a reporting issuer determines that it will not comply, or subsequently determines that it has not complied, with a specified requirement, this will often represent a material change that the issuer should immediately communicate to the securities marketplace by way of a news release and material change report in accordance with part 7 of National Instrument 51-102 *Continuous Disclosure Obligations*. In determining whether a failure to comply with a specified requirement is a material change, the issuer should consider both the events leading to the failure and the failure itself.

If neither the circumstances leading to the default, nor the default, represent a material change, the issuer should nevertheless consider whether the circumstances involve important information that should be immediately communicated to the marketplace by way of news release.

The CSA regulators will generally not exercise their discretion to issue an MCTO unless the issuer issues and files a default announcement containing the information set out below. If the default involves a material change, the material change report may contain this information, in which case a separate default announcement is not necessary. The default announcement should be authorized by the chief executive officer or the chief financial officer (or equivalent) of the reporting issuer, approved by the board or audit committee and prepared and filed with the CSA regulators on SEDAR in the same manner as a news release and material change report referred to in part 7 of National Instrument 51-102 *Continuous Disclosure Obligations*. An issuer will usually be able to determine that it will not comply with a specified requirement at least 2 weeks before the due date and, as soon as it makes this determination, should issue the default announcement.

The default announcement should

(a) identify the relevant specified requirement and the (anticipated) default,

(b) disclose in detail the reason(s) for the (anticipated) default,

(c) disclose the plans of the reporting issuer to remedy the default, including the date it anticipates remedying the default,

(d) confirm that the reporting issuer intends to satisfy the provisions of the alternative information guidelines so long as it remains in default of a specified requirement,

(e) disclose relevant particulars of any insolvency proceeding to which the reporting issuer is subject, including the nature and timing of information that is required to be provided to creditors, and confirm that the reporting issuer intends to file with the CSA regulators throughout the period in which it is in default, the same information it provides to its creditors when the information is provided to the creditors and in the same manner as it would file a material change report under part 7 of National Instrument 51-102 Continuous *Disclosure Obligations*, and

(f) subject to section 11, disclose any other material information concerning the affairs of the reporting issuer that has not been generally disclosed.

A default announcement is not needed if the issuer is in default of a previous specified requirement, has followed the provisions of this section regarding a default announcement of that earlier default and is complying with the provisions of section 10 regarding default status reports.

Alternative Information Guidelines — Default Status Reports

10. After the default announcement, and during the period of the MCTO, the CSA regulators will generally exercise their discretion to issue a cease trade order unless the defaulting reporting issuer issues bi-weekly default status reports, in the form of news releases, containing the following information:

(a) any changes to the information contained in the default announcement or subsequent default status reports that would reasonably be expected to be material to an investor, including a description of all actions taken to remedy the default and the status of any investigations into any events which may have contributed to the default;

(b) particulars of any failure by the defaulting reporting issuer in fulfilling its stated intentions with respect to satisfying the provisions of the alternative information guidelines;

(c) information regarding any (anticipated) specified default subsequent to the default which is the subject of the default announcement;

(d) subject to section 11, any other material information concerning the affairs of the reporting issuer that has not been generally disclosed.

Where there are no changes otherwise required to be disclosed in items (a) to (d), this fact should be disclosed in a default status report.

To keep the market continuously informed of any developments during the period of default, the issuer should issue default status reports every 2 weeks following the default announcement. If a CSA regulator, at any time, issues a cease trade order against an issuer, default status reports will no longer be necessary.

Every default status report should be prepared, authorized, filed and communicated to the securities marketplace in the same manner as that specified in section 9 for a default announcement.

Confidential material information

11. The alternative information guidelines in this policy supplement the material change reporting requirements in National Instrument 51-102 *Continuous Disclosure Obligations* and should be interpreted in a similar manner. Similar to the procedures in that instrument, an issuer may omit confidential material information from default status announcement or default status reports if in the opinion of the issuer, and if that opinion is arrived at in a reasonable manner, disclosure of the applicable material information would be unduly detrimental to the interests of the reporting issuer.

Compliance with other continuous disclosure requirements

12. The alternative disclosure described in sections 9 and 10 supplements the issuer's disclosure record during the period of default. It does not provide an alternative to the continuous disclosure requirements under Canadian securities legislation.

If a reporting issuer is in default of a specified requirement, the issuer must still comply with all other applicable continuous disclosure requirements, other than requirements reasonably linked to the specified requirement in question. For example, an issuer that has not filed its financial statements on time will also be unable to comply with the requirement to file management's discussion and analysis under National Instrument 51-102 *Continuous Disclosure Obligations*. However, failure to comply with a requirement to file audited financial statements in accordance with the requirements of part 4 of National Instrument 51-102 *Continuous Disclosure Obligations* does not excuse compliance with other requirements of that instrument such as the requirement to file an Annual Information Form in accordance with part 6 or material change reports in accordance with part 7.

Issuer undertaking to cease certain trading activities

13. The reporting issuer should include with the application an undertaking that, for so long as the issuer is in default of the specified requirement in question, the issuer will not, directly or indirectly, issue securities to or acquire securities from an insider or employee of the issuer except in accordance with legally binding obligations to do so existing as of the date of the specified default. The issuer should address the undertaking to the CSA regulator of each jurisdiction in which the issuer is a reporting issuer.

Reporting issuers subject to insolvency proceedings

14. If a reporting issuer is the subject of insolvency proceedings, we will consider an application for an MCTO if in addition to complying with all applicable sections of this policy, including the eligibility criteria in section 6,

(a) the issuer retains title to its assets,

(b) the issuer's directors and officers continue to manage the affairs of the issuer, and

(c) the issuer agrees to file a report disclosing the information it provides to its creditors

(i) simultaneously with delivery to its creditors, and

(ii) in the same manner as a report of a material change referred to in part 7 of National Instrument 51-102 *Continuous Disclosure Obligations.*

If the issuer chooses to file the information provided to creditors with a material change report, then, for the purposes of filing on SEDAR, this should be contained in the same electronic document as the material change report.

Financial information in default announcements and default status reports

15. Any unaudited financial information that is communicated to the marketplace should, except in certain circumstances involving insolvency, be directly derived from financial statements prepared and presented in accordance with generally accepted accounting principles. In default announcements and default status reports, this information should be accompanied by cautionary language that the information has been prepared by management of the defaulting reporting issuer and is unaudited.

Default correction announcement

16. Once the specified default is remedied, the reporting issuer should consider communicating that information to the securities marketplace in the same manner as that specified in this policy for a default announcement.

Revocation of a management cease trade order

17. Some MCTOs will include a provision which describes when the MCTO will automatically expire.

The process for revoking an MCTO that does not automatically expire by its terms is described in National Policy 12-202 *Revocations of Certain Cease Trade Orders*.

PART 4
OTHER CONSIDERATIONS

Trading by management and other insiders during the period of default

18. Certain guidelines regarding trading by management and other insiders during the period of default are set out in section 9 of National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*.

No penalty or sanction for disclosure purposes

19. The CSA regulators do not consider MCTOs issued under this policy to be a "penalty" or "sanction" for the purposes of disclosure obligations in Canadian securities legislation relating to penalties or sanctions. They are not issued as part of an enforcement process and the CSA regulators do not intend them to suggest a finding of fault or wrongdoing on the part of any individual named in the MCTO. For example, a defaulting issuer's board of directors might invite an individual to serve as an officer or director of the issuer to assist the issuer in remedying its default. The individual might have no prior involvement with the defaulting reporting issuer. The fact that the principal regulator may subsequently name the individual in an MCTO does not mean the individual had any responsibility for the default, which occurred before the individual joined the issuer.

However, issuers are required to disclose MCTOs issued under this policy in accordance with the following disclosure requirements:

(a) Section 16.2 of Form 41-101F1 *Information Required in a Prospectus*;

(b) Item 16 of Form 44-101F1 *Short Form Prospectus*;

(c) Subsection 10.2(1) of Form 51-102F2 *Annual Information Form*;

(d) Item 7.2 of Form 51-102F5 *Information Circular*.

If an issuer is required to include disclosure of an MCTO in a public filing, the issuer may supplement the disclosure with additional information explaining the circumstances of the MCTO.

PART 5
EFFECTIVE DATE

20. National Policy 12-203 *Cease Trade Orders for Continuous Disclosure Defaults* is withdrawn and replaced by this policy.

21. This policy comes into effect on June 23, 2016.

Appendix A — Sample Form of Consent

Consent

To: [*Name of Issuer's Principal Regulator*], as principal regulator (the Regulator),

And to: [*Name(s) of other Regulator(s) in whose jurisdiction(s) the Issuer is a reporting issuer* (collectively with the principal regulator, the Regulators)

Re: Consent to issuance of management cease trade order

I, [*name of individual providing the consent*] hereby confirm as follows:

1. I am the [*name of position with the Issuer, e.g., the chief executive officer or chief financial officer*] of [*name of Issuer*] (the Issuer).

2. The Issuer is a [*nature of entity, e.g., a corporation incorporated under the Canada Business Corporations Act*] with a head office located in [*province or territory*].

3. The Issuer is a reporting issuer in [*identify all jurisdictions in which the issuer is a reporting issuer*]. The Issuer's principal regulator, as determined in accordance with section 13 of National Policy 11-207 Failure-to-File Cease Trade Orders in Multiple Jurisdictions is [*name of principal regulator*].

4. The Issuer [is] [is not] [*delete as applicable*] a "venture issuer" as defined in National Instrument 51-102 *Continuous Disclosure Obligations*. The Issuer has a financial year ending [*state the issuer's year end, e.g., December 31*].

5. On or about [*identify the deadline for filing*] (the filing deadline), the Issuer will be required to file [*briefly describe the required filings, e.g.,*

   a. *audited annual financial statements for the year ended December 31, 2014, as required by Part 4 of* National Instrument 51-102 *Continuous Disclosure Obligations;*

   b. *management's discussion and analysis (MD&A) relating to the audited annual financial statements, as required by Part 5 of* National Instrument 51-102 *Continuous Disclosure Obligations; and*

   c. *CEO and CFO certificates relating to the audited annual financial statements, as required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (collectively, the required filings)*].

6. The Issuer has determined that it may not be able to make the required filings by the filing deadline. The Issuer wishes to apply to the Regulator[s] for a management cease trade order

(an MCTO) as an alternative to a general cease trade order in accordance with National Policy 12-203 *Management Cease Trade Orders.*

7. I am providing this consent in support of the Issuer's application for an MCTO in accordance with section 8 of National Policy 12-203 *Management Cease Trade Orders.*

8. I hereby consent to the issuance of an MCTO against me by the Issuer's principal regulator under the applicable statutory authority listed in Annex A to National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions.*

9. Specifically, I understand that the MCTO will prohibit me from trading in or acquiring securities of the Issuer, directly or indirectly, until two full business days following the receipt by the principal regulator of all filings the Issuer is required to make under the securities legislation of the principal regulator or until further Order of the principal regulator.

10. I hereby further consent to the issuance of any substantially similar MCTO that another Regulator may consider necessary to issue by reason of the default described above.

DATED this day of [DATE]

by: .....

Name:

Title:

Amended ●.

This document is an unofficial consolidation of all amendments to National Instrument 14-101 *Definitions*, current to December 7, 2017. It includes local amendments made outside Ontario, as set out in CSA Staff Notices 11-335 (April 13, 2017) and 11-337 (December 7, 2017). This document is for reference purposes only and is not an official statement of law.

NATIONAL INSTRUMENT 14-101
DEFINITIONS

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions and Interpretation

(1) Every term that is defined or interpreted in the statute of the local jurisdiction referred to in Appendix B, the definition or interpretation of which is not restricted to a specific portion of the statute, has, if used in a national instrument or multilateral instrument, the meaning ascribed to it in that statute unless the context otherwise requires.

(2) A provision or reference within a provision of a national instrument or multilateral instrument that specifically refers by name to one or more jurisdictions other than the local jurisdiction shall not have any effect in the local jurisdiction, unless otherwise stated in the national instrument or multilateral instrument.

(3) In a national instrument or multilateral instrument

"1933 Act" means the *Securities Act of 1933* of the United States of America, as amended from time to time;

"1934 Act" means the *Securities Exchange Act of 1934* of the United States of America, as amended from time to time;

"adviser registration requirement" means the requirement in securities legislation that prohibits a person or company from acting as an adviser unless the person or company is registered in the appropriate category of registration under securities legislation;

"blanket rulings and orders" means rulings and orders issued under Canadian securities legislation in certain jurisdictions that are applicable to a class of persons, trades, intended trades, securities, exchange contracts or transactions;

"Canadian financial institution" means a bank, loan corporation, trust company, insurance company, treasury branch, credit union or caisse populaire that, in each case, is authorized to carry on business in Canada or a jurisdiction, or the Confédération des caisses populaires et d'économie Desjardins du Québec;

"Canadian GAAP" means generally accepted accounting principles determined with reference to the Handbook;

"Canadian GAAS" means generally accepted auditing standards determined with reference to the Handbook;

"Canadian securities directions" means the instruments listed in Appendix A;

"Canadian securities legislation" means the statutes and the other instruments listed in Appendix B;

"Canadian securities regulatory authorities" means the securities commissions and similar regulatory authorities listed in Appendix C;

"CIPF" means the Canadian Investor Protection Fund;

"CSA" means the Canadian Securities Administrators;

"dealer registration requirement" means:

(a) in every jurisdiction except British Columbia, Manitoba and New Brunswick, the requirement in securities legislation that prohibits a person or company from acting as a dealer unless that person or company is registered in the appropriate category of registration under securities legislation, and

(b) in British Columbia, Manitoba and New Brunswick, the requirement in securities legislation that prohibits a person or company from trading in a security unless that person or company is registered in the appropriate category of registration under securities legislation;

"equity security" has the meaning ascribed to that term in securities legislation;

"exchange contract" means, in Alberta, New Brunswick, Nova Scotia and Saskatchewan, a derivative:

(a) that is traded on an exchange;

(b) that has standardized terms and conditions determined by that exchange; and

(c) for which a clearing agency substitutes, through novation or otherwise, the credit of the clearing agency for the credit of the parties to the derivative

"foreign jurisdiction" means a country other than Canada or a political subdivision of a country other than Canada;

"Handbook" means the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time;

"IFRS" means the standards and interpretations adopted by the International Accounting Standards Board, as amended from time to time;

"implementing law of a jurisdiction" means, for a local jurisdiction, a regulation, rule, ruling or order of the Canadian securities regulatory authority that implements a national instrument or multilateral instrument in the local jurisdiction;

"insider reporting requirement" means

(a) a requirement to file insider reports under Parts 3 and 4 of National Instrument 55-104 *Insider Reporting Requirements and Exemptions*;

(b) a requirement to file insider reports under any provisions of Canadian securities legislation substantially similar to Parts 3 and 4 of National Instrument 55-104 *Insider Reporting Requirements and Exemptions*; and

(c) a requirement to file an insider profile under National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI).*

"International Standards on Auditing" means auditing standards set by the International Auditing and Assurance Board, as amended from time to time;

"investment fund manager registration requirement" means the requirement in securities legislation that prohibits a person or company from acting as an investment fund manager unless the person or company is registered in the appropriate category of registration under securities legislation;

"issuer bid" has the meaning ascribed to that term in securities legislation;

"ITA" means the *Income Tax Act* (Canada);

"jurisdiction" or "jurisdiction of Canada" means a province or territory of Canada except when used in the term foreign jurisdiction;

"local jurisdiction" means, in a national instrument or multilateral instrument adopted or

made by a Canadian securities regulatory authority, the jurisdiction in which the Canadian securities regulatory authority is situate;

"networking notice requirement" means the requirement in securities legislation that a registrant give written notice to the securities regulatory authority or regulator before entering into a networking arrangement;

"person or company", for the purpose of a national instrument or multilateral instrument, means,

(a) in British Columbia, a "person" as defined in section 1(1) of the *Securities Act* (British Columbia);

(b) in New Brunswick, a "person" as defined in section 1(1) of the *Securities Act* (New Brunswick);

(c) in the Northwest Territories, a "person" as defined in section 1 of the *Securities Act* (Northwest Territories);

(c.1) in Nunavut, a "person" as defined in section 1 of the *Securities Act* (Nunavut);

Note: Paragraph (c.1) of the definition of "person or company" reflects Nunavut's local Rule 11-801.

(d) in Prince Edward Island, a "person" as defined in section 1 of the *Securities Act* (Prince Edward Island);

(e) in Québec, a "person" as defined in section 5.1 of the *Securities Act* (Québec); and

(f) in Yukon Territory, a "person" as defined in section 1 of the *Securities Act* (Yukon Territory).

"prospectus requirement" means the requirement in securities legislation that prohibits a person or company from distributing a security unless a preliminary prospectus and prospectus for the security have been filed and the regulator has issued receipts for them;

"provincial and territorial securities directions" means the instruments listed in Appendix A;

"provincial and territorial securities legislation" means the statutes and the other instruments listed in Appendix B;

"provincial and territorial securities regulatory authorities" means the securities

commissions and similar regulatory authorities listed in Appendix C;

"registration requirement" means all of the following:

(a) the adviser registration requirement,

(b) the dealer registration requirement,

(c) the investment fund manager registration requirement, and

(d) the underwriter registration requirement;

"regulator" means, for the local jurisdiction, the person referred to in Appendix D opposite the name of the local jurisdiction;

"SEC" means the Securities and Exchange Commission of the United States of America;

"securities directions" means, for the local jurisdiction, the instruments listed in Appendix A opposite the name of the local jurisdiction;

"securities legislation" means, for the local jurisdiction, the statute and other instruments listed in Appendix B opposite the name of the local jurisdiction;

"securities regulatory authority" means, for the local jurisdiction, the securities commission or similar regulatory authority listed in Appendix C opposite the name of the local jurisdiction;

"SRO" means a self-regulatory organization, a self-regulatory body or an exchange.

"take-over bid" has the meaning ascribed to that term in securities legislation;

"underwriter registration requirement" means the requirement in securities legislation that prohibits a person or company from acting as an underwriter unless the person or company is registered in the appropriate category of registration under securities legislation; and

"U.S. federal securities law" means the federal statutes of the United States of America concerning the regulation of securities markets and trading in securities and the regulations, rules, forms and schedules under those statutes, all as amended from time to time;

PART 2 EFFECTIVE DATE

[Note: This unofficial consolidation does not include PART 2, which contains the original historical coming-into-force provision for this Instrument.]

NATIONAL INSTRUMENT 14-101
DEFINITIONS

APPENDIX A

PROVINCIAL AND TERRITORIAL SECURITIES DIRECTIONS/CANADIAN SECURITIES DIRECTIONS

LOCAL JURISDICTION	INSTRUMENTS
ALBERTA	The policy statements and the written interpretations issued by the securities regulatory authority.
BRITISH COLUMBIA	The policy statements and the written interpretations issued by the securities regulatory authority.
MANITOBA	The policy statements and the written interpretations issued by the securities regulatory authority.
NEW BRUNSWICK	The policy statements and the written interpretations issued by the securities regulatory authority.
NEWFOUNDLAND	The policy statements and the written interpretations issued by the securities regulatory authority.
NORTHWEST TERRITORIES	The policy statements and the written interpretations issued by the securities regulatory authority.
NOVA SCOTIA	The policy statements and the written interpretations issued by the securities regulatory authority.
NUNAVUT	The policy statements and the written interpretations issued by the securities regulatory authority.
ONTARIO	None.
PRINCE EDWARD ISLAND	The policy statements and the written interpretations issued by the securities regulatory authority.
QUEBEC	The policy statements and the written interpretations issued by the securities regulatory authority.

SASKATCHEWAN	The policy statements and the written interpretations issued by the securities regulatory authority.
YUKON TERRITORY	The policy statements and the written interpretations issued by the securities regulatory authority.

APPENDIX B

PROVINCIAL AND TERRITORIAL SECURITIES LEGISLATION/CANADIAN SECURITIES LEGISLATION

LOCAL JURISDICTION	STATUTE AND OTHER INSTRUMENTS
ALBERTA	*Securities Act* and the regulations and rules under that Act and the blanket rulings and orders issued by the securities regulatory authority.
BRITISH COLUMBIA	*Securities Act* and the regulations, rules and forms under that Act and the blanket rulings and orders issued by the securities regulatory authority.
MANITOBA	*The Securities Act* and the regulations under that Act and the blanket rulings and orders issued by the securities regulatory authority.
NEW BRUNSWICK	*Securities Act* and the regulations under that Act and the orders issued by the securities regulatory authority.
NEWFOUNDLAND	*Securities Act* and the regulations under that Act and the blanket rulings and orders issued by the securities regulatory authority.
NORTHWEST TERRITORIES	*Securities Act* and the regulations under that Act and the blanket rulings and orders issued by the securities regulatory authority.
NOVA SCOTIA	*Securities Act* and the regulations under that Act and the blanket rulings and orders issued by the securities regulatory authority.
NUNAVUT	*Securities Act* and the regulations under that Act and the blanket rulings and orders issued by the securities regulatory authority.
ONTARIO	*Securities Act* and the regulations and rules under that Act.
PRINCE EDWARD ISLAND	*Securities Act* and the regulations under that Act and the blanket rulings and orders issued by the securities

	regulatory authority.
QUEBEC	*Securities Act*, An Act respecting the Autorité des marchés financiers (R.S.Q., c. A-33.2), *Derivatives Act* (S.Q. 2008, c. 24), the regulations under those Acts, and the blanket rulings and orders issued by the securities regulatory authority.
SASKATCHEWAN	*The Securities Act, 1988* and the regulations and rules under that Act and the blanket rulings and orders issued by the securities regulatory authority.
YUKON TERRITORY	*Securities Act* and the regulations under that Act and the blanket rulings and orders issued by the securities regulatory authority.

APPENDIX C

PROVINCIAL AND TERRITORIAL SECURITIES REGULATORY AUTHORITIES/CANADIAN SECURITIES REGULATORY AUTHORITIES

LOCAL JURISDICTION	SECURITIES REGULATORY AUTHORITY
ALBERTA	Alberta Securities Commission
BRITISH COLUMBIA	British Columbia Securities Commission
MANITOBA	The Manitoba Securities Commission
NEW BRUNSWICK	Financial and Consumer Services Commission
NEWFOUNDLAND	Securities Commission of Newfoundland
NORTHWEST TERRITORIES	Superintendent of Securities, Northwest Territories
NOVA SCOTIA	Nova Scotia Securities Commission
NUNAVUT	Superintendent of Securities, Nunavut
ONTARIO	Ontario Securities Commission
PRINCE EDWARD ISLAND	Superintendent of Securities, Prince Edward Island
QUEBEC	Autorité des marchés financiers or, where applicable, the Bureau de décision et de révision en valeurs mobilières
SASKATCHEWAN	Saskatchewan Securities Commission
YUKON TERRITORY	Superintendent of Securities, Yukon Territory

APPENDIX D - REGULATOR

LOCAL JURISDICTION	REGULATOR
ALBERTA	Executive Director, as defined under section 1 of the *Securities Act* (Alberta).
BRITISH COLUMBIA	Executive Director, as defined under section 1 of the *Securities Act* (British Columbia).
MANITOBA	Director, as defined under subsection 1(1) of *The Securities Act* (Manitoba).
NEW BRUNSWICK	Executive Director as defined in section 1 of the *Securities Act* (New Brunswick).
NEWFOUNDLAND	Director of Securities, designated under section 7 of the *Securities Act* (Newfoundland).
NORTHWEST TERRITORIES	Superintendent, as defined under section 1 of the *Securities Act* (Northwest Territories).
NOVA SCOTIA	Director, as defined under section 1 of the *Securities Act* (Nova Scotia).
NUNAVUT	Superintendent, as defined under section 1 of the *Securities Act* (Nunavut)
ONTARIO	Director, as defined under section 1 of the *Securities Act* (Ontario).
PRINCE EDWARD ISLAND	Superintendent, as defined in section 1 of the *Securities Act* (Prince Edward Island).
QUEBEC	Autorité des marchés financiers.
SASKATCHEWAN	Director, as defined in section 1 of *The Securities Act, 1988* (Saskatchewan).
YUKON TERRITORY	Superintendent, as defined in section 1 of the *Securities Act* (Yukon Territory).

B. Timely Disclosure

Introduction

Sec. 406.

It is a cornerstone policy of the Exchange that all persons investing in securities listed on the Exchange have equal access to information that may affect their investment decisions. Public confidence in the integrity of the Exchange as a securities market requires timely disclosure of material information concerning the business and affairs of companies listed on the Exchange, thereby placing all participants in the market on an equal footing.

The timely disclosure policy of the Exchange is the primary timely disclosure standard for all TSX listed issuers. National Policy 51-201 *Disclosure Standards* of the CSA, "Disclosure Standards", assists issuers in meeting their legislative disclosure requirements. While the legislative and Exchange timely disclosure requirements differ somewhat, the CSA clearly state in National Policy 51-201 *Disclosure Standards* that they expect listed issuers to comply with the requirements of the Exchange.

To minimize the number of authorities that must be consulted in a particular matter, in the case of securities listed on the Exchange, the Exchange is the relevant contact. The issuer may, of course, consult with the government securities administrator of the particular jurisdiction. In the case of securities listed on more than one stock market, the issuer should deal with each market.

The requirements of the Exchange and National Policy 51-201 *Disclosure Standards* are in addition to any applicable statutory requirements. The Exchange enforces its own policy. Companies whose securities are listed on the Exchange are legally obligated to comply with the provisions on timely disclosure set out in section 75 of the OSA and the Regulation under the Act. Reference should also be made to National Instrument 71-102 *continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, National Instrument 55-102 *System for Electronic Disclosure by Insiders*, and National Instrument 62-103 *The Early Warning System and Related Take-Over bid and Insider Reporting Issues*.

In addition to the foregoing requirements, companies whose securities are listed on the Exchange and who engage in mineral exploration, development and/or production, must follow the "Disclosure Standards for Companies Engaged in Mineral Exploration, Development and Production" as outlined in Appendix B of this Manual for both their timely and continuous disclosure.

The Market Surveillance Division monitors the timely disclosure policy on behalf of the Exchange.

Material Information

Definition

Sec. 407.

Material information is any information relating to the business and affairs of a company that results in or would reasonably be expected to result in a significant change in the market price or value of any of the company's listed securities.

Material information consists of both material facts and material changes relating to the business and affairs of a listed company. In addition to material information, trading on the Exchange is sometimes affected by the existence of rumours and speculation. Where this is the case, Market Surveillance may require that an announcement be made by the company whether such rumours and speculation are factual or not. The policy of the Exchange with regard to rumours is set out more fully in Section 414.

The timely disclosure policy of the Exchange is designed to supplement the provisions of the OSA, which requires disclosure of any "material change" as defined therein. A report must be tiled with the OSC concerning any "material change" as soon as practicable and in any event within ten days of the date on which the change occurs. The Exchange considers that "material information" is a broader term than "material change" since it encompasses material

facts that may not entail a "material change" as defined in the Act. It has long been the practice of most listed companies to disclose a broader range of information to the public pursuant to the Exchange's timely disclosure policy than a strict interpretation of the Act might require. Companies subject to securities legislation outside of Ontario should be aware of their disclosure obligations in other jurisdictions.

It is the responsibility of each listed company to determine what information is material according to the above definition in the context of the company's own affairs. The materiality of information varies from one company to another according to the size of its profits, assets and capitalization, the nature of its operations and many other factors. An event that is "significant" or "major" in the context of a smaller company's business and affairs is often not material to a large company. The company itself is in the best position to apply the definition of material information to its own unique circumstances. The Exchange recognizes that decisions on disclosure require careful subjective judgments, and encourages listed companies to consult Market Surveillance when in doubt as to whether disclosure should be made.

Rule: Immediate Disclosure

Sec. 408.

A listed company is required to disclose material information concerning its business and affairs forthwith upon the information becoming known to management, or in the case of information previously known, forthwith upon it becoming apparent that the information is material. Immediate release of information is necessary to ensure that it is promptly available to all investors and to reduce the risk of persons with access to the information acting upon undisclosed information. Unusual trading marked by significant changes in the price or trading volumes of any of a company's securities prior to the announcement of material information is embarrassing to company management and damaging to the reputation of the securities market, since the investing public may assume that certain persons benefited from access to material information which was not generally disclosed.

In restricted circumstances disclosure of material information may be delayed for reasons of corporate confidentiality. In this regard, see Sections 423.1 to 423.3.

Developments to be Disclosed

Sec. 409.

Companies are not required to interpret the impact of external political, economic and social developments on their affairs, but if the external development will have or has had a direct effect on their business and affairs that is both material in the sense outlined above and uncharacteristic of the effect generally experienced as a result of such development by other companies engaged in the same business or industry, companies are urged, where practical, to explain the particular impact on them. For example, a change in government policy that affects most companies in a particular industry does not require an announcement, but if it affects only one or a few companies in a material way, an announcement should be made.

The market price of a company's securities may be affected by factors directly relating to the securities themselves as well as by information concerning the company's business and affairs. For example, changes in a company's issued capital, stock splits, redemptions and dividend decisions may all impact upon the market price of a security.

Sec. 410.

Other actual or proposed developments that are likely to give rise to material information and thus to require prompt disclosure include, but are not limited to, those listed below. Of course, any development must be material according to the definition of material information before disclosure is required.

Many developments must be disclosed at the proposal stage, or before an event actually occurs, if the proposal gives rise to material information at that stage. Announcements of an intention to proceed with a transaction or activity should be made when a decision has been made to proceed with it by the board of directors of the company, or by senior management with the expectation of concurrence from the board of directors. Subsequently, updates should be announced at least every 30 days, unless the original announcement indicates that an update will be disclosed on another indicated date. In addition, prompt disclosure is required of any material change to the proposed transaction, or to the previously disclosed information.

Examples of developments likely to require prompt disclosure as referred to above include the following:

(a) Changes in share ownership that may affect control of the company.

(b) Changes in corporate structure, such as reorganizations, amalgamations, etc.

(c) Take-over bids or issuer bids.

(d) Major corporate acquisitions or dispositions.

(e) Changes in capital structure.

(f) Borrowing of a significant amount of funds.

(g) Public or private sale of additional securities.

(h) Development of new products and developments affecting the company's resources, technology, products or market.

(i) Significant discoveries by resource companies.

(j) Entering into or loss of significant contracts.

(k) Firm evidence of significant increases or decreases in near-term earnings prospects.

(l) Changes in capital investment plans or corporate objectives.

(m) Significant changes in management.

(n) Significant litigation.

(o) Major labour disputes or disputes with major contractors or suppliers.

(p) Events of default under financing or other agreements.

(q) Any other developments relating to the business and affairs of the company that would reasonably be expected to significantly affect the market price or value of any of the company's securities or that would reasonably be expected to have a significant influence on a reasonable investor's investment decisions.

Sec. 411.

Forecasts of earnings and other financial forecasts need not be disclosed, but where a significant increase or decrease in earnings is indicated in the near future, such as in the next fiscal quarter, this fact must be disclosed. Forecasts should not be provided on a selective basis to certain investors not involved in the management of the affairs of the company. If disclosed, they should be generally disclosed. Reference should be made to National Policy 48 *Future-Oriented Financial Information* of the Canadian Securities Administrators (*Future-oriented Financial Information*).

Market Surveillance

Monitoring Trading

Sec. 412.

Market Surveillance maintains a continuous stock watch programme which is designed to highlight unusual market activity, such as unusual price and volume changes in a stock relative to its historical pattern of trading. Where unusual trading activity takes place in a listed security, Market Surveillance attempts to determine the specific cause of such activity. If the specific cause cannot be determined immediately, company management will be contacted. Should this contact result in Market Surveillance staff becoming aware of a situation which requires a news release, the company will be asked to make an immediate announcement. Should the company be unaware of any undisclosed developments, Market Surveillance staff will continue to monitor trading and, if concerns continue, may ask the company to issue a statement that it is not aware of any undisclosed devlopments that would account for the unusual trading pattern.

Timing of Announcements

Sec. 413.

Market Surveillance has the responsibility of receiving all timely disclosure news releases from listed companies detailing material information concerning their affairs. The overriding rule is that significant announcements are required to be released immediately. Release of certain announcements may be delayed until the close of trading, subject to the approval of Market Surveillance. Company officials are encouraged to seek assistance and direction from Market Surveillance as to when an announcement should be released and whether trading in the company's shares should be halted for dissemination of an announcement.

Rumours

Sec. 414.

Unusual market activity is often caused by the presence of rumours. The Exchange recognizes that it is impractical to expect management to be aware of, and comment on, all rumours, but when market activity indicates that trading is being unduly influenced by rumours Market Surveillance will request that a clarifying statement be made by the company. Prompt clarification or denial of rumours through a news release is the most effective manner of rectifying such a situation. A trading halt may be instituted pending a "no corporate developments" statement from the company. If a rumour is correct in whole or in part, immediate disclosure of the relevant material information must be made by the company and a trading halt will be instituted pending release and dissemination of the information.

OSC Cease Trading Order

Sec. 415.

In certain circumstances trading in a listed security may be stopped by Market Surveillance as a result of a cease trading order being issued by the OSC. Such an order may be issued by the OSC where it is of the opinion that a halt in trading is in the public interest. However, Market Surveillance generally handles halts for the dissemination of announcements of material information. Additional information with respect to trading halts is included in Sections 420 to 423.

Announcements of Material Information

Pre-Notification to Exchange

Sec. 416.

The Exchange's policy requires immediate release of material information except in unusual circumstances. While Market Surveillance may permit certain news releases to be issued after the close of trading, the policy of immediate disclosure frequently requires that news releases be issued during trading hours, especially when an important corporate development has occurred. If this is the case, it is absolutely essential that company officials notify Market Surveillance prior to the issuance of a news release. Market Surveillance staff will then be in a position to determine whether trading in any of the company's securities should be temporarily halted. Also, if the Exchange is not advised of news releases in advance, any subsequent unusual trading activity will generate enquiries and perhaps a halt in trading.

Regardless of when an announcement involving material information is released, Market Surveillance must be advised of its content and supplied with a copy in advance of its release. Market Surveillance must also be advised of the proposed method of dissemination. Market Surveillance must be advised by telephone in advance if an announcement is ready to be made during trading hours, and submission of a written copy of the release should follow. Where an announcement is to be released after the Exchange has closed, Market Surveillance staff should be advised before trading opens on the next trading day. Copies may be faxed or hand delivered to Market Surveillance.

Market Surveillance coordinates trading halts with other exchanges and markets where a company's securities are listed or traded elsewhere. A convention exists that trading in a security traded in more than one market shall be halted and resumed at the same time in each market. Failing to pre-notify the Exchange of an imminent material announcement could disrupt this system.

Dissemination

Sec. 417.

After notifying Market Surveillance, a news release must be transmitted to the media by the quickest possible method, and by one that provides the widest dissemination possible. To ensure that the entire financial community is aware of the news at the same time, a wire service or combination of services) must be used which provides national and simultaneous coverage.

The Exchange accepts the use of any news services that meet the following criteria:

- dissemination of the full text of the release to the national financial press and to daily newspapers that provide regular coverage of financial news;
- dissemination to all Participating Organizations; and

- dissemination to all relevant regulatory bodies.

Companies are also expected to use services such as Dow Jones and Reuters that provide wide dissemination at no charge to the issuer. However, companies should be aware that these services do not carry all releases and may substantially edit releases they do carry. News services that guarantee that the full text of the release will be carried are required to be used.

Dissemination of news is essential to ensure that all investors trade on equal information. The onus is on the listed company to ensure appropriate dissemination of news releases, and any failure to properly disseminate news shall be deemed to be a breach of this policy and shall be grounds for suspension of trading or delisting of the company's securities. In particular, the Exchange will not consider relieving a company from its obligation to disseminate news properly because of cost factors.

Content of Announcements

Sec. 418.

Announcements of material information should be factual and balanced, neither overemphasizing favourable news nor under-emphasizing unfavourable news. Unfavourable news must be disclosed just as promptly and completely as favourable news. It is appreciated that news releases may not be able to contain all the details that would be included in a prospectus or similar document. However, news releases should contain sufficient detail to enable media personnel and investors to appreciate the true substance and importance of the information so that investors may make informed investment decisions. The guiding principle should be to communicate clearly and accurately the nature of the information, without including unnecessary details, exaggerated reports or editorial commentary designed to colour the investment community's perception of the announcement one way or another. The company should be prepared to supply further information when appropriate, and the Exchange recommends that the name and telephone number of the company official to contact be provided in the release.

Misleading Announcements

Sec. 419.

While the policy of the Exchange is that all material information must be released immediately, judgment must be exercised by company officials as to the timing and propriety of any news releases concerning corporate developments, since misleading disclosure activity designed to influence the price of a security is considered by the Exchange to be improper. Misleading news releases send signals to the investment community which are not justified by an objective examination of the facts, and may detract from the credibility of the company. Announcements of an intention to proceed with a transaction or activity should not be made unless the company has the ability to carry out the intent (although proceeding may be subject to contingencies) and a decision has been made to proceed with the transaction or activity by the board of directors of the company, or by senior management with the expectation of concurrence from the board of directors. Disclosure of corporate developments must be handled carefully and requires the exercise of judgment by company officials as to the timing of an announcement of material information, since either premature or late disclosure may result in damage to the reputation of the securities markets.

Trading Halts

When Trading May Be Halted

Sec. 420.

The Exchange's objective is to provide a continuous auction market in listed securities. The guiding principle is therefore to reduce the frequency and length of trading halts as much as possible.

Trading may be halted in the securities of a listed company upon the occurrence of a material change during normal trading hours, which requires immediate public disclosure. The determination that trading should be halted is made by Market Surveillance. Market Surveillance determines the amount of time necessary for dissemination in any particular case, which determination is dependent upon the significance and complexity of the announcement.

It is neither the intention nor practice of Market Surveillance to halt trading for all news releases from listed companies. A news release is discussed by Market Surveillance and the listed company prior to its release and a determination is made as to whether a trading halt is justified based upon the impact which the particular announcement is expected to have on the market for the company's securities.

A halt in trading does not reflect upon the reputation of management of a company nor upon the quality of its securities. Indeed, trading halts for material information announcements are usually made at the request of the listed company involved. Market Surveillance normally attempts to contact a company before imposing a halt in trading.

Requests for Trading Halts

Sec. 421.

It is not appropriate for a listed company to request a trading halt in a security if a material announcement is not going to be made forthwith.

When a listed company (or its advisors) requests a trading halt for an announcement, the company must provide assurance to Market Surveillance that an announcement is imminent. The nature of this announcement and the current status of events shall be disclosed to Market Surveillance, in order the staff can assess the need for and appropriate duration of a trading halt.

Length of Trading Halts

Sec. 422.

When a halt in trading is necessary, trading is normally interrupted for a period of less than two hours. In the normal course, the announcement should be made immediately after the halt is imposed and trading will resume within approximately one hour of the dissemination of the announcement through major news wires.

A trading halt in a security shall not normally extend for a period longer than 24 hours from the time the halt was imposed. This is a maximum time period intended to address unusual situations. The only exception to the 24-hour time limit is where Market Surveillance determines that resumption of trading would have a significant negative impact on the integrity of the market.

Failure to Make an Announcement Immediately

Sec. 423.

If trading is halted but an announcement is not immediately forthcoming as expected, Market Surveillance will establish a reopening time, which shall not be later than 24 hours after the time that the halt was imposed (excluding nonbusiness days). If the company fails to make an announcement. Market Surveillance will issue a notice stating that trading was halted for dissemination of news or for clarification of abnormal trading activity, that an announcement was not immediately forthcoming, and that trading will therefore resume at a specific time.

When Market Surveillance advises a company in applying this Section 423 that it will announce the reopening of trading the company should reconsider, in light of its responsibility to make timely disclosure of all material information, whether it should issue a statement prior to the reopening becoming effective to clarify why it requested a trading halt (if this is the case) and why it is not able to make an announcement prior to the reopening of trading.

Confidentiality

When Information May Be Kept Confidential

Sec. 423.1.

In restricted circumstances disclosure of material information concerning the business and affairs of a listed company may be delayed and kept confidential temporarily where immediate release of the information would be unduly detrimental to the interests of the company.

Examples of instances in which disclosure might be unduly detrimental to the company's interests are as follows:

(a) Release of the information would prejudice the ability of the company to pursue specific and limited objectives or to complete a transaction or series of transactions that are under way. For example, premature disclosure of the fact that a company intends to purchase a significant asset may increase the cost of making the acquisition.

(b) Disclosure of the information would provide competitors with confidential corporate information that would be of significant benefit to them. Such information may be kept confidential if the company is of the opinion that the detriment to it resulting from disclosure would outweigh the detriment to the market in not having access to the information. A decision to release a new product, or details on the features of a new product may be withheld for competitive reasons. Such information should not be withheld if it is available to competitors from other sources.

(c) Disclosure of information concerning the status of ongoing negotiations would prejudice the successful completion of those negotiations. It is unnecessary to make a series of announcements concerning the status of negotiations with another party concerning a particular transaction. If it seems that the situation is going to

stabilize within a short period, public disclosure may be delayed until a definitive announcement can be made. Disclosure should be made once "concrete information" is available, such as a final decision to proceed with the transaction or, at a later point in time, finalization of the terms of the transaction.

Sec. 423.2.

It is the policy of the Exchange that the withholding of material information on the basis that disclosure would be unduly detrimental to the company's interests must be infrequent and can only be justified where the potential harm to the company or to investors caused by immediate disclosure may reasonably be considered to outweigh the undesirable consequences of delaying disclosure, keeping in mind at all times the considerations that have given rise to the Exchange's immediate disclosure policy. While recognizing that there must be a trade-off between the legitimate interests of a company in maintaining secrecy and the right of the investing public to disclosure of corporate information, the Exchange discourages delaying disclosure for a lengthy period of time, since it is unlikely that confidentiality can be maintained beyond the short term.

Maintaining Confidentiality

Sec. 423.3.

If disclosure of material information is delayed, complete confidentiality must be maintained. In the event that such confidential information, or rumours respecting the same, is divulged in any manner (other than in the necessary course of business), the company is required to make an immediate announcement on the matter, Market Surveillance must be notified of the announcement in advance in the usual manner. During the period before material information is disclosed, market activity in the company's securities should be closely monitored. Any unusual market activity probably means that news of the matter is being disclosed and that certain persons are taking advantage of it. In such case, Market Surveillance should be advised immediately, and a halt in trading will be imposed until the company has made disclosure on the matter.

At any time when material information is being withheld from the public, the company is under a duty to take precautions to keep such information completely confidential. Such information should not be disclosed to any officers or employees of the company, or to the company's advisors, except in the necessary course of business. The directors, officers and employees of a listed company should be reminded on a regular basis that confidential information obtained in the course of their duties must not be disclosed. It is contrary to law under the OSA for any person in a "special relationship" with a company to make use of undisclosed material information. This point is discussed in Section 423.4.

Listed companies must comply with the provisions of section 75 of the OSA requiring confidential disclosure to the OSC of any "material change" that is not immediately being disclosed to the public.

Insider Trading

Law

Sec. 423.4.

Every listed company should have a firm rule prohibiting those who have access to confidential information from making use of such information in trading in the company's securities before the information has been fully disclosed to the public and a reasonable period of time for dissemination of the information has passed.

Insider trading is strictly regulated by Part XXI and sections 76 and 134 of the OSA and the Regulation under the Act. The securities laws of other provinces also regulate insider trading in their respective jurisdictions. Insider trading in the securities of companies incorporated under the ('*Canada Business Corporations Act* is also regulated by Part XI of that Act. The definition of an "insider" will vary from statute to statute, but in any case will include directors and senior officers of the company and large shareholders. In Ontario directors and senior officers of any company that is itself an insider of a second company are considered insiders of that second company. It is recommended that directors and officers of listed companies be fully conversant with all applicable legislation concerning insider trading.

The OSA requires insiders who own securities of a listed company to file an initial report with the OSC upon becoming insiders and to report all trades made in the securities of the company of which they are insiders.

In addition, section 76 of the OSA prohibits any person or company in a "special relationship" with a listed company from trading on the basis of undisclosed material information on the affairs of that company. Those considered to be in a "special relationship" with a listed company include those who are insiders, affiliates or associates of the listed company, a person or company proposing to make a take-over bid of the listed company, and a person or company proposing to become a party to a reorganization, amalgamation, merger or similar business arrangement with the listed

company. A person or company in a "special relationship" also includes those involved, or which were involved, in the provision of business or professional services for the listed company, including employees.

An indefinite chain of "tippees" is created by including in the "special relationship" category persons or companies who acquire information from a source known to them to have a "special relationship" with the listed company.

In any situation where material information is being kept confidential because disclosure would be unduly detrimental to the best interests of the company, management is under a duty to take every possible precaution to ensure that no trading whatsoever takes place by any insiders or persons in a "special relationship" with the company, such as lawyers, engineers and accountants, in which use is made of such information before it is generally disclosed to the public. Similarly, undisclosed material information cannot be passed on or "tipped" to others who may benefit by trading on the information.

In the event that Market Surveillance is of the opinion that insider or improper trading may have occurred before material information has been disclosed and disseminated, the Exchange requires an immediate announcement to be made disclosing the material information of which use is being made.

Guidelines—Disclosure, Confidentiality Guidelines and Employee Trading

Sec. 423.5.

Companies listed on the Exchange must comply with two sets of rules:

- securities law governing corporate disclosure, confidentiality and employee trading
- the Exchanges policy on timely disclosure (Sections 406 to 423.4), which expands on the requirements of securities law.

Collectively, these rules are referred to as the Disclosure Rules. Compliance with them is essential to maintaining investor confidence in the integrity of the Exchanges market and its listed companies.

Each listed company should establish a clear written policy to help it comply with the Disclosure Rules. The guidelines in Sections 423.6 to 423.8 are intended to help companies establish their policies. They should be viewed as a means to an end (compliance with the Disclosure Rules) and not as an end in themselves.

These guidelines are not hard and fast rules, and will not be appropriate for every listed company. The TSX recognizes that company policies will vary depending on the company's size and corporate culture.

Every company's policy, however, should:

- describe the procedures to be followed and spell out the consequences of violations
- be updated regularly
- be brought to the attention of employees regularly.

The policy should also give specific guidance in the following areas:

- disclosing material information
- maintaining the confidentiality of information
- restricting employee trading.

Disclosing Material Information

Sec. 423.6.

The Disclosure Rules state that material information is information about a company that has a significant effect, or would reasonably be expected to have a significant effect, on the market price of the company's securities. A company must disclose material information to the public immediately. For exceptions, please see Section 423.7, "Maintaining the Confidentiality of Information".

Guidelines

The Exchange suggests that the company's policy include provisions to assist management in determining:

- if the information is material and must therefore be disclosed

- when and how the material is to be disclosed
- the content of any press release disclosing the information.

Specific corporate officers should be made responsible for disclosing material information.

These officers would:

- be completely familiar with the company's operations
- be kept up to date on any pending material developments
- have a sufficient understanding of the disclosure rules to be able to decide whether or not a piece of information is material
- be responsible for communications with the media, shareholders and securities analysts
- have back-ups assigned, in case they are unavailable.

To assist these officers, it might be helpful for them to have access to a file containing all relevant public information about the company, including news releases, brokerage research reports and debriefing notes following analyst contacts.

Different corporate officers may be designated for different circumstances. For example, a specific employee might be designated as a corporate spokesperson for a particular area of operations or a particular press release. At the same time investor relations personnel might be designated as the contact for shareholders, the media and analysts, but not have the authority to issue a particular press release.

The names of the designated officers, the names of their hack-ups, and their areas of responsibility should be given to Market Surveillance. Market Surveillance may need to contact them in the event of unusual trading in the company's securities.

Avoid situations where:

- delays occur because the person responsible for disclosure is unavailable or cannot be located
- employees other than designated spokespersons comment on material corporate developments.

Maintaining the Confidentiality of Information

Sec. 423.7.

The Disclosure Rules allow that if the early disclosure of material information would be unduly detrimental to the company, that information may be kept confidential for a *limited* period of time. To keep material information completely confidential, companies should:

- not disclose the information to anybody, except in the necessary course of business
- make sure that if the information has been disclosed in the necessary course of business, everyone understands that it is to be kept confidential
- make sure that there is no selective disclosure of confidential information to third parties, for example, in a meeting with an analyst. This is *tipping*, which is prohibited under securities law.

In the event that selective disclosure of confidential information inadvertently occurs, the company must immediately disclose the information publicly by issuing a press release.

Guidelines

The Exchange suggests that a company's policy might:

- limit the number of people with access to confidential information
- require confidential documents to be locked up and code names to be used if necessary
- make sure that confidential documents cannot be accessed through technology such as shared servers
- educate all staff about the need to keep certain information confidential, not to discuss confidential information when they may be overheard, and not to discuss investment in the company, for example, in an investment club,

when they are aware of confidential information (so that they don't influence the investments of other people, when they themselves are not allowed to trade).

Restrictions on Employee Trading

Sec. 423.8.

The Disclosure Rules require that employees with access to material information be prohibited from trading until the information has been fully disclosed and a reasonable period of time has passed for the information to be disseminated. This period may vary, depending on how closely the company is followed by analysts and institutional investors.

This prohibition applies not only to trading in company securities, but also to trading in other securities whose value might be affected by changes in the price of the company's securities. For example, trading in listed options or securities of other companies that can be exchanged for the company's securities is also prohibited.

In addition, if employees become aware of undisclosed material information about another public company such as a subsidiary, they may not trade in the securities of that other company.

In the case of pending transactions, the circumstances of each case should be considered in determining when to prohibit trading. In some cases, prohibition may be appropriate as soon as discussions about the transaction begin. The definition of materiality helps determine when trading should be prohibited in the case of pending transactions. Trading must be prohibited once the negotiations have progressed to a point where it reasonably could be expected that the market price of the company's securities would materially change if the status of the transaction were publicly disclosed. As the transaction becomes more concrete, it is more likely that the market will react. This prohibition on trading will often come into effect before the point in time when it must be disclosed publicly. In all situations, it is a judgment call as to when employee trading should be restricted.

Guidelines

The Exchange suggests that a company's policy address trading blackouts. Trading blackouts are periods of time during which designated employees cannot trade the company's securities or other securities whose price may be affected by a pending corporate announcement. A trading blackout:

- prohibits trading before a scheduled material announcement is made (such as the release of financial statements)
- may prohibit trading before an unscheduled material announcement is made, even if the employee affected doesn't know that the announcement will be made
- prohibits trading for a specific period of time after a material announcement has been made.

It is easiest to implement a policy on trading blackouts that applies to scheduled announcements, such as the release of financial statements. In this case the policy might:

- prohibit trading by employees for a certain number of days before and after the release of financial statements
- provide "open windows", which are limited periods of time following the release of financial statements during which employees may trade.

It is more problematic to implement a policy on trading blackouts for unscheduled announcements. A company should make the following decisions about its policy on trading blackouts according to its particular circumstances:

- should the policy apply to employees other than those already prevented from trading by insider trading rules (for example, senior employees not directly involved in the material transaction)?
- would telling an employee not to trade tip them off as to the content of the pending announcement?

If a company decides to implement a preannouncement blackout policy, it might want to consider one of the following options:

- without giving a reason, instruct employees not to trade until further notice if there is a pending undisclosed material development
- require employees to obtain approval before trading, on the understanding that this approval will be denied if any material information has not been disclosed.

A company policy on post-announcement trading blackouts should:

- state whether the blackout rules apply to all staff or only to those involved in the material transaction
- allow the market time to absorb the information before employees can resume trading. The amount of time that the market needs to absorb the information and set a new price level will depend upon the size of the company and to what extent it is tracked by analysts and investors.

The Exchange also suggests that a company:

- circulate some basic do's and don'ts about employee trading to all their staff
- designate a contact person who is familiar with the disclosure rules and who can help employees determine whether or not they may trade in a given circumstance
- set expiry dates for the exercise of stock options and other such compensation plans so that the expiry dates normally would fall after the release of financial statements
- educate employees about any additional specific trading restrictions that may apply to them (for example, section 130 of the *Canada Business Corporations Act* generally prohibits insiders of CBCA companies from selling that company's shares short, or from buying or selling put or call options on the shares. Insiders of companies which have to report under the U.S. *Securities Exchange Act of 1934* may be subject to other restrictions, such as liability to account (for short swing profits.)
- decide whether employees who are subject to more stringent trading restrictions, and who are not required by law to file insider trading reports, should have to report details of their trading to the company
- decide whether the company should review insider trading reports to make sure that employees have complied with company policy and disclosure rules.

Electronic Communications Disclosure Guidelines

Sec. 423.9.

For financial markets, the Internet may be the greatest leap forward in providing information and analysis since the advent of electronic communications. It is putting relevant information at investors' fingertips—instantaneously and simultaneously. But the Internet also poses regulatory challenges. In a world in which information is more readily available than ever, it is more important than ever that it be accurate, timely and up-to-date. With this in mind, TSX has developed these electronic communications guidelines to assist listed issuers to meet their investors' informational needs.

Part II reminds issuers that applicable disclosure rules apply to all corporate disclosure through electronic communications and must be followed by each issuer. Disclosure of information by an issuer through its web site or e-mail will not satisfy the issuer's disclosure obligations. The corporation must continue to use traditional means of dissemination. Part III sets out the guidelines that apply directly to the Internet and other electronic media. The overall objective of the guidelines is to encourage the use of electronic media to make investor information accessible, accurate and timely. The challenge of regulating electronic media is to ensure that regulatory concerns are addressed without impeding innovation.

Sec. 423.10.

These guidelines should be read with TSX's Timely Disclosure requirements and related guidelines ("TSX Timely Disclosure Policy").

Web sites, electronic mail ("e-mail") and other channels available on the Internet are media of communication available to listed issuers for corporate disclosure. Each of these media provides opportunities for an issuer to broadly disseminate investor relations information. There are, however, a number of issues that an issuer must consider when it goes online. Investor relations information that is disclosed electronically using these new media should be viewed by the issuer as an extension of its formal corporate disclosure record. As such, these electronic communications are subject to securities laws and TSX standards and should not be viewed merely as a promotional tool.

TSX strongly recommends that all listed issuers maintain a corporate web site to make investor relations information available electronically.

Current securities filings of listed issuers such as financial statements, AIFs, annual reports and prospectuses are maintained on the SEDAR web site operated by CDS. In addition, TSX maintains a profile page on each listed issuer on its web site ("tsx.com"). Further, many news wire services post listed issuer news releases on their web sites. Since these various sites are not all connected, it may be difficult and time consuming for an investor to search the Internet and obtain all relevant investor relations information about a particular issuer. If an issuer creates its own web site, it

can ensure that all of its investor relations information is available through one site and can provide more information than is currently available online. For example, SEDAR contains only mandatory corporate filings, while an issuer's site may carry a wealth of supplemental information, such as fact sheets, fact books, slides of investor presentations, transcripts of investor relations conferences and webcasts.

Disclosure by the Internet alone will not meet an issuer's disclosure requirements and an issuer must continue to use traditional means of dissemination.

Electronic communications do not reach all investors. Investors who have access to the Internet will be unaware that new information is available unless the issuer notifies them of an update.

Applicable Disclosure Standards

Sec. 423.11.

Distribution of information via a web site, e-mail or otherwise via the Internet is subject to the same laws as traditional forms of dissemination such as news releases. In establishing electronic communications, an issuer should have special regard to disclosure requirements under all applicable securities laws. Issuers should refer to TSX Timely Disclosure Policy, National Policy No. 51-201, *Disclosure Standards*, National Policy 11-201, *Delivery of Documents by Electronic Means*, and National Policy 47-201, *Trading Securities Using the Internet and Other Electronic Means*. Issuers should be aware of disclosure requirements in all jurisdictions in which they are reporting issuers. Also, there are constant developments regarding electronic disclosure of material information by issuers and issuers must be aware of the impact of all such developments on their disclosure practices.

These standards apply to all corporate disclosure through electronic communications and must be followed by each issuer.

1. *Electronic communications cannot be misleading*—An issuer must ensure that material information posted on its web site is not misleading. Material information is misleading if it is incomplete, incorrect or omits a fact so as to make another statement misleading. Information may also be misleading if it is out of date.

   (a) *Duty to correct and update*—A web site should be a complete repository of current and accurate investor relations information. Viewers visiting a web site expect that they are viewing all the relevant information about an issuer and that the information provided to them by the issuer is accurate in all material respects. An issuer has the duty to include on its web site all material information and to correct any material information available on its web site that is misleading. It is not sufficient that the information has been corrected or updated elsewhere.

   It is possible for information to become inaccurate over time. An issuer must regularly review and update or correct the information on the site.

   (b) *Incomplete information or material omissions*—Providing incomplete information or omitting a material fact is also misleading. An issuer must include all material disclosed information. It must include all news releases, not just favourable ones. Similarly, documents should be posted in their entirety. If this is impractical for a particular document, such as a technical report with graphs, charts or maps, care must be taken to ensure that an excerpt is not misleading when read on its own. In such circumstances, it may be sufficient to post the executive summary.

   (c) *Information must be presented in a consistent manner*—Investor relations information that is disclosed electronically should be presented in the same manner online as it is offline. Important information should be displayed with the same prominence and a single document should not be divided into shorter, linked documents that could obscure or "bury" unfavourable information. While issuers may divide a lengthy document into sections for ease of access and downloading, issuers must ensure that the full document appears on the site, that each segment is easily accessible and that the division of the document has not altered the import of the document or any information contained in it.

2. Electronic communications cannot be used to *"tip" or leak material information*—An issuer's internal employee trading and confidentiality policies should cover the use of electronic forms of communication. Employees must not use the Internet to tip or discuss in any form undisclosed material information about the issuer.

   An issuer must not post a material news release on a web site or distribute it by e-mail or otherwise on the Internet before it has been disseminated on a news wire service in accordance with TSX Timely Disclosure Policy.

3. *Electronic communications must comply with securities laws*—An issuer should have special regard to securities laws and, in particular, registration and filing requirements, which may be triggered if it posts any document offering securities to the general public on its web site. If a listed issuer is considering a distribution of securities,

it should carefully review its web site in consultation with the issuer's legal counsel in advance of and during the offering. The Internet is increasingly becoming an important tool to communicate information about public offerings to shareholders and investors. Nevertheless, the release of information and promotional materials relating to a public offering before or during the offering is subject to restrictions under securities laws. Documents related to a distribution of securities should only be posted on a web site if they are filed with and receipted by the appropriate securities regulators in the applicable jurisdictions. All promotional materials related to a distribution of securities should be reviewed with the issuer's legal advisors before they are posted on a web site to ensure that such materials are consistent with the disclosure made in the offering documents and that the posting of such materials to a web site is permitted under applicable securities laws.

Anyone, anywhere in the world can access a web site. Special regard should be made to foreign securities laws, some of which may be stricter than Ontario laws. Foreign securities regulators may take the view that posting offering documents on a web site that can be accessed by someone in their jurisdiction constitutes an offering in that jurisdiction unless appropriate disclaimers are included on the document or other measures are taken to restrict access. Reference should be made to the guidelines issued by other jurisdictions such as those issued by the U.S. Securities and Exchange Commission for issuers who use Internet web sites to solicit offshore securities transactions and clients without registering the securities in the United States.

Electronic Communication Guidelines

Sec. 423.12.

TSX recommends that listed issuers follow these guidelines when designing a web site, establishing an internal e-mail policy or disseminating information over the Internet.

Unlike the disclosure rules which are applicable to all electronic communications, these guidelines are not hard and fast rules which must be followed. Aspects of these guidelines may not be appropriate for every issuer. An issuer should tailor these guidelines to create an internal policy that is suitable to its particular needs and resources.

Each listed issuer should establish a clear written policy on electronic communications as part of its existing policies governing corporate disclosure, confidentiality and employee trading. Please refer to TSX Timely Disclosure Policy.

TSX suggests that the policy describe how its electronic communications are to be structured, supervised and maintained. The policy should be reviewed regularly and updated as necessary. To ensure that the policy is followed, it should be communicated to all individuals of the issuer to whom it will apply.

1. *Who should monitor electronic communications*—TSX recommends that one or more of the officers appointed under the issuer's disclosure policy be made responsible for maintaining, updating and implementing the issuer's policies on electronic communications. Reference should be made to TSX Timely Disclosure Policy. These officers should ensure that all investor relations information made available by the issuer on the web site, broadcast via e-mail or otherwise on the Internet complies with applicable securities laws and internal policies. This responsibility includes ensuring the issuer web site is properly reviewed and updated.

2. What should be on the Web site'?

   (a) *All corporate "timely disclosure" documents and other investor relations information*—TSX recommends that issuers take advantage of Internet technologies and make available through an issuer web site all corporate "timely disclosure" documents and other investor relations information that it deems appropriate. As stated, however, the posting of such documents and information on the web site does not fulfill the issuer's obligation to disseminate such information through a timely news release.

   An issuer may either post its own investor relations information or establish links, frequently called "hyper-links", to other web sites that also maintain publicly disclosed documents on behalf of the issuer such as news wire services, SEDAR and stock quote services. "Investor relations information" includes all material public documents such as: the annual report; annual and interim financial statements; the Annual Information Form; news releases; material change reports; information regarding DRIPs; declarations of dividends; redemption notices; management proxy circulars; and any other communications to shareholders.

   TSX recommends that an issuer post its investor relations information, particularly its news releases, as soon as possible following dissemination. Documents that an issuer files on SEDAR should be posted concurrently on its web site, as suggested in National Policy 51-201, *Disclosure Standards* or the issuer could create a hyper-link to the SEDAR web site. If an issuer chooses to link to SEDAR or to a news wire web site, a link can be provided directly to the issuer's page on that site, provided that the terms and conditions of the site to which the link is provided do not place restrictions on "deep-linking" as this practice is sometimes referred to, or object to "framing"[1]. An issuer providing deep-linking from its web site to a third

party web site should consult its legal advisors to assess the legal issues surrounding deep-linking and to ensure the proposed link is effected properly. The practice of deep-linking has given rise to a number of legal issues, including whether permission from the third party must be sought in order to access a web site other than through the homepage and whether the issuer may incur liability in sending a user to a third party site bypassing any disclaimers posted on the homepage of the third party site.

Links to other web sites should be checked regularly to ensure they still work, are up-to-date and accurate. In addition, a disclaimer should be included on the issuer's web site, preferably via a pop-up window, clearly stating that the viewer is leaving the issuer web site and that the issuer is not responsible for the content, accuracy or timeliness of the other site.

(b) *All supplemental information provided to analysts and other market observers but not otherwise distributed publicly*—TSX recommends that an issuer that distributes non-material investor relations information to analysts and institutional clients make such supplemental information available to all investors. Supplemental information includes such materials as fact sheets, fact books, slides of investor presentations and transcripts of management investor relations speeches and other materials distributed at investor presentations. Posting supplemental information on a web site is a very useful means of making it generally available.

Keeping in mind that an issuer should design its web site to meet its business needs, TSX recommends that an issuer post all supplemental information on its web site, unless the volume or format makes it impractical. If this is the case, the issuer should describe the information on the web site and provide a contact for the information so that an investor may contact the issuer directly either to obtain a copy of the information or to view the information at the issuer's offices.

In addition to any supplemental information provided by the issuer to analysts, TSX recommends that whenever an issuer is making a planned disclosure of material corporate information in compliance with TSX Timely Disclosure Policy and related guidelines, it should also consider providing dial-in and/or web replay or make transcripts of the related conference call available for a reasonable period of time after the call.

(c) *Investor relations contact information*—TSX suggests that an issuer provide an e-mail link on its web site for investors to communicate directly with an investor relations representative of the issuer. The issuer policy should specify who may respond to investor inquiries and should provide guidance as to the type of information that may be transmitted electronically. When distributing information electronically the issuer must adhere to TSX and legislative disclosure requirements in order to minimize the potential of selective disclosure of information.

To assure rapid distribution of material information to internet users who follow the issuer, an issuer may consider establishing an e-mail distribution list, permitting users who access its web site to subscribe to receive electronic delivery of news directly from the issuer. Alternatively, an issuer may consider using software that notifies subscribers automatically when the issuer's web site is updated. The issuer must note, however, that any electronic distribution of material information must be made after the information has been disseminated on a news wire service.

(d) *Online conferences*—TSX recommends that issuers hold analyst conference calls and industry conferences in a manner that enables any interested party to listen either by telephone and/or through a web cast, in accordance with s. 6.7(1) of National Policy No. 51-201, *Disclosure Standards*.

If an issuer chooses to participate in an online news or investor conference. TSX suggests that participation by the issuer in such online conferences should be governed by the same policy that the issuer has established in respect of its participation in other conferences such as analyst conference calls.

3. What should not be distributed via electronic communications

(a) *Employee misuse of electronic communications*—Access to e-mail and the Internet can be valuable tools for employees to perform their jobs; however, TSX recommends that clear guidelines should be established as to how employees may use these new media. These guidelines should be incorporated into the issuer's disclosure, confidentiality and employee trading policy. Employees should be reminded that their corporate e-mail address is an issuer address and that all correspondence received and sent via e-mail is to be considered corporate correspondence.

Appropriate guidelines should be established about the type of information that may be circulated by e-mail. An issuer should prohibit its employees from participating in Internet chat rooms[2] or newsgroups[3] in discussions relating to the issuer or its securities. As stated in s. 6.13 of National Policy 51-201, *Disclosure Standards*, an issuer should also consider requiring employees to report to a designated issuer official any

discussion pertaining to the issuer which they find on the Internet. Moreover, communications over the Internet via e-mail may not be secure unless the issuer has appropriate encryption technology. Employees should be warned of the danger of transmitting confidential information externally via unencrypted e-mail.

(b) *Analyst reports and third party information*—As a general practice, TSX recommends that an issuer not post any investor relations information on its web site that is authored by a third party, unless the information was prepared on behalf of the issuer, or is general in nature and not specific to the issuer. For example, if an issuer posts an analyst report or consensus report on its web site, it may be seen to be endorsing the views and conclusions of the report. By posting such information on its site, an issuer may become "entangled" with the report and be legally responsible for the content even though it did not author it. This could also give rise to an obligation to correct the report if the issuer becomes aware that the content is or has become misleading (for example, if the earnings projection is too optimistic).

While TSX recommends that issuers refrain from posting analyst and consensus reports on their web sites, it recognizes that some issuers take a different view. If an issuer chooses to post any third party reports on its web site, TSX recommends that extreme caution be exercised. An issuer's policy on posting analyst reports should address the following concerns:

- permission to reprint a report should be obtained in advance from the third party, since reports are subject to copyright protection;
- the information should clearly be identified as representing the views of the third party and not necessarily those of the issuer;
- the entire report should be reproduced so that it is not misleading;
- any updates, including changes in recommendations, should also be posted so the issuer's web site wilt not contain out-of-date and possibly misleading information;
- all third party reports should be posted.

Instead of posting third party reports on its web site, an alternative approach is for an issuer to provide a list of all analysts who follow the issuer or all consensus reports issued regarding the issuer together with contact information so that investors may contact the third party directly. If an issuer chooses to provide its investors with a list of analysts and other third party authors, the list should be complete and include all analysts and other third party authors that the issuer knows to follow it, regardless of the content of their reports. Since issuers are not obligated to keep track of every third party that follows them or develops a consensus report regarding the issuer, it may be onerous to compile an accurate and complete list that is not misleading to investors.

Concerns also exist regarding the posting of media articles, including radio, television and online news reports, about an issuer on the issuer's web site. TSX recommends that issuers refrain from posting media articles on their web sites as it is very difficult for an issuer to ensure that it is posting all relevant articles to its web site. If an issuer chooses to do so, it must make every effort to ensure that all significant articles concerning the issuer are posted to the web site and that negative and positive articles are given similar prominence. Also, given the frequency with which media articles may appear, the issuer will have to regularly update the articles posted on its web site.

(c) *Third party links*—As stated above, an issuer may establish hyperlinks between its web site and third party sites. If an issuer creates a hyperlink to a third party site, there is a risk that a viewer will not realize that be or she has left the issuer's web site. TSX recommends that the issuer include a disclaimer stating clearly that the viewer is leaving the issuer website and that the issuer is not responsible for the content, accuracy or timeliness of the other site.

(d) *The blurred line between investor and promotional information*—TSX recommends that an issuer clearly identify and separate its investor information from other information on its web site. In particular, promotional, sales and marketing information should not be included on the same web pages as investor relations information. An issuer's web site should clearly distinguish sections containing investor relations information from sections containing other information.

4. *When should information be removed from a web site?*—Care should be taken to make sure that information that is inaccurate or out-of-date no longer appears on the web site. The currency of information on a web site will vary depending on the nature of the information. An issuer may retain on its web site its annual financial statements for a full year while removing other information such as frequent product releases more quickly. An issuer should review the types of information it posts on its web site and develop a consistent policy for the posting and removal of such different types of information. Issuers may delete or remove inaccurate information from the web site, as long as a correction has been posted. In addition, TSX recommends that issuers establish an archiving

system to store and provide access to information that is no longer current. An electronic archive is a repository of information which has been removed from the web site but which can still be accessed from the web site through a link. To assist investors in determining the currency of the information on the site, TSX recommends that an issuer date the first page of each document as it is posted on the web site.

TSX recommends that the issuer's policy establish a minimum retention period for material corporate information that it posts on its web site. Different types of information may be retained for a different period of time. For example, the issuer may decide to retain all news releases on the site for a period of one year from the date of issue. In contrast, the issuer may decide that investors would want to access its financials for a longer period (e.g., two years for quarterlies and five years for annuals).

Issuers should also maintain a log of the date and content of all material information that it has posted and removed from the web site. Issuers should also try to ensure that the information posted on their web site is made available in a manner that makes it accessible by others so that it can be used for subsequent reference and is capable of being retained (e.g., printer friendly versions and save/download buttons).

5. *Rumours on the Internet*—Rumours about the issuer may appear on chat rooms and newsgroups. Rumours may spread more quickly and more widely on the Internet than by other media. IIROC Market Surveillance monitors chat rooms and news groups on the Internet to identify rumours about TSX listed issuers that may influence the trading activity of their stocks. TSX Timely Disclosure Policy addresses how an issuer should respond to rumours. An issuer is not expected to monitor chat rooms or news groups for rumours about itself. Nevertheless, TSX recommends that the issuer's standard policy for addressing rumours apply to those on the Internet.

Whether an issuer should respond to a rumour depends on the circumstances. TSX suggests that the issuer should consider the market impact of the rumour and the degree of accuracy and significance to the issuer. In general, TSX recommends against an issuer participating on a chat room or newsgroup to dispel or clarify a rumour as such action may give rise to selective disclosure concerns and may create the expectation that the issuer will always respond. Instead, the issuer should issue a news release to ensure widespread dissemination of its statement.

If an issuer becomes aware of a rumour on a chat room, newsgroup or any other source that may have a material impact on the price of its stock, it should immediately contact Market Surveillance. If the information is false and is materially influencing the trading activity of the issuer's securities, it may consider issuing a clarifying news release. The issuer should contact Market Surveillance so that they can monitor trading in the issuer's securities. If Market Surveillance determines that trading is being affected by the rumour, it may require the issuer to issue a news release stating that there are no corporate developments to explain the market activity.

6. *Legal disclaimers*—Corporate disclosure by electronic communications gives rise to many legal issues. The use of legal disclaimers on corporate web sites is commonplace. It is in the best interests of an issuer to consult with its legal advisors to discuss the appropriateness and effectiveness of including legal disclaimers about the accuracy, timeliness and completeness of the information posted on its web site. Issuers should also review with their legal advisors the placement and wording of legal disclaimers on web sites. It is critical that disclaimers be easily visible to all users of the web site and that they be written in plain language such that the content of the disclaimer is easily and quickly read and understood.

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[1] Displaying the content or page(s) of a third party web site within the overall design of an issuer's web site, which gives the impression that the third party content is part of the issuer's site.

[2] A chat room is a live electronic forum for discussion among Internet participants.

[3] A newsgroup is an electronic bulletin board on which internet participants may post information.

Maintaining Site Integrity

Sec. 423.13.

Electronic communications on the Internet are not always secure. TSX recommends that an issuer establish procedures to assure maximum security of its web site and email. As electronic technologies evolve, security measures also evolve. To ensure the security of its electronic communications, TSX suggests that an issuer:

- review and update its security systems regularly;
- be aware that it might be possible for unauthorized persons to alter the content of the site;
- monitor the integrity of its web site address to make sure that the site is accessible and has not been altered.

TSX Monitoring of the Internet

Sec. 423.14.

TSX regularly monitors listed issuer web sites as well as chat rooms and news groups on the Internet. TSX has the capability to review alterations to listed issuer web sites and to perform random searches of the Internet to identify active discussions relating to listed issuers. However, such monitoring can never be exhaustive. Issuers are responsible for maintaining their web site and should continue to make Market Surveillance aware of significant rumours or problems relating to Internet discussions.

G. Shareholders' Meetings and Proxy Solicitation

Notice to Exchange of Meeting and Record Date

Sec. 455.

National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* requires all listed companies to give notice to the Exchange (and certain others), within a specified time period, of each shareholders' meeting and record date for the determination of those shareholders entitled to receive notice of the meeting. Notices filed publicly through SEDAR will satisfy this requirement.

Distribution of Meeting Materials

Sec. 456.

Every listed company must file with Listed Issuer Services one copy of all materials sent to its shareholders in connection with a meeting of shareholders (filed through SEDAR), concurrently with the sending of the materials to the shareholders.

Public filings through SEDAR will satisfy this requirement.

Sec. 457.

The requirements for the distribution of materials to shareholders in connection with shareholders' meetings are prescribed by applicable corporate and securities legislation and certain policy statements of the CSA. National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the CSA prescribes a procedure for the distribution of shareholders meeting-related materials to beneficial owners of securities registered in the names of financial intermediaries or clearing agencies.

Sec. 458.

Companies with listed non-voting participating shares should refer to Section 624.

Sec. 459.

The Exchange is deeply concerned that the rights and privileges of investors be observed and protected, it is essential that shareholders be allowed ample time in which to study corporate reports, so that by the time of the shareholders meeting they may be able to reach considered and informed decisions. If there is reason to believe that timely and adequate notice has not been given, the Exchange may require postponement of the meeting. In some circumstances, the Exchange may consider suspending trading in a company's securities if shareholders are not given proper notice of corporate activities in respect of which they have the right to participate in the decision-making process.

Proxy Solicitation

Sec. 460.

Proxy solicitation procedures are prescribed by applicable corporate and securities legislation. National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the CSA requires financial intermediaries and clearing agencies to follow specified procedures to enable the securities registered in their names to be voted in accordance with the instructions of the beneficial owners.

Contents of Meeting Materials

Sec. 461.

The contents of the materials sent to shareholders in connection with shareholders' meetings are subject to the requirements of applicable corporate and securities legislation, and such materials are not generally required to be filed with the Exchange before they are sent to the shareholders. However, the Exchange may, in circumstances it considers appropriate, require that a draft information circular be reviewed by the Exchange prior to the mailing of the circular to the shareholders.

Sec. 461.1.

At each annual meeting of holders of listed securities, the board of directors must permit security holders of each class or series to vote on the election of all directors to be elected by such class or series.[4]

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[4] If security holder approval is required to implement this requirement, for example because an amendment must be made to the issuer's articles of incorporation, the Exchange will not consider the issuer to be in breach of this section if the issuer has submitted and recommended the necessary amendments for approval by security holders and security holder approval is not attained; however if the amendments are not approved by security holders, the issuer must submit and recommend the necessary amendments for approval by security holders at the annual meeting of the issuer not later than three years after the security holder meeting, until such time as the necessary amendments are approved.

Sec. 461.2.

Materials sent to holders of listed securities in connection with a meeting at which directors are being elected must provide for voting on each individual director.

Sec. 461.3.

Each director of a listed issuer must be elected by a majority (50% +1 vote) of the votes cast with respect to his or her election other than at contested meetings[5] ("Majority Voting Requirement").

A listed issuer must adopt a majority voting policy (a "Policy"), unless it otherwise satisfies the Majority Voting Requirement in a manner acceptable to TSX, for example, by applicable statutes, articles, by-laws or other similar instruments. The Policy must, substantially, provide for the following:

(a) any director must immediately tender his or her resignation to the board of directors if he or she is not elected by at least a majority (50% +1 vote) of the votes cast with respect to his or her election;

(b) the board shall determine whether or not to accept the resignation within 90 days after the date of the relevant security holders' meeting. The board shall accept the resignation absent exceptional circumstances;

(c) the resignation will be effective when accepted by the board;

(d) a director who tenders a resignation pursuant to this Policy will not participate in any meeting of the board or any sub-committee of the board at which the resignation is considered; and

(e) the listed issuer shall promptly issue a news release with the board's decision, a copy of which must be provided to TSX. If the board determines not to accept a resignation, the news release must fully state the reasons for that decision.

If an issuer adopts a Policy to satisfy the Majority Voting Requirement, it must fully describe the Policy on an annual basis, in its materials sent to holders of listed securities in connection with a meeting at which directors are being elected.

Listed issuers that are majority controlled[6] are exempted from the Majority Voting Requirement. Listed issuers with more than one class of listed voting securities may only rely on this exemption with respect to the majority controlled class or classes of securities that vote together for the election of directors. A listed issuer relying on this exemption must disclose, on an annual basis in its materials sent to holders of listed securities in connection with a meeting at which directors are being elected, its reliance on this exemption and its reasons for not adopting majority voting.

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[5] A contested meeting is defined as a meeting at which the number of directors nominated for election is greater than the number of seats available on the board.

[6] Majority controlled is defined as a security holder or company that beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 50 percent or more of the voting rights for the election of directors, as of the record date for the meeting.

Sec. 461.4.

Following each meeting of security holders at which there is a vote on the election of directors at an uncontested meeting, each listed issuer must forthwith issue a news release disclosing the detailed voting results for the election of each director,[7] and must forthwith provide a copy of the news release to TSX by email to disclosure@tsx.com if one or more director is not elected by at least a majority of the votes cast with respect to his or her election.

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[7] The news release is intended to provide the reader with insight into the level of support received for each director. Accordingly, issuers should disclose one of the following in their news release: (i) the percentages of votes received 'for' and 'withheld' for each director; (ii) the total votes cast by ballot with the number that each director received 'for'; or (iii) the percentages and total number of votes received' for' each director.

If no formal count has occurred that would meaningfully represent the level of support received by each director, for example when a vote is conducted by a show of hands, TSX expects the disclosure at least to reflect the votes represented by proxy that would have been withheld from each nominee had a ballot been called, as a percentage of votes represented at the meeting.

Sec. 462.

Where a listed company proposes to seek approval of its shareholders to engage in a capital reorganization or to issue securities in connection with a major transaction, it is advisable that a draft copy of the information circular be filed with Listed Issuer Services for perusal prior to the mailing of the circular to the shareholders Among other things, this practice could avoid potential problems related to the trading of the securities involved.

Sec. 463.

If a proposed transaction is to be submitted to shareholders for approval and also requires the prior acceptance of the Exchange pursuant to Exchange requirements, the acceptance of the Exchange should be obtained prior to the mailing of the meeting materials to the shareholders. If this is impracticable due to unavoidable time restrictions, the Exchange should be so advised in advance of the proposed mailing, and the information circular sent to shareholders must include a statement that the proposed transaction is subject to the acceptance of the Exchange (or regulatory approval).

Annual Meeting

Sec. 464.

Every company having securities listed on the Exchange must hold its annual meeting of shareholders within six months from the end of its fiscal year, or at such earlier time as is required by applicable legislation.

Sec. 465.

Where a company wishes to delay its annual meeting beyond the stipulated six-month period, a duly completed Form 9—Request for Extension or Exemption for Financial Reporting/Manual Meeting (Appendix H: Company Reporting Forms) must be filed with Listed Issuer Services well in advance of the prescribed deadline for the meeting. A postponement may be permitted in justifiable circumstances.

POLICY 3.1

DIRECTORS, OFFICERS, OTHER INSIDERS & PERSONNEL AND CORPORATE GOVERNANCE

Scope of Policy

This Policy describes the qualifications that Directors, Officers and other Insiders, as well as certain personnel, of an Issuer must meet in order for the Issuer to be listed and remain listed on the Exchange, as well as corporate governance standards and policies required to be implemented by all Issuers. This Policy is not an exhaustive statement of corporate governance requirements applicable to Issuers. Nothing in this Policy limits the obligations and responsibilities imposed on Issuers by applicable corporate and Securities Laws. This Policy must be read in conjunction with applicable corporate and Securities Laws, including National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101"), National Policy 58-201 - *Corporate Governance Guidelines* ("NP 58-201") and National Instrument 52-110 - *Audit Committees* ("NI 52-110").

The main headings in this Policy are:

1. Definitions

1.1 For the purposes of this Policy:

"Director" has the meaning prescribed by applicable Securities Laws.

"Independent" has the meaning used in NI 52-110.

"Insider" if used in relation to an Issuer means:

(i) a Director or Officer of the Issuer;

(ii) a Person who performs functions similar to those normally performed by a Director or Officer;

(iii) a Director or Officer of a Company that is an Insider or subsidiary of the Issuer;

(iv) A Person that beneficially owns or control, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or

(v) the Issuer itself, if it holds any of its own securities.

"Officer" has the meaning prescribed by applicable Securities Laws.

"Securities Regulatory Authority" or **"SRA"** means a body created by statute in any jurisdiction to administer Securities Laws, regulation and policy (e.g. securities commission), but does not include an exchange or other self regulatory organization.

"Self Regulatory Organization" or **"SRO"** means (a) a stock, commodities, futures or options exchange; (b) an association of investment, securities, mutual fund, commodities, or future dealers; (c) an association of investment counsel or portfolio managers; (d) an association of other professionals (e.g. legal, accounting, engineering); and (e) any other group, institution or self-regulatory entity, recognized by an SRA, that is responsible for the enforcement of rules, disciplines or codes under any applicable legislation, or considered a self regulatory organization in another country.

2. Exchange Review of Directors, Officers, Other Insiders & Personnel

2.1 The Exchange considers the Directors, Officers and other Insiders, as well as certain other people involved with an Issuer, to be important factors in determining whether to accept and/or maintain the listing of an Issuer. The Exchange will exercise discretion in considering all factors related to the Directors, Officers and other Insiders of an Issuer, as well as certain other people involved with the Issuer.

Exchange Discretion

2.2 In exercising its discretion, the Exchange may review the conduct of Directors, Officers, other Insiders, Promoters, significant securityholders, Control Persons, employees, agents, and consultants in order to satisfy itself that:

(a) the business of the Issuer is and will be conducted with integrity and in the best interests of its securityholders and the investing public; and

(b) Exchange Requirements and the requirements of all other regulatory bodies having jurisdiction are and will be complied with.

2.3 In exercising the Exchange's discretion regarding individuals involved or proposed to be involved with an Issuer, the Exchange may:

(a) prohibit an individual from serving as a Director or Officer or being an Insider of an Issuer or impose restrictions on any Director, Officer or other Insider;

(b) prohibit a Person from being a Promoter, employee, agent or consultant or being engaged by or working on behalf of an Issuer or impose restrictions on any Promoter, employee, agent, or consultant;

(c) request a Sponsor Report before it will accept the involvement of any Person with an Issuer;

(d) require that Persons with appropriate reporting issuer and/or industry experience and a history of regulatory compliance be added as Directors or Officers of an Issuer by a certain date; and

(e) require that one or more Directors or Officers complete a prescribed course.

3. Initial Listing Requirements

3.1 Before the Exchange will accept the Initial Listing of an Applicant or Resulting Issuer, each Director, Officer and other Insider and each person providing or managing Investor Relations Activities, promotional or market making services on behalf of the Issuer must submit a Personal Information Form (a "PIF") (Form 2A) or, if applicable, a Declaration (Form 2C1) to the Exchange duly completed. In addition, the Exchange may require a PIF from other Persons involved with the Issuer. See Policy 3.2 – *Filing Requirements and Continuous Disclosure.*

3.2 The Exchange will not accept an Initial Listing or a New Listing unless the Directors, Officers, other Insiders and, at the discretion of the Exchange, any Promoter, employee, consultant or agent of an Issuer, or Person otherwise being engaged by or working on behalf of an Issuer, meet the applicable minimum requirements set out under Section 5 of this Policy.

4. Continued Listing Requirements

4.1 On an ongoing basis, the Directors, Officers, other Insiders and, at the discretion of the Exchange, employees, consultants and agents of each Issuer, and any Person otherwise being engaged by or working on behalf of an Issuer, must continue to meet the requirements set forth in this Policy. The Exchange may halt, suspend, or delist the securities of an Issuer that has failed to maintain the requirements of this Policy on an ongoing basis.

4.2 The Exchange requires information on any proposed new Director, Officer, other Insider or Person providing or managing Investor Relations Activities, promotional or market making services on behalf of an Issuer in order to determine their suitability before he or she becomes involved with any Issuer. The Issuer must provide the Exchange with the following materials relating to such individuals:

(a) PIFs or, if applicable, Declarations; and

(b) any other materials which the Exchange requests.

4.3 If there is a change in the Directors or Officers of an Issuer, the Issuer must issue a press release as required by Policy 3.3 – *Timely Disclosure.*

4.4 Issuers must submit a PIF for any Person involved with that Issuer, in any capacity, directly or indirectly, upon the request of the Exchange.

5. Qualifications and Duties of Directors and Officers

General Requirements – Directors and Officers

5.1 Every Director and every Officer must be an individual who is at least 18 years old and is the age of majority in the jurisdiction where he or she resides.

5.2 Every Director and Officer must be qualified under the corporate and Securities Laws applicable to the Issuer to serve as a Director or Officer.

General Duties of Directors and Officers

5.3 Each Director and Officer of an Issuer must act honestly and in good faith with a view to the best interests of the Issuer in exercising their powers and discharging their duties.

5.4 Each Director and Officer must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

5.5 Directors and Officers of an Issuer must ensure that the Issuer complies with the applicable Exchange Requirements, corporate and Securities Laws.

Board and Management Composition and Qualifications

5.6 Each Issuer must have at least three Directors.

5.7 Each Issuer must have at least two Independent Directors.

5.8 Management must include, at a minimum:

(a) a Chief Executive Officer (CEO);

(b) a Chief Financial Officer (CFO). The CFO of every Issuer must be financially literate, as defined by NI 52-110; and

(c) a corporate secretary.

5.9 A Person may act as a CEO and corporate secretary or CFO and corporate secretary of the same Issuer at the same time. However, no Person may act as CEO, CFO and corporate secretary of the same Issuer at the same time and, no person may act as a CEO and CFO of the same Issuer at the same time other than where the Issuer is an inactive Issuer or a CPC.

5.10 Management, Directors and Officers must have:

(a) adequate experience and technical expertise relevant to the Issuer's business and industry; and

(b) adequate reporting issuer experience in Canada or a similar jurisdiction.

5.11 In determining whether management and the board of Directors of an Issuer have satisfactory industry specific technical and management experience, the Exchange considers a number of factors, including for each member or proposed member of management and for each Director or proposed Director:

(a) that Person's previous involvement with and commitment to other public and private issuers, including;

(i) the history of corporate and financial success of such issuers, including whether it demonstrated profitability or, if the other issuer was a resource exploration issuer, whether that issuer satisfactorily completed its exploration and development programs;

(ii) the management or board positions held by that Person with those issuers;

(iii) any regulatory or Securities Laws violations or infractions by the individual or by such issuers;

(iv) the prudent and responsible business conduct and practices of such issuers; and

(v) the industry in which that other issuer was involved and the extent of experience obtained in the Issuer's or applicant Issuer's industry segment.

5.12 In determining whether management or the board of Directors of an Issuer have sufficient reporting issuer experience in Canada or a similar jurisdiction, the Exchange considers a number of factors, including for each member or proposed member of management and for each Director or proposed Director:

(a) that individual's previous involvement with other reporting issuers. The Exchange will consider the following in this context:

(i) the number of boards on which the Person has served;

(ii) the length of time the Person was a member of management or Director of the other reporting issuers;

(iii) the stock exchange or market on which the reporting issuers' securities were traded;

(iv) any management position held by the Person with other issuers;

(v) any Securities Laws or other regulatory violations or infractions by the Person or that other reporting issuer while the Person was involved with it;

(vi) the financial success of that reporting issuer, including whether it demonstrated profitability or, if the other issuer was a resource exploration issuer, whether that other issuer satisfactorily completed its exploration and development programs;

(vii) the prudent and responsible business practices of that other issuer; and

(viii) whether the Person has satisfactorily completed one or more corporate governance or reporting issuer management courses acceptable to the Exchange for the purposes of fulfilling the reporting issuer/corporate governance experience requirement.

5.13 The Exchange recommends that at least one independent board member and a minimum of two members of the board have satisfactory corporate governance experience.

Prohibitions on Directors and Officers

5.14 The following Persons cannot serve as Directors or Officers of an Issuer:

(a) a Person who is subject to a consent order or decree, agreed statement of facts or similar documentation, entered into or issued by an, SRA, SRO or court which currently places restrictions on that Person's ability to be a Director, Officer or other Insider of a reporting issuer;

(b) a Person who, under applicable Securities Laws, corporate or any other legislation, is prohibited or disqualified from acting as a Director or Officer of a reporting issuer;

(c) a Person who, under applicable Securities Laws is restricted from acting as a Director or Officer of an Issuer by virtue of being, at that time, a Director, Officer or employee of a Member, a Participating Organization or a registrant under applicable Securities Laws or otherwise due to any conflicts of interest policy, rule or other instrument; and

(d) a Person that the Exchange advises is unacceptable to serve as a Director or Officer of an Issuer.

5.15 The following individuals cannot serve as Directors or Officers of an Issuer, unless consented to in writing by the Exchange:

(a) a Person who has been reprimanded, suspended, fined, been the subject of an administrative penalty, or otherwise been the subject of any disciplinary proceedings of any kind whatsoever, in any jurisdiction, by an SRA or SRO;

(b) a Person who has had a registration or licence for the trading of securities, exchange or commodity futures contracts, real estate, insurance or mutual fund products cancelled, refused, restricted or suspended, in any jurisdiction;

(c) a Person who has been subject to a consent order or decree, agreed statement of facts or similar documentation, entered into or issued by any stock exchange, SRA or SRO or court in any jurisdiction which placed restrictions on that Person's ability to be a Director, Officer or other Insider of a reporting issuer;

(d) a Person who is or has been prohibited or disqualified under Securities Laws, corporate or any other legislation, in any jurisdiction, from acting as a Director or Officer of a reporting issuer;

(e) a Person who is, or has ever been a Director, Officer, other Insider, Promoter or Control Person of an issuer at the time of an event, in any jurisdiction, that led to or resulted in an SRA or SRO:

(i) refusing, restricting, suspending or cancelling the registration or licensing of that issuer to trade securities, exchange or commodity futures contracts, or to sell or trade real estate, insurance or mutual fund products,

(ii) refusing a receipt for a prospectus or other offering document, denying any application for listing or quotation or any other similar application, or issuing an order that denied the issuer the right to use any statutory prospectus or registration exemptions,

(iii) entering into a settlement agreement with the issuer in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading in securities or exchange or commodity futures contracts, illegal distributions, failure to disclose material facts or changes or similar conduct by the issuer, or involved any other violation of securities legislation or an SRO's rules,

(iv) taking any proceeding of any nature or kind against the issuer, including a trading halt, suspension or delisting of the issuer (other than in the normal course for proper dissemination of information, pursuant to a Reverse Takeover or similar transaction);

(f) a Person who has, at any time, entered into a settlement agreement with an SRA, SRO, attorney general or comparable official or body, in any jurisdiction, in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading in securities or exchange or commodity futures contracts, illegal distributions, failure to disclose material facts or changes or similar conduct, or any other settlement agreement with respect to any other violation of securities legislation or the rules of any SRO;

(g) a Person who has, at any time, entered into a settlement agreement, in any jurisdiction, in a civil action that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct;

(h) a Person who is or has ever been a Director, Officer, other Insider, Promoter or Control Person of an issuer that, has, at any time, entered into a settlement agreement, in any jurisdiction, in a civil action that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct;

(i) a Person for whom a court in any jurisdiction has:

(i) rendered a judgment, ordered garnishment or issued an injunction or similar ban (whether by consent or otherwise) against, in a claim based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct,

(ii) rendered a judgment, ordered garnishment or issued an injunction or similar ban (whether by consent or otherwise) against an issuer, for which the Person is currently or has ever been a Director, Officer, other Insider, Promoter or Control Person, in a claim based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct;

(j) a Person who, in any jurisdiction, has ever pled guilty to or been found guilty of or been convicted of a criminal offence relating to theft, fraud, breach of trust, embezzlement, forgery, bribery, perjury, money laundering, or any other offences that might reasonably bring into question that Person's integrity and suitability as a Director or Officer of a public company, or is the subject of any current charge, indictment or proceeding for such an offence;

(k) a Person who is or has ever been a Director, Officer, other Insider, Promoter or Control Person of an issuer which, at the time of events, in any jurisdiction, has ever pled guilty to or been found guilty of or been convicted of a criminal offence relating to theft, fraud, breach of trust, embezzlement, forgery, bribery, perjury, money laundering, or any other offences that might reasonably bring into question that Person's integrity and suitability as a Director or Officer of a public company, or is the subject of any current charge, indictment or proceeding for such an offence;

(l) a Person who, in any jurisdiction, is an undischarged bankrupt or equivalent or who is currently or was at the time of events or for a period of 12 months preceding the time of events, a partner, Director, Officer, other Insider, Promoter or Control Person of an issuer that is an undischarged bankrupt or equivalent;

(m) a Person who, in any jurisdiction, is currently or was at the time of events or for a period of 12 months preceding the time of events, a partner, Director, Officer, other Insider, Promoter or Control Person of an issuer that:

(i) has a petition in bankruptcy issued against them,

(ii) has made a voluntary assignment in bankruptcy,

(iii) has made a proposal under any bankruptcy or insolvency legislation,

(iv) is subject to any proceeding, arrangement or compromise with creditors, or

(v) has had a receiver, receiver manager or trustee appointed to manage their assets;

(n) a Person who, in any jurisdiction, is currently or in the past 10 years has:

(i) had a petition in bankruptcy issued against them,

(ii) made a voluntary assignment in bankruptcy,

(iii) made a proposal under any bankruptcy or insolvency legislation,

(iv) been subject to any proceeding, arrangement or compromise with creditors, or

(v) had a receiver, receiver manager or trustee appointed to manage their assets;

(o) a Person whose employment has been suspended or terminated for cause for actual or alleged fraud, theft, insider trading, embezzlement, forgery or failure to disclose material facts (including but not limited to nondisclosure of transactions with third parties), inappropriate arrangements with third parties, or similar conduct, or any actual or alleged misconduct relating to the securities or financial industries;

(p) a Person who has been subject to a Cease Trade Order, denial of exemption order or equivalent order or ruling by an SRA or SRO for 12 consecutive months or more;

(q) a Person who is currently subject to a Cease Trade Order, denial of exemption order or equivalent order or ruling by an SRA or SRO;

(r) a Person who, since the age of majority, has been incarcerated in a penal institution for more than 12 consecutive months;

(s) a Person who is personally indebted to or subject to an unsatisfied or incomplete term of a sanction of the Exchange or any SRA or SRO; and

(t) a Person who the Exchange has determined filed a materially incomplete, false or misleading PIF or Declaration or who has failed to comply with a direction or instruction of the Exchange or has failed to file materials, information and documents as requested by the Exchange, within the timeframe specified by the Exchange.

5.16 At the discretion of the Exchange, a Person who falls within any of the categories set forth in section 5.14, 5.15, and 5.17 may also be prohibited from being an Insider, Promoter, Control Person, significant securityholder, employee, agent or consultant, or from being engaged by or being able to work on behalf of an Issuer.

5.17 Where a current or prospective Director or Officer of an Issuer is subject to an investigation or proceeding, or has had a notice of hearing or similar notice issued by an SRA or SRO, or is involved in settlement discussions or negotiations for settlement of any kind with an SRA or SRO in relation to any matter that could result in an order, ruling, prohibition, conviction or other sanction being imposed against that Director or Officer, the Exchange may:

(a) permit such an individual to serve as a Director or Officer of the Issuer, subject to the satisfaction of such conditions, as the Exchange determines are necessary, or

(b) prohibit that individual from serving as a Director or Officer of the Issuer,

pending the final outcome of that investigation or proceeding.

5.18 If, pursuant to this Policy, an individual is prohibited from acting as a Director or Officer or prohibited, directly or indirectly, from:

(a) being involved as a Promoter, employee, consultant or, agent of an Issuer, or

(b) otherwise being engaged by or working on behalf of an Issuer,

that Person must resign from his or her position with the Issuer immediately. The Person may be required to resign or cease to be otherwise involved with other Issuers.

5.19 Lack of Information

The absence of evidence satisfactory to the Exchange of a positive legal and regulatory track record can constitute grounds for disqualification as a Director or Officer of an Issuer.

5.20 Refusal or Revocation of Exchange Acceptance – Ontario

Where an Issuer has a Significant Connection to Ontario, and has not complied with a direction or requirement of the Exchange to make application or to become a reporting issuer in Ontario, the Exchange may refuse to grant Exchange Acceptance of any application relating to the acceptability of any Insider. The Exchange may also revoke, amend or impose conditions in connection with a previous Exchange Acceptance of any such application, until such time as the Issuer has complied with the direction or requirement (See section 18, *Assessment of a Significant Connection to Ontario* of this Policy).

6. Disclosure of Insider Interests

6.1 If Directors or Officers have an interest in a transaction or a proposed transaction involving an Issuer, the Issuer must ensure that any conflict of interest is dealt with appropriately. In order to minimize any conflict of interest, in addition to any requirements of applicable corporate law and Securities Laws:

(a) every Director and Officer must disclose to the board of Directors either in writing or in person at the next Directors' meeting, the nature and extent of any material interest, directly or indirectly, that they have in any material contract or proposed contract with the Issuer. The Director or Officer must make this disclosure as soon as they become aware of the agreement or the intention of the Issuer to consider or enter into the proposed agreement;

(b) the board of Directors must implement procedures so that each material agreement or proposed agreement between the Issuer and any Director or Officer, directly or indirectly, will be considered and approved by a majority of the disinterested Directors; and

(c) the board of Directors must implement procedures to ensure proper public dissemination is made of the material interest of any Officer or Director of the Issuer in any material agreement or proposed agreement between the Issuer and that Director or Officer. The majority of disinterested Directors must consider the proper scope and nature of the disclosure.

7. Transfer Agent, Registrar and Escrow Agent

7.1 Each Issuer must maintain a record of its current registered shareholders, a record of each allotment or issuance and a record of each transfer in the registered ownership of its securities. As these records are complex for a publicly traded company, an Issuer must appoint a registrar and transfer agent to perform these services. In making such appointment, an Issuer must comply with the corporate laws of its incorporating or continuing jurisdiction, which may impose specific requirements for transfer agents and registrars.

7.2 While its securities are listed on the Exchange, an Issuer must appoint and maintain a transfer agent and registrar with a principal office in one or more of Vancouver, British Columbia; Calgary, Alberta; Toronto, Ontario; Montreal, Quebec; or Halifax, Nova Scotia.

7.3 Except for those transfer agents that are listed in Appendix 3A, which have been previously approved as acceptable transfer agents by the Exchange, an applicant seeking to become an acceptable transfer agent under Appendix 3A must be a trust company in good standing under applicable legislation.

7.4 Each class of Listed Shares must be directly transferable at the Issuer's registrar and transfer agent.

8. Security Certificates

8.1 General

An Issuer shall have only one form of certificate for each class or series of Listed Shares. All certificates must conform with the requirements of the corporate and Securities Laws applicable to the Issuer.

8.2 Exchange Requirements

(a) All certificates for every class or series of Listed Shares must be printed in a manner acceptable to the Exchange by:

(i) a recognized bank note company or its affiliate or other security printer which has a contractual affiliation with a recognized bank note company, recognized for this purpose by the Exchange. The producing bank note company must at all times have possession and control of all dyes, rolls, plates and other engravings. All certificates must be produced on paper of an excellent grade of security paper; or

(ii) a secured printer printing a form of generic certificate that complies with the requirements of the Security Transfer Association of Canada ("STAC"), as may be agreed to by the Exchange, from time to time.

(b) Issuers using bank note share certificates as contemplated under subsection (a)(i) have the option to continue using those certificates or they may use generic share certificates at any time. Issuers interested in using generic share certificates are encouraged to contact their transfer agent.

(c) Before a form of certificate can be used by an Issuer, the Exchange must receive a letter from the transfer agent of the Issuer confirming that the form of the certificate to be used will meet Exchange Requirements. Where the Issuer chooses to use generic certificates, the Issuer's transfer agent must also confirm in the letter that the generic certificate provided complies with STAC requirements. No change or alteration can be made to the form or design of a security certificate without the Exchange's prior acceptance unless prior to the change or alteration the Exchange receives written confirmation from the transfer agent that the altered form or design meets Exchange Requirements.

(d) The face of all certificates for every class of Listed Shares must include:

(i) the "title" or corporate name of the Issuer printed clearly and prominently (a trade mark, trade name or logo may be used in addition to the corporate name but not in substitution for the corporate name);

(ii) a general or promissory text printed clearly and prominently;

(iii) a colour panel or panels, or a colour border;

(iv) a space to indicate ownership and denominations;

(v) an ISIN or CUSIP number in the upper right corner (obtained from the Canadian Depository for Securities Limited. See Policy 5.8 - *Name Change, Share Consolidations and Splits*);

(vi) a prominent indication of the class and series of securities to which the certificate refers;

(vii) a transferability clause, indicating the cities where the certificates are transferable;

(viii) the name(s) of the Issuer's registrar(s) and transfer agent(s);

(ix) original or facsimile signatures of at least two Officers or Directors of the Issuer;

(x) a document control or serial number; and

(xi) if specifically requested by the Exchange, a vignette for an Industrial or Investment Issuer.

9. Dissemination of Information and Insider Trading

9.1 Dissemination of News

Each Issuer must disseminate news respecting Material Information in accordance with applicable Securities Laws and Exchange Requirements. Issuers listed on the Exchange must disseminate all news announcements respecting Material Information on a national basis and must retain the services of one or more acceptable news disseminators to ensure proper dissemination. See Policy 3.3 - *Timely Disclosure* for further details on dissemination of news.

9.2 Procedures to be Adopted

The Directors and Senior Officers of every Issuer must adopt and implement practices and procedures to:

(a) ensure that Material Information relating to the business and affairs of the Issuer is fully and properly publicly announced in a timely fashion;

(b) educate Directors, management, employees and consultants with respect to the legal and regulatory restrictions on trading on undisclosed Material Information and the legal and regulatory implications of "tipping" and insider trading;

(c) restrict, control and monitor access to all Material Information relating to the business and affairs of the Issuer, its Associates and Affiliates, until any previously undisclosed Material Information is properly disseminated to the public; and

(d) require all Insiders and all other Persons in a "special relationship" (as defined in applicable Securities Laws) to the Issuer who have access to or might reasonably be believed to have access to undisclosed Material Information relating to the Issuer, to refrain from trading in the Issuer's securities until the Material Information has been properly disseminated to the public.

9.3 The Directors and Senior Officers of an Issuer must not publish or direct the publication of any information that would constitute a misrepresentation under applicable Securities Laws, including any untrue statement of a Material Fact or an omission to state a Material Fact that is necessary to be stated for a statement not to be misleading. The Directors and Senior Officers must not knowingly permit any employee or consultant to publish any information that would constitute a misrepresentation and should ensure that the Issuer has implemented adequate procedures to prevent dissemination of such material. Directors and Senior Officers are advised that posting information on the World Wide Web or participating in any chat group or similar group via the Internet is considered by the Exchange to constitute publication of information.

9.4 Each Insider must comply with the provisions of applicable corporate law and Securities Laws in relation to both insider trading restrictions and disclosure of trades by Insiders.

9.5 Each Control Person must comply with the provisions of applicable corporate and Securities Laws and Exchange Requirements with respect to advance notice of any sale or other disposition of any securities owned by the Control Person.

10. Unacceptable Trading

10.1 Public participation in any securities marketplace, to a great degree, depends upon the confidence of investors and potential investors in the fairness and integrity of the system of securities trading. Directors, Senior Officers and Insiders of an Issuer and Persons engaged in Investor Relations Activities or promotion and market-making activities for an Issuer are prohibited from engaging in abusive, manipulative or deceptive trading practices. Directors and Senior Officers of an Issuer should ensure that all Persons retained to act on behalf of the Issuer to provide investor relations, promotion or market-making services are aware of the provisions of applicable Securities Laws and Exchange Requirements dealing with unacceptable trading practices. Directors and Senior Officers of an Issuer must advise the Exchange if they become aware that any Person is engaging in unacceptable practices with respect to trading in the securities of the Issuer. See also Policy 3.4 – *Investor Relations, Promotional and Market-Making Activities*.

10.2 Without limiting the restrictions imposed by applicable Securities Laws and other Exchange Requirements, activities that could reasonably be expected to create or result in a misleading appearance of trading activity in, or an artificial price for securities listed on the Exchange include:

(a) executing any transaction in a security, through the facilities of the Exchange, if the transaction does not involve a change in beneficial ownership;

(b) effecting, alone or with others, a transaction or series of transactions in a security for the purpose of inducing others to purchase or sell the same security or a related security;

(c) effecting, alone or with others, a transaction or series of transactions that has the effect of artificially raising, lowering or maintaining the bid or offering price of the security;

(d) entering one or more orders for the purchase or sale of a security that artificially raise, lower or maintain the bid or offering prices of the security;

(e) entering one or more orders for the purchase or sale of a security that could reasonably be expected to create an artificial appearance of investor participation in the market;

(f) executing, through the facilities of the Exchange, a prearranged transaction in a security that has the effect of creating a misleading appearance of active public trading or that has the effect of improperly excluding other market participants from the transaction;

(g) purchasing or making offers to purchase a security at successively higher prices, or selling or making offers to sell a security at successively lower prices, if the transactions or offers create a misleading appearance of trading or an artificial market price for the security;

(h) effecting, alone or with others, one or a series of transactions through the facilities of the Exchange where the purpose of the transaction is to defer payment for the security traded;

(i) entering an order to purchase a security without the ability and the bona fide intention to make the payments necessary to properly settle the transaction;

(j) entering an order to sell a security, except for a security sold short in accordance with applicable Securities Laws and Exchange Requirements, without the ability and the bona fide intention to deliver the security necessary to properly settle the transaction; and

(k) engaging, alone or with others, in any transaction, practice or scheme that unduly interferes with the normal forces of demand for, or supply of, a security or that artificially restricts the Public Float of a security in a way that could reasonably be expected to result in an artificial price for the security.

11. Corporate Power and Authority

11.1 Every Issuer must be validly incorporated or created and remain at all times a validly subsisting corporate entity pursuant to the laws of its incorporation or creation.

11.2 Every Issuer must have the corporate power and authority to carry on the business it conducts or proposes to conduct, be authorized and empowered to issue its securities to the public and to have its securities listed on the Exchange.

12. Auditors

12.1 Every Issuer must have an auditor that reports directly to the audit committee.

12.2 Subject to any additional requirements of applicable corporate law and following receipt and acceptance of a recommendation of the audit committee as to a proposed auditor, the board of Directors must appoint an auditor and place before the Shareholders for consideration at each annual general meeting, the election or re-election of such auditor. An auditor must be elected or re-elected by Shareholders at the Issuer's annual general meeting.

12.3 Subject to section 12.4, the auditor must be a Person who is a member or a partnership whose partners are members, in good standing with the Canadian Institute of Chartered Accountants, or another Person acceptable to the applicable Securities Commission(s).

12.4 In addition to the requirement of section 12.3, where an Issuer is filing financial statements accompanied by an auditor's report pursuant to the continuous disclosure requirements of Securities Laws, that report must be prepared by a public accounting firm that is, at the date of the auditor's report, a participating audit firm, as defined by National Instrument 52-108 - *Auditor Oversight.* Such firm must be in compliance with any restrictions or sanctions imposed by the Canadian Public Accountability Board.

12.5 If an Issuer wishes or is required to change its auditor, the Issuer must comply with National Instrument 51-102 - *Continuous Disclosure Obligations* ("NI 51-102").

13. Financial Statements, MD & A and Certification

13.1 The board of Directors of an Issuer must ensure that the Issuer prepares, files and disseminates annual audited financial statements, interim financial statements and annual and interim Management's Discussion and Analysis ("MD&A") in accordance with NI 51-102.

13.2 The CEO and the CFO of the Issuer must certify the annual audited financial statements and the interim financial statements of the Issuer in accordance with National Instrument 52-109 - *Certification of Disclosure in Issuers Annual and Interim Filings* ("NI 52-109").

14. Shareholders' Meetings and Proxies

14.1 The board of Directors of an Issuer must ensure that the Issuer holds an annual meeting of its Shareholders as required by Policy 3.2 – *Filing Requirements and Continuous Disclosure.*

14.2 At each annual meeting of shareholders, the board of Directors must:

(a) present the audited annual financial statements to the Shareholders for review;

(b) permit the Shareholders to vote on the appointment of an auditor; and

(c) permit the Shareholders to vote on the election of Directors.

15. Shareholder Rights Plans

15.1 The Exchange neither endorses nor prohibits the adoption of shareholder rights plans in general or in connection with any particular take-over bid. Issuers implementing shareholder rights plans must comply with National Policy 62-202 - *Take-over Bids - Defensive Tactics* ("NP 62-202").

15.2 Where a shareholder rights plan has been adopted after the announcement or commencement of a take-over bid, the Exchange will defer a review of a shareholder rights plan until after the appropriate Securities Commission(s) has determined whether it will intervene pursuant to NP 62-202.

15.3 If a shareholder rights plan is adopted at a time when the Issuer is not aware of any specific take-over bid for the Issuer that has been made or is contemplated, the Exchange will not generally object to the plan, provided that it is ratified by the Shareholders of the Issuer at a meeting held within six months following the adoption of the plan. Pending such shareholder ratification, the plan is allowed to be in effect so that its intent is not circumvented prior to the shareholder meeting. If the plan is not ratified by Shareholders within six months of its adoption, it must be cancelled.

15.4 Where a particular Shareholder is exempted from the operation of a plan, even though the Shareholder's percentage holding exceeds the plan's triggering ownership threshold, the Exchange will normally require that the plan be ratified by a vote of Shareholders that excludes the votes of the exempted Shareholder and its Associates, Affiliates and Insiders, as well as by a vote that does not exclude such Shareholder.

15.5 Amendments to a shareholder rights plan must be filed with the Exchange. The Exchange may require the Issuer to receive Shareholder approval for the amendment.

15.6 Filing Requirements for a Shareholder Rights Plan

(a) Issuers proposing to implement a shareholders rights plan must file the following with the Exchange:

(i) a draft of the proposed shareholders rights plan;

(ii) a letter containing the following:

(A) a statement as to whether the Issuer is aware of any specific take-over bid for the Issuer that has been made or is contemplated, together with full details regarding any such bid,

(B) a description of any unusual features of the plan,

(C) a statement as to whether the plan treats any existing Shareholder differently from other Shareholders, and

(D) date that Shareholder approval has been or will be obtained for the shareholder rights plan;

(iii) the applicable fee.

(b) If an Issuer adopts a plan without pre-clearance from the Exchange, the Issuer must:

(i) publicly announce the adoption of its plan as subject to regulatory acceptance; and

(ii) as soon as possible, after the adoption of the plan, file with the Exchange a copy of the plan along with the letter described in section 15.6(a) above.

16. Proceeds from Distributions

16.1 Except to the extent disclosed in public disclosure documents required to be filed by Securities Laws or Exchange Requirements, the proceeds from any distribution of securities in Canada must be retained by the Issuer in Canada. Each Issuer must implement adequate internal controls to monitor and ensure compliance with this requirement.

17. Issuers with Head Office Outside Canada

17.1 Every Issuer whose head office is outside Canada must, as long as it is listed on the Exchange, appoint and maintain an address for service within Canada and must agree to attorn to the laws of the Province of Alberta and the federal laws applicable in that province.

18. Assessment of a Significant Connection to Ontario

18.1 All Issuers that are not otherwise reporting issuers in Ontario are required to assess whether they have a Significant Connection to Ontario.

18.2 Where an Issuer that is not otherwise a reporting issuer in Ontario becomes aware that it has a Significant Connection to Ontario as a result of complying with section 18.1 above or otherwise, the Issuer is required to immediately notify the Exchange, and promptly make a bona fide application to the Ontario Securities Commission to be deemed a reporting issuer in Ontario. The Issuer must become a reporting issuer in Ontario within six months of becoming aware that it has a Significant Connection to Ontario.

18.3 All Issuers that are not otherwise reporting issuers in Ontario are required to assess on an annual basis, in connection with the preparation for mailing of their annual financial statements, whether they have a Significant Connection to Ontario. All Issuers must obtain and maintain for a period of three years after each annual review, evidence of the residency of the RHs and BHs of the Issuer.

18.4 If requested, Issuers must provide the Exchange with evidence of the residency of their NOBOs.

19. Corporate Governance Guidelines

19.1 General

Since Issuers differ in size, industry, stage of development, and management experience, corporate governance for each Issuer will differ accordingly. While no prescribed set of corporate governance standards or practices will be suitable for every Issuer, all Issuers must adopt corporate governance practices and processes that are appropriate to them.

19.2 Corporate Governance Guidelines

In general, good corporate governance:

(a) requires an effective system of accountability by management to the board and by the board to the securityholders;

(b) requires that information be made available and that decisions by management and the board can be reviewed;

(c) ensures that all securityholders are protected; and

(d) in the circumstances where there is a significant securityholder, ensures that the interests of minority securityholders are protected.

19.3 An Issuer should consult NP 58-201 which sets out guidelines for Issuers developing their own corporate governance practices.

19.4 Management Compensation

(a) The board of Directors of each Issuer must adopt procedures to ensure that all employment, consulting or other compensation arrangements between the Issuer and any Director or Senior Officer of the Issuer or between any subsidiary of the Issuer and any Director or Senior Officer are considered and approved by independent Directors.

(b) The Exchange considers golden parachutes, retirement bonuses and similar cash payments (other than reasonable severance payments) to be generally inappropriate for Issuers.

19.5 Disclosure of Management Compensation

(a) The Issuer must include the following disclosure in its interim MD&A unless it is included in its financial statements. The Issuer must also make this disclosure in its annual MD&A unless such disclosure is made in its financial statements, Annual Information Form or Information Circular;

(i) any standard compensation arrangements made directly or indirectly with Directors and Officers of the Issuer, for their services as Directors or Officers, or in any other capacity, from the Issuer and its subsidiaries during the most recently completed financial quarter. The disclosure must state the amounts paid and payable under the arrangements and must include any additional amounts payable for committee participation or special assignments;

(ii) any other arrangements under which Directors and Officers were directly or indirectly compensated for their services as Directors and Officers or in any other capacity from the Issuer and its subsidiaries during the most recently completed financial quarter. The disclosure must state the amounts paid and payable and the name of the Director or Officer; and

(iii) any arrangement relating to severance payments to be paid to Directors and Officers of the Issuer and its subsidiaries, entered into during the most recently completed financial quarter.

19.6 Entrenchment of Management

Issuers must not construct mechanisms that entrench existing management such as staggered elections of the board of Directors or the election of a slate of Directors if securityholders are not permitted to choose whether to elect the board as a slate (i.e., as a group in its entirety) or to elect Directors individually.

19.7 Cheques

The signatures of two authorized Persons must be on every cheque issued by an Issuer.

20. Disclosure of Corporate Governance Practices

Tier 1 and Tier 2 Issuers must disclose their corporate governance practices as required by the applicable provisions of NI 58-101.

21. Audit Committees

(a) The board of Directors of an Issuer, after each annual securityholders' meeting, must appoint or re-appoint its audit committee.

(b) An Issuer must have an audit committee comprised of at least three Directors, the majority of whom are not Officers, employees or Control Persons of the Issuer or any of its Associates or Affiliates.

POLICY 3.2

FILING REQUIREMENTS AND CONTINUOUS DISCLOSURE

Scope of Policy

This Policy describes continuous disclosure requirements applicable to every Issuer and identifies filing requirements that can arise in connection with transactions not specifically dealt with by other Exchange policies. Unless specifically exempted or modified by another Policy, an Issuer must comply with this Policy.

The main headings in this Policy are:

1. Continuous Disclosure and Filing Requirements Under Securities Laws
2. Documents Required by Securities Laws
3. Corporate Information and Shareholder Communication
4. Shareholder Meetings
5. Security Issuances, Treasury Orders and Legending of Hold Periods
6. Change in Management or Control
7. Personal Information Forms and Declarations
8. Material Agreements - Escrow/Pooling Arrangements
9. Changes in Constating Documents and Security Reclassifications (other than Name Changes, Stock Splits and Consolidations)
10. Dividends
11. Redemption, Cancellation or Retirement of Listed Shares
12. Trading in U.S. Dollars
13. Due Bill Trading

1. Continuous Disclosure and Filing Requirements Under Securities Laws

1.1 All Issuers are subject to continuous disclosure and other filing requirements under Securities Laws including, without limitation, the Securities Laws of British Columbia and Alberta. Issuers must ensure compliance with the applicable continuous disclosure

and other filing requirements prescribed by Securities Laws. It should be noted that these requirements are in addition to any disclosure and filing requirements prescribed by the Exchange.

2. Documents Required By Securities Laws

2.1 Every Issuer must file with the Exchange a copy of any document or agreement which pursuant to applicable Securities Laws, is filed with any Securities Commission or similar regulatory body or any other applicable stock exchange or market. Where such document or agreement is made publicly available by the Issuer on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") in conjunction with its filing with any Securities Commission or similar regulatory body or any other applicable stock exchange or market, the Issuer will not be required to separately file that document or agreement with the Exchange except as may be required pursuant to another Policy.

3. Corporate Information and Shareholder Communication

3.1 While listed on the Exchange, an Issuer must maintain and ensure that the Exchange is provided with a current address, telephone number, contact person's name and if applicable, facsimile number, e-mail address and internet website to which all Shareholder and public inquiries and Exchange communication can be directed.

3.2 An Issuer must file with the Exchange a copy of any materials sent or provided to the Issuer's Shareholders or the public at the same time those materials are delivered to the Shareholders or the public if those materials have not also been filed on SEDAR.

4. Shareholder Meetings

4.1 Every Issuer must hold an annual meeting of its Shareholders by the earlier of the time required by applicable corporate or securities legislation and 18 months after:

(a) the date of its incorporation; or

(b) the date of its certificate of amalgamation, in the case of an amalgamated Issuer,

and subsequently thereafter in each year not more than 15 months after its last preceding annual meeting of Shareholders or such earlier date as required by applicable corporate or Securities Laws.

4.2 Every Issuer must, concurrently with giving notice of a meeting of Shareholders, send a form of proxy and an information circular in the manner prescribed by Securities Laws to each holder of a Listed Share and each other Shareholder who is entitled to receive notice of the meeting whether or not they are resident in the jurisdiction in which the Issuer is a reporting issuer. Every Issuer must comply with the requirements of applicable corporate and Securities Laws governing proxies and Shareholder meetings.

4.3 If a proposed transaction to be submitted to Shareholders for approval also requires the acceptance of the Exchange, the Issuer must obtain this acceptance (or conditional acceptance, as the case may be) before mailing the meeting materials to the Shareholders. If this is impracticable due to unavoidable time restrictions, the Exchange must be advised in advance of the proposed mailing, and the information circular must clearly state that the proposed transaction is subject to the acceptance of the Exchange (or regulatory approval), and that the Issuer will not proceed with the transaction if regulatory acceptance or approval is not obtained.

4.4 For any transaction requiring Shareholder approval, whether pursuant to an Exchange Requirement or otherwise, the meeting materials must describe the substance of the transaction and all related matters in sufficient detail to enable a reasonable Shareholder to form a reasoned judgment concerning the transaction and all related matters.

4.5 An Issuer which has adopted or proposes to adopt procedures which may have the effect of entrenching management should consult with the Exchange in advance and obtain prior Exchange acceptance. See Policy 3.1 - *Directors, Officers, Other Insiders & Personnel and Corporate Governance*.

5. Security Issuances, Treasury Orders and Legending of Hold Periods

5.1 Security Issuances

Unless specifically provided for in Exchange Requirements, an Issuer must not issue securities without the prior acceptance of the Exchange.

5.2 Treasury Orders - General

(a) Every Issuer must require that its transfer agent provide to the Exchange, within five business days following the issuance of any securities, a copy of the applicable treasury order.

(b) Each treasury order and reservation order submitted to the Issuer's transfer agent must contain the following information:

(i) the date of the treasury order;

(ii) the name and municipality of the transfer agent;

(iii) full particulars of the number and type of securities being issued or reserved for issuance;

(iv) the issue price per security or the deemed issue price;

(v) the balance of issued shares of the Issuer following the issuance;

(vi) the names and addresses of all parties to whom the securities are being issued or are reserved for issuance;

(vii) the date of the applicable Exchange acceptance of the application for issuance of such securities and, if applicable, the Exchange application/file number;

(viii) for a treasury order, confirmation that the Issuer has received full payment for the securities and that the securities are validly issued as fully paid and non-assessable;

(ix) instructions that the wording of any legend required by applicable Securities Laws or by section 5.3 be imprinted on the face of the certificate (or if the face of the certificate has insufficient space, on the back of the certificate with a reference on the face of the certificate to the legend); and

(x) the legend required by section 5.3.

(c) Every treasury order must be signed by at least two directors or senior officers of the Issuer. The names and titles of each signatory must be printed beneath their respective signatures.

5.3 Hold Period Legends

(a) Securities subject to an Exchange Hold Period must be legended. Each Issuer must ensure that securities issued from treasury that are represented by a certificate must bear an Exchange legend stating:

> "Without prior written approval of TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [insert date]."

If the securities are entered into a direct registration or other electronic book-entry system, or if the purchaser of the securities does not directly receive a certificate representing the securities, the Issuer must ensure that the purchaser of the securities receives written notice containing the legend set out above.

(b) The date to be inserted in any Exchange Hold Period legend will be the date that is four months and a day after the distribution date of the security.

(c) For securities which are convertible, exercisable or exchangeable into Listed Shares, the legend must be modified to indicate that the remaining portion of the Exchange Hold Period will continue to apply to the underlying Listed Shares if the original security is converted, exercised or exchanged into the underlying Listed Share within four months of the distribution date of the original security. If the Exchange Hold Period on the original security has not expired at the time the original security is converted, exercised or exchange into the underlying Listed Share, the certificate representing the underlying Listed Share must bear the legend prescribed by section 5.3(a) with the applicable date to be inserted in the legend being the date that is four months and a day after the distribution date of the original security.

(d) The Exchange legending requirement is in addition to, and does not replace any Resale Restrictions imposed by Securities Laws, including any legending of the security certificate. The Exchange Hold Period will run concurrently with a hold period under Securities Laws but may commence at a different time than under Securities Laws.

5.4 Trading of Legended Shares

Legended shares are generally not permitted to trade, however the Exchange may consider applications to trade legended shares where Listed Shares bearing a legend trade as a separately listed class of shares with a special symbol to identify the shares as legended (such as "ABC.S" in the case of Regulation S legended shares). Legended Listed Shares may trade separately under the special symbol from Listed Shares of the same class of the Issuer that are not legended, or legended Listed Shares may be the only shares of the Issuer listed on the Exchange. The number of legended shares in a class of shares and the nature of the legend will determine whether the legended shares will be listed. If legended shares are not listed, they will not be sufficient settlement for trades of unlegended Listed Shares until the legend is removed.

6. Change in Management or Control

6.1 An Issuer must not agree to be party to a Change of Control or any transactions that may reasonably be expected to result in a Change of Control unless the agreement is made subject to Exchange acceptance.

6.2 In certain circumstances, a Change of Control may form part of a Reactivation, Reorganization, Change of Business or Reverse Takeover, in which case the Issuer must comply with all of the requirements of the applicable policies. See Policy 2.6 – *Reactivation of NEX Companies* and Policy 5.2 - *Changes of Business and Reverse Takeovers.*

6.3 When an agreement in principle is reached (or as soon as the Issuer becomes aware that an agreement in principle reasonably appears to have been reached) which will result or

may reasonably be expected to result in a Change of Control of the Issuer, or when any event occurs which will result in the addition to or removal from the board of directors or management of any individuals, the Issuer must issue a news release, which complies in all respects with Policy 3.3 - *Timely Disclosure*, describing:

(a) the transaction(s) resulting in the Change of Control; or

(b) the transactions resulting in any Change of Management and identifying each Person who has ceased to act as director or senior officer, including the position previously held by that Person and identifying any Person who will be appointed or elected to a new position as a director or senior officer of the Issuer, including the position to be held and a brief description of such Person's background and experience; and

file with the Exchange a letter notice describing the proposed transaction.

6.4 Before the Exchange will accept any Change of Control or a Change of Management, the Exchange can require certain supporting documents to be filed, including any or all of the following:

(a) evidence of (disinterested) Shareholder approval;

(b) a Sponsor Report;

(c) a disclosure document such as an Information Circular, Filing Statement or any other document prescribed by the Exchange; and

(d) Personal Information Forms or, if applicable, Declarations.

6.5 The Exchange can also require a trading halt to provide time for dissemination of information. See section 7 for the requirement to submit Personal Information Forms.

7. Personal Information Forms and Declarations

7.1 Subject to section 7.7, a duly completed Personal Information Form ("**PIF**") (Form 2A), must be submitted to the Exchange before:

(a) any Person can be involved with an Issuer in the capacity of an Insider; or

(b) any Person can perform Investor Relations Activities for an Issuer.

7.2 An Issuer must immediately advise the Exchange when any director or senior officer of the Issuer or any Person engaging in Investor Relations Activities on its behalf is added or removed.

7.3 A new PIF must be filed where a material change has occurred in respect of sections 6, 7, 8, 9 or 10 of the PIF.

7.4 In its discretion and at any time, the Exchange can require an updated duly completed PIF for any Person involved with an Issuer.

7.5 If a PIF is required or requested by the Exchange from a Person who is not an individual, a PIF must be submitted for each Insider of that non-individual entity.

7.6 Acceptance for filing by the Exchange of a PIF does not constitute Exchange acceptance of the proposed Person.

7.7 A duly completed Declaration (Form 2C1) may be submitted to the Exchange, in lieu of a PIF, where:

(a) a Person has filed a PIF within the 36 month period prior to the filing of the Declaration, with either the Exchange or the Toronto Stock Exchange, and

(b) the information in that PIF has not changed.

8. Material Agreements - Escrow/Pooling Arrangements

8.1 General – Material Agreements

(a) Each Issuer must promptly provide written notice to the Exchange of any material agreement and, if requested by the Exchange, must provide a copy of the agreement and other requested documents or information. To the extent practicable, the Issuer should provide written notice of any material agreement to the Exchange prior to the agreement being entered into. As applicable, the Issuer should ensure that the material agreement provides that the agreement is subject to Exchange acceptance.

(b) Where the transaction that is the subject of a material agreement requires Exchange acceptance pursuant to the requirements of another Policy and the material agreement (or the particulars thereof) is provided to the Exchange in conjunction with an Issuer's application for acceptance of such transaction, the Issuer will be deemed to have complied with the foregoing notice requirement set forth in section 8.1(a).

(c) If the material agreement constitutes a Material Change, the Issuer must issue a news release pursuant to applicable Securities Laws and Policy 3.3 - *Timely Disclosure*.

8.2 For the purposes of this Policy, a material agreement means any agreement, commitment, contract or understanding, written or otherwise, that an Issuer or any of its subsidiaries is a party to that is material to the Issuer. Without limitation, the Exchange deems any agreement, commitment, contract or understanding that an Issuer or any of its subsidiaries is directly or indirectly a party to that relates to any of the following matters to be a material agreement:

(a) any issuance of shares or other securities of the Issuer or any of its subsidiaries;

(b) management services, investor relations services, fiscal agency or financial advisory services, other services outside the normal or ordinary course of the Issuer's business, and any transaction with a Non-Arm's Length Party of the Issuer;

(c) any capital reorganization of the Issuer;

(d) any acquisition or disposition of the Issuer's own securities;

(e) any change in the beneficial ownership of the shares or other securities of the Issuer which may materially affect the control of the Issuer;

(f) any loan or advance of funds by the Issuer to any Person;

(g) any change in the undertaking of the Issuer;

(h) any mortgaging, hypothecating or charging in any way of the Issuer's assets; and

(i) the establishment of a special relationship between the Issuer and a registrant.

In addition, any amendment, termination or extension of a material agreement shall also constitute a material agreement.

8.3 Escrow or Pooling Agreements

Each Issuer which is or becomes aware of any private agreement(s) by any one or more of its Shareholder(s) to voluntarily escrow or pool any of the Issuer's securities must promptly notify the Exchange of the existence of the agreement and if material to investors, must disclose the existence of such an agreement to its Shareholders as required by applicable Securities Laws.

8.4 Receipt of Notice by Exchange

Upon receiving notice from the Issuer, the Exchange may accept the terms of the material agreement or require that they be amended prior to acceptance.

9. Changes in Constating Documents and Security Reclassifications (other than Name Changes, Stock Splits and Consolidations)

9.1 An Issuer must not implement a security reclassification or an amendment to its articles, by-laws, memorandum or other constating documents until it has received conditional acceptance from the Exchange.

9.2 The Issuer must file all documents requested by the Exchange, before or in connection with granting conditional acceptance, including:

(a) one copy of the applicable provisions of the Information Circular (draft or final) which has been or will be sent to the Issuer's Shareholders in connection with the approval of the reclassification or amendment; and

(b) a draft copy of the revised articles, by laws, memorandum or constating documents.

9.3 As soon as possible after effecting the amendment, the Issuer must file:

(a) an opinion of counsel that all the necessary steps have been taken to validly effect the amendment or security reclassification in accordance with applicable law;

(b) a new definitive specimen(s) or over-printed share certificate(s) with the ISIN or CUSIP number imprinted thereon, and in the case of a generic certificate, the specimen certificate must be accompanied by a letter from the transfer agent confirming that the generic certificate complies with the requirements of the Security Transfer Association of Canada;

(c) a copy of the letter of transmittal to be sent to Shareholders, if applicable; and

(d) the fee prescribed by Policy 1.3 - *Schedule of Fees*.

10. Dividends

10.1 For the purposes of Exchange requirements, "dividends" includes any dividend or similar distribution by an Issuer to its Shareholders whether in the form of cash, securities or other property.

10.2 All Issuers declaring a dividend on Listed Shares must promptly notify the Exchange as soon as the dividend is declared, by filing a Dividend/Distribution Declaration (Form 3E) or a news release containing the same information that is prescribed by Form 3E, with the Exchange via fax or e-mail, at least five trading days in advance of the dividend record date. For contact information respecting the filing of Form 3E or the equivalent press release, Issuers are referred to Form 3E.

10.3 Listed Shares will commence trading on an ex-dividend basis at the opening of trading on the date which is one trading day prior to the record date for the dividend. This timing for the ex-dividend date is based on the premise that the Shareholders of record as of close of business on the record date (and not some earlier point in time) will be entitled to receive the dividend. For example, if the record date for a dividend is a Friday (i.e. shareholders of record as of the close of business on the Friday will be entitled to receive the dividend), the shares will commence trading on an ex-dividend basis at the opening of trading on the preceding Thursday (in the absence of statutory holidays). If the record date is a Monday, the shares will commence trading on an ex-dividend basis at the opening of trading on the Friday of the previous week (in the absence of statutory holidays).

10.4 Where Issuers fail to follow the above noted procedure, and as a result, a dispute arises over who is entitled to the payment of the dividend, the Issuer will be liable for the dividend claims made by both the buyers and the sellers of the shares involved.

10.5 The declaration of a dividend for any class of Listed Shares is a Material Change in the affairs of the Issuer and requires the issuance of a news release in accordance with the provisions of Policy 3.3 - *Timely Disclosure*.

10.6 A news release issued with respect to a dividend declaration must set out, at a minimum, the following information:

(a) the Issuer's name;

(b) the class of securities on which the dividend is to be paid;

(c) the amount payable per security;

(d) the record date; and

(e) the dividend period (such as quarterly, semi-annually or special).

10.7 If a dividend involves the issuance of securities (such as a stock dividend), the Issuer must apply to list any additional securities issued by way of dividend and must provide for any fractional securities resulting from the dividend.

11. Redemption, Cancellation or Retirement of Listed Shares

11.1 An Issuer must notify the Exchange promptly of any corporate or other action which results or may result in the redemption, cancellation or retirement, in whole or in part, of any of its Listed Shares or any security convertible into Listed Shares.

11.2 The redemption, cancellation or retirement of any Listed Shares is a Material Change and requires the issuance of a news release in accordance with Policy 3.3 - *Timely Disclosure*.

12. Trading in U.S. Dollars

12.1 In order to list a security to trade in US dollars or to switch a class of Listed Shares trading in Canadian dollars to trade in US dollars, an Issuer must apply to the Exchange and provide a description of the Issuer and its US operations, a description of how it has been complying with US securities laws (for example, registration status under the Securities Act of 1933, Regulation S and the Securities and Exchange Act of 1934, the name of its US securities counsel and information about his or her firm) and an estimate of the percentage of US Shareholders. Applications will be considered on a case by case basis by the Exchange.

12.2 If the Issuer is accepted for US dollar trading, the Exchange will assign a .U suffix to the trading symbol of the Listed Shares that will trade in US dollars. There is no requirement to change the ISIN or CUSIP number, as applicable, or the security code.

12.3 The Exchange must give at least three weeks' notice to the clearing and settlement agency before the effective date to switch Listed Shares trading in Canadian dollars to US dollars. The Exchange will also issue an Exchange Bulletin 11 trading days before the effective date, announcing a cash trade period of 10 trading days before the switch to US dollar trading. The Exchange will issue a second Exchange Bulletin on the trading day before the effective date.

12.4 For new listings, the 10 trading day cash trade period is not required; however, the applicant Issuer should request trading in US dollars early in the listing application process so consideration of this matter does not delay listing.

13. Due Bill Trading

13.1 For the purposes of this Policy:

"**distribution**" means any dividend, distribution, interest, security or right to which holders of listed securities have an entitlement, based on a specific record date.

"**Due Bill**" means an instrument used to evidence the transfer of title to any dividend, distribution, interest, security or right to a listed security contracted for, or evidencing, the obligation of a seller to deliver such dividend, distribution, interest, security or right to a subsequent purchaser.

13.2 Due Bill trading may be used at the discretion of the Exchange based on various relevant factors. However, the Exchange will normally defer ex-distribution trading and use Due Bills when the distribution per Listed Share represents 25% or more of the value of the Listed Share on the declaration date. Without the use of Due Bills, trading on an ex-distribution basis would commence at the opening of trading one trading day prior to the record date for the distribution and could result in a significant adjustment of the market price of the security. Security holders will then be deprived of the value of the distribution between the ex-distribution date and the payment date. By deferring the ex-distribution date through the use of Due Bills, sellers of the Listed Shares during this period can realize the full value of the Listed Shares they hold, by selling the securities with the Due Bills attached. The use of Due Bills will also avoid confusion regarding the market value of the Listed Shares.

13.3 When Due Bills are used, ex-distribution trading usually commences at the opening on the first trading day after the payment date. In the event that the Exchange receives late notification of the payment date and the payment date has passed, ex-distribution trading will generally commence on the first trading day following such notification.

13.4 The Exchange may also use Due Bills for distributions which are subject to a condition which may not be satisfied before the normal ex-distribution trading date (i.e., one trading day before the record date). When Due Bills are used for conditional distributions, the condition must be met prior to the payment date.

13.5 Issuers should contact the Exchange to discuss the use of Due Bills well in advance of any contemplated record date for a distribution.

13.6 Due Bill trading will not be implemented for special distributions of additional Listed Shares where such securities are immediately consolidated following the distribution.

POLICY 3.3

TIMELY DISCLOSURE

Scope of Policy

Public confidence in the integrity of the Exchange as a securities market requires timely disclosure of Material Information concerning the business and affairs of Issuers, thereby placing all participants in the market on an equal footing.

Accordingly, ensuring complete, accurate and timely disclosure of Material Information is an integral part of an Issuer's proper corporate governance procedures. This Policy sets out the general disclosure requirements for all Material Information. This Policy is not intended to be an exhaustive statement of timely and continuous disclosure obligations. It is intended to supplement the timely disclosure requirements under Securities Laws. National Policy 51-201 - *Disclosure Standards* provides guidance to issuers to assist them in meeting their legislative disclosure requirements. While legislative disclosure requirements differ somewhat from the disclosure requirements imposed by the Exchange, National Policy 51-201 clearly states that listed issuers must comply with the requirements of the exchange on which they are listed. Accordingly, this Policy must be read in conjunction with Securities Laws, National Policy 51-201 and all other Exchange Requirements.

In addition to the foregoing, Issuers who engage in mineral exploration, development and/or production must follow the Mining Standard Guidelines as outlined in Appendix 3F of this Manual for both their timely and continuous disclosure obligations.

The main headings in this Policy are:

1. Introduction

1.1 One of the underlying principles of this Exchange policy and Securities Laws is that all investors must have equal access to Material Information about an Issuer in order to make informed and reasoned investment decisions, and that such information should not be released on a selective basis, subject to very limited exceptions, as permitted by Securities Laws, including National Policy 51-201. See also National Instrument 71-102– Continuous Disclosure and Other Exemptions Relating to Foreign Issuers.

1.2 In order to minimize the number of regulatory authorities that must be consulted in a particular matter, with respect to timely disclosure, the Exchange is the relevant contact for issuers with respect to Exchange Requirements. Issuers should, however, consult with the applicable Securities Commission of the particular jurisdiction in respect of matters respecting requirements under Securities Laws. In the case of securities listed on more than one stock exchange, Issuers should deal with each exchange.

1.3 In order to maintain a listing on the Exchange, every Issuer must make ongoing timely and continuous disclosure and keep the Exchange informed of both routine and unusual events and information regarding its business, operations and affairs. The Exchange has retained the Regulation Services Provider to administer the relevant Exchange Requirements related to this Policy. Issuers should contact the Regulation Services Provider with questions they have about meeting their timely disclosure responsibilities.

2. Material Information

2.1 Definitions:

"Material Information" is any information relating to the business and affairs of an Issuer that results in or would reasonably be expected to result in a significant change in the market price or value of any of the Issuer's Listed Shares, and includes Material Facts and Material Changes.

"Material Fact" has the same meaning as found in applicable Securities Laws.

"Material Change" has the same meaning as found in applicable Securities Laws.

2.2 It is the responsibility of each Issuer to determine what information is material in the context of its own affairs. The materiality of information may vary from one Issuer to another according to the size of its profits, assets and capitalization, the nature of its operations and many other factors. An event that is significant or major in the context of a smaller Issuer's business and affairs may not be material to a larger Issuer. The Issuer itself is in the best position to apply the concept of Material Information to its own unique circumstances. The Exchange recognizes that decisions on disclosure require careful subjective judgments and encourages Issuers to consult with the Regulation Services Provider when in doubt as to whether disclosure should be made.

3. Timing of Disclosure

3.1 An Issuer must disclose Material Information concerning its business and affairs immediately after management of the Issuer becomes aware of the existence of Material Information, or in the case of information previously known, upon it becoming apparent that the information is material.

3.2 While the policy of the Exchange is that all Material Information must be released immediately, subject to pre-notification of the Regulation Services Provider as outlined in section 4 below and certain confidentiality exceptions as outlined in section 11 below, the Issuer must exercise judgment as to the timing, propriety and content of any news release concerning corporate developments.

3.3 Many developments must be disclosed at the proposal stage, or before an event actually occurs, if the proposal gives rise to Material Information.

3.4 An announcement regarding a proposed development or an intention to proceed with a transaction or activity should not be made unless the Issuer has the ability to carry out the intent (although proceeding may be subject to contingencies) and a decision has been made to proceed with the transaction or activity by the board of directors of the Issuer, or by senior management of the Issuer with the expectation of concurrence from the board of directors. Disclosure of corporate developments must be handled carefully and requires the exercise of judgment by the Issuer and its management as to the timing of an announcement of Material Information, since either premature or late disclosure may result in damage to the reputation of the Issuer and/or the market.

3.5 Unless an original announcement of Material Information indicates that an update will be disclosed on another indicated date, the Exchange generally requires that the Issuer issue a further news release dealing with the status of a previously announced transaction if the update has not been made or if the Exchange has not received the required documentation from the Issuer within 30 days after the announcement, or if the transaction has not closed within 90 days after the announcement. In addition, immediate disclosure is required to be made by the Issuer of any new Material Information related to the proposed transaction or to the previously disclosed information.

3.6 Issuers are not required to interpret the impact of external political, economic and social developments on their affairs, but if the external development can reasonably be expected to have or has had a direct effect on their business and affairs that is both material in the sense outlined above and uncharacteristic of the effect generally experienced as a result of that development by other issuers engaged in the same business or industry, Issuers are urged, where practical, to explain the particular impact on them. For example, a change in government policy that affects most issuers in a particular industry does not require an announcement, but if it affects only one or a few issuers in a material way, an announcement should be made.

3.7 The market price of an Issuer's securities may be affected not only by information concerning the Issuer's business and affairs, but also by factors directly relating to the securities themselves. For example, changes in an Issuer's issued capital, stock splits, redemptions and dividend decisions may all affect the market price of its securities and thus may constitute Material Information.

3.8 Without limiting the concept of Material Information, the following events are deemed to be material in nature and require immediate disclosure in accordance with this Policy:

(a) any issuance of securities by way of statutory exemption or Prospectus;

(b) any change in the beneficial ownership of the Issuer's securities that affects or is likely to affect the control of the Issuer;

(c) any change of name;

(d) a take-over bid, issuer bid or insider bid;

(e) any significant acquisition or disposition including a disposition of assets, property or joint venture interests;

(f) any stock split, stock consolidation, stock dividend, exchange, call of securities for redemption, redemption, capital reorganization or other change in capital structure;

(g) the borrowing or lending of a significant amount of funds or any mortgaging, hypothecating or encumbering in any way of any of the Issuer's assets, or an event of default under a financing or other agreement;

(h) any acquisition or disposition of the Issuer's own securities;

(i) the development of a new product or any development which affects the Issuer's resources, technology, products or markets;

(j) the entering into or loss of a material contract;

(k) firm evidence of a material increase or decrease in near-term earnings prospects;

(l) a significant change in capital investment plans or corporate objectives;

(m) any change in the board of directors or senior officers;

(n) significant litigation;

(o) a material labour dispute or a dispute with a major contractor or supplier;

(p) a Reverse Takeover, Change of Business of an Issuer, Merger, Amalgamation or other Material Information relating to the business, operations or assets of an Issuer;

(q) a declaration or omission of dividends (either securities or cash);

(r) the results of any asset or property development, discovery or exploration by a Mining or Oil and Gas Issuer, whether positive or negative;

(s) any oral or written employment, consulting or other compensation arrangements between the Issuer or any subsidiary of the Issuer and any director or officer of the Issuer, or their associates, for their services as directors or officers, or in any other capacity;

(t) any oral or written management contract, any agreement to provide any Investor Relations, Promotional or Market Making activities, any service agreement not in the normal course of business or any Related Party Transaction, including a transaction involving Non-Arm's Length Parties;

(u) any amendment, termination, extension or failure to renew any agreement where disclosure of the original agreement or transaction was required pursuant to this Policy;

(v) the establishment of any special relationship or arrangement with a Participating Organization or Member or other registrant;

(w) any change in listing classification, including any movement by an Issuer between Tiers or NEX;

(x) notice of suspension review or suspension of trading of an Issuer's securities; and

(y) any other developments relating to the business and affairs of the Issuer that would reasonably be expected to significantly affect the market price or value of any of the Issuer's securities or that would reasonably be expected to have a significant influence on a reasonable investor's investment decisions.

4. Filing – Pre-Notification to the Regulation Services Provider

4.1 As part of administering this Policy, the Regulation Services Provider receives material news releases from Issuers. The overriding rule is that significant announcements are required to be released immediately. Issuers are encouraged to seek assistance and direction from the Regulation Services Provider as to whether an announcement should be released and whether trading in the Issuers' securities should be halted for the dissemination of an announcement.

4.2 Regardless of when an announcement involving Material Information is released, subject to section 11 below, news releases must be pre-filed with the Regulation Services Provider prior to dissemination to the public where the news release contains information relating to the following:

(a) Reverse Takeovers, Changes of Business or other reorganizations;

(b) Qualifying Transactions, Reviewable Transactions, including corporate acquisitions or dispositions;

(c) Change of control;

(d) Future oriented financial information or other operating projections; and

(e) Disclosure of mineral reserves/resources or oil and gas reserves.

4.3 **The Regulation Services Provider** must be advised of any news release that contains the above information and must be supplied with a copy of any news release relating to these matters in advance of its release. T**he Regulation Services Provider** must also be advised of the proposed method and timing of dissemination. Issuers may also be required to submit supporting documents to the Regulation Services Provider together with any news release. Materials must be faxed to the Regulation Services Provider or electronically mailed as attachments in accordance with the information set out on the Regulation Service Provider's website.

4.4 Further to the requirements under section 4.3, if an announcement is ready to be made between 8am and 4pm EST, the Regulation Services Provider must be advised in advance, by telephone, in accordance with the instructions set out on the Regulation Service Provider's website, or in accordance with any information contained in any bulletin published by the Exchange from time to time. Where an announcement is to be released after 4pm EST, or before 8am EST, Issuers must leave the Regulation Services Provider a message summarizing the pending announcement, at the time the announcement is ready to be made.

4.5 While the Regulation Services Provider may permit certain news releases to be issued after the close of trading (4pm EST), the policy of immediate disclosure of Material Information frequently requires that news releases be issued during trading hours, especially when an important development has occurred. If this is the case, it is absolutely essential that management of the Issuer notify the Regulation Services Provider prior to the issuance of a news release and provide it with a copy of the news release. The Regulation Services Provider will then be in a position to determine whether trading in any of the Issuer's securities should be temporarily halted. If the Regulation Services Provider is not advised of news releases in advance, any subsequent unusual trading activity may generate enquiries, a halt in trading without notice and cancellation of trades.

4.6 Where the Regulation Services Provider or the Exchange have had concerns respecting an Issuer's previous disclosure practices, the Exchange may require an Issuer to submit all news releases to the Regulation Services Provider for review prior to public dissemination.

5. Disclosure of Earnings and Financial Forecasts

5.1 Subject to section 5.2, forecasts of earnings and other financial forecasts need not be disclosed. However, where a significant increase or decrease in earnings is expected with reasonable certainty in the near future, this fact must be disclosed.

5.2 As is the case with all Material Information, selective release of earnings forecasts or others financial forecasts must not be made except as may be permitted pursuant to Securities Laws, including any guidelines or requirements, as the case may be, set out in National Policy 51-201 and Parts 4A and 4B of National Instrument 51-102.

6. Rumours and Unusual Market Activity

6.1 Where unusual trading activity takes place in securities, the Regulation Services Provider attempts to monitor and determine the specific cause of that activity. The Regulation Services Provider maintains a continuous stock watch program designed to highlight unusual market activity, such as unusual price and volume changes in a security relative to its historic pattern of trading.

6.2 If the specific cause for the unusual trading activity cannot be determined immediately, the Issuer's management will be contacted. If this contact results in a determination by the Regulation Services Provider that a news release is required, the Issuer will be required to make an immediate announcement. If the Issuer is unaware of any undisclosed development, the Regulation Services Provider will continue to monitor trading and may request the Issuer to issue a statement that it is not aware of any undisclosed developments that would account for the unusual trading pattern or activity.

6.3 Issuers are expected to co-operate with the Regulation Services Provider to protect the integrity of the market. Actions such as withholding or concealing information from the Regulation Services Provider, or failing to return telephone calls from the Regulation Services Provider staff will be regarded as a breach of this Policy.

6.4 Unusual market activity is often caused by the presence of rumours. The Exchange recognizes that it is impractical to expect management to be aware of, and comment on all rumours, but when market activity indicates that trading is being unduly influenced by rumours, the Regulation Services Provider will require that a clarifying statement be made by the Issuer. A trading halt may be instituted pending a "no corporate developments" statement from the Issuer. If a rumour is correct in whole or in part, immediate disclosure of the relevant Material Information must be made by the Issuer and a trading halt will be instituted pending release and dissemination of the information.

7. Dissemination

7.1 News releases must be transmitted to the media by the quickest possible method and in a manner that provides for wide and simultaneous dissemination. Each news release must be distributed to a news dissemination service (or combination of services) that disseminate the full text of news releases without editing, and that distribute financial news nationally, to the financial press and to daily newspapers that provide regular coverage of financial news and events. See Appendix 3C for an informational list of commercial news disseminators in the marketplace).

7.2 The Exchange accepts the use of any news services that meet the following criteria:

(a) dissemination of the full text of the release to the national financial press and to daily newspapers that provide regular coverage of financial news;

(b) dissemination to all Participating Organizations; and

(c) dissemination to all relevant regulatory bodies.

7.3 The onus is on the Issuer to ensure appropriate dissemination of news releases, and any failure to properly disseminate news shall be deemed to be a breach of this Policy and shall be grounds for halting, suspension of trading or delisting of the Issuer's securities or such other action as the Exchange may deem appropriate. In particular, the Exchange will not consider relieving an Issuer from its obligation to disseminate news properly because of cost factors.

7.4 For consistency of exposure, when an Issuer releases follow-up information relevant to an earlier news release, either the same or greater (but not lesser) coverage must be employed.

7.5 Issuers should be aware that there is a delay from the time a news release is delivered to a news dissemination service to the time it is actually disseminated. Issuers should therefore refrain from faxing or e-mailing news releases or otherwise disclosing Material Information to others until they have ensured that the news release has been properly disseminated. For example, a news release should not be faxed to a contact list at the same time that it is being faxed to the news dissemination service or posted on SEDAR before the news release has crossed the wire.

7.6 Initial disclosure of Material Information must always be accomplished by the issuance of a news release. Issuers that distribute brochures, pamphlets, etc., which contain Material Information that has been previously disclosed should ensure that the content of these documents conforms to the disclosure principles established in this Policy.

7.7 An Issuer that wishes to disclose Material Information during a news conference should ensure that a news release is issued prior to the news conference so as to ensure that all investors have equal access to this Material Information. Issuers should also be guided by applicable best disclosure practices, as set out in Part VI of National Policy 51-201.

7.8 Issuers should be aware that the filing and disclosure of Material Information on SEDAR alone is not satisfactory compliance with this Policy.

8. Content of News Releases

8.1 Announcements of Material Information should be factual and balanced, neither over-emphasizing favourable news nor under-emphasizing unfavourable news. Material unfavourable news must be disclosed just as promptly and completely as material favourable news.

8.2 It is appreciated that it may not be practical to include in a news release the level of detail that would be included in a prospectus or similar disclosure document. However, news releases must contain sufficient detail to enable investors and media personnel to appreciate the true substance and importance of the information so that investors may make informed investment decisions. The guiding principle should be to communicate clearly and accurately the nature of the information, without including unnecessary details, exaggerated reports or editorial commentary designed to colour the investment community's perception of the announcement one way or another. Additional guidelines for news releases are set out in Appendix 3E to this Policy.

8.3 The responsibility for the adequacy and accuracy of the content of news releases rests with the directors of an Issuer.

8.4 All news releases must include the name of an officer or director of the Issuer who is responsible for the announcement, together with the Issuer's telephone number. The Issuer may also include the name and telephone number of an additional contact person.

8.5 The Issuer should be prepared to provide further information, if required by the Exchange.

8.6 All news releases must contain the following statement in a prominent location: "*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release."*

9. Resource Issuers

9.1 All mining Issuers must comply with National Instrument 43-101 - *Standards of Disclosure for Mineral Exploration and Development and Mining Properties* and the Exchange standards that are set out in Appendix 3F - *Mining Standard Guidelines*.

9.2 All oil and gas Issuers must comply with the applicable disclosure requirements set forth in National Instrument 51-101 – *Standards of Disclosure For Oil and Gas Activities.*

9.3 News releases must not contain estimates of potential reserves of oil and gas nor disclose mineral reserves without the prior consent of the Regulation Services Provider.

10. Trading Halts

10.1 This section deals with trading halts in relation to timely disclosure in general. The process and duration of halts for specific transactions are dealt with in the policies dealing with those transactions. In addition, Policy 2.9 - *Trading Halts, Suspensions and Delisting* provides a detailed discussion of trading halts.

10.2 A halt in trading does not reflect on the reputation of management of an Issuer or the quality of its securities. Trading halts for announcements of Material Information by the Issuer are considered a normal occurrence and for the benefit of the public.

10.3 The determination that trading should be halted is made by the Regulation Services Provider. The Regulation Services Provider normally attempts to contact an Issuer before imposing a halt in trading, when the Regulation Services Provider notices unusual trading. The Regulation Services Provider co-ordinates halts with other North American marketplaces when an Issuer is interlisted. A convention exists among stock exchanges other markets and Nasdaq that trading in an interlisted security will be halted and resumed at the same time in each market. Failure to notify the Regulation Services Provider in advance of an announcement could disrupt this system.

10.4 The Regulation Services Provider determines the amount of time necessary for dissemination in any particular case. Such determination is dependent upon the significance and complexity of the announcement.

10.5 Trading will normally be halted if:

(a) depending on the nature and timing of the news release, the Regulation Services Provider may determine to halt trading until the news release is reviewed and disseminated appropriately. If an announcement is to be made during trading hours, trading in the securities of an Issuer may be halted until the announcement is properly disseminated;

(b) the Issuer requests a halt during trading hours before dissemination of a news release announcing Material Information that may immediately affect the value or price of the Issuer's securities. The Regulation Services Provider must be advised of the Material Information and halt request as soon as possible, by telephone, so that it can consider whether to halt trading pending receipt and dissemination of the news release. Management of the Issuer should consult with the Regulation Services Provider in order to assess the expected impact of any announcement that might justify a temporary halt in trading; and

(c) unusual trading suggests that important information regarding Material Information is selectively available. The Regulation Services Provider may require that the Issuer either disseminate an initial news release if it has not yet done so, or issue a further news release to rectify the situation.

10.6 It is not appropriate for an Issuer to request a trading halt if a material announcement is not going to be made promptly. When an Issuer (or its advisers) requests a trading halt pending an announcement, the Issuer must assure the Regulation Services Provider that an announcement is imminent. The nature of this announcement and the current status of events must be disclosed to the Regulation Services Provider, so that the Regulation Services Provider may assess the need for and appropriate duration of a trading halt.

10.7 When a halt in trading is necessary, trading is normally interrupted for a period of less than two hours. In the normal course, the announcement should be made immediately after the halt is imposed and trading will resume within approximately one hour of the dissemination of the announcement through major news services.

10.8 A trading halt may be changed to a suspension if over a reasonable period of time, (usually ten trading days) the circumstances resulting in the imposition of the halt have not been addressed to the satisfaction of the Exchange.

10.9 If trading is halted but an announcement is not immediately forthcoming as expected, the Regulation Services Provider will establish a resumption time, which shall not be later than 24 hours after the time that the halt was imposed (excluding non-business days). If the Issuer fails to make an announcement, the Regulation Services Provider will issue a notice stating that trading was halted for dissemination of news or for clarification of abnormal trading activity, that an announcement was not immediately forthcoming, and that trading will therefore resume at a specific time.

10.10 When the Regulation Services Provider advises an Issuer that it will announce the resumption of trading, the Issuer must reconsider, in light of its responsibility to make timely disclosure of all Material Information, whether it should issue a statement prior to the resumption becoming effective to clarify why it requested a trading halt (if this is the case) and why it is not able to make an announcement prior to the resumption of trading.

11. Confidential Information

11.1 In isolated and restricted circumstances, and in accordance with applicable Securities Laws, disclosure of Material Information concerning the business and affairs of an Issuer may be delayed and kept confidential temporarily if immediate release of the information would be unduly detrimental to the interests of the Issuer.

11.2 The following are examples of certain instances in which disclosure may be unduly detrimental to the Issuer's interests:

(a) release of the information would prejudice the ability of the Issuer to pursue specific and limited objectives or to complete a transaction or series of transactions that are under way. For example, premature disclosure of the fact that an Issuer intends to purchase a significant asset may increase the cost of making the acquisition;

(b) disclosure of the information would provide competitors with confidential corporate information that would be of significant benefit to them. Such information may be kept confidential if the Issuer is of the opinion that the detriment to it resulting from disclosure would outweigh the detriment to the market in not having access to the information. A decision to release a new product, or details on the features of a new product, may be withheld for competitive reasons. Such information should not be withheld if it is available to competitors from other sources; or

(c) disclosure of information concerning the status of ongoing negotiations would prejudice the successful completion of those negotiations. It is unnecessary to make a series of announcements concerning the status of negotiations with another party concerning a particular transaction. If it seems that the situation is going to stabilize within a short period, public disclosure may be delayed until a definitive announcement can be made. Disclosure should be made once "concrete information" is available, such as a final decision to proceed with the transaction or, at a later point in time, finalization of the terms of the transaction.

11.3 It is the policy of the Exchange that the withholding of Material Information on the basis that disclosure would be unduly detrimental to the Issuer must be infrequent and can only be justified where the potential harm to the Issuer or investors caused by immediate disclosure can reasonably be considered to outweigh the undesirable consequences of delaying disclosure. While recognizing that there must be a trade-off between the legitimate interest of an Issuer in maintaining confidentiality and the right of the investing public to disclosure of Material Information, the Exchange discourages any delays in disclosure for a lengthy period of time, since it is unlikely that confidentiality can be maintained beyond the short term.

11.4 Issuers that wish to keep Material Information confidential must also comply in all respects with relevant Securities Laws, which includes the filing of a confidential material change report with the applicable Securities Commission, if the Material Information constitutes a Material Change.

11.5 The Exchange requires copies of confidential material change reports filed by an Issuer with applicable Securities Commissions to also be filed with the Exchange and the Regulation Services Provider. The Exchange and the Regulation Services Provider must be advised of the Material Information on a confidential basis so that trading in the Issuer's securities may be monitored by the Regulation Services Provider. If the trading of the Issuer's securities suggests or indicates that the confidential information may have been "leaked", the Regulation Services Provider will normally require the Issuer to disseminate a news release immediately. The Regulation Services Provider will halt trading in the Issuer's securities until the information has been properly disseminated.

11.6 At any time when Material Information is being withheld from the public in accordance with this section, the Issuer must ensure that such Material Information is kept completely confidential and that persons in possession of such undisclosed Material Information are prohibited from purchasing or selling securities of the Issuer or "tipping" such information until the Material Information is publicly disclosed.

11.7 The Issuer has a duty to take precautions to keep such undisclosed Material Information confidential. Such information should not be disclosed to any officers or employees of the Issuer, or to the Issuer's advisors, except in the necessary course of business. The directors, officers and employees of an Issuer should be reminded on a regular basis that confidential information obtained in the course of their duties must not be disclosed.

11.8 In the event that such confidential information, or rumours respecting the same, is divulged in any manner (other than in the course of ordinary business), the Issuer must make an immediate announcement of the Material Information. The Exchange and the Regulation Services Provider must be notified prior to the announcement in order that trading can be halted as described in section 11.5 above.

11.9 During the period before such Material Information is publicly disclosed, market activity in the Issuer's securities will be closely monitored. Any unusual market activity suggesting that the undisclosed Material Information is being selectively disclosed or that persons are taking advantage of it will result in a halt in trading until the information has been properly disseminated.

11.10 Issuers should advise the Regulation Services Provider when they are working on potential material developments that may not be sufficiently advanced to require public disclosure and do not trigger the filing of confidential material change reports. In such circumstances, the Regulation Services Provider will generally closely monitor the Issuers' securities for unusual trading patterns. When the Regulation Services Provider contacts an Issuer upon noting an unexplained change in the price or volume of the security the Issuer must disclose to the Regulation Services Provider the existence, nature and status of any potentially material development so that the Regulation Services Provider can monitor the market with that knowledge. If it appears that the news has leaked into the marketplace, the Regulation Services Provider will advise the Issuer and halt trading until the Issuer can make a suitable announcement.

12. Breach of Policy

12.1 Any Issuer which fails to comply with any provision of this Policy may be subject to a trading halt of its securities without prior notice to the Issuer until the Issuer has complied with all Exchange Requirements.

12.2 The directors of any Issuer which fails to comply with any provision of this Policy, together with any officer, employee, agent and consultant of the Issuer who is responsible for the Issuer's failure to comply with any provision of this Policy, may be prohibited by the Exchange from serving as a director or officer of an Issuer, or be prohibited from being an employee, agent or consultant of an Issuer.

GLASS LEWIS

2019

PROXY PAPER™

GUIDELINES

AN OVERVIEW OF THE GLASS LEWIS APPROACH TO PROXY ADVICE

CANADA

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Guidelines Introduction

MARKET OVERVIEW

Each territory and province in Canada is responsible for its own securities regulation. There is no federal regulatory agency like in many markets, such as the Securities and Exchange Commission in the United States. Most provincial regulatory authorities, however, use as a guide the rulemaking of the Ontario Securities Commission ("OSC"), which oversees the Toronto Stock Exchange ("TSX") and administers and enforces the provincial Securities Act, the Commodities Futures Act and certain provisions of the Canada Business Corporations Act ("CBCA"). These acts set out the OSC's authority to develop and enforce rules that help safeguard investors, deter misconduct and foster fair and efficient capital markets and confidence throughout Canadian markets. In addition, the TSX Company Manual provides a set of unified listing requirements to which issuers must adhere.

The Canadian Securities Administrators ("CSA") is an umbrella organization of Canada's provincial and territorial securities regulators who work collaboratively to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA regulates the securities markets through policies set out in a number of multilateral or national instruments. The 13 provincial regulatory bodies in Canada operate under a "passport" system, whereby each has agreed to adopt the decisions made by other agencies. While the OSC is not technically a part of the passport system, the 12 other agencies have agreed to abide by its decisions. The OSC continues to separately analyze decisions made by the other regulatory bodies.

Many Canadian market rules are similar to U.S. corporate governance legislation; however, contrary to the U.S. "rules-based" approach, the Canadian "principles-based" approach requires companies to publicly disclose the extent of their compliance with best practices and to describe the procedures they have implemented to meet each principle.

SUMMARY OF CHANGES FOR THE 2019 CANADA POLICY GUIDELINES

Glass Lewis evaluates these guidelines on an ongoing basis and formally updates them on an annual basis. This year we've made noteworthy revisions in the following areas, which are summarized below but discussed in greater detail in the relevant section of this document:

BOARD GENDER DIVERSITY

Our policy regarding board gender diversity, announced in November 2017, will take effect for meetings held after January 1, 2019. Under the updated policy, Glass Lewis will generally recommend voting against the nominating committee chair of a board that has no female members. In addition, we may recommend voting against the nominating committee chair if the board has not adopted a formal written diversity policy. Depending on other factors, including the size of the company, the industry in which the company operates and the governance profile of the company, we may extend this recommendation to vote against other nominating committee members. Also, when making these voting recommendations, we will carefully review a company's disclosure of its diversity considerations and may refrain from recommending shareholders vote against directors of companies outside the S&P/TSX composite index, or when boards have provided a sufficient rationale for not having any female board members. Such rationale may include, but is not limited to, a disclosed timetable for addressing the lack of diversity on the board, and any notable restrictions in place regarding the board's composition, such as director nomination agreements with significant investors.

BOARD SKILLS

We have updated our guidelines to reflect our stance with regards to emerging best practice for disclosure of a board's skills and competencies. Specifically, we believe companies should disclose sufficient information to allow a meaningful assessment of a board's skills and competencies. From 2019, our analyses of director elections at S&P/TSX 60 index companies will include board skills matrices in order to assist in assessing a board's competencies and identifying any potential skills gaps.

ENVIRONMENTAL AND SOCIAL RISK OVERSIGHT

We have codified our approach to reviewing how boards are overseeing environmental and social issues. For large cap companies and in instances where we identify material oversight issues, Glass Lewis will review a company's overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues. Glass Lewis will also note instances when such oversight has not been clearly defined by companies in their governance documents.

Further, we have clarified that, in instances where it is clear that companies have not properly managed or mitigated environmental or social risks to the detriment of shareholder value or when such mismanagement has threatened shareholder value, Glass Lewis may consider recommending that shareholders vote against members of the board who are responsible for oversight of environmental and social risks. In the absence of explicit board oversight of environmental and social issues, Glass Lewis may recommend that shareholders vote against members of the audit committee. In making these determinations, Glass Lewis will carefully review the situation at hand, its effect on shareholder value, as well as any response made by the company in order to take corrective action.

RATIFICATION OF AUDITOR: ADDITIONAL CONSIDERATIONS

We have codified additional factors we will consider when reviewing auditor ratification proposals and extended our discussion of auditor ratification to reflect updated disclosure standards. Specifically, additional factors we will consider include the auditor's tenure, a pattern of inaccurate audits, and any ongoing litigation or significant controversies that call into question an auditor's effectiveness. In limited cases, these factors may contribute to a recommendation against auditor ratification.

VIRTUAL-ONLY SHAREHOLDER MEETINGS

Our policy regarding virtual-only shareholder meetings, announced in November 2017, will take effect for meetings held after January 1, 2019. Under this new policy, for companies that opt to hold their annual shareholder meeting by virtual means, and without the option of attending the meeting in person, Glass Lewis will examine the company's disclosure of its virtual meeting procedures and may recommend voting against members of the governance committee if the company does not provide disclosure assuring that shareholders will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

Examples of effective disclosure include: (i) addressing the ability of shareholders to ask questions during the meeting, including time guidelines for shareholder questions, rules around what types of questions are allowed, and rules for how questions and comments will be recognized and disclosed to meeting participants; (ii) procedures, if any, for posting appropriate questions received during the meeting, and the company's answers, on the investor page of their website as soon as is practical after the meeting; (iii) addressing technical and logistical issues related to accessing the virtual meeting platform; and (iv) procedures for accessing technical support to assist in the event of any difficulties accessing the virtual meeting.

DIRECTOR AND OFFICER INDEMNIFICATION

While we have not changed our current policy, we have added a section clarifying our approach to analyzing indemnification provisions for directors and officers. While Glass Lewis strongly believe that directors and officers should be held to the highest standard when carrying out their duties to shareholders, some protection

from liability is reasonable to protect them against certain suits so that these officers feel comfortable taking measured risks that may benefit shareholders. As such, we find it appropriate for a company to provide indemnification and/or enroll in liability insurance to cover its directors and officers so long as the terms of such agreements are reasonable.

EXECUTIVE COMPENSATION

CONTRACTUAL PAYMENTS AND ARRANGEMENTS

We have extended our policy regarding contractual payments and arrangements as part of our analysis of executive compensation and clarified terms that help drive a negative recommendation. When evaluating severance and sign-on arrangements, we consider general Canadian market practice, the size and design of entitlements.

GRANTS OF FRONT-LOADED AWARDS

We have added a discussion of grants of front-loaded awards. We believe that there are certain risks associated with the use of this structure. When evaluating such awards, Glass Lewis takes quantum, design and the company's rationale for granting awards under this structure into consideration.

RECOUPMENT PROVISIONS ("CLAWBACKS")

We have clarified our policy regarding "Recoupment Provisions ("Clawbacks")" as we are increasingly focusing attention on the specific terms of these policies. While our view on the adequacy of these policies will not directly affect voting recommendations with respect to Say-On-Pay proposals, the suitability of the terms of a policy inform our overall view of a company's compensation program.

OTHER EXECUTIVE COMPENSATION CLARIFICATIONS

In addition to the above, we have clarified and formalized several aspects of our executive compensation policies. These include reframing how peer groups contribute to recommendations, revising our description of the pay-for-performance model, and adding discussion on the consideration of discretion in incentive plans. We have also added an explanation of the structure and disclosure ratings in our Proxy Papers and addressed certain recent developments in our discussion of director compensation and bonus plans.

HOUSEKEEPING CHANGES

Lastly, we have made several minor edits of a housekeeping nature, including the removal of several outdated references, in order to enhance clarity and readability.

A Board of Directors that Serves the Interests of Shareholders

ELECTION OF DIRECTORS

The purpose of Glass Lewis' proxy research and advice is to facilitate shareholder voting in favor of governance structures that will drive performance, create shareholder value and maintain a proper tone at the top. Glass Lewis looks for talented boards with a record of protecting shareholders and delivering value over the medium- and long-term. We believe that boards working to protect and enhance the best interests of shareholders are (i) independent, (ii) have directors with diverse backgrounds, (iii) have a record of positive performance, and (iv) have members with a breadth and depth of experience.

SLATE ELECTIONS

A diminishing minority of companies continue to elect board members as a slate, whereby shareholders are unable to vote on the election of each individual director, but rather may only vote for – or withhold votes from – the board as a whole.

Although the TSX listing rules prevents the use of slates for most Canadian companies, those traded on alternate exchanges such as the TSX Venture Exchange or Canadian National Stock Exchange are not required to comply. As a result, Glass Lewis will continue to provide recommendations for slates or for each individual director, as applicable. When we recommend voting for a slate but have identified concerns with individual directors, we will note the concerns in our analysis of the board.

Glass Lewis views the use of slate elections as a significant hindrance to the director election process that results in substantially reduced individual accountability. Therefore, when reviewing a slate election, if significant concerns[1] exist concerning any of the nominees, we may recommend withholding votes from the entire slate. However, when our concerns are limited to poor attendance or an excessive number of public company directorships or audit committee memberships, and the aggregate number of directors with these issues represent less than one-third of the total board, we will recommend that shareholders vote for the entire slate of directors.

INDEPENDENCE

The independence of directors, or lack thereof, is ultimately demonstrated through their decisions. In assessing the independence of directors, we will take into consideration whether a director has a track record indicative of making objective decisions. Ultimately, we believe the determination of a director's independence must take into consideration his/her compliance with the applicable listing requirements on independence, as well as his/her past decisions.

We look at each individual on the board and examine his or her relationships with the company, its associated entities and executives, and other board members. The purpose of this inquiry is to determine whether pre-existing personal, familial or such financial relationships (apart from compensation as a director) are likely to

1 Such concerns generally relate to: (i) the presence of non-independent directors on a committee; (ii) the absence of an independent chair/lead director or compensation committee; (iii) an insufficiently independent board; (iv) excessive non-audit fees paid to the company's auditor; or (v) significant related-party transactions.

impact the decisions of that board member. We believe the existence of personal, familial or financial relationships make it difficult for a board member to put the interests of the shareholders above personal interests.

To that end, we classify directors in three categories based on the type of relationships they have with the company:

Independent Director — A director is independent if s/he has no direct or indirect material financial or familial connections with the company, its executives, its independent auditor or other board members, except for service on the board and the standard fees paid for that service. Employee relationships that have existed within the past five years and other relationships that have existed within the three years prior to the inquiry are usually considered to be "current" for purposes of this test. However, Glass Lewis does not apply the five-year look-back period to directors who have previously served as executives of the company on an interim basis for less than one year.

Affiliated Director — A director is affiliated if s/he has a material, financial, familial or other relationship with the company, its independent auditor or its executives, but is not an employee of the company. This includes directors whose primary employers have a material financial relationship with the company, as well as those who own or control at least 20% of either the company's issued share capital, or its outstanding voting rights. We note that in every instance in which a company classifies one of its directors as non-independent, that director will be classified as an affiliate by Glass Lewis.[2]

We view 20% shareholders as affiliates because they typically have access to and involvement with the management of a company that is fundamentally different from that of ordinary shareholders. More importantly, 20% holders may have interests that diverge from those of ordinary holders, for reasons such as the liquidity (or lack thereof) of their holdings, personal tax issues, etc. Glass Lewis applies a three-year look back period to all directors who have an affiliation with the company other than former employment, for which we apply a five-year look back.

Definition of "Material": A material relationship is one in which the dollar value exceeds: (i) C$50,000 (C$25,000 for venture firms), or where no amount is disclosed, for directors who personally receive compensation for a service they have agreed to perform for the company, outside of their service as a director, including professional or other services; (ii) C$100,000 (C$50,000 for venture firms), or where no amount is disclosed, for those directors employed by a professional services firm such as a law firm, investment bank or consulting firm where the firm is paid for services but not the individual directly (see section on TSX Venture Companies for exceptions). This dollar limit would also apply to charitable contributions to schools where a board member is a professor, or charities where a board member serves on the board or is an executive, or any other commercial dealings between the company and the director or the director's firm; (iii) 1% of either company's consolidated gross revenue for other business relationships (e.g., where the director is an executive officer of a firm that provides or receives services or products to or from the company).

Definition of "Familial" as used herein includes a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces and nephews, in-laws, and anyone (other than domestic employees) who share such person's home.

Definition of "Company" includes any parent or subsidiary in a consolidated group with the company or any entity that merged with, was acquired by, or acquired the company.

Inside Director — An inside director is one who simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

2 If the reason for a director's non-independent status cannot be discerned from the company's documents, we will footnote the director in the board table as "Not considered independent by the board." In all other cases where the director is considered affiliated or is an insider, we will footnote the reasons or circumstances for the director's status.

VOTING RECOMMENDATIONS ON THE BASIS OF INDEPENDENCE

Glass Lewis believes that a board will most effectively perform the oversight necessary to protect the interests of shareholders if it is independent. In general, at least a majority of a board should consist of independent directors.[3] However, Glass Lewis believes boards of companies in the S&P/TSX Composite Index should have a greater level of independence, reflecting both these companies' size and best practice in Canada. Therefore, we will expect such companies' boards to be at least two-thirds independent. Further, for venture-listed issuers, we apply a more lenient standard, requiring boards to have at least two independent directors, representing no less than one-third of the board. In the event that a board fails to meet these thresholds, we typically recommend shareholders withhold their votes from some of the inside and/or affiliated directors in order to satisfy these independence standards.

In the case of a staggered board, if the affiliates or insiders who we believe should be removed from the board are not standing for election, we will express our concerns about those directors; however, we will not recommend shareholders withhold their votes from the affiliates or insiders who are up for election just to achieve sufficient overall board independence.

We are firmly committed to the belief that only independent directors should serve on a company's audit, compensation and nominating and/or governance committees. As such, we typically recommend that shareholders withhold their votes from affiliated or inside directors seeking appointment to these committees; however, we allow for exceptions to this rule, including carve outs for significant shareholders and for controlled companies and firms listed on the TSX Venture Exchange, as discussed below. These exceptions do not extend to audit committee memberships nor do they extend to members or affiliates of management seeking appointment to the compensation committee.

PERFORMANCE

The most crucial test of a board's commitment to the company and its shareholders lies in the actions of the board and its members. We look at the performance of these individuals as directors and executives of the company and of other companies where they have served.

We find that a director's past conduct is often indicative of future conduct and performance. We often find directors with a history of overpaying executives or of serving on boards where avoidable disasters have occurred serving on the boards of companies with similar problems.

VOTING RECOMMENDATIONS ON THE BASIS OF PERFORMANCE

We typically recommend that shareholders vote against directors who have served on boards or as executives of companies with records of poor performance, inadequate risk oversight, excessive compensation, audit- or accounting-related issues, and/or other indicators of mismanagement or actions against the interests of shareholders. We will reevaluate such directors based on, among other factors, the length of time passed since the incident giving rise to the concern, shareholder support for the director, the severity of the issue, the director's role (e.g., committee membership), director tenure at the subject company, whether ethical lapses accompanied the oversight lapse, and evidence of strong oversight at other companies.

Likewise, we examine the backgrounds of those who serve on key board committees to ensure that they have the required skills and diverse backgrounds to make informed judgments about the subject matter for which the committee is responsible.

We believe shareholders should avoid electing directors who have a record of not fulfilling their responsibilities to shareholders at any company where they have held a board or executive position. We typically recommend voting against:

3 National Instrument 58-201 — Effective Corporate Governance.

1. A director who fails to attend a minimum of 75% of board meetings and/or committee meetings in the absence of a reasonable explanation for their poor attendance record.[4]

2. A director who is also the CEO of a company where a serious and material restatement has occurred after the CEO had previously certified the pre-restatement financial statements.[5]

3. A director who has received two against recommendations from Glass Lewis for identical reasons within the prior year at different companies (the same situation must also apply at the company being analyzed).

4. A director who exhibits a pattern of poor oversight in the areas of executive compensation, risk management or director recruitment/nomination.

BOARD RESPONSIVENESS

Glass Lewis believes that boards should be responsive to shareholder concerns and issues that may adversely affect shareholder value. In particular, we believe that a board response is warranted any time 20% or more of shareholders vote contrary to the recommendation of management. These include instances when 20% or more of shareholders: (i) withhold votes from (or vote against) a director nominee; (ii) vote against a management-sponsored proposal; or (iii) vote for a shareholder proposal. In our view, a 20% threshold is significant enough to warrant a close examination of the underlying issues and an evaluation of whether or not the board responded appropriately following the vote, particularly in the case of a compensation or director election proposal. While the 20% threshold alone will not automatically generate a negative vote recommendation from Glass Lewis on a future proposal (e.g., to recommend against a director nominee, against a say-on-pay proposal, etc.), it may be a contributing factor to our recommendation to vote against management proposals or certain directors in the event we determine that the board or a board committee did not respond appropriately to an ongoing issue.

With regards to companies where voting control is held through a dual-class share structure with disproportionate voting and economic rights, we will carefully examine the level of approval or disapproval attributed to unaffiliated shareholders when determining whether board responsiveness is warranted. Where vote results indicate that a majority of unaffiliated shareholders supported a shareholder proposal or opposed a management proposal, we believe the board should demonstrate an appropriate level of responsiveness.

As a general framework, our evaluation of board responsiveness involves a review of publicly available disclosures (e.g., the management information circular, press releases, company website, etc.) released following the date of the company's last annual meeting up through the publication date of our most current Proxy Paper. Depending on the specific issue, our focus typically includes, but is not limited to, the following:

- At the board level, any changes in directorships, committee memberships, disclosure of related party transactions, meeting attendance, or other responsibilities.

- Any revisions made to the company's articles of incorporation, bylaws or other governance documents.

- Any press or news releases indicating changes in, or the adoption of, new company policies, business practices or special reports.

- Any modifications made to the design and structure of the company's compensation program.

4 However, where a director has served for less than one full year, we will typically not recommend voting against for failure to attend 75% of meetings. Rather, we will note the poor attendance with a recommendation to track this issue going forward. We will also refrain from recommending to vote against directors when the proxy discloses that the director missed the meetings due to serious illness or other extenuating circumstances.

5 National Instrument 52-109 requires the certification of all financial fillings by each the CEO and CFO.

Our Proxy Paper analysis will include a case-by-case assessment of the specific elements of board responsiveness that we examined along with an explanation of how that assessment impacts our current vote recommendations.

SEPARATION OF THE ROLES OF CHAIR AND CHIEF EXECUTIVE

Glass Lewis believes that separating the roles of corporate officers and the board chair is typically a better governance structure than a combined executive/chair position.[6] The role of executives is to manage the business on the basis of the course charted by the board. Executives should report to the board regarding their performance in achieving goals previously set by the board. This process becomes much more complicated when management chairs the board.

Presumably the influence of any chief executive with his/her board will be considerable. A chief executive should be able to set the strategic course for the company, with the blessing of the board, and the board should enable the chief executive to carry out his/her vision for accomplishing the company's objectives. Failure to achieve this objective should lead the board to replace that chief executive with someone in whom it has greater confidence.

It can become difficult for a board to fulfill its roles as overseer and policy-setter when the chief executive/chair controls the agenda and the discussion in the boardroom. A combination of these roles generally provides chief executives with leverage to entrench their position, leading to longer-than-optimal terms, fewer checks on management, less scrutiny of the operation of the business and increased limitations on independent, shareholder focused goal-setting by the board.

We view an independent chair as better able to oversee the executives of the company and set a pro-shareholder agenda without the management conflicts that a chief executive or other insiders often face. This, in turn, leads to a more proactive and effective board of directors that is looking out for the interests of shareholders above all else. We will recommend shareholders withhold votes from the nominating/governance committee chair when a board does not have some established form of independent leadership.

We typically do not recommend that shareholders withhold votes from chief executives who chair the board. However, we generally encourage our clients to support a separation between the roles of board chair and chief executive whenever that question is posed in a proxy, as we believe such a governance structure is in the best long-term interests of the company and its shareholders.

Furthermore, Glass Lewis strongly supports the existence of an independent presiding or lead director with the authority to set the agenda for meetings and lead sessions outside the presence of the insider chair.

BOARD COMMITTEES

THE ROLE OF A COMMITTEE CHAIR

Glass Lewis believes that a designated committee chair maintains primary responsibility for the actions of his or her respective committee. As such, many of our committee-specific vote recommendations reference the applicable committee chair rather than the entire committee (depending on the severity of the issue). However, in cases where we would ordinarily recommend voting against a committee chair but one has not been appointed or disclosed, we apply the following general rules, which apply throughout our guidelines:

- If there is no committee chair, we recommend voting against the longest-tenured committee member or, if the longest-serving committee member cannot be determined, the longest-serving board member serving on the committee (i.e., in either case, the "senior director");

6 National Instrument 58-201 states that the chair of the board should be an independent director and that where this is not appropriate, an independent director should be appointed to act as "lead director." Either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.

- If there is no committee chair, but multiple senior directors serving on the committee, we recommend voting against one, both (or all) such senior directors as applicable.

In our view, companies should clearly disclose which director is charged with overseeing each committee. In cases where this simple framework is ignored and a reasonable analysis cannot determine which committee member is the designated leader, we believe shareholder action against the longest serving committee member(s) is warranted. To be clear, this only applies in cases where we would ordinarily recommend voting against the committee chair but no such position exists or there is no designated director in such role.

When we would ordinarily recommend that shareholders vote against the committee chair but that committee does not exist, we will instead recommend that shareholders vote against the non-executive chair, or in the absence thereof, the longest-serving non-executive director on the board. Similarly, when we would otherwise recommend that shareholders vote against the board chair for a perceived governance failure, but the chair either cannot be identified or serves as an executive, we will recommend that shareholders vote against the senior non-executive member of the board.

AUDIT COMMITTEE PERFORMANCE

Audit committees play an integral role in overseeing the financial reporting process because stable capital markets depend on reliable, transparent, and objective financial information to support an efficient and effective capital market process. Audit committees play a vital role in providing this disclosure to shareholders.

When assessing an audit committee's performance, we are aware that this committee does not prepare financial statements, is not responsible for making the key judgments and assumptions that affect the financial statements, and does not audit the numbers or other disclosures provided to investors. Rather, the audit committee monitors and oversees the processes and procedures that management and auditors perform. The 1999 Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees stated it best:

> *"A proper and well-functioning system exists, therefore, when the three main groups responsible for financial reporting — the full board including the audit committee, financial management including the internal auditors, and the outside auditors – form a 'three legged stool' that supports responsible financial disclosure and active participatory oversight. However, in the view of the Committee, the audit committee must be 'first among equals' in this process, since the audit committee is an extension of the full board and hence the ultimate monitor of the process."*

STANDARDS FOR ASSESSING THE AUDIT COMMITTEE

For an audit committee to function effectively on investors' behalf, it must include members with sufficient knowledge to diligently carry out their responsibilities. In its audit and accounting recommendations, the Conference Board Commission on Public Trust and Private Enterprise said "members of the audit committee must be independent and have both knowledge and experience in auditing financial matters."[7]

Glass Lewis generally assesses audit committees against the decisions they make with respect to their oversight and monitoring role. Shareholders should be provided with reasonable assurance as to the material accuracy of financial statements based on: (i) the quality and integrity of the documents; (ii) the completeness of disclosures necessary for investors to make informed decisions; and (iii) the effectiveness of internal controls. The independence of the external auditors and the results of their work provide useful information for assessing the audit committee.

We are skeptical of audit committees that have members who lack expertise as a certified public accountant, CFO or corporate controller of similar experience. While we will not necessarily vote against members of an audit committee when such expertise is lacking, we are more likely to vote against committee members when a problem such as a restatement occurs and such expertise is lacking.

7 Commission on Public Trust and Private Enterprise. The Conference Board. 2003.

When assessing the decisions and actions of an audit committee, we typically defer judgment to its members; however, we may recommend withholding votes from the following members under these circumstances:

1. The chair of the audit committee who served on the committee at the time of the audit, if audit and audit-related fees total less than 50% of the fees billed by the auditor.

2. All members of the audit committee who presided over a significant failure to oversee material environmental and social risks, in the absence of a separate committee with dedicated environmental and social risk oversight functions.

3. All members of the audit committee who sit on an excessive number of public company audit committees.[8]

4. The audit committee chair if there is not at least one member who is financially literate, as required by the CSA.

5. The audit committee chair if the audit committee consisted of fewer than three members for the majority of the fiscal year (see section on venture firms for exceptions).

6. All members of the audit committee who served at a time when the company failed to report or have its auditors report material weaknesses in internal controls.

7. All members of the audit committee who served at a time when financial statements had to be restated due to negligence or fraud.

8. All members of the audit committee if the company has repeatedly failed to file its financial reports in a timely fashion.

9. All members of the audit committee if the committee re-appointed an auditor that we no longer consider to be independent for reasons unrelated to fee proportions.

10. All members of the audit committee who served at a time when accounting fraud occurred in the company.

11. All members of the audit committee if recent non-audit fees have included charges for services that are likely to impair the independence of the auditor.[9]

12. All members of the audit committee if non-audit fees include charges for tax services for senior executives of the company, or include services related to tax avoidance or tax shelter schemes.

13. All members of the audit committee if options have recently been backdated, and: (i) there are inadequate internal controls in place, or, (ii) there was a resulting restatement and disclosures indicate there was a lack of documentation with respect to option grants.

14. All members of the audit committee who served on the committee during a period where the company has reported a material weakness in its controls over financial reporting which has been outstanding for more than one year or for which a credible remediation plan has not been disclosed.

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8 For audit committee members of TSX-listed companies, we generally consider three audit committee memberships to be a reasonable limit, and four for directors with demonstrable financial expertise such as a former CFO. For audit committee members of companies listed on the TSX Venture exchange, we generally consider four audit committees to be a reasonable limit, and five for directors with financial expertise. Factors that we will consider include company size, their geographical distribution and an audit committee member's level of expertise and overall commitments; ultimately we will evaluate a director's level of commitment on a case-by-case basis.

9 Such services include: (i) bookkeeping or other services related to the accounting records or financial statements of the audit client; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser, or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service that the board determines, by regulation, is impermissible.

In making recommendations on the basis of audit committee performance, we will consider the severity of the issues identified, any extenuating facts and circumstances, whether issues have been ongoing for multiple accounting periods, the overall composition of the committee and a company's disclosure regarding its oversight of audit related issues.

COMPENSATION COMMITTEE PERFORMANCE

Compensation committees have a critical role in determining the compensation of executives. This includes deciding the basis on which compensation is determined, as well as the amounts and types of compensation to be paid. This process begins with the establishment of employment agreements, including the terms for such items as base pay, pensions and severance arrangements. It is important for compensation arrangements to be based on a company's long-term economic performance and returns to shareholders.

Compensation committees are also responsible for overseeing the transparency of compensation. This oversight includes disclosure of various compensatory elements, including the overall disclosure of arrangements, pay-for-performance matrices and the use of compensation consultants. It is important that investors be provided clear and complete disclosure of the significant terms of compensation arrangements in order to help them reach informed opinions regarding the compensation committee's actions.

Finally, compensation committees are responsible for the oversight of internal controls in the executive compensation process. This duty includes supervising controls over gathering information used to determine compensation, establish equity award plans, and grant equity awards. Deficient controls can contribute to conflicting information being obtained, for example, through the use of non-objective consultants. Deficient controls can also contribute to the granting of improper awards, such as backdated or spring-loaded options, or unmerited bonuses.

Central to understanding the actions of a compensation committee is a careful review of the Compensation Discussion and Analysis ("CD&A") report included in each company's proxy. We review the CD&A in our evaluation of the overall compensation practices of a company, as overseen by the compensation committee. The CD&A is also integral to the evaluation of compensation proposals at companies, such as management-submitted advisory compensation vote proposals, which allow shareholders to vote on the compensation paid to a company's top executives. For more information on our approach to executive compensation, please refer to Section III — The Link Between Compensation and Performance.

We may recommend withholding votes from the following compensation committee members under the following circumstances:

1. All members of a compensation committee during whose tenure the committee failed to address shareholder concerns following majority shareholder opposition to a say-on-pay proposal in the previous year. Where the proposal was approved but there was a significant shareholder vote (i.e., greater than 20% of votes cast) against the say-on-pay proposal in the prior year, if the board did not respond sufficiently to the vote including actively engaging shareholders on this issue, we will also consider recommending voting against the compensation committee chair or all members of the compensation committee, depending on the severity and history of the compensation problems and the level of shareholder opposition.

2. The compensation committee chair if the CD&A fails to provide a reasonable level of disclosure that allows shareholders to fully comprehend executive compensation policies or practices.

3. All members of the compensation committee who are up for election and served when the company failed to align pay with performance if shareholders are not provided with an advisory vote on executive compensation at the annual meeting.[10]

4. All members of the compensation committee (from the relevant time period) if the company has entered into excessive employment agreements and/or severance arrangements.

5. All members of the compensation committee if performance goals were changed (e.g., lowered) when employees failed or were unlikely to meet original goals, or if performance-based compensation was paid despite goals not being attained.

6. All members of the compensation committee if excessive employee perquisites and benefits were allowed.

7. The compensation committee chair if the compensation committee did not meet during the year.

We also believe that any company that pays its executives should maintain a committee to provide the necessary oversight for related matters. Therefore, we will usually recommend that shareholders withhold votes from the board chair or senior non-executive director when this key committee has not been established.

NOMINATING AND GOVERNANCE COMMITTEE PERFORMANCE

The nominating and governance committee, as the agent for shareholders, is responsible for the board's governance of the company and its executives. In performing this role, the board is responsible and accountable for the selection of objective and competent directors. It is also responsible for providing leadership on governance policies adopted by the company, such as the implementation of shareholder proposals that have received a majority vote. In Canada, the committees that are charged with fulfilling these roles may be combined or separated. As such, our voting recommendations may fluctuate depending on the specific duties charged to each committee.

Consistent with Glass Lewis' philosophy that boards should have diverse backgrounds and members with a breadth and depth of relevant experience, we believe that nominating and governance committees should consider diversity when making director nominations within the context of each specific company and its industry. In our view, shareholders are best served when boards make an effort to ensure a constituency that is not only reasonably diverse on the basis of age, race, gender and ethnicity, but also on the basis of geographic knowledge, industry experience, board tenure and culture.

Regarding the nominating committee, we may recommend that votes be withheld from the following members under these circumstances:

1. All members of the nominating committee when the committee nominated or re-nominated an individual who had a significant conflict of interest or whose past actions demonstrated a lack of integrity or an inability to represent shareholder interests.

2. The nominating committee chair if the nominating committee did not meet during the year.[11]

3. The nominating committee chair and/or all members of the committee when the number of directors on the board is more than 20 or fewer than five directors (or four for venture exchange listed issuers).

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10 If a company provides shareholders with a say-on-pay proposal, we will initially only recommend voting against the company's say-on-pay proposal and will not recommend voting against the members of the compensation committee unless there is a pattern of failing to align pay and performance and/or the company exhibits egregious compensation practices. However, if the company repeatedly fails to align pay and performance, we will then recommend against the members of the compensation committee in addition to recommending voting against the say-on-pay proposal. For cases in which the disconnect between pay and performance is marginal and the company has outperformed its peers, we will consider not recommending against compensation committee members.

11 In the absence of a chair, we will recommend that shareholders withhold votes from the senior member of this committee or, in the absence of this committee, the board chair. In the absence of a board chair, we will recommend withholding votes from the senior non-executive director.

4. The nominating committee chair, when a director who did not receive support from a majority of voting shares in the previous election was allowed to remain on the board and, further, the issues that raised shareholder concern were not addressed.[12]

5. The chair of the nominating committee where the board's failure to ensure the board has directors with relevant experience, either through periodic director assessment or board refreshment, has contributed to a company's poor performance.

6. The nominating committee chair when the board has no female directors and has not provided sufficient explanation or disclosed a plan to address the lack of diversity on the board.

7. The nominating committee chair when the board has not adopted a formal diversity policy and we have identified concerns regarding the gender diversity of the board.

We may recommend withholding votes from the following members of the governance committee in these circumstances:

1. The governance committee chair[13] when the board chair is not independent and an independent lead or presiding director has not been appointed.

2. All members of the governance committee who served at a time when the board failed to implement a shareholder proposal approved by shareholders with a direct and substantial impact on shareholders and their rights.

3. All members of the governance committee when the board fails to adopt a majority voting policy.[14]

4. The governance committee chair when the board has provided poor disclosure on key issues, such as the identity of its chair, related-party transactions or other information necessary for shareholders to properly evaluate the board.

5. The governance committee chair when the board has failed to disclose detailed voting results from the previous annual meeting.

OTHER CONSIDERATIONS

DIRECTOR COMMITMENTS

We believe that directors should have the necessary time to fulfill their duties to shareholders. In our view, an overcommitted director can pose a material risk to a company's shareholders, particularly during periods of crisis. In addition, recent research indicates that the time commitment associated with being a director has been on a significant upward trend in the past decade. As a result, we generally recommend that shareholders vote against a director who serves as an executive officer of any public company while serving on more than two public company boards and any other director who serves on more than five public company boards.[15]

Because we believe that executives will primarily devote their attention to executive duties, we generally will not recommend that shareholders vote against overcommitted directors at the companies where they serve as an executive.

12 Considering that shareholder discontent clearly relates to the director who received a greater than 50% against vote rather than the nominating chair, we review the validity of the issue(s) that initially raised shareholder concern, follow-up on such matters, and only recommend voting against the nominating chair if a reasonable analysis suggests that it would be most appropriate. In rare cases, we will consider recommending against the nominating chair when a director receives a substantial (i.e., 20% or more) vote against based on the same analysis.

13 In the absence of a chair, we will recommend that shareholders withhold votes from the senior member of this committee or, in the absence of this committee, the senior non-executive director.

14 Only applies to companies listed on the Toronto Stock Exchange.

15 Given the reduced time commitment and after consideration of all relevant circumstances (including attendance, company size, and a director's overall expertise and performance), we generally permit directors at TSX Venture firms to sit on up to nine boards (refer to "TSX Venture Companies" section for further information).

When determining whether a director's service on an excessive number of boards may limit the ability of the director to devote sufficient time to board duties, we may consider relevant factors such as the size and location of the other companies where the director serves on the board, the director's board roles at the companies in question, whether the director serves on the board of any large privately-held companies, the director's tenure on the boards in question, and the director's attendance record at all companies. In the case of directors who serve in executive roles other than CEO (e.g., executive chair), we will evaluate the specific duties and responsibilities of that role in determining whether an exception is warranted.

We may also refrain from recommending against certain directors if the company provides sufficient rationale for their continued board service. The rationale should allow shareholders to evaluate the scope of the directors' other commitments, as well as their contributions to the board including specialized knowledge of the company's industry, strategy or key markets, the diversity of skills, perspective and background they provide, and other relevant factors. We will also generally refrain from recommending to vote against a director who serves on an excessive number of boards within a consolidated group of companies or a director that represents a firm whose sole purpose is to manage a portfolio of investments which include the company.

CONFLICTS OF INTEREST

In addition to the above three key characteristics we analyze in evaluating board members — independence, performance and experience — we also consider other issues in making voting recommendations.

We believe that a board should be wholly free of people who have identifiable conflicts of interest. Accordingly, we generally recommend shareholders withhold votes from affiliated or inside directors in the following circumstances:

1. A CFO currently serving on the board. In our view, the CFO holds a unique position relative to financial reporting and disclosure to shareholders. Given the critical importance of financial disclosure and reporting, we believe the CFO should report to the board and not be a member of it.

2. A director, or an immediate family member of a director, who provides material consulting or other material professional services to the company. These services may include legal, consulting, or financial services. We question the need for the company to have consulting relationships with its directors. We view such relationships as creating conflicts for directors, since they may be forced to weigh their own interests against shareholder interests when making board decisions. In addition, a company's decisions regarding where to turn for the best professional services may be compromised when doing business with the professional services firm of one of the company's directors. However, we will consider the specific nature of the professional services relationship between the company and a director and the independence profile of the board and its key committees.[16]

3. A director, or an immediate family member of a director, who engages in, or receives benefits from, commercial deals, including perquisite type grants from the company, which we believe may force the director in question to make unnecessarily complicated decisions that pit his/her interests against those of shareholders. Given the pool of director talent and the limited number of directors on any board, we believe shareholders are best served by directors who are independent of such relationships.

4. A director who has interlocking directorships with one of the company's executives. Top executives serving on each other's boards creates an interlock that poses conflicts that should be avoided to ensure the promotion of shareholder interests above all else.

16 We provide an exception when companies structure compensation so that executives are paid as consultants rather than provided with salaries, as is common practice among venture companies.

BOARD SIZE

While we do not believe that there is a universally applicable optimum board size, we do believe that boards should have a minimum of five directors in order to ensure that there is a sufficient diversity of views and breadth of experience in every decision the board makes. At the other end of the spectrum, we believe that boards with more than 20 directors will typically suffer under the weight of "too many cooks in the kitchen" and have difficulty reaching consensus and making timely decisions. Sometimes the presence of too many voices makes it difficult to draw on the wisdom and experience in the room by virtue of the need to limit the discussion so that each voice may be heard.

To that end, we typically recommend withholding votes from the chair of the nominating and/or governance committee at boards with fewer than five directors (or the board chair, in the absence of this committee), or four directors for venture issuers. For boards consisting of more than 20 directors, we typically recommend withholding votes from the nominating committee chair (or governance committee, in the absence of a nominating committee).[17]

EXCEPTIONS FOR RECENT IPOs

We believe companies that have recently completed an initial public offering ("IPO") should be allowed adequate time to fully comply with marketplace listing requirements as well as to meet basic corporate governance standards. We believe a one-year grace period immediately following the date of a company's IPO is sufficient time for most companies to comply with all relevant regulatory requirements and to meet such corporate governance standards. Except in egregious cases, Glass Lewis refrains from issuing voting recommendations on the basis of corporate governance best practices (e.g., board independence, committee membership and structure, meeting attendance, etc.) during the one-year period following an IPO.

DUAL-LISTED COMPANIES

For those companies whose shares trade on exchanges in multiple countries or are traded and incorporated in two different jurisdictions, and which may seek shareholder approval of proposals in accordance with varying exchange- and country-specific rules, we will apply the governance standards most relevant in each situation. We will consider a number of factors in determining which Glass Lewis country-specific policy to apply, including but not limited to: (i) the corporate governance structure and features of the company including whether the board structure is unique to a particular market; (ii) the nature of the proposals; (iii) the location of the company's primary listing, if one can be determined; (iv) the regulatory/governance regime that the board is reporting against; and (v) the availability and completeness of the company's proxy filings.

ENVIRONMENTAL AND SOCIAL RISK OVERSIGHT

Glass Lewis understands the importance of ensuring the sustainability of companies' operations. We believe that an inattention to material environmental and social issues can present direct legal, financial, regulatory and reputational risks that could serve to harm shareholder interests. Therefore, we believe that these issues should be carefully monitored and managed by companies, and that companies should have an appropriate oversight structure in place to ensure that they are mitigating attendant risks and capitalizing on related opportunities to the best extent possible.

Glass Lewis believes that companies should ensure appropriate board-level oversight of material risks to their operations, including those that are environmental and social in nature. Accordingly, for large-cap companies and in instances where we identify material oversight issues, Glass Lewis will review a company's overall governance practices and identify which directors or board-level committees have been charged with oversight of environmental and/or social issues. Glass Lewis will also note instances where such oversight has not been clearly defined by companies in their governance documents.

17 Certain exceptions may be made for large banks on a case-by-case basis.

Where it is clear that a company has not properly managed or mitigated environmental or social risks to the detriment of shareholder value, or when such mismanagement has threatened shareholder value, Glass Lewis may consider recommending that shareholders vote against members of the board who are responsible for oversight of environmental and social risks. In the absence of explicit board oversight of environmental and social issues, Glass Lewis may recommend that shareholders vote against members of the audit committee or any other committee responsible for risk oversight. In making these determinations, Glass Lewis will carefully review the situation, its effect on shareholder value, as well as any corrective action or other response made by the company.

TSX VENTURE EXCHANGE COMPANIES

The TSX Venture Exchange is a marketplace for emerging companies with generally fewer resources and employees than firms trading on the main market of the TSX. Venture firms usually follow more lenient governance standards, and while we make several exceptions to our independence standards for them, we still expect venture companies to maintain a minimum degree of director independence on their boards and central committees.

The independence exceptions we make for venture firms are as follows:

1. We do not require venture firms to meet the same independence thresholds we apply for companies listed on the main market of the TSX. We believe such companies can more reasonably be expected to have at least two independent directors, as long as they represent at least one-third of the board.[18]

2. Although the TSX only requires the audit committees of venture firms to be majority independent, we believe they should be entirely independent, with at least two members.

3. While the TSX does not require venture firms to maintain a compensation committee, we believe any public firm that pays its executives should have a compensation committee to oversee such payments. For venture firms, this committee should be majority independent, with no insiders.[19]

4. Nominating/governance committees, if they exist, should consist of a majority of independent directors.

Also, we believe venture firms should maintain a board of at least four members, as opposed to the five-member minimum standard applied to other TSX companies.[20]

Further, as these smaller companies typically require less time and action from their boards than their larger counterparts, we will generally permit directors at venture firms to serve on up to nine boards. Factors which we will consider include company size and a director's overall attendance record and expertise. We note that a large number of directors at venture companies tend to serve on multiple public company boards, but given that many of these firms could benefit from the guidance and oversight provided by an experienced and knowledgeable board member, we believe that a higher threshold is appropriate.

We also note that directors often serve on a mix of TSX and venture boards. In these cases we will apply a case-by-case approach to evaluating the director's commitments in the aggregate.

Note that for other small exchanges, such as the Canadian Securities Exchange ("CSE")", we will apply our TSX Venture guidelines.

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18 TSX Venture Exchange Policy 3.1 stipulates that venture firms have at least two independent directors. However, we believe that the two independent directors should comprise at least one-third of the entire board in order to ensure an effective level of independent oversight. When this is not the case, we generally recommend withholding votes from non-independent directors or the board chair or senior non-executive director, as applicable.

19 We generally recommend withholding votes from the board chair when a company does not have a standing compensation committee. In the absence of a chair, we recommend withholding votes from the senior non-executive director.

20 TSX Venture Exchange Policy 3.1 requires all issuers to have at least three directors. However, we do not believe three directors can adequately protect the interests of shareholders.

CONTROLLED COMPANIES

For controlled companies, we provide an exception to our independence standards. The board of directors' function is to protect the interests of shareholders; however, when a single individual or entity owns more than 50% of the voting shares, the interests of the majority of shareholders are the interests of that entity or individual. Consequently, Glass Lewis does not recommend withholding votes from boards whose composition reflects the makeup of the shareholder population. In other words, affiliated directors and insiders who are associated with the controlling entity are not subject to our standard independence thresholds.

However, we believe that there should be enough independent directors in order to fairly reflect minority shareholder interests. As such, we would consider, in very limited cases, recommending shareholders withhold votes from certain directors if there is not a sufficient representation of minority shareholder interests on the board.

We make the following exceptions for controlled companies:

1. We do not require controlled companies to meet our standard independence thresholds. So long as the insiders and/or affiliated directors are connected with the controlling entity, we accept the presence of non-independent directors on the board.

2. The compensation, nominating and governance committees do not need to consist solely of independent directors.[21]

3. We believe that controlled companies do not need to have standing nominating and corporate governance committees. Although a committee charged with the duties of searching for, selecting and nominating independent directors can be of benefit to all companies, the unique composition of a controlled company's shareholder base make such a committee both less powerful and less relevant.

4. In a similar fashion, controlled companies do not need to have an independent chair or lead director. While we believe an independent director in a position of authority on the board — such as the chair or presiding director — is best able to ensure the proper discharge of the board's duties, controlled companies serve a unique shareholder population whose voting power ensures the protection of its interests.

5. We do not require controlled companies to adopt a majority voting policy for the election of directors. Although we believe a majority voting policy generally increases board accountability and performance, we understand that this may be irrelevant given the influence a controlling shareholder has on all matters requiring shareholder approval.

We do not make independence exceptions for controlled companies in the case of audit committee membership. We believe audit committees should consist solely of independent directors regardless of the company's controlled status. The interests of all shareholders must be protected by ensuring the integrity and accuracy of the company's financial statements. Allowing affiliated directors to discharge the duties of audit oversight could present an insurmountable conflict of interest.[22]

BOARD RESPONSIVENESS AT DUAL-CLASS COMPANIES

With regards to companies where voting control is held through a dual-class share structure with disproportionate voting and economic rights, we will carefully examine the level of approval or disapproval attributed

21 However, National Instrument 58-201 stipulates that companies must provide additional disclosure to describe the steps taken by the board to ensure that objective nomination and compensation processes are utilized. In the absence of a reasonable justification, we recommend withholding votes from any nominee seeking appointment to these committees, regardless of the company's controlled status.

22 National Instrument 52-110 provides that, in the case of a controlled company, an audit committee member who sits on the board of directors of an affiliated entity is exempt from the requirement that every audit committee member must be independent, if the member, except for being a director of the company and the affiliated entity, is otherwise independent of the company and the affiliated entity.

to unaffiliated shareholders when determining whether board responsiveness is warranted. Where vote results indicate that a majority of unaffiliated shareholders supported a shareholder proposal or opposed a management proposal, we believe the board should demonstrate an appropriate level of responsiveness.

SIGNIFICANT SHAREHOLDERS

Similarly, where an individual or entity holds between 20-50% of a company's voting power, we will allow for proportional representation on the board and committees (excluding the audit committee) based on the individual or entity's percentage of ownership.

TRUSTS AND FUNDS

Investment trusts pool investors' money and invest in the shares of a wider range of companies than most people could practically invest in themselves. Generally the task of investing is delegated to a professional fund manager. Investment trusts often maintain no permanent employees.

National Instrument 81-107 requires all publicly offered investment funds to have an independent review committee ("IRC") to oversee decisions involving conflicts of interest faced by the person or company that directs the business, operations and affairs of the investment fund. The manager[23] must appoint each member of an investment fund's first IRC, and thereafter, the IRC must fill any vacancy that arises.

A member of the IRC is considered independent if the member has no material relationship[24] with the manager, the investment fund, or an entity related to the manager. A current or former independent member of the board of directors of an investment fund, or a former independent member of the board of directors of the manager, may be considered independent; however, it would be unlikely that a current member of the board of directors of a manager could be considered independent. Investment funds may share an IRC with investment funds managed by another manager.

POLICIES FOR TRUSTS AND FUNDS

Given the different structure of investment trusts relative to other publicly traded companies, we believe it is appropriate to apply a different set of corporate governance guidelines to such firms. The following is a summary of significant policy differences:

1. Boards may have a minimum of four directors, rather than five.

2. Boards need not maintain standing compensation or nomination committees. However, in the event that a trust does not have a compensation committee, we believe it should disclose the procedures it utilizes to ensure objectivity in the setting of compensation levels. Compensation and nomination committees need not be entirely independent; however, they must consist solely of non-executive directors, a majority of whom are independent.

3. Trusts need not put their auditors up for ratification, unless there was a change of auditor in the previous fiscal year or a change of auditor is expected following the annual general meeting. However, we continue to recommend withholding votes from the chair of the audit committee if fees paid to the external auditor have not been disclosed, or if there are other audit-related issues.

DECLASSIFIED BOARDS

Glass Lewis favors the repeal of staggered boards in favor of the annual election of directors. We believe staggered boards are less accountable to shareholders than boards elected annually. Furthermore, we feel the annual election of directors encourages board members to focus on shareholder interests.

23 A manager is defined as a person or company who directs the business, operations and affairs of an investment fund, and includes a group of members on the board of an investment fund where they act in the capacity of decision-maker. We interpret this term broadly.

24 A material relationship means a relationship that could reasonably be perceived to interfere with the member's judgment regarding a conflict of interest.

Empirical studies have shown that the use of staggered boards reduces a firm's value. Further, in the context of hostile takeovers, staggered boards operate as a takeover defense, which entrenches management, discourages potential acquirers and delivers a lower return to target shareholders.

In our view, there is no evidence to demonstrate that staggered boards improve shareholder returns in a takeover context. Research shows that shareholders are worse off when a staggered board blocks a transaction. A study by a group of Harvard Law professors concluded that companies whose staggered boards prevented a takeover "reduced shareholder returns for targets … on the order of eight to ten percent in the nine months after a hostile bid was announced."[25] When a staggered board negotiates a friendly transaction, no statistically significant difference in premiums occurs. [26]

We note that staggered boards are extremely rare in Canada and that the TSX Company Manual now requires annual elections. As such, we do not expect staggered boards to be a significant issue going forward.

BOARD COMPOSITION AND REFRESHMENT

Glass Lewis strongly supports routine director evaluation, including independent external reviews, and periodic board refreshment to foster the sharing of diverse perspectives in the boardroom and the generation of new ideas and business strategies. Further, we believe the board should evaluate the need for changes to board composition based on an analysis of skills and experience necessary for the company, as well as the results of the director evaluations, as opposed to relying solely on age or tenure limits. When necessary, shareholders can address concerns regarding proper board composition through director elections.

In our view, a director's experience can be a valuable asset to shareholders because of the complex, critical issues that boards face. This said, we recognize that in rare circumstances, a lack of refreshment can contribute to a lack of board responsiveness to poor company performance.

On occasion, age or term limits can be used as a means to remove a director for boards that are unwilling to police their membership and enforce turnover. Some shareholders support term limits as a way to force change in such circumstances.

While we understand that age limits can aid board succession planning, the long-term impact of age limits restricts experienced and potentially valuable board members from service through an arbitrary means. We believe that shareholders are better off monitoring the board's overall composition, including its diversity of skill sets, the alignment of the board's areas of expertise with a company's strategy, the board's approach to corporate governance, and its stewardship of company performance, rather than imposing inflexible rules that don't necessarily correlate with returns or benefits for shareholders.

However, if a board adopts term/age limits, it should follow through and not waive such limits. If the board waives its term/age limits, Glass Lewis will consider recommending shareholders vote against the nominating and/or governance committees, unless the rule was waived with sufficient explanation, such as consummation of a corporate transaction like a merger.

BOARD SKILLS

Glass Lewis believes companies should disclose sufficient information to allow a meaningful assessment of a board's skills and competencies. From 2019, our analyses of director elections at S&P/TSX 60 index companies will include board skills matrices in order to assist in assessing a board's competencies and identifying any potential skills gaps.

25 Lucian Bebchuk, John Coates, Guhan Subramanian, "The Powerful Antitakeover Force of Staggered Boards: Further Findings and a Reply to Symposium Participants," December 2002, page 1.

26 Id. at 2 ("Examining a sample of seventy-three negotiated transactions from 2000 to 2002, we find no systematic benefits in terms of higher premia to boards that have [staggered structures].").

BOARD DIVERSITY

Glass Lewis recognizes the importance of ensuring that the board is comprised of directors who have a diversity of skills, thought and experience, as such diversity benefits companies by providing a broad range of perspectives and insights. As such, Glass Lewis closely reviews the composition of the board for representation of diverse director candidates.

Glass Lewis will generally recommend voting against the nominating committee chair of a board that has no female members. In addition, we may recommend voting against the nominating committee chair if the board has not adopted a written diversity policy. Depending on other factors, including the size of the company, the industry in which the company operates, the gender diversity of the management team, the overall governance profile of the company and whether there are other concerns regarding the board's composition, we may decline to make recommendations on this basis or extend these recommendations to other nominating committee members.

When making these voting recommendations, we will carefully review a company's disclosure regarding diversity matters and may refrain from recommending shareholders vote against directors of companies outside the S&P/TSX Composite index, companies which have provided a sufficient explanation as to why they not currently have any female board members, or companies which have disclosed a plan to address the lack of diversity on the board.

PROXY ACCESS

In lieu of running their own contested election, proxy access would not only allow certain shareholders to nominate directors to company boards but the shareholder nominees would be included on the company's ballot, significantly enhancing the ability of shareholders to play a meaningful role in selecting their representatives. Glass Lewis generally supports affording shareholders the right to nominate director candidates to management's proxy as a means to ensure that significant, long-term shareholders have an ability to nominate candidates to the board.

Companies generally seek shareholder approval to amend company bylaws to adopt proxy access in response to shareholder engagement or pressure, usually in the form of a shareholder proposal requesting proxy access, although some companies may adopt some elements of proxy access without prompting. Glass Lewis considers several factors when evaluating whether to support proposals for companies to adopt proxy access including the specified minimum ownership and holding requirement for shareholders to nominate one or more directors, as well as company size, performance and responsiveness to shareholders.

Beginning in 2017, Glass Lewis reviewed a number of shareholder proposals requesting that Canadian companies adopt U.S.-style proxy access. When these resolutions are proposed at companies that are outside of the United States, Glass Lewis will review such proposals on a case-by-case basis. We will carefully examine the regulatory landscape within the country in question in order to assess if existing proxy access rights are sufficient or preferable to those requested by the proposal. In instances where we believe that existing laws, policies or regulations either provide shareholders with adequate proxy access rights or would prohibit a company's adoption of the requested provision, we will recommend that shareholders vote against such proposals. However, we will continue to carefully monitor how other companies within the target company's market are responding to issues related to proxy access as well as any regulatory changes that may affect the manner in which shareholders may access management's proxy and will make our voting recommendations accordingly.

For a discussion of recent regulatory events in this area, along with a detailed overview of the Glass Lewis approach to Shareholder Proposals regarding Proxy Access, refer to Glass Lewis' Proxy Paper Guidelines for Shareholder Initiatives, available at www.glasslewis.com.

Transparency and Integrity in Financial Reporting

ALLOCATION OF PROFITS/DIVIDENDS

Unlike many other countries, Canadian companies are not required to submit the allocation of income for shareholder approval, and the board has the sole discretion to determine the amount of any dividends it intends to distribute. However, the CBCA prohibits the allotment of a dividend if there are reasonable grounds for believing that a company would be unable to pay its liabilities as they become due, or if the realizable value of the company's assets would be less than the aggregate of its liabilities and stated capital after payment.

AUDITOR RATIFICATION

The auditor's role as gatekeeper is crucial in ensuring the integrity and transparency of the financial information necessary for protecting shareholder value. Shareholders rely on the auditor to ask tough questions and conduct a thorough analysis of a company's books to ensure that the information provided to shareholders is complete, accurate, fair, and a reasonable representation of a company's financial position. The only way shareholders can make rational investment decisions is if the market is equipped with accurate information about a company's fiscal health.

Shareholders should demand an objective, competent and diligent auditor who performs at or above professional standards at every company in which the investors hold an interest. As with directors, auditors should be free from conflicts of interest and should avoid situations requiring a choice between the interests of the auditor and the public. Almost without exception, shareholders should be able to annually review an auditor's performance and ratify a board's auditor selection. Additionally, Glass Lewis believes auditor rotation can ensure both the independence of the auditor and the integrity of the audit; we will typically recommend supporting proposals to require auditor rotation when the proposal uses a reasonable period of time (usually not less than 5-7 years) particularly at companies with a history of accounting problems.

VOTING RECOMMENDATIONS

We generally support management's recommendation regarding the selection of an auditor and granting the board the authority to fix auditor fees, except in cases where we believe the independence of a returning auditor or the integrity of the audit has been compromised.

Some of the reasons why we may not recommend voting in favor of the auditor and/or authorizing the board to set auditor fees include:

1. When audit fees and audit-related fees total less than 50% of overall fees.[27]

2. When there have been any recent restatements or late filings by the company where the auditor bears some responsibility for the restatement or late filing (e.g., a restatement due to a reporting error).[28]

27 We make an exception in cases where the non-audit fees exceed 50% of the total fees as a result of transactions of a one-time nature (e.g., initial public offerings or merger and acquisition transactions).

28 An auditor does not perform an audit of interim financial statements and accordingly, in general, we do not believe auditors should be opposed for a restatement of interim financial statements, unless the nature of the misstatement is clear from a reading of the incorrect financial statements.

3. When the company has aggressive accounting policies.

4. When the company has poor disclosure or a lack of transparency in its financial statements.

5. When there are other relationships or issues of concern with the auditor that might suggest a conflict between the interests of the auditor and those of shareholders.

6. When the company is changing auditors as a result of a disagreement between the company and auditor on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

7. In determining whether shareholders would benefit from rotating the company's auditor, where relevant we will consider factors that may call into question an auditor's effectiveness, including auditor tenure, a pattern of inaccurate audits, and any ongoing litigation or significant controversies.

In addition, we will generally support a board's decisions to change auditors. We believe that rotating auditors is an important safeguard against the relationship between the auditor and companies becoming too close, resulting in a lack of oversight due to complacency or conflicts of interest. However, we will apply heightened scrutiny in these instances to ensure that there were no significant disagreements between management and the auditor that led to the auditor's resignation.

The Link Between Compensation and Performance

Glass Lewis carefully reviews the compensation awarded to senior executives, as we believe that this is an important area in which the board's priorities are revealed. Glass Lewis strongly believes executive compensation should be linked directly with the performance of the business the executive is charged with managing. We typically look for compensation arrangements that provide for a mix of performance-based short- and long-term incentives in addition to fixed pay elements.

EVALUATION OF EXECUTIVE COMPENSATION AND SAY-ON-PAY

Comprehensive, timely and transparent disclosure of executive pay is critical to allowing shareholders to evaluate the extent to which pay is keeping pace with company performance. When reviewing proxy materials, Glass Lewis examines whether the company discloses the performance metrics used to determine executive compensation. Performance metrics vary significantly between companies and industries and may include a wide variety of financial measures as well as industry-specific performance indicators.

It is rarely in shareholders' interests to disclose competitive data about individual salaries below the senior executive level. Such disclosure could create internal personnel discord that would be counterproductive for the company and its shareholders. While we favor full disclosure for senior executives and we view pay disclosure at the aggregate level (e.g., the number of employees being paid over a certain amount or in certain categories) as potentially useful, we do not believe shareholders need or will benefit from detailed reports about individual management employees other than the most senior executives.

In accordance with National Instrument 51-102, companies are now required to include a Compensation Discussion and Analysis ("CD&A") in each proxy filing, which replaces the previously required Statement of Executive Compensation. The CD&A is intended to enhance disclosure of compensation policies and practices in a uniform format across Canada, as well as provide shareholders with a transparent and comprehensive rationale for executive compensation levels.

We review the CD&A as part of our evaluation of the overall compensation practices of a company. In our evaluation of the CD&A, we examine, among other factors, the following:

1. The extent to which the company has utilized performance goals in determining overall compensation.

2. How clearly the company has disclosed performance metrics and goals, as well as how the metrics and goals were determined, so that shareholders may make an independent determination that goals were met.

3. The extent to which the disclosed performance metrics, targets and goals are demonstrably linked to enhancing company performance.

4. The selected peer group(s), so that shareholders can make a comparison of pay and performance across the appropriate peer group.

5. The terms of executive employment agreements, including the inclusion of single and double trigger change-of-control provisions and "golden parachutes" that result in large guaranteed payouts upon termination of employment.

6. The amount of discretion granted to management or the compensation committee to deviate from defined performance metrics and goals in granting awards.

SAY-ON-PAY VOTING RECOMMENDATIONS

The practice of approving a company's compensation reports is standard in many markets and has been a requirement for companies in the United Kingdom and Australia since 2003 and 2005, respectively. In Canada, advisory votes on executive compensation were introduced voluntarily by some companies in 2010 and have been quickly adopted by others, with approximately 180 companies offering their shareholders a "say on pay" in 2018. We believe these proposals should be submitted annually, as they provide an effective mechanism for enhancing transparency in setting executive pay, improving accountability to shareholders and providing for a more effective link between pay and performance.

Glass Lewis applies a highly nuanced approach when analyzing advisory votes on executive compensation. We review each advisory vote on a case-by-case basis, with the belief that each company must be examined in the context of industry, size, financial condition, its historic pay-for-performance practices, and any other mitigating internal or external factors.

We believe that each company should design and apply specific compensation policies and practices that are appropriate to the circumstances of the company and, in particular, will attract and retain competent executives and other staff, while motivating them to grow the company's long-term shareholder value. Where we find those specific policies and practices serve to reasonably align compensation with performance, and such practices are adequately disclosed, Glass Lewis will recommend supporting the company's approach. If, however, those specific policies and practices fail to demonstrably link compensation with performance, Glass Lewis will generally recommend voting against the say-on-pay proposal.

Glass Lewis reviews say-on-pay proposals on both a qualitative basis and a quantitative basis, with a focus on four main areas:

- The overall design and structure of the company's executive compensation program.

- The quality and content of the company's disclosure.

- The quantum paid to executives.

- The link between compensation and performance as indicated by the company's pay-for-performance practices.

Any significant changes or modifications made to the company's compensation structure or award amounts, including base salaries, are also taken into consideration.

In cases where our analysis reveals a compensation structure in drastic need of reform, we may recommend that shareholders vote against the say-on-pay proposal. Generally such instances include evidence of a pattern of poor pay-for-performance practices, unclear or questionable disclosure regarding the overall compensation structure (i.e., limited information regarding benchmarking processes, limited rationale for bonus performance metrics and targets, etc.), questionable adjustments to certain aspects of the overall compensation structure (i.e., limited rationale for significant changes to performance targets or metrics, the payout of guaranteed bonuses or sizable retention grants, etc.), and/or other egregious compensation practices.

Although not an exhaustive list, we believe the following practices are indications of problematic pay practices which may cause Glass Lewis to recommend against a say on pay vote:

- Inappropriate or outsized peer group and/or benchmarking issues, such as compensation targets set well above peers.

- Inadequate discussion of the company's approach to risk management, including the absence of features such as clawback mechanisms, anti-hedging policies, or executive share ownership guidelines.

- No disclosed target or maximum limits on variable compensation. When present, such limits could be set in reference to base salary.

- Egregious or excessive bonuses, equity awards or severance payments, including golden handshakes and golden parachutes. Employment contracts should typically limit severance payments to no more than two years.

- Performance targets which are not sufficiently challenging, and/or provide for high potential payouts.

- Performance targets lowered without justification.

- Problematic contractual payments, such as guaranteed bonuses.

- Highly discretionary or otherwise underdeveloped compensation plans, including plans that rely heavily on a subjective assessment of performance.

- Executive pay that is comparably high (as compared to the company's peers), and is not reinforced by outstanding company performance.

- The terms of the long-term incentive plans are inappropriate (please see "Long-Term Incentives").

The aforementioned issues may also influence Glass Lewis' assessment of the structure of a company's compensation program. We evaluate structure on a "Good, Fair, Poor" rating scale whereby a "Good" rating represents a compensation program with little to no concerns, a "Fair" rating represents a compensation program with some concerns and a "Poor" rating represents a compensation program that deviates significantly from best practice or contains one or more egregious compensation practices.

We believe that it is important for companies to provide investors with clear and complete disclosure of all the significant terms of compensation arrangements. Similar to structure, we evaluate disclosure on a "Good, Fair, Poor" rating scale whereby a "Good" rating represents a thorough discussion of all elements of compensation, a "Fair" rating represents an adequate discussion of all or most elements of compensation and a "Poor" rating represents an incomplete or absent discussion of compensation. In instances where a company has simply failed to provide sufficient disclosure of its policies, we may recommend shareholders vote against this proposal solely on this basis, regardless of the appropriateness of compensation levels.

In general, most companies will fall within the "Fair" range and Glass Lewis largely uses the "Good" and "Poor" ratings to highlight outliers.

In the case of companies that maintain poor compensation policies year after year without any apparent steps to address the issues, we may also recommend that shareholders vote against the chair and/or additional members of the compensation committee. We may also recommend voting against the committee based on the practices or actions of its members, such as approving large one-off payments, the inappropriate use of discretion, or sustained poor pay for performance practices.

ELEMENTS OF INCENTIVE-BASED COMPENSATION

SHORT-TERM INCENTIVES

A short-term bonus or incentive ("STI") should be demonstrably tied to performance. Whenever possible, we believe a mix of corporate and individual performance measures is appropriate. We would normally expect performance measures for STIs to be based on company-wide or divisional financial measures as well as non-financial factors such as those related to employee turnover, safety, environmental issues, and customer satisfaction. While we recognize that companies operating in different sectors or markets may seek to utilize a wide range of metrics, we expect such measures to be appropriately tied to a company's business drivers.

Further, Glass Lewis recognizes that some measures may involve the disclosure of commercially confidential information but we believe companies should justify such non-disclosure.[29] However, where a short-term bonus has been paid, companies should disclose the extent to which performance has been achieved against relevant targets, including disclosure of the actual target achieved.

Where management has received significant STIs but short-term performance over the previous year appears, prima facie, to be poor or negative, the company should provide a clear explanation of why these significant short-term payments were made.

The target and potential maximum awards that can be achieved under STI awards should be disclosed. Shareholders should expect stretching performance targets for the maximum award to be achieved. Any increase in the potential target and maximum award should be clearly justified to shareholders.

Given the pervasiveness of non-formulaic plans in this market, we do not generally recommend against a pay program on this basis alone. If a company has chosen to rely primarily on a subjective assessment or the board's discretion in determining short-term bonuses, we believe that the proxy statement should provide a meaningful discussion of the board's rationale in determining the bonuses paid as well as a rationale for the use of a non-formulaic mechanism. Particularly where the aforementioned disclosures are substantial and satisfactory, such a structure will not provoke serious concern in our analysis on its own. However, in conjunction with other significant issues in a program's design or operation, such as a disconnect be-tween pay and performance, the absence of a cap on payouts, or a lack of performance-based long-term awards, the use of on a non-formulaic bonus may help drive a negative recommendation.

LONG-TERM INCENTIVES

Glass Lewis recognizes the value of equity-based incentive programs. When used appropriately, they can provide a vehicle for linking executive pay to company performance, thereby aligning their interests with those of shareholders. In addition, equity-based compensation can be an effective way to attract, retain and motivate key employees.

We feel that executives should be compensated with equity when their performance and that of the company warrants such rewards. While we do not believe that equity-based compensation plans for all employees need to be based on overall company performance, we do support such performance limitations for grants to senior executives (although even some equity-based compensation of senior executives without performance criteria is acceptable, such as in the case of moderate incentive grants included in an initial offer of employment).

Boards often argue that linking equity-based pay to performance would hinder them in attracting talent. We believe that boards can develop a consistent, reliable approach that would still attract executives who believe in their ability to guide the company to achieve its targets. If the board believes in performance-based compensation for executives, then these provisions typically will not hamper the board's ability to create such compensation plans. We generally prefer that at least a portion of medium or long-term incentives be linked to specific performance targets, particularly for developed companies.

29 National Instrument 51-102F6, Item 2.1 (4).

STOCK OPTIONS

Stock options remain the most common form of long-term incentive in Canada. While option plans rarely include performance goals, options are generally granted at market price (or at a discount of up to 25%, for venture issuers, as permitted by the TSX Venture Exchange).

Many Canadian companies operate "rolling" option plans, whereby a company is authorized to issue a fixed percentage of its issued share capital (typically 10%) as compensatory shares. Venture firms utilizing rolling maximum plans must resubmit them for shareholder approval on an annual basis, while firms on the main market are required to resubmit such plans for approval every three years.

Such frequent requisite approval affords shareholders the opportunity to closely monitor equity compensation practices and express their approval, or lack thereof, on a regular basis. This practice increases management's accountability to shareholders for the company's remuneration practices, which should inhibit irresponsible behavior and limit unduly generous compensation arrangements.

We use a number of different analyses to evaluate stock option plans, comparing the program with both a carefully chosen peer group and reasonable absolute limits that we believe (and academic studies have shown) are key to equity value creation. In general, our model seeks to determine whether the proposed plan is either: (i) more than one standard deviation away from the average plan for the peer group on a range of criteria, such as projected annual cost compared to operating income, net income, revenue, enterprise value, etc.; or (ii) exceeds one of the absolute limits we have put in place to safeguard against creeping averages. Each analysis is weighted and plans are scored in accordance with that weight.

Our recommendations regarding stock option plans are guided by our stock option plan analysis model. When a proposal seeks shareholder approval for a new plan or changes to any quantitative element of an existing stock option plan, we will evaluate the plan using our stock option model.

If the proposal contains only non-quantitative amendments to an existing stock option plan, e.g., is not seeking additional shares, we will assess the proposed amendments against general principles of equity-based compensation plans and current best practice.

We evaluate option plans based on the following overarching principles:

- Companies should seek more shares only when needed.
- In the case of rolling equity plans, generally, the maximum percentage of shares available for issuance should not exceed 10%.
- Fixed plans should be small enough that companies should seek approval every three to four years.
- Annual net share count and voting power dilution should be limited.
- The annual cost of the plan (especially if not shown on the income statement) should be reasonable as a percentage of financial results and in line with the peer group(s).
- The expected annual cost of the plan should be proportional to the value of the business.
- The intrinsic value received by option grantees in the past should be reasonable compared with the financial results of the business.
- The plan should deliver value on a per-employee basis when compared with programs at peer companies.

- Plans should not permit the repricing of stock options without shareholder approval.
- Plans should not contain excessively liberal administrative or payment terms.
- Plans should be administered by independent directors.
- Plans should not contain provisions allowing for excessive payouts in the event of a change of control.

Options are a very important component of compensation packages that are used to attract and retain experienced executives and other key employees. Tying a portion of an executive's compensation to the performance of the company also provides an effective incentive to maximize shareholder value by those in the best position to affect those values. However, we believe that such plans should include reasonable limits so as not to provide out-sized award levels or excessively dilute existing shareholders.

FULL VALUE AWARDS

The use of "full-value" awards, often tied to performance criteria or vesting schedules, is becoming more common in Canada. These awards are often granted in conjunction with stock options, and may be referred to as "medium-term" or "long-term" incentives. Some of the common full-value plans seen in Canada are "Restricted Share Plans", "Deferred Share Plans", "Share Award Plans" and "Incentive Compensation Plans."

Because the value ultimately received by executives typically depends on achievement of specific performance goals rather than share price gains, we generally consider such awards to provide better alignment with shareholder interests than stock options. However, because executives receive the full value of vested awards at no cost, an appropriate structure, including challenging performance targets and vesting schedules, is necessary to ensure that such awards accurately reflect performance. Glass Lewis believes that companies should strive for full-value award plans with the following features:

- The inclusion of performance metrics.
- Performance periods of at least three years.
- At least one relative performance metric that compares the company's performance to a relevant peer group or index.
- No re-testing or lowering of performance conditions.
- Performance metrics that cannot be easily manipulated by management.
- Stretching metrics that incentivize executives to strive for outstanding performance.
- Individual limits expressed as a percentage of base salary.
- Reasonable plan limits as a percentage of the company's issued share capital.

Performance measures should be carefully selected and should relate to the specific business/industry in which the company operates and, especially, the key value drivers of the company's business.

While cognisant of the inherent complexity of certain performance metrics, as discussed above Glass Lewis generally believes that measuring a company's performance with multiple metrics serves to provide a more complete picture of the company's performance than a single metric, which may focus too much management attention on a single target. When utilized for relative measurements, external benchmarks such as a sector index or peer group should be disclosed and transparent. The rationale behind the selection of a specific index

or peer group should be disclosed. Internal benchmarks should also be disclosed and transparent, unless a cogent case for confidentiality is made and fully explained.

Some of the provisions of full-value award plans that could contribute to an "against" recommendation from Glass Lewis include the following:

- A plan limit set at a rolling maximum of more than 5% of a company's share capital.
- The absence of any performance conditions or vesting provisions.
- Failure to disclose a clear description of performance hurdles and vesting schedules.
- Participation of non-executive directors on the same basis as company executives.
- Administration of the plan by non-independent members of the board.
- The inclusion of a single-trigger change of control provision.

Some companies have sought to adopt full-value award plans that employ the same 10% rolling maximum limit commonly prescribed for Canadian stock option plans (see "Stock Options" section). Given the substantially greater cost of full-value award grants, we consider rolling limits above 5% to be excessive. However, for omnibus plans with a rolling limit greater than 5% we will consider the company's historical granting practices, the composition of the awards granted (i.e., the proportion of full value awards granted to options granted), and any associated performance conditions in making our recommendations.

Finally, Glass Lewis will also take into consideration the company's historic equity granting practices and over-all executive compensation structure. Companies with a history of excessive equity-granting practices or poorly structured, or disclosed, executive compensation practices are more likely to have similar issues with their full-value award plans, which will be taken into consideration when determining our voting recommendation for the renewal or adoption of such a plan.

GRANTS OF FRONT-LOADED AWARDS

While most Canadian companies utilize annual grants of cash and equity awards, some firms have chosen to instead provide larger grants that are intended to serve as compensation for multiple years. This practice, often called front-loading, is taken up either in the regular course of business or as a response to specific business conditions and with a predetermined objective. We believe shareholders should generally be wary of this approach, and we accordingly weigh these grants with additional scrutiny.

While the use of front-loaded awards is intended to lock-in executive service and incentives, the same rigidity also raises the risk of effectively tying the hands of the compensation committee. As compared with a more responsive annual granting schedule program, front-loaded awards may preclude improvements or changes to reflect evolving business strategies. The considerable emphasis on a single grant can place intense pressures on every facet of its design, amplifying any potential perverse incentives and creating greater room for unintended consequences. In particular, provisions around changes of control or separations of service must ensure that executives do not receive excessive payouts that do not reflect shareholder experience or company performance.

We consider a company's rationale for granting awards under this structure, and also expect any front-loaded awards to include a firm commitment not to grant additional awards for a defined period, as is commonly associated with this practice. Even when such a commitment is provided, unexpected circumstances may lead the board to make additional payments or awards for retention purposes, or to incentivize management towards more realistic goals or a revised strategy. If a company breaks its commitment not to grant further awards, we may recommend voting against its say-on-pay proposal unless a convincing rationale is provided.

The multiyear nature of these awards generally lends itself to significantly higher compensation figures in the year of grant than might otherwise be expected. In analyzing the grant of front-loaded awards to executives, Glass Lewis considers the quantum of the award on an annualized basis, rather than the lump sum, and may compare this result to prior practice and peer data, among other benchmarks.

ONE-TIME AWARDS

Glass Lewis believes shareholders should generally be wary of awards granted outside of the standard incentive schemes outlined above, as such awards have the potential to undermine the integrity of a company's regular incentive plans, the link between pay and performance or both. We generally believe that if the existing incentive programs fail to provide adequate incentives to executives, companies should redesign their compensation programs rather than make additional grants.

However, we recognize that in certain circumstances, additional incentives may be appropriate. In these cases, companies should provide a thorough description of the awards, including a cogent and convincing explanation of their necessity and why existing awards do not provide sufficient motivation. Further, such awards should be tied to future service and performance whenever possible.

Additionally, we believe companies making supplemental or one-time awards should also describe if and how the regular compensation arrangements will be affected by these additional grants. In reviewing a company's use of supplemental awards, Glass Lewis will evaluate the terms and size of the grants in the context of the company's overall incentive strategy and granting practices, as well as the current operating environment.

CONTRACTUAL PAYMENTS AND ARRANGEMENTS

We acknowledge that there may be certain costs associated with transitions at the executive level. We believe that sign-on arrangements should be clearly disclosed and accompanied by a meaningful explanation of the payments and the process by which the amounts were reached. Further, the details of and basis for any "make-whole" payments (paid as compensation for awards forfeited from a previous employer) should be provided.

Nonetheless, sign-on awards that are excessive may support or drive a negative recommendation. Lastly, some employment arrangements provide for a minimum payout level under a given incentive arrangement. These guaranteed bonuses are not exceedingly problematic in the short term, but multiyear guarantees may drive against recommendations on their own.

With respect to severance, we believe companies should abide by the predetermined payouts in most circumstances. While in limited circumstances some deviations may not be inappropriate, we believe shareholders should be provided with a meaningful explanation of any additional or increased benefits agreed upon outside of the regular arrangements.

OPTION EXCHANGES AND REPRICING

Glass Lewis is firmly opposed to the repricing of employee and director options regardless of how it is accomplished. Employees should have some downside risk in their equity-based compensation program and repricing eliminates any such risk. As shareholders have substantial risk in owning stock, we believe that the equity compensation of employees and directors should be similarly situated to align their interests with those of shareholders. We believe this will facilitate appropriate risk- and opportunity-taking for the company by employees.

We are concerned that option grantees who believe they will be "rescued" from underwater options will be more inclined to take unjustifiable risks. Moreover, a predictable pattern of repricing or exchanges substantially alters a stock option's value because options that will practically never expire deeply out of the money are worth far more than options that carry a risk of expiration.

In short, repricing and option exchange programs change the bargain between shareholders and employees after the bargain has been struck.

In general, we evaluate option repricing proposals on a case-by-case basis. While we are generally inclined to recommend voting against any proposal to reprice options, there are circumstances in which an option repricing may be appropriate, provided that the following criteria are true:

1. The stock decline mirrors the market or industry price decline in terms of timing and magnitude.

2. The new exercise price and terms of the options are reasonable, and management has provided a thorough explanation as to how such terms were decided.

3. Management and the board make a cogent case for needing to incentivize and retain existing employees.

TSX RULES ON PLAN AMENDMENTS

TSX rules currently require that, in order for a company to amend an equity-based pay plan, that plan must specify whether shareholder approval is required for the relevant type of amendment. TSX rules also provide that shareholder approval is required for an extension of the terms or repricing of options held by insiders. As a result, we have seen, and will most likely continue to see, proposals seeking to automatically extend the expiry date of an option in the event that the option expires during or shortly after a blackout period. We do not believe such proposals are of concern to shareholders, provided that the proposed expiration provisions have been adequately disclosed to shareholders, and that the terms are such that: (i) the extension is only available when the blackout period is self-imposed by the company (i.e., not where the company or insiders are subject to a cease trade order); (ii) the extension is for a reasonable and fixed period of time (i.e., five to ten business days) that is not subject to board discretion; and (iii) the extension is available to all eligible participants under the plan, under the same terms and conditions.

LIMITS ON EXECUTIVE COMPENSATION

Generally, Glass Lewis believes shareholders should not be directly involved in setting executive pay. Such matters should be left to the compensation committee. In the absence of an advisory “Say-on-Pay” vote, we view the election of compensation committee members as an appropriate mechanism for shareholders to express their disapproval or support of board policy on executive pay. Further, we believe that companies whose pay-for-performance is in line with their peers should be able to pay their executives in a way that drives growth and profit, without destroying ethical values, giving consideration to their peers’ comparable size and performance.

COMPANY RESPONSIVENESS

At companies that received a significant level of shareholder opposition (20% or greater) to their say-on-pay proposal at the previous annual meeting, we believe the board should demonstrate some level of engagement and responsiveness to the shareholder concerns behind the discontent, particularly in response to shareholder engagement. While we recognize that sweeping changes cannot be made to a compensation program without due consideration and that a majority of shareholders voted in favor of the proposal, we believe the compensation committee should provide some level of response to a significant vote against, including engaging with large shareholders to identify their concerns. In the absence of any evidence that the board is actively engaging shareholders on these issues and responding accordingly, we may recommend holding compensation committee members accountable for failing to adequately respond to shareholder opposition, giving careful consideration to the level of shareholder protest and the severity and history of compensation problems.

PAY FOR PERFORMANCE

Glass Lewis believes an integral part of a well-structured compensation package is a successful link between pay and performance. Our proprietary pay-for-performance model was developed to better evaluate the link between pay and performance of the top five executives at Canadian companies. Our model benchmarks these executives' pay and company performance against peers across five performance metrics. The comparator groups are selected using Equilar's market-based peer groups. After a comparison of both pay and performance against the Equilar peer group, the pay-for-performance model generates two weighted-average percentile rankings for a company: (i) a weighted-average percentile rank in compensation and (ii) a weighted-average percentile rank in performance.

By measuring the magnitude of the gap between these two weighted-average percentile rankings we assign companies a letter grade of A, B, C, D or F. The grades guide our evaluation of compensation committee effectiveness, and we generally recommend voting against compensation committee members at companies with a pattern of failing our pay-for-performance analysis.

The grades derived from the Glass Lewis pay for performance analysis do not follow the traditional school letter grade system. Rather, the grades are generally interpreted as follows:

A: The company's percentile rank for pay is significantly less than its percentile rank for performance;

B: The company's percentile rank for pay is moderately less than its percentile rank for performance;

C: The company's percentile rank for pay is approximately aligned with its percentile rank for performance;

D: The company's percentile rank for pay is higher than its percentile rank for performance; and

F: The company's percentile rank for pay is significantly higher than its percentile rank for performance.

For the avoidance of confusion, the above grades encompass the relationship between a company's percentile rank for pay and its percentile rank in performance. Separately, a specific comparison between the company's executive pay and its peers' executive pay levels is discussed in the analysis for additional insight into the grade. Likewise, a specific comparison between the company's performance and its peers' performance is reflected in the analysis for further context.

We also use this analysis to inform our voting decisions of say-on-pay proposals. As such, if a company receives a "D" or "F" grade from our proprietary model, we are more likely to recommend that shareholders vote against the say-on-pay proposal. However, other qualitative factors such as an effective overall incentive structure, the relevance of selected performance metrics, significant forthcoming enhancements or reasonable long-term payout levels may give us cause to recommend in favor of a proposal even when we have identified a disconnect between pay and performance.

RECOUPMENT PROVISIONS ("CLAWBACKS")

Glass Lewis supports the use of clawback or 'malus' provisions to safeguard against unwarranted short- and long-term incentive awards and to similarly encourage executives and senior management to take a more comprehensive view of risk when making business decisions. Such provisions generally allow, at a minimum, for some or all of an annual incentive award to be recouped in the case of a material misstatement of financial results or fraud.

We are increasingly focusing attention on the specific terms of recoupment policies. More expansive policies allow for the recoupment of both short and long-term incentive awards in cases of financial restatement or misconduct that results in reputational or other types of harm to the company. While the terms and conditions associated with a company's recoupment policy (or lack thereof) are not directly determinative of our recom-

mendations with respect to say-on-pay proposals, the inclusion of appropriately robust policies informs our overall view of a company's compensation program.

DIRECTOR COMPENSATION

Glass Lewis believes that non-employee directors should receive reasonable and appropriate compensation for the time and effort they spend serving on the board and its committees. In particular, we recognize that well-designed compensation plans that include option grants or other equity-based awards can help to align the interests of outside directors with those of shareholders. However, such grants for non-employee directors should not be tied to performance conditions, as a focus on specific aspects of financial performance could hinder a director's independence. Rather, we prefer a compensation structure that provides directors with the option of receiving some or all of their fees in deferred share units or common shares that are restricted until the director leaves the board. In our opinion, even share options without performance conditions run the risk of focusing the attention of directors on the short-term performance of the company's share price.

Director fees should be reasonable in order to retain and attract qualified individuals. At the same time, excessive fees represent a financial cost to the company and threaten to compromise the objectivity and independence of non-employee directors. We compare the costs of these plans to the plans of peer companies with similar market capitalizations in the same country to help inform our judgment on this issue.

Governance Structure and the Shareholder Franchise

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

We will evaluate proposed amendments to a company's articles of association on a case-by-case basis. We are opposed to the practice of bundling several amendments under a single proposal because it prevents shareholders from evaluating each amendment on its own merits. In such cases, we will analyze each change individually and recommend voting for the proposal only when we believe that, on balance, all of the amendments are in the best interests of shareholders.

QUORUM REQUIREMENTS

Glass Lewis believes that a company's quorum requirement should be set at a level high enough to ensure that a broad range of shareholders are represented in person or by proxy, but low enough that the company can transact necessary business. Pursuant to section 139 of the CBCA, irrespective of the number of persons present at a meeting, a majority of shares entitled to vote, either in person or by proxy, shall constitute a quorum. However, companies are permitted to stipulate a lower quorum requirement in the articles of association with the approval of shareholders. As such, should a company seek shareholder approval of a lower quorum requirement, we will generally permit a reduced quorum of at least 33% of shares entitled to vote, either in person or by proxy, when evaluating such proposals in consideration of the specific facts and circumstances of the company such as size and shareholder base.

However, when companies adopting new articles set quorum at 25% or higher, we will support the adoption so long as the new quorum represents an increase, or remains unchanged from prior levels.

Additionally, with regard to the number of directors required to constitute an acceptable quorum for a meeting of directors, Glass Lewis looks for a requisite quorum of a majority of the directors of the board.

ADVANCE NOTICE POLICIES

Glass Lewis recognizes the significant risks to shareholders from so-called "stealth proxy contests" whereby a shareholder nominates a director for election at a company's annual meeting without prior notice to the company or other shareholders. This could result in the election of a shareholder-nominated director with little to no support from other shareholders, in some cases exacerbated by low quorum requirements. It is reasonable, therefore, for companies to seek means, such as advance notice provisions, to ensure they (and shareholders) receive adequate notice in advance shareholder meetings of the intention of a shareholder to nominate one or more directors at the meeting.

However, we believe such provisions should be limited in scope to balance providing timely notice of the nomination to the company and shareholders against inhibiting the exercise of the nomination right. Glass Lewis therefore believes restrictions imposed under advance notice provisions should be reasonable so as not to present excessive impediments on shareholders who wish to nominate directors under such a policy. Accordingly, Glass Lewis will review such policies in consideration of the required time frames for shareholders to submit director nominations as well as other provisions setting forth requirements shareholders must meet to nominate directors.

Specifically, we will generally recommend that shareholders support policies that establish a reasonable notification period (generally 30 days) prior to the date of the annual meeting for shareholders to nominate one or more directors and that require a reasonably broad time period (e.g., a 35-day window) during which shareholders may submit such nominations.

Glass Lewis may consider recommending that shareholders vote against advance notice provisions if the minimum notice period is either too close to (e.g., 10 days) or too far in advance of (e.g., 60 days) the annual meeting. In addition, we will generally recommend that shareholders oppose such provisions where an advance notice policy does not allow for the commencement of a new time period for shareholder nominations in the event of an adjournment or postponement of the annual meeting.

Further, we will review advance notice policies to determine whether an issuer has implemented any unnecessarily burdensome or onerous requirements on shareholders seeking to nominate directors. In particular, Glass Lewis will review impediments to the nominations process such as excessive disclosure requirements (e.g., of sensitive, personal or irrelevant information), required commitments or undertakings to abide by unnecessarily broad or restrictive agreements, requirements to meet with certain individuals such as incumbent board members or other impediments that may frustrate shareholders ability or willingness to avail themselves of the nomination process.

VIRTUAL SHAREHOLDER MEETINGS

A relatively small but growing contingent of companies have elected to hold shareholder meetings by virtual means only. Glass Lewis believes that virtual meeting technology can be a useful complement to a traditional, in-person shareholder meeting by expanding participation of shareholders who are unable to attend a shareholder meeting in person (i.e. a "hybrid meeting"). However, we also believe that virtual-only meetings have the potential to curb the ability of a company's shareholders to meaningfully communicate with the company's management.

Prominent shareholder rights advocates, including the Council of Institutional Investors, have expressed concerns that such virtual-only meetings do not approximate an in-person experience and may serve to reduce the board's accountability to shareholders. When analyzing the governance profile of companies that choose to hold virtual-only meetings, we look for robust disclosure in a company's proxy statement which assures shareholders that they will be afforded the same rights and opportunities to participate as they would at an in-person meeting.

Examples of effective disclosure include: (i) addressing the ability of shareholders to ask questions during the meeting, including time guidelines for shareholder questions, rules around what types of questions are allowed, and rules for how questions and comments will be recognized and disclosed to meeting participants; (ii) procedures, if any, for posting appropriate questions received during the meeting, and the company's answers, on the investor page of their website as soon as is practical after the meeting; (iii) addressing technical and logistical issues related to accessing the virtual meeting platform; and (iv) procedures for accessing technical support to assist in the event of any difficulties accessing the virtual meeting.

We will generally recommend voting against members of the governance committee where the board is planning to hold a virtual-only shareholder meeting and the company does not provide such disclosure.

DIRECTOR AND OFFICER INDEMNIFICATION

While Glass Lewis strongly believes that directors and officers should be held to the highest standard when carrying out their duties to shareholders, some protection from liability is reasonable to protect them against certain suits so that these officers feel comfortable taking measured risks that may benefit shareholders. As such, we find it appropriate for a company to provide indemnification and/or enroll in liability insurance to cover its directors and officers so long as the terms of such agreements are reasonable.

ANTI-TAKEOVER MEASURES

POISON PILLS (SHAREHOLDER RIGHTS PLANS)

Glass Lewis believes that poison pill plans generally are not in the best interests of shareholders. Specifically, they can reduce management accountability by substantially limiting opportunities for corporate takeovers. Rights plans can thus prevent shareholders from receiving a buy-out premium for their stock.

We believe that boards should be given wide latitude in directing the activities of the company and charting the company's course. However, where the link between the financial interests of shareholders and their right to consider and accept buyout offers is so substantial, we believe that shareholders should be allowed to vote on whether or not they support such a plan's implementation. This issue is different from other matters that are typically left to the board's discretion since its potential impact on and relation to shareholders is direct and substantial. It is also an issue in which the interests of management may be very different from those of shareholders, and therefore ensuring shareholders have a voice is the only way to safeguard their interests.

Subject to the inclusion of certain standard provisions, we will generally support a limited poison pill to accomplish a particular objective, such as the closing of an important merger, or a pill that contains what we believe to be a reasonable "qualifying offer" clause. We will consider supporting a poison pill plan if the trigger threshold is not unreasonably low (i.e., lower than 20%) and the provisions of the qualifying offer clause include the following attributes: (i) the form of offer is not required to be an all-cash transaction; (ii) the offer is not required to remain open for more than 105 business days; (iii) the offeror is permitted to make amendments to the offer, to reduce the offer or otherwise change the terms; (iv) there is no fairness opinion requirement; (v) there is a low to no premium requirement; and (vi) the plan does not allow the board the discretion to amend material provisions without shareholder approval.

Additionally, Glass Lewis will review the definition of beneficial ownership in such plans to ensure that ownership is strictly defined as shares held by an individual and does not include shares that are not owned, but can be directed to vote by a shareholder; Glass Lewis will generally oppose the adoption of such pills, also known as "voting pills," that expand the circumstances when a pill would be triggered including in the absence of a bid for the company. When these requirements are met, we typically feel comfortable that shareholders will have the opportunity to voice their opinion on any legitimate offer. Further, it should be noted that poison pills must be approved by shareholders every three years.

INCREASE IN AUTHORIZED SHARES

Glass Lewis believes that adequate share capital is important to the operation of a company. Companies generally seek an increase in authorized share capital in order to conduct equity fundraisings, stock splits or declare share dividends. We believe that it is critical for management to have access to a sufficient amount of the share capital in order to allow for quick decision-making and effective operations. However, prior to any significant transaction, we prefer that management justifies its use of any additional shares to shareholders, rather than simply asking for a blank check in the form of large pools of unallocated shares that can used for any purpose.

In general, we will support proposals to increase authorized shares by up to 100% of the number of shares currently authorized; however, if the proposed increase would result in less than 30% of all authorized shares being outstanding, then we may recommend shareholders reject the proposal.[30]

ISSUANCE OF SHARES

We recognize the viable reasons companies may have to issue shares; however, we also recognize that issuing shares dilutes existing holders in most circumstances. Further, the availability of additional shares, where the board has discretion to implement a poison pill, can often serve as a deterrent to interested suitors. Accord

30 Pursuant to the CBCA, companies may only increase their share capital subsequent to shareholder approval of a special resolution.

ingly, when we find that a company has not detailed a plan for the use of the proposed shares, or when the number of shares is excessive, we typically recommend shareholders vote against the issuance.

In the case of a private placement, we will also consider whether the company is offering the securities at a discount to its share price.[31]

In November 2009, the TSX updated its requirements to provide that shareholder approval be required when a company intends to issue shares in excess of 25% of issued share capital as payment for an acquisition.

In general, we will support proposals to issue shares with preemptive rights of up to 100% of the number of shares currently issued, and proposals to issue shares without preemptive rights of up to 20% of the current issued share capital. However, note that there are no preemptive rights in Canada unless specifically called for in a company's articles of association.

VOTING STRUCTURE

DUAL-CLASS SHARE STRUCTURES

Glass Lewis believes dual-class voting structures are typically not in the best interests of common shareholders. Allowing one vote per share generally operates as a safeguard for common shareholders by ensuring that those who hold a significant minority of shares are able to weigh in on issues set forth by the board.

Furthermore, we believe that the economic stake of each shareholder should match their voting power and that no small group of shareholders, family or otherwise, should have voting rights different from those of other shareholders. On matters of governance and shareholder rights, we believe shareholders should have the power to speak and the opportunity to effect change. That power should not be concentrated in the hands of a few for reasons other than economic stake.

We generally consider a dual-class share structure to reflect negatively on a company's overall corporate governance. Because we believe that companies should have share capital structures that protect the interests of non-controlling shareholders as well as any controlling entity, we typically recommend that shareholders vote in favor of recapitalization proposals to eliminate dual-class share structures. Similarly, we will generally recommend against proposals to adopt a new class of common stock.

With regards to our evaluation of corporate governance following an IPO or spin-off within the past year, we will consider the presence of dual-class share structures as a factor in determining whether shareholder rights are being severely restricted indefinitely.

When analyzing voting results from meetings of shareholders at companies controlled through dual-class structures, we will carefully examine the level of approval or disapproval attributed to unaffiliated shareholders when determining whether board responsiveness is warranted. Where vote results indicate that a majority of unaffiliated shareholders supported a shareholder proposal or opposed a management proposal, we believe the board should demonstrate an appropriate level of responsiveness.

SUPERMAJORITY VOTE REQUIREMENTS

Glass Lewis believes that supermajority vote requirements impede shareholder action on ballot items critical to shareholder interests. An example is in the takeover context, where supermajority vote requirements can strongly limit the voice of shareholders in making decisions on such crucial matters as selling the business. This in turn degrades share value and can limit the possibility of buyout premiums to shareholders. Moreover, we believe that a supermajority vote requirement can enable a small group of shareholders to overrule the will of the majority of shareholders. We believe that a simple majority is appropriate to approve all matters presented to shareholders.

31 Pursuant to the TSX Listing Rules, shareholder approval is required for issuances of stock by private placement of more than 25% of the number of shares outstanding in any six month period. However, issuances below this threshold are at the discretion of the board, which may issue any number of shares and determine their rights, privileges and restrictions.

MAJORITY VOTING

Over the past several decades, shareholders have sought a mechanism by which they might have a genuine voice in the election of directors. The common plurality vote standard ensures that directors who receive the highest number of votes are elected to serve on the board of directors. This system, at face value, appears to be a fair conduit through which the most favored candidates will be selected for service on the board. This system loses its efficacy, however, when the number of director candidates is equal to the number of open seats on the board, thereby permitting a nominee who receives a minority of shareholder support (as little as one vote) to assume a seat on the board. Majority voting, to the contrary, requires that each nominee receive the affirmative vote of at least a majority of shareholder votes cast in an election. In this manner a majority vote standard enhances shareholders' ability to determine who will serve as their representatives in the boardroom, resulting in increased board accountability and performance.

The TSX Company Manual now requires all TSX-listed issuers (with an exception for controlled companies) to adopt majority voting for the election of directors effective June 30, 2014.

Almost all companies that have adopted majority voting policies have opted for a director resignation policy in which any director who has received a majority of the total votes "withheld" from him or her (in an uncontested election) promptly tenders their resignation to the board or its nominating/corporate governance committee for consideration. The board or committee then considers the resignation and makes a decision on whether to accept or reject it. Such policies typically provide for 90 days to consider the resignation, after which the board will make its final decision known by way of a press release.

Although these policies are certainly preferable to no policy at all, since they require the board to consider the outcome of the vote and address shareholders' concerns, we believe there should be no need for further action by the board or any of its committees to have the candidate removed from the board. The board should not have the opportunity to ignore shareholders' will and allow the nominee to continue to serve as a director. The system ultimately leaves the decision-making process in the hands of board members, and not with shareholders, where we believe the power should lie.

TRANSACTION OF OTHER BUSINESS

We typically recommend that shareholders not give their proxy to management to vote on any other business items that may properly come before the annual meeting. In our opinion, granting unfettered discretion is unwise.

Shareholder Initiatives

Glass Lewis generally believes decisions regarding day-to-day management and policy decisions, including those related to social, environmental or political issues, are best left to management and the board as they in almost all cases have more and better information about company strategy and risk. However, when there is a clear link between the subject of a shareholder proposal and value enhancement or risk mitigation, Glass Lewis will recommend in favor of a reasonable, well-crafted shareholder proposal where the company has failed to or inadequately addressed the issue.

We believe that shareholders should not attempt to micromanage a company, its businesses or its executives through the shareholder initiative process. Rather, we believe shareholders should use their influence to push for governance structures that protect shareholders and promote director accountability. Shareholders should then put in place a board they can trust to make informed decisions that are in the best interests of the business and its owners, and hold directors accountable for management and policy decisions through board elections. However, we recognize that support of appropriately crafted shareholder initiatives may at times serve to promote or protect shareholder value.

To this end, Glass Lewis evaluates shareholder proposals on a case-by-case basis. We generally recommend supporting shareholder proposals calling for the elimination of, as well as to require shareholder approval of, anti-takeover devices such as poison pills and classified boards. We generally recommend supporting proposals likely to increase and/or protect shareholder value and also those that promote the furtherance of shareholder rights. In addition, we also generally recommend supporting proposals that promote director accountability and those that seek to improve compensation practices, especially those promoting a closer link between compensation and performance, as well as those that promote more and better disclosure of relevant risk factors where such disclosure is lacking or inadequate.

ENVIRONMENTAL, SOCIAL & GOVERNANCE INITIATIVES

For a detailed review of our policies concerning compensation, environmental, social and governance shareholder initiatives, please refer to our comprehensive *Proxy Paper Guidelines for Shareholder Initiatives*, available at www.glasslewis.com.

DISCLAIMER

This document is intended to provide an overview of Glass Lewis' proxy voting policies and guidelines. It is not intended to be exhaustive and does not address all potential voting issues. Additionally, none of the information contained herein should be relied upon as investment advice. The content of this document has been developed based on Glass Lewis' experience with proxy voting and corporate governance issues, engagement with clients and issuers and review of relevant studies and surveys, and has not been tailored to any specific person.

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GLASS LEWIS

Canada

Proxy Voting Guidelines for TSX-Listed Companies

Benchmark Policy Recommendations

Effective for Meetings on or after February 1, 2019

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COVERAGE

The Canadian research team provides proxy analyses and voting recommendations for common shareholder meetings of publicly – traded Canadian-incorporated companies that are held in our institutional investor clients' portfolios. These TSX policy guidelines apply to companies listed on the Toronto Stock Exchange. ISS reviews its universe of coverage on an annual basis, and the coverage is subject to change based on client need and industry trends.

U.S. Domestic Issuers – which have a majority of outstanding shares held in the U.S. and meet other criteria, as determined by the SEC, and are subject to the same disclosure and listing standards as U.S. incorporated companies – are generally covered under standard U.S. policy guidelines. U.S. Foreign Private Issuers that are incorporated in Canada and that do not file DEF14A reports and do not meet the SEC Domestic Issuer criteria are covered under Canadian policy.

In all cases – including with respect to other companies with cross-market features that may lead to ballot items related to multiple markets – items that are on the ballot solely due to the requirements of another market (listing, incorporation, or national code) may be evaluated under the policy of the relevant market, regardless of the "assigned" market coverage.

1. ROUTINE/MISCELLANEOUS

Audit-Related

Financial Statements/Director and Auditor Reports

Companies are required under their respective Business Corporations Acts (BCAs) to submit their financial statements and the auditor's report, which is included in the company's annual report, to shareholders at every Annual General Meeting (AGM). This routine item is almost always non-voting.

Ratification of Auditors

General Recommendation: Vote for proposals to ratify auditors unless the following applies:

› Non-audit ("other") fees paid to the auditor > audit fees + audit-related fees + tax compliance/preparation fees.

Rationale: National Instrument 52-110 - *Audit Committees* defines "audit services" to include the professional services rendered by the issuer's external auditor for the audit and review of the issuer's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

The instrument also sets out disclosure requirements related to fees charged by external auditors. Every issuer is required to disclose in its annual information form, with a cross-reference in the related proxy circular, fees billed by the external audit firm in each of the last two fiscal years. These fees must be broken down into four categories: Audit Fees, Audit-Related Fees, Tax Fees, and All Other Fees.

ISS recognizes that certain tax-related services, e.g. tax compliance and preparation, are most economically provided by the audit firm. Tax compliance and preparation include the preparation of original and amended tax returns, refund claims, and tax payment planning. However, other services in the tax category, e.g. tax advice, planning, or consulting fall more into a consulting category. Therefore, these fees are separated from the tax compliance/preparation category and are added to the Non-audit (Other) fees for the purpose of determining whether excessive non-audit related fees have been paid to the external audit firm in the most recent year.

In circumstances where "Other" fees include fees related to significant one-time capital restructure events (for the purpose of this policy such events are limited to initial public offerings, emergence from bankruptcy, and spinoffs) and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining whether non-audit fees are excessive.

Other Business

General Recommendation: Vote against all proposals on proxy ballots seeking approval for unspecified "other business" that may be conducted at the shareholder meeting as shareholders cannot know what they are approving.

2. BOARD OF DIRECTORS

Voting on Director Nominees in Uncontested Elections

Fundamental Principles

Four fundamental principles apply when determining votes on director nominees:

Board Accountability: Practices that promote accountability and enhance shareholder trust begin with transparency into a company's governance practices (including risk management practices). These practices include the annual election of all directors by a majority of votes cast by all shareholders, affording shareholders the ability to remove directors, and providing detailed timely disclosure of voting results. Board accountability is facilitated through clearly defined board roles and responsibilities, regular peer performance review, and shareholder engagement.

Board Responsiveness: In addition to facilitating constructive shareholder engagement, boards of directors should be responsive to the wishes of shareholders as indicated by majority supported shareholder proposals or lack of majority support for management proposals (including election of directors). In the case of a company controlled through a dual-class share structure, the support of a majority of the minority shareholders should equate to majority support.

Board Independence: Independent oversight of management is a primary responsibility of the board. While true independence of thought and deed is difficult to assess, there are corporate governance practices with regard to board structure and management of conflicts of interest that are meant to promote independent oversight. Such practices include the selection of an independent chair to lead the board, structuring board pay practices to eliminate the potential for self-dealing, reducing risky decision-making, ensuring the alignment of director interests with those of shareholders rather than the interests of management, and structuring separate independent key committees with defined mandates. In addition, the board must be able to objectively set and monitor the execution of corporate strategy, with appropriate use of shareholder capital, and independently set and monitor executive compensation programs that support that strategy. Complete disclosure of all conflicts of interest and how they are managed is a critical indicator of independent oversight.

Board Composition: Companies should ensure that directors add value to the board through their specific skills and expertise and by having sufficient time and commitment to serve effectively. Boards should be of a size appropriate to accommodate diversity, expertise, and independence, while ensuring active and collaborative participation by all members. Boards should be sufficiently diverse to ensure consideration of a wide range of perspectives.

TSX Listing Requirements

Under Part IV of the Toronto Stock Exchange (TSX) Company Manual, issuers are required to provide for the annual election of directors by individual ballot and to promptly and publicly disclose the votes received for the election of each director following the meeting.

In addition, effective June 30, 2014, issuers were required to adopt a majority voting director resignation policy[1] providing that:

- If director receives less than a majority of votes for his or her election, the director will be required to submit his or her resignation to the board for consideration;
- The board will accept the resignation absent exceptional circumstances; and
- The company will promptly issue a public statement with the board's decision regarding the director's resignation. If the board does not accept the resignation the statement must fully state the reasons for that decision.

Slate Ballots (Bundled Director Elections)

General Recommendation: Generally vote withhold for all directors nominated only by slate ballot at the annual/general or annual/special shareholders' meetings. This policy will not apply to contested director elections.

Rationale: Slate ballots are contrary to best practices within the Canadian market. Affording shareholders the ability to individually elect directors allows shareholders to better articulate concerns by voting withhold for those specific directors deemed to be associated with significant concerns.

Individual director elections are required for companies listed on the Toronto Stock Exchange (TSX).

[1] Controlled companies are exempt from this requirement.

ISS Canadian Definition of Independence

1. Executive Director

1.1. Employees of the company or its affiliates[i].

1.2. Current interim CEO or any other current interim executive of the company or its affiliates[i].

2. Non-Independent Non-Executive Director

Former/Interim CEO[ii]

2.1. Former CEO of the company or its affiliates[i] within the past five years[iii] or of an acquired company within the past five years.

2.2. Former interim CEO of the company or its affiliates[i] within the past five years[iii] if the service was longer than 18 months or if the service was between 12 and 18 months and the compensation was high relative to that of the other directors or in line with a CEO's compensation[iv] at that time.

2.3. CEO of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor within the past five years[iii].

Controlling/Significant Shareholder

2.4. Beneficial owner of company shares with more than 50 percent of the outstanding voting rights (this may be aggregated if voting power is distributed among more than one member of a group).

Non-CEO Executives[ii]

2.5. Former executive of the company, an affiliate[i], or a firm acquired within the past three years.

2.6. Former interim executive of the company or its affiliates[i] within the past three years if the service was longer than 18 months or if the service was between 12 and 18 months, an assessment of the interim executive's terms of employment including compensation relative to other directors or in line with the top five NEOs at that time.

2.7. Executive of a former parent or predecessor firm at the time the company was sold or split off from parent/predecessor within the past three years.

2.8. Executive, former executive of the company or its affiliates[i] within the last three years, general or limited partner of a joint venture or partnership with the company.

Relatives

2.9. Relative[v] of current executive officer[vi] of the company or its affiliates[i].

2.10. Relative[v] of a person who has served as a CEO of the company or its affiliates[i] within the last five years; or an executive officer of the company or its affiliates[i] within the last three years.

Transactional, Professional, Financial, and Charitable Relationships[vii]

2.11. Currently provides (or a relative[v] provides) professional services[viii] to the company, its affiliates[i] or to its officers.

2.12. Is (or a relative[v] is) a partner, controlling shareholder or an employee of, an organization that provides professional services [viii] to the company, to an affiliate of the company, or to an individual officer of the company or one of its affiliates[i].

2.13. Currently employed by (or a relative[v] is employed by) a significant customer or supplier[ix] of the company or its affiliates[i].

2.14. Is (or a relative[v] is) a trustee, director or employee of a charitable or non-profit organization that receives material[x] grants or endowments from the company or its affiliates[i].

2.15. Has, or is (or a relative[v] is) a partner, controlling shareholder or an employee of, an organization that has a transactional relationship with the company or its affiliates[i], excluding investments in the company through a private placement.

Other Relationships

2.16. Has a contractual/guaranteed board seat and is party to a voting agreement to vote in line with management on proposals being brought to shareholders.

2.17. Founder[xi] of the company but not currently an employee.

2.18. Has any material[x] relationship with the company or with any one or more members of management of the company.

2.19. Non-employee officer of the company or its affiliates[i] if he/she is among the five most highly compensated.

Board Attestation

2.20. Board attestation that an outside director is not independent.

3. Independent Director

3.1. No material[x] ties to the company other than board seat.

Footnotes:

i "Affiliate" includes a subsidiary, sibling company, or parent company. ISS uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation.

ii When there is a former CEO or other officer of a capital pool company (CPC) or special purpose acquisition company (SPAC) serving on the board of an acquired company, ISS will generally classify such directors as independent unless determined otherwise taking into account the following factors: any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.

iii The determination of a former CEO's classification following the five year cooling-off period will be considered on a case-by-case basis. Factors taken into consideration may include but are not limited to: management/board turnover, current or recent involvement in the company, whether the former CEO is or has been Executive Chairman of the board or a company founder, length of service with the company, any related party transactions, consulting arrangements, and any other factors that may reasonably be deemed to affect the independence of the former CEO.

iv ISS will look at the terms of the interim CEO's compensation or employment contract to determine if it contains severance pay, long-term health and pension benefits or other such standard provisions typically contained in contracts of permanent, non-temporary CEOs. ISS will also consider if a formal search process was underway for a full-time CEO.

v Relative refers to immediate family members including spouse, parents, children, siblings, in-laws and anyone sharing the director's home.

vi Executive Officer will include: the CEO or CFO of the entity; the president of the entity; a vice-president of the entity in charge of a principal business unit, division or function; an officer of the entity or any of its subsidiary entities who performs a policy making function in respect of the entity; any other individual who performs a policy-making function in respect of the entity; or any executive named in the Summary Compensation Table.

vii The terms "Currently", "Is" or "Has" in the context of Transactional, Professional, Financial, and Charitable Relationships will be defined as having been provided at any time within the most recently completed fiscal year and/or having been identified at any time up to and including the annual shareholders' meeting.

viii Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have commission or fee-based payment structure. Professional services generally include, but are not limited to the following: investment banking/financial advisory services, commercial banking (beyond deposit services), investment services, insurance services, accounting/audit services, consulting services, marketing services, legal services, property management services, realtor services, lobbying services, executive search services and IT consulting services. "Of counsel" relationships are only considered immaterial if the individual does not receive any form of compensation from, or is a retired partner of, the firm providing the professional services. The following would generally be considered transactional relationships and not professional services: deposit services, IT tech support services, educational services, and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional rather than a professional services relationship. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than a professional relationship. Insurance services and marketing services are assumed to be professional services unless the company explains why such services are not advisory.

ix If the company makes or receives annual payments exceeding the greater of $200,000 or 5 percent of recipient's gross revenues (the recipient is the party receiving proceeds from the transaction).

x "Material" is defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

xi The company's public disclosure regarding the operating involvement of the Founder with the company will be considered. If the Founder was never employed by the company, ISS may deem the Founder as an independent outsider absent any other relationships that may call into question the founding director's ability to provide independent oversight of management.

Vote case-by-case on director nominees, examining the following factors when disclosed:

- Independence of the board and key board committees;
- Disclosed commitment to board gender diversity;
- Number of Board Commitments;
- Attendance at board and committee meetings;
- Corporate governance provisions and takeover activity;
- Long-term company performance;
- Directors' ownership stake in the company;
- Compensation practices;
- Responsiveness to shareholder proposals; and
- Board accountability.

Board Structure and Independence

General Recommendation: Vote withhold for any Executive Director or Non-Independent, Non-Executive Director where:

- The board is less than majority independent; or
- The board lacks a separate compensation or nominating committee.

Rationale: The balance of board influence should reside with independent directors free of any pressures or conflicts which might prevent them from objectively overseeing strategic direction, evaluating management effectiveness, setting appropriate executive compensation, maintaining internal control processes, and ultimately driving long-term shareholder value creation. Best practice corporate governance standards do not advocate that no executive directors sit on boards. Company executives have extensive company knowledge and experience that provides a significant contribution to business decisions at the board level. In order to maintain, however, the independent balance of power necessary for independent directors to fulfill their oversight mandate and make difficult decisions that may run counter to management's self-interests, executives, former executives and other related directors should not dominate the board or continue to be involved on key board committees charged with the audit, compensation, and nomination responsibilities.

Best practice corporate governance standards recommend that the board should have:

- A majority of independent directors; and
- A nominating committee and a compensation committee composed entirely of independent directors.

Guideline Eight of the Canadian Coalition for Good Governance (CCGG)'s 2013 publication *Building High Performance Boards* indicates that boards should "Establish mandates for board committees and ensure committee independence." It is further recommended that key board committees "review committee charters every year and amend or confirm the mandate and procedures based on information received from the board and committee evaluation process."

Non-Independent Directors on Key Committees

General Recommendation: Vote withhold for members of the audit, compensation, or nominating committee who:

- Are Executive Directors;
- Are Controlling Shareholders; or
- Is a Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated.

Rationale: In order to promote independent oversight of management, the board as a whole and its key board committees should meet minimum best practice expectations of no less than majority independence. The presence of executive directors and those having significant influence over management may impede the ability of

key board committees to provide independent oversight of audit, executive compensation or nomination matters. Director elections are seen to be the single most important use of the shareholder franchise.

Policy Considerations for Majority Owned Companies[2]

ISS policies support a one-share, one-vote principle. In recognition of the substantial equity stake held by certain shareholders, on a case-by-case basis, director nominees who are or who represent a controlling shareholder of a majority owned company may be supported under ISS' board and committee independence policies if the company meets all of the following independence and governance criteria:

- The number of directors related to the controlling shareholder should not exceed the proportion of common shares controlled by the controlling shareholder. In no event, however, should the number of directors related to the controlling shareholder exceed two-thirds of the board;
- In addition to the above, if the CEO is related to the controlling shareholder, no more than one-third of the board should be related to management (as distinct from the controlling shareholder);
- If the CEO and chair roles are combined or the CEO is or is related to the controlling shareholder, then there should be an independent lead director and the board should have an effective and transparent process to deal with any conflicts of interest between the company, minority shareholders, and the controlling shareholder;
- A majority of the audit and nominating committees should be either independent directors or in addition to at least one independent director, may be directors who are related to the controlling shareholder.. All members of the compensation committee should be independent of management. If the CEO is related to the controlling shareholder, no more than one member of the compensation committee should be a director who is related to the controlling shareholder; and
- Prompt disclosure of detailed vote results following each shareholder meeting.

ISS will also take into consideration any other concerns related to the conduct of the subject director(s) and any controversy or questionable actions on the part of the subject director(s) that are deemed not to be in the best interests of all shareholders.

Rationale: Canadian corporate law provides significant shareholder protections. For example, under most BCAs, a shareholder or group of shareholders having a 5 percent ownership stake in a company may requisition a special meeting for the purposes of replacing or removing directors and in most jurisdictions, directors may be removed by a simple majority vote. Shareholders also benefit from the ability to bring an oppression action against the board or individual directors of Canadian incorporated public companies.

Against this legal backdrop, Canadian institutions have taken steps to acknowledge and support the premise that a shareholder who has an equity stake in the common shares of a reporting issuer under a single class common share structure has a significant interest in protecting the value of that equity stake in the company and is therefore deemed to have significant alignment of interests with minority shareholders. This policy firmly supports the one-share, one-vote principle and is intended to recognize the commonality of interests between certain shareholders having a majority equity stake under a single class share structure and minority shareholders in protecting the value of their investment.

This policy will not be considered at dual class companies having common shares with unequal voting or board representation rights.

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[2] A majority-owned company is defined for the purpose of this policy as a company controlled by a shareholder or group of shareholders who together have an economic ownership interest under a single class common share capital structure that is commensurate with their voting entitlement of 50 percent or more of the outstanding common shares.

Audit Fee Disclosure

General Recommendation: Vote withhold for the members of the audit committee as constituted in the most recently completed fiscal year if:

› No audit fee information is disclosed by the company within a reasonable period of time prior to a shareholders' meeting at which ratification of auditors is a voting item.

Rationale: The disclosure of audit fees by category is a regulatory requirement and this information is of great importance to shareholders due to the concern that audit firms could compromise the independence of a company audit in order to secure lucrative consulting services from the company.

Excessive Non-Audit Fees

General Recommendation: Vote withhold for individual directors who are members of the audit committee as constituted in the most recently completed fiscal year if:

› Non-audit fees ("other") fees paid to the external audit firm > audit fees + audit-related fees + tax compliance/preparation fees.

Rationale: ISS recognizes that certain tax-related services, e.g. tax compliance and preparation, are most economically provided by the audit firm. Tax compliance and preparation include the preparation of original and amended tax returns, refund claims, and tax payment planning. However, other services in the tax category, e.g. tax advice, planning, or consulting fall more into a consulting category. Therefore, these fees are separated from the tax compliance/preparation category and are added to the Non-audit (Other) fees for the purpose of determining whether excessive non-audit related fees have been paid to the external audit firm in the most recent year.

In circumstances where "Other" fees include fees related to significant one-time capital restructure events (for the purpose of this policy such events are limited to initial public offerings, emergence from bankruptcy, and spinoffs) and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining whether non-audit fees are excessive.

Part 2 of National Instrument 52-110 - *Audit Committees* states that the audit committee must be directly responsible for overseeing the work of the external auditor and that the audit committee must pre-approve all non-audit services provided to the issuer or its subsidiary entities by the issuer's external auditor. It is therefore appropriate to hold the audit committee accountable for payment of excessive non-audit fees.

Persistent Problematic Audit Related Practices

General Recommendation: Vote case-by-case on members of the Audit Committee and potentially the full board if adverse accounting practices are identified that rise to a level of serious concern, such as:

› Accounting fraud;
› Misapplication of applicable accounting standards; or
› Material weaknesses identified in the internal control process.

Severity, breadth, chronological sequence and duration, as well as the company's efforts at remediation or corrective actions, will be examined in determining whether withhold votes are warranted.

Rationale: The policy addresses those cases which could potentially raise serious concern with respect to the audit committee's oversight of the implementation by management of effective internal controls over the accounting process and financial reporting. As well, the audit committee has primary responsibility for selecting and overseeing the external audit firm that would be expected to raise concerns related to problematic accounting practices, misapplication of applicable accounting practices, or any material weakness it may identify in the company's internal controls, as well as whether fraudulent activity is uncovered during the course of the audit assignment.

Director Attendance

General Recommendation: Vote withhold for individual director nominees if:

- The company has not adopted a majority voting director resignation policy AND the individual director has attended less than 75 percent of the board and key[3] committee meetings[4] held within the past year without a valid reason for these absences; or
- The company has adopted a majority voting director resignation policy AND the individual director has attended less than 75 percent of the board and key[3] committee meetings[4] held within the past year without a valid reason for the absences AND a pattern of low attendance exists based on prior years' meeting attendance.

The following should be taken into account:

- Valid reasons for absence at meetings include illness or absence due to company business;
- Participation via telephone is acceptable;
- If the director missed one meeting or one day's meetings, votes should not be withheld even if such absence dropped the director's attendance below 75 percent;
- Board and key committee meetings include all regular and special meetings of the board duly called for the purpose of conducting board business; and
- Out of country location or residence is not a sufficient excuse not to attend board meetings, especially given technological advances in communications equipment.

Rationale: Corporate governance best practice supports board structures and processes that promote independent oversight and accountability. Nominating competent, committed, and engaged directors to the board also necessitates full participation in the conduct of board business in order to fulfill the many responsibilities and duties now required to meet requisite standards of care. A director who commits to serve on a public company board should be prepared and able to make attendance at and contribution to the board's meetings a priority. A pattern of absenteeism may indicate a more serious concern with a director's ability to serve and may warrant a board review and potentially the director's resignation.

Overboarded Directors

General Recommendation: Generally vote withhold for individual director nominees who:

- Are non-CEO directors and serve on more than five public company boards; or

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[3] Key committees include audit, compensation and nominating committees.
[4] If a withhold recommendation under this policy is based solely on meeting attendance at board meetings due to a lack of disclosure concerning committee meeting attendance, this will be disclosed in ISS' report.

› Are CEOs of public companies who serve on the boards of more than two public companies besides their own – withhold only at their outside boards[5].

Rationale: Directors must be able to devote sufficient time and energy to a board in order to be effective representatives of shareholders' interests. While the knowledge and experience that come from multiple directorships is highly valued, directors' increasingly complex responsibilities require an increasingly significant time commitment. Directors must balance the insight gained from roles on multiple boards with the ability to sufficiently prepare for, attend, and effectively participate in all of their board and committee meetings.

Gender Diversity Policy

General Recommendation: For widely-held companies[6], generally vote withhold for the Chair of the Nominating Committee or Chair of the committee designated with the responsibility of a nominating committee, or Chair of the board of directors if no nominating committee has been identified or no chair of such committee has been identified, where:

› The company has not disclosed a formal written gender diversity policy[7]; and
› There are zero female directors on the board of directors.

The gender diversity policy should include a clear commitment to increase board gender diversity. Boilerplate or contradictory language may result in withhold recommendations for directors.

The gender diversity policy should include measurable goals and/or targets denoting a firm commitment to increasing board gender diversity within a reasonable period of time.

When determining a company's commitment to board gender diversity, consideration will also be given to the board's disclosed approach to considering gender diversity in executive officer positions and stated goals or targets or programs and processes for advancing women in executive officer roles, and how the success of such programs and processes is monitored.

Exemptions:

This policy will not apply to:
› Newly publicly listed companies within the current or prior fiscal year;
› Companies that have transitioned from the TSXV within the current or prior fiscal year; or
› Companies with four or fewer directors.

Rationale: Rationale: Gender diversity has become a high profile corporate governance issue in the Canadian market. Effective Dec. 31, 2014, as per National Instrument 58-101 Disclosure of Corporate Governance Practices, TSX-listed issuers are required to provide proxy disclosures regarding whether, and if so how, the board or nominating committee considers the level of representation of women on the board in identifying and nominating

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[5] Although a CEO's subsidiary boards will be counted as separate boards, ISS will not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationship.
[6] "Widely-held" refers to S&P/TSX Composite Index companies as well as other companies that ISS designates as such based on the number of ISS clients holding securities of the company.
[7] Per NI 58-101 and Form 58-101F1, the issuer should disclose whether it has adopted a written policy relating to the identification and nomination of women directors. The policy, if adopted, should provide a short summary of its objectives and key provisions; describe the measures taken to ensure that the policy has been effectively implemented; disclose annual and cumulative progress by the issuer in achieving the objectives of the policy, and whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.

candidates for election or re-election to the board. Also required is disclosure of policies or targets, if any, regarding the representation of women on the board. The disclosure requirement has been a catalyst for the addition of women on the boards of many widely-held TSX-listed reporting issuers. Widely-held TSX-listed company boards lacking a policy commitment and having zero female directors are now deemed to be outliers lagging market expectations in this regard. On Nov. 16, 2017 ISS announced an update to the Proxy Voting Guidelines for TSX-Listed Companies to establish a board gender diversity policy applicable to S&P/TSX Composite Index companies. The ISS gender diversity policy came into effect for meetings that were held on or after Feb. 1, 2018.

Among non-Composite Index TSX-listed issuers, many have disclosed that they have not adopted a gender diversity policy, or goals or targets. Further, approximately 45 percent in the ISS coverage universe do not have any women on the board of directors. Therefore, the policy has been revised to expand its scope beyond Composite Index companies to a broader universe of widely-held TSX reporting issuers (other than those exceptions indicated above) commencing 2019. Given that such a large number of smaller, more narrowly-held TSX-listed issuers do not have any female directors and given the potentially disproportionate impact on voting recommendations upon policy implementation for such issuers, an expansion to the entire TSX universe is at this stage not contemplated.

Former CEO/CFO on Audit/Compensation Committee

General Recommendation: Vote withhold for any director who has served as the CEO of the company within the past five years and is a member of the audit or compensation committee. Evaluate on a case-by-case basis whether support is warranted for any former CEO on the audit or compensation committee following a five-year period[8] after leaving this executive position.

Generally vote withhold for any director who has served as the CFO of the company within the past three years and is a member of the audit or compensation committee.

Rationale: Although ISS policy designates former CEOs and CFOs as non-independent non-executive directors, a withhold vote will be recommended as if they were executives where they sit on either the audit or compensation committee prior to the conclusion of a cooling-off period. This policy reflects the concern that the influence of a recent former executive on these committees could compromise the committee's efficacy. In the case of an audit committee the concern relates to the independent oversight of financials for which the executive was previously responsible, while in the case of a compensation committee the concern relates to oversight of compensation arrangements which the executive may have orchestrated and over which he or she may still wield considerable influence.

The three-year cooling-off period afforded to a former CFO reflects the cooling-off period provided in National Instrument 52-110 – *Audit Committees*.

A five-year cooling-off period is applied for former CEOs in order to allow for the potential occurrence of significant changes within the company's management team. As well, this period allows for the exercise or expiry of the former CEOs outstanding equity awards, thereby eliminating lingering compensation ties to the company's operational performance which would have aligned the former CEO's interests with management. Following the

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[8] The determination of a former CEO's classification following the five-year cooling-off period will be considered on a case-by-case basis. Factors taken into consideration may include but are not limited to: management/board turnover, current or recent involvement in the company, whether the former CEO is or has been Executive Chairman of the board or a company founder, length of service, any related party transactions, consulting arrangements, and any other factors that may reasonably be deemed to affect the independence of the former CEO.

conclusion of the five-year period, the former CEO's independence status will be re-evaluated with consideration to any other relationships which could preclude reclassification as an independent outsider.

Voting on Directors for Egregious Actions

General Recommendation: Under extraordinary circumstances, vote withhold for directors individually, one or more committee members, or the entire board, due to:

- Material failures of governance, stewardship, risk oversight[9] or fiduciary responsibilities at the company;
- Failure to replace management as appropriate; or
- Egregious actions related to the director(s)' service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

Rationale: Director accountability and competence have become issues of prime importance given the failings in oversight exposed by the global financial crisis and subsequent events. There is also concern over the environment in the boardrooms of certain markets, where past failures appear to be no impediment to continued or new appointments at major companies and may not be part of the evaluation process at companies in considering whether an individual is, or continues to be, fit for the role and best able to serve shareholders' interests.

In the event of exceptional circumstances (including circumstances relating to past performance on other boards) that raise substantial doubt about a director's ability to effectively monitor management and serve in the best interests of shareholders, a withhold vote may be recommended.

Board Responsiveness

In keeping with Canadian market expectations and improvements to provide shareholders with the ability to affect board change, a lack of board response to shareholder majority votes or majority withhold votes on directors is unacceptable and would result in one of the following:

General Recommendation: Vote withhold for continuing individual directors, nominating committee[10] members, or the continuing members of the entire board of directors if:

- At the previous board election, any director received more than 50 percent withhold votes of the votes cast under a majority voting director resignation policy and the nominating committee[9] has not required that the director leave the board after 90 days, or has not provided another form of acceptable response to the shareholder vote which will be reviewed on a case-by-case basis;
- At the previous board election, any director received more than 50 percent withhold votes of the votes cast under a plurality voting standard and the company has failed to address the issue(s) that caused the majority withheld vote; or
- The board failed to act[11] on a shareholder proposal that received the support of a majority of the votes cast (excluding abstentions) at the previous shareholder meeting.

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[9] Examples of failure of risk oversight include, but are not limited to: bribery, large or serial fines or sanctions from regulatory bodies; significant adverse legal judgments or settlements; or hedging of company stock.

[10] Or other board committee charged with the duties of a nominating committee as specified in the company's majority voting director resignation policy.

[11] Responding to the shareholder proposal will generally mean either full implementation of the proposal or, if the matter requires a vote by shareholders, a management proposal on the next annual ballot to implement the proposal. Responses that involve less than full implementation will be considered on a case-by-case basis.

As indicated at the beginning of the guidelines for Voting on Director Nominees in Uncontested Elections, board responsiveness is a fundamental principle that should apply when determining votes on director nominees.

Rationale: Follow-up action or response by the board is warranted in the instance where a director is not supported by a majority of the votes cast by shareholders but remains on the board at the next election. A reasonable period of time within which the board or nominating committee is expected to deal with a director resignation under these circumstances is indicated in the widely accepted version of Canadian majority voting, director resignation policies as required by the TSX.

Disclosed board response and rationale will be taken into consideration in limited extraordinary circumstances in the event that a director's resignation is not accepted by the board or the concern that caused majority shareholder opposition has not been addressed. The vote recommendation will be determined on a case-by-case basis that is deemed to be in the best interests of shareholders.

Unilateral Adoption of an Advance Notice Provision

General Recommendation: Vote withhold for individual directors, committee members, or the entire board as appropriate in situations where an advance notice policy has been adopted by the board but has not been included on the voting agenda at the next shareholders' meeting.

Continued lack of shareholder approval of the advanced notice policy in subsequent years may result in further withhold recommendations.

Rationale: The ability of shareholders to put forward potential nominees for election to the board is a fundamental right and should not be amended by management or the board without shareholders' approval, or, at a minimum, with the intention of receiving shareholder approval at the next annual or annual/special meeting of shareholders. As such, the board of directors, as elected representatives of shareholders' interests and as the individuals primarily responsible for corporate governance matters, should be held accountable for allowing such policies to become effective without further shareholder approval.

Furthermore, disclosures regarding these policies should be made available to shareholders (similar to shareholder proposal deadline disclosures or majority voting policy disclosures) because they are substantive changes that may impact shareholders' ability to nominate director candidates. Failure to provide such disclosure is not in shareholders' best interests.

Externally-Managed Issuers (EMIs)

General Recommendation: Vote case-by-case on say-on-pay resolutions where provided, or on individual directors, committee members, or the entire board as appropriate, when an issuer is externally-managed and has provided minimal or no disclosure about their management services agreements and how senior management is compensated. Factors taken into consideration may include but are not limited to:

- The size and scope of the management services agreement;
- Executive compensation in comparison to issuer peers and/or similarly structured issuers;
- Overall performance;
- Related party transactions;
- Board and committee independence;
- Conflicts of interest and process for managing conflicts effectively;
- Disclosure and independence of the decision-making process involved in the selection of the management services provider;

- Risk mitigating factors included within the management services agreement such as fee recoupment mechanisms;
- Historical compensation concerns;
- Executives' responsibilities; and
- Other factors that may reasonably be deemed appropriate to assess an externally-managed issuer's governance framework.

Rationale:

Externally-managed issuers (EMIs) typically pay fees to outside firms in exchange for management services. In most cases, some or all of the EMI's executives are directly employed and compensated by the external management firm.

EMIs typically do not disclose details of the management agreement in their proxy statements and only provide disclosure on the aggregate amount of fees paid to the manager, with minimal or incomplete compensation information.

Say-on-pay resolutions are voluntarily adopted in Canada. Additionally, all non-controlled TSX-listed issuers are required to adopt majority voting director resignation policies which could result in a director being required to resign from a board if he or she receives more 'withhold' than 'for' votes at the shareholders' meeting. Some investor respondents to ISS' 2015-16 ISS Global Policy Survey indicated that in cases where an externally managed company does not have a say-on-pay proposal (i.e., 'withhold' votes may be recommended for individual directors), factors other than disclosure should be considered, such as performance, compensation and expenses paid in relation to peers, board and committee independence, conflicts of interest, and pay-related issues. Policy outreach sessions conducted with Canadian institutional investors resulted in identical feedback.

Other Board-Related Proposals

Classification/Declassification of the Board

General Recommendation: Vote against proposals to classify the board. Vote for proposals to repeal classified boards and to elect all directors annually.

Independent Chair (Separate Chair/CEO)

General Recommendation: Vote for shareholder proposals seeking separation of the offices of CEO and chair if the company has a single executive occupying both positions.

Rationale: The separation of the positions of chair and CEO is supported as it is viewed as superior to the lead director concept. The positions of chair and CEO are two distinct jobs with different job responsibilities. The chair is the leader of the board of directors, which is responsible for selecting and replacing the CEO, setting executive pay, evaluating managerial and company performance, and representing shareholder interests. The CEO, by contrast, is responsible for maintaining the day-to-day operations of the company and being the company's spokesperson. It therefore follows that one person cannot fulfill both roles without conflict. An independent lead director may be an acceptable alternative as long as the lead director has clearly delineated and comprehensive duties including the full authority to call board meetings and approve meeting materials and engage with shareholders. A counterbalancing lead director alternative must be accompanied by majority independence on the board and key committees, and the absence of any problematic governance practices.

Majority of Independent Directors/Establishment of Committees

General Recommendation: Vote for shareholder proposals asking that a majority or up to two-thirds of directors be independent unless:

- The board composition already meets the proposed threshold based on ISS' definition of independence.

Vote for shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors unless:

- The board's committees already meet that standard.

Majority Vote Standard for the Election of Directors

General Recommendation: Vote for resolutions requesting that: (i) the board adopt a majority voting director resignation policy for director elections or (ii) the company amend its bylaws to provide for majority voting, whereby director nominees are elected by the affirmative vote of the majority of votes cast, unless:

- A majority voting director resignation policy is codified in the company's bylaws, corporate governance guidelines, or other governing documents prior to an election to be considered; and
- The company has adopted formal corporate governance principles that provide an adequate response to both new nominees as well as "holdover" nominees (i.e. incumbent nominees who fail to receive 50 percent of votes cast).

Proxy Access

ISS supports proxy access as an important shareholder right, one that is complementary to other best-practice corporate governance features. However, in the absence of a uniform standard, proposals to enact proxy access may vary widely; as such, ISS is not setting forth specific parameters at this time and will take a case-by-case approach in evaluating these proposals.

Proxy Contests - Voting for Director Nominees in Contested Elections

General Recommendation: Vote case-by-case in contested elections taking into account:

- Long-term financial performance of the target company relative to its industry;
- Management's track record;
- Background to the proxy contest;
- Nominee qualifications and any compensatory arrangements;
- Strategic plan of dissident slate and quality of critique against management;
- Likelihood that the proposed goals and objectives can be achieved (both slates); and
- Stock ownership positions

Overall Approach: When analyzing proxy contests, ISS focuses on two central questions:

- Have the dissidents met the burden of proving that board change is warranted? And, if so;
- Will the dissident nominees be more likely to affect positive change (i.e., increase shareholder value) versus the incumbent nominees?

When a dissident seeks a majority of board seats, ISS will require from the dissident a well-reasoned and detailed business plan, including the dissident's strategic initiatives, a transition plan and the identification of a qualified

and credible new management team. ISS will then compare the detailed dissident plan against the incumbent plan and the dissident director nominees and management team against the incumbent team in order to arrive at a vote recommendation.

When a dissident seeks a minority of board seats, the burden of proof imposed on the dissident is lower. In such cases, ISS will not require from the dissident a detailed plan of action, nor is the dissident required to prove that its plan is preferable to the incumbent plan. Instead, the dissident will be required to prove that board change is preferable to the status quo and that the dissident director slate will add value to board deliberations including by, among other factors, considering issues from a viewpoint different from that of the current board members.

Reimbursing Proxy Solicitation Expenses

General Recommendation: Vote case-by-case taking into account:

- Whether ISS recommends in favour of the dissidents, in which case we may recommend approving the dissident's out of pocket expenses if they are successfully elected and the expenses are reasonable.

3. SHAREHOLDER RIGHTS & DEFENSES

Advance Notice Requirements

General Recommendation: Vote case-by-case on proposals to adopt or amend an advance notice board policy or to adopt or amend articles or by-laws containing or adding an advance notice requirement. These provisions will be evaluated to ensure that all of the provisions included within the requirement solely support the stated purpose of the requirement. The purpose of advance notice requirements, as generally stated in the market, is:

- To prevent stealth proxy contests;
- To provide a reasonable framework for shareholders to nominate directors by allowing shareholders to submit director nominations within a reasonable timeframe; and
- To provide all shareholders with sufficient information about potential nominees in order for them to make informed voting decisions on such nominees.

Features that may be considered problematic under ISS' evaluation include but are not limited to:

- For annual notice of meeting given not less than 50 days prior to the meeting date, the notification timeframe within the advance notice requirement should allow shareholders the ability to provide notice of director nominations at any time not less than 30 days prior to the shareholders' meeting. The notification timeframe should not be subject to any maximum notice period. If notice of annual meeting is given less than 50 days prior to the meeting date, a provision to require shareholder notice by close of business on the 10th day following first public announcement of the annual meeting is supportable. In the case of a special meeting, a requirement that a nominating shareholder must provide notice by close of business on the 15th day following first public announcement of the special shareholders' meeting is also acceptable;
- The board's inability to waive all sections of the advance notice provision under the policy or bylaw, in its sole discretion;
- A requirement that any nominating shareholder provide representation that the nominating shareholder be present at the meeting in person or by proxy at which his or her nominee is standing for election for the nomination to be accepted, notwithstanding the number of votes obtained by such nominee;
- A requirement that any proposed nominee deliver a written agreement wherein the proposed nominee acknowledges and agrees, in advance, to comply with all policies and guidelines of the company that are applicable to directors;
- Any provision that restricts the notification period to that established for the originally scheduled meeting in the event that the meeting has been adjourned or postponed;
- Any disclosure request within the advance notice requirement, or the company’s ability to request additional disclosure of the nominating shareholder(s) or the shareholder nominee(s) that: exceeds what is required in a dissident proxy circular; goes beyond what is necessary to determine director nominee qualifications, relevant experience, shareholding or voting interest in the company, or independence in the same manner as would be required for management nominees; or, goes beyond what is required under law or regulation;
- Stipulations within the provision that the corporation will not be obligated to include any information provided by dissident director nominees or nominating shareholders in any shareholder communications, including the proxy statement; and
- Any other feature or provision determined to have a negative impact on shareholders' interests and deemed outside the purview of the stated purpose of the advance notice requirement.

Rationale: As advance notice requirements continue to evolve, and their use is tested by market participants, Canadian institutional investors are voicing concerns about the specific provisions contained therein. Investors have cautioned with respect to the potential for certain provisions included within these requirements to be used to impede the ability of shareholders to nominate director candidates to the board of directors, a fundamental shareholder right under Canada's legal and regulatory framework.

A minimum 30-day shareholder notice period supports notice and access provisions and is in keeping with the stated purpose of advance notice requirements which is to prevent last minute or stealth proxy contests. Any maximum threshold for shareholder notice is deemed unacceptable, and the removal of such is expected to facilitate timelier access to the proxy and afford shareholders more time to give complete and informed consideration to dissident concerns and director nominees.

Enhanced and discretionary requirements for additional information that is not then provided to shareholders, provisions that may prohibit nominations based on restricted notice periods for postponed or adjourned meetings and written confirmations from nominee directors in advance of joining the board are all examples of the types of provisions that have the potential to be misused and are outside the intended stated purpose of advance notice requirements.

Canadian court cases have provided a clear indication that these provisions are intended to protect shareholders, as well as management, from ambush and that they are not intended to exclude nominations given on ample notice or to buy time to allow management to develop a strategy to defeat dissident shareholders. As well, these rulings have shown that in the case of ambiguous provisions the result should weigh in favour of shareholder voting rights.

For more detail regarding ISS' policy on advance notice requirements, please see the latest version of our Advance Notice Requirement FAQ.

Enhanced Shareholder Meeting Quorum for Contested Director Elections

General Recommendation: Vote against new by-laws or amended by-laws that would establish two different quorum levels which would result in implementing a higher quorum solely for those shareholder meetings where common share investors seek to replace the majority of current board members ("Enhanced Quorum").

Rationale: With Enhanced Quorum, the ability to hold a shareholders' meeting is subject to management's pre-determination that a contested election to replace a majority of directors is the singularly most important corporate issue, thus justifying a significantly higher shareholder (or proxy) presence before the meeting can commence. From a corporate governance perspective, this higher threshold appears to be inconsistent with the view that shareholder votes on any voting item should carry equal importance and should therefore be approved under the same quorum requirement for all items.

Companies have indicated in examples to date that Enhanced Quorum is not designed to block the potential consequence of a majority change in board memberships. In the absence of Enhanced Quorum being met, the affected shareholder meeting will be adjourned for up to 65 days. Notwithstanding the equality of all voting issues, shareholders may question the benefits of a delayed shareholder meeting resulting from a 50 percent quorum requirement for the initial meeting.

Appointment of Additional Directors Between Annual Meetings

General Recommendation: Vote for these resolutions where:

- The company is incorporated under a statute (such as the *Canada Business Corporations Act*) that permits removal of directors by simple majority vote;
- The number of directors to be appointed between meetings does not exceed one-third of the number of directors appointed at the previous annual meeting; and
- Such appointments must be ratified by shareholders at the annual meeting immediately following the date of their appointment.

Article/By-law Amendments

General Recommendation: Vote for proposals to adopt or amend articles/by-laws unless the resulting document contains any of the following:

- The quorum for a meeting of shareholders is set below two persons holding 25 percent of the eligible vote (this may be reduced to no less than 10 percent in the case of a small company that can demonstrate, based on publicly disclosed voting results, that it is unable to achieve a higher quorum and where there is no controlling shareholder);
- The quorum for a meeting of directors is less than 50 percent of the number of directors;
- The chair of the board has a casting vote in the event of a deadlock at a meeting of directors;
- An alternate director provision that permits a director to appoint another person to serve as an alternate director to attend board or committee meetings in place of the duly elected director;
- An advance notice requirement that includes one or more provisions which could have a negative impact on shareholders' interests and which are deemed outside the purview of the stated purpose of the requirement;
- Authority is granted to the board with regard to altering future capital authorizations or alteration of the capital structure without further shareholder approval; or
- Any other provisions that may adversely impact shareholders' rights or diminish independent effective board oversight.

In any event, proposals to adopt or amend articles or bylaws will generally be opposed if the complete article or by-law document is not included in the meeting materials for thorough review or referenced for ease of location on SEDAR.

General Recommendation: Vote for proposals to adopt or amend articles/by-laws if the proposed amendment is limited to only that which is required by regulation or will simplify share registration.

Rationale: Constating documents such as articles and by-laws (in concert with the legislative framework provided by Canada's various BCAs) establish the rights of shareholders of a company and the procedures through which the board of directors exercises its duties. Given this foundational role, these documents should reflect best practices within the Canadian market wherever possible.

- **Quorum Requirements:** The quorum requirement for meetings of shareholders should encourage wide-ranging participation from all shareholders. Shareholder meeting quorum requirements that allow only one shareholder to constitute quorum could allow a single significant or controlling shareholder to dominate meetings at the expense of minority shareholders. Quorum requirements with lower shareholding thresholds, such as five percent, could provide a significant shareholder or a small group of shareholders with the ability to pass resolutions that may be considered contentious or problematic by other shareholders. Likewise, quorum requirements for meetings of directors should ensure that at least half of shareholders' representatives are present before significant decisions are made. Directors' responsibilities include attending all meetings for which their presence is scheduled and a company's core documents should reflect this duty.

- **Casting Vote for the Chair at Board Meetings:** While the chair is the appointed leader of the board, the authority granted to the chair by shareholders is no greater than that granted to any other director. Providing the chair with a casting or second vote in the event of a tie could result in a power structure which is not conducive to effective governance. Additionally, while boards are increasingly transitioning toward a governance structure involving a separate chair and CEO, many issuers still combine these roles or appoint a recent former CEO as board chair. In cases where the board is divided on an issue, it is inappropriate from the perspective of shareholders for an insider or affiliated outsider to have the final decision in contentious matters which could significantly affect shareholders' interests.

- **Alternate Directors:** A provision allowing for alternate directors, who have been neither elected by shareholders nor ratified by shareholders following board appointment, raises serious concerns regarding whether these individuals may be bound to serve in the best interests of shareholders. Furthermore, directors must be willing to earmark sufficient time and effort toward serving on a board once they have accepted the responsibility entrusted to them by shareholders. The appointment of unelected alternates is inconsistent with this duty.

- **Problematic Advance Notice Requirements:** A number of advance notice requirements have been included on ballots as amendments to company by-laws or articles. Any such requirements are deemed significant additions to the bylaw or articles and therefore are reviewed with respect to whether they negatively affect shareholders' ability to nominate directors to the board. See ISS' policy on Advance Notice Requirements for details.

- **Blanket Authority for Share Capital Structure Alterations:** In recent years, some companies incorporated under the *Business Corporations Act* (British Columbia) ("BCBCA") have sought to amend their constating documents to provide the board with blanket authority to alter the company's share capital structure. These changes include the ability to increase the company's authorized capital and change restrictions on any class of shares. Although permitted under the BCBCA, shareholders would be better served if changes which could affect shareholders' interests required shareholder approval.

- **Other Problematic Provisions:** Other proposals to alter the articles or by-laws will be approached on a case-by-case basis. Where a potential inclusion, deletion, or amendment is deemed contrary to shareholders' interests, ISS will generally, taking into consideration any other problematic factors or mitigating circumstances, recommend against such changes.

Cumulative Voting

General Recommendation: Where such a structure would not be detrimental to shareholder interests, generally vote for proposals to introduce cumulative voting.

Generally vote against proposals to eliminate cumulative voting.

Generally vote for proposals to restore or permit cumulative voting but exceptions may be made depending on the company's other governance provisions such as the adoption of a majority vote standard for the election of directors.

Confidential Voting

General Recommendation: Vote for shareholder proposals requesting that corporations adopt confidential voting, use independent vote tabulators, and use independent inspectors of election, as long as:

- The proposal includes a provision for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents will not agree, the confidential voting policy is waived for that particular vote.

Generally vote for management proposals to adopt confidential voting.

Poison Pills (Shareholder Rights Plans)

As required by the TSX, the adoption of a shareholder rights plan must be ratified by shareholders within six months of adoption.

General Recommendation: Vote case-by-case on management proposals to ratify a shareholder rights plan (poison pill) taking into account whether it conforms to 'new generation' rights plan best practice guidelines and its scope is limited to the following two specific purposes:

- To give the board more time to find an alternative value enhancing transaction; and
- To ensure the equal treatment of all shareholders.

Vote against plans that go beyond these purposes if:

- **The plan gives discretion to the board to either:**
  - Determine whether actions by shareholders constitute a change in control;
  - Amend material provisions without shareholder approval;
  - Interpret other provisions;
  - Redeem the rights or waive the plan's application without a shareholder vote; or
  - Prevent a bid from going to shareholders.

- **The plan has any of the following characteristics:**
  - Unacceptable key definitions;
  - Reference to Derivatives Contracts within the definition of Beneficial Owner;
  - Flip over provision;
  - Permitted bid minimum period greater than 105 days;
  - Maximum triggering threshold set at less than 20 percent of outstanding shares;
  - Does not permit partial bids;
  - Includes a Shareholder Endorsed Insider Bid (SEIB) provision;
  - Bidder must frequently update holdings;
  - Requirement for a shareholder meeting to approve a bid; and
  - Requirement that the bidder provide evidence of financing.

- **The plan does not:**
  - Include an exemption for a "permitted lock up agreement";
  - Include clear exemptions for money managers, pension funds, mutual funds, trustees, and custodians who are not making a takeover bid; and
  - Exclude reference to voting agreements among shareholders.

Rationale: The evolution of "new generation" shareholder rights plans in Canada has been the result of reshaping the early antitakeover provision known as a "poison pill" into a shareholder protection rights plan that serves only two legitimate purposes: (i) to increase the minimum time period during which a Permitted Bid may remain outstanding in order to the give the board of directors of a target company sufficient time to find an alternative to a takeover bid that would increase shareholder value; and (ii) to ensure that all shareholders are treated equally in the event of a bid for their company.

Recent changes to take-over bid regulation under National Instrument 62-104 Take-Over Bids and Issuer Bids, have codified a number of key provisions that ISS has long required in order to support a shareholder rights plan. As well, new regulation has established a 105-day minimum bid deposit period, with board discretion to reduce this period in certain circumstances but in no event to less than 35 days.

Elimination of board discretion to interpret the key elements of the plan was critical to this evolution. Definitions of Acquiring Person, Beneficial Ownership, Affiliates, Associates and Acting Jointly or in Concert are the terms that set out the who, how, and when of a triggering event. These definitions in early poison pills contained repetitive, circular, and duplicative layering of similar terms which created confusion and made interpretation difficult. Directors were given broad discretion to interpret the terms of a rights plan to determine when it was triggered, or in other words, whether a takeover bid could proceed. This, in turn, created enough uncertainty for bidders or potential purchasers to effectively discourage non-board negotiated transactions. It can be seen how the early poison pill became synonymous with board and management entrenchment.

“New generation” rights plans have therefore been drafted to remove repetitive and duplicative elements along with language that gives the board discretion to interpret the terms of the plan. Also absent from “new generation” plans are references to similar definitions in regulation. Definitions found in various regulations often contain repetitive elements, but more importantly they cross-reference other definitions in regulation that are unacceptable to and not intended to serve the same purpose as those found in a "new generation" rights plan.

A number of other definitions are relevant to the key definitions mentioned above and are therefore equally scrutinized. Exemptions under the definition of Acquiring Person, for example, such as Exempt Acquisitions and Pro Rata Acquisitions, are sometimes inappropriately drafted to permit acquisitions that should trigger a rights plan. In order for an acquisition to be pro rata, the definition must ensure that a person may not, by any means, acquire a greater percentage of the shares outstanding than the percentage owned immediately prior to the acquisition. It should also be noted that "new generation" rights plans are premised on the acquisition of common shares and ownership at law or in equity. Therefore, references to the voting of securities (a.k.a. "voting pills") which may have a chilling effect on shareholder initiatives relating to the voting of shares on corporate governance matters, or the extension of beneficial ownership to encompass derivative securities that may result in deemed beneficial ownership of securities that a person has no right to acquire goes beyond the acceptable purpose of a rights plan.

Equally important to the acceptability of a shareholder rights plan is the treatment of institutional investors who have a fiduciary duty to carry out corporate governance activities in the best interests of the beneficial owners of the investments that they oversee. These institutional investors should not trigger a rights plan through their investment and corporate governance activities, including the voting of shares, for the accounts of others. The definition of Independent Shareholders should make absolutely clear these institutional investors acting in a fiduciary capacity for the accounts of others are independent for purposes of approving a takeover bid or other similar transaction, as well as approving future amendments to the rights plan.

Probably one of the most important and most contentious definitions in a shareholder rights plan is that of a Permitted Bid. ISS guidelines provide that an acceptable Permitted Bid definition must permit partial bids. Canadian takeover bid legislation is premised on the ability of shareholders to make the determination of the acceptability of any bid for their shares, partial or otherwise, provided that it complies with regulatory requirements. In the event that a partial bid is accepted by shareholders, regulation requires that their shares be taken up on a pro rata basis. Shareholders of a company may welcome the addition of a significant new shareholder for a number of reasons.

Also, unacceptable to the purpose of a rights plan is the inclusion of a "Shareholder Endorsed Insider Bid" (SEIB) provision which would allow an "Insider" and parties acting jointly or in concert with an Insider an additional less rigorous avenue to proceed with a take-over bid without triggering the rights plan, in addition to making a Permitted Bid or proceeding with board approval. The SEIB provision allows Insiders the ability to take advantage of a less stringent bid provision that is not offered to other bidders who must make a Permitted Bid or negotiate with the board for support.

Finally, a "new generation” rights plan must contain an exemption for lockup agreements and the definition of a permitted lockup agreement must strike the proper balance so as not to discourage either (i) the potential for a

bidder to lock up a significant shareholder and thus give some comfort of a certain degree of success, or (ii) the potential for competitive bids offering a greater consideration and which would also necessitate a locked up person be able to withdraw the locked up shares from the first bid in order to support the higher competing bid.

New generation rights plans have been limited to achieving the two purposes identified here. The adoption of National Instrument 62-104 now ensures that a board has ample time to consider a take-over bid and to find a superior alternative transaction that maximizes shareholder value. However, "new generation" shareholder rights plans will continue to serve an important purpose because they ensure that shareholders are treated equally in a control transaction by precluding creeping acquisitions or the acquisition of a control block through private agreements between a few large shareholders.

Reincorporation Proposals

General Recommendation: Vote case-by-case on proposals to change a company's jurisdiction of incorporation taking into account:

- Financial and corporate governance concerns, including: the reasons for reincorporating, a comparison of the governance provisions, and a comparison of the jurisdictional laws.

Generally vote for reincorporation when:

- Positive financial factors outweigh negative governance implications; or
- Governance implications are positive.

Generally vote against reincorporation if business implications are secondary to negative governance implications.

Supermajority Vote Requirements

General Recommendation: Vote against proposals to require a supermajority shareholder vote at a level above that required by statute.

Vote for proposals to lower supermajority vote requirements.

4. CAPITAL/RESTRUCTURING

Mergers and Corporate Restructurings

General Recommendation: For mergers and acquisitions, review and evaluate the merits and drawbacks of the proposed transaction, balancing the various and sometimes countervailing factors including:

Valuation: Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction and strategic rationale.

Market Reaction: How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.

Strategic Rationale: Does the deal make sense strategically? From where is value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favourable track record of successful integration of historical acquisitions.

Negotiations and Process: Were the terms of the transaction negotiated at arms-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation "wins" can also signify the deal makers' competency. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.

Conflicts of Interest: Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger. The CIC figure presented in the "ISS Transaction Summary" section of this report is an aggregate figure that can in certain cases be a misleading indicator of the true value transfer from shareholders to insiders. Where such figure appears to be excessive, analyze the underlying assumptions to determine whether a potential conflict exists.

Governance: Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

Increases in Authorized Capital

General Recommendation: Vote case-by-case on proposals to increase the number of shares of common stock authorized for issuance. Generally vote for proposals to approve increased authorized capital if:

- A company's shares are in danger of being de-listed; or
- A company's ability to continue to operate as a going concern is uncertain.

Generally vote against proposals to approve unlimited capital authorization.

Rationale: Canadian jurisdictions generally, permit companies to have an unlimited authorized capital. ISS prefers to see companies with a fixed maximum limit on authorized capital, with at least 30 percent of the authorized stock issued and outstanding. Limited capital structures protect against excessive dilution and can be increased when needed with shareholder approval.

Private Placement Issuances

General Recommendation: Vote case-by-case on private placement issuances taking into account:

- Whether other resolutions are bundled with the issuance;
- Whether the rationale for the private placement issuance is disclosed;
- Dilution to existing shareholders' position:
- Issuance that represents no more than 30 percent of the company's outstanding shares on a non-diluted basis is considered generally acceptable;
- Discount/premium in issuance price to the unaffected share price before the announcement of the private placement;
- Market reaction: The market's response to the proposed private placement since announcement; and
- Other applicable factors, including conflict of interest, change in control/management, evaluation of other alternatives.

Generally vote for the private placement issuance if it is expected that the company will file for bankruptcy if the transaction is not approved or the company's auditor/management has indicated that the company has going concern issues.

Rationale: The TSX requires shareholder approval for private placements:

- For an aggregate number of listed securities issuable greater than 25 percent of the number of securities of the issuer which are listed and outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or
- That during any six month period are placed with insiders for listed securities or options, rights or other entitlements to listed securities greater than 10 percent of the number of the issuer's listed and outstanding securities, on a non-diluted basis, prior to the date of closing of the first private placement to an insider during the six-month period.

Allowable discounts for private placements not requiring shareholder approval are as follows:

Market Price	Maximum Discount
$0.50 or less	25%
$0.51 to $2.00	20%
Above $2.00	15%

The TSX will allow the price per listed security for a particular transaction to be less than that specified above provided that the listed issuer has received the approval of non-interested shareholders.

In instances where a company will file for bankruptcy if the transaction is not approved or where a company has going concern issues, the urgent need for financing will generally override the other criteria under examination. In instances where the transaction is required for other financing purposes, the other criteria will be examined on a case-by-case basis.

Blank Cheque Preferred Stock

General Recommendation: Vote against proposals to create unlimited blank cheque preferred shares or increase blank cheque preferred shares where:

- The shares carry unspecified rights, restrictions, and terms; or
- The company does not specify any specific purpose for the increase in such shares.

Generally vote for proposals to create a reasonably limited[12] number of preferred shares where both of the following apply:

- The company has stated in writing and publicly disclosed that the shares will not be used for antitakeover purposes; and
- The voting, conversion, and other rights, restrictions, and terms of such stock where specified in the articles, are reasonable.

Dual-class Stock

General Recommendation: Vote against proposals to create a new class of common stock that will create a class of common shareholders with diminished voting rights.

The following is an exceptional set of circumstances under which ISS would generally support a dual class capital structure. Such a structure must meet all of the following criteria:

- It is required due to foreign ownership restrictions and financing is required to be done out of country[13];
- It is not designed to preserve the voting power of an insider or significant shareholder;
- The subordinate class may elect some board nominees;
- There is a sunset provision; and
- There is a coattail provision that places a prohibition on any change in control transaction without approval of the subordinate class shareholders.

Escrow Agreements

General Recommendation: Vote against an amendment to an existing escrow agreement where the company is proposing to delete all performance-based release requirements in favour of time-driven release requirements.

Rationale: On going public, certain insiders of smaller issuers must place a portion of their shares in escrow. The primary objective of holding shares in escrow is to ensure that the key principals of a company continue their interest and involvement in the company for a reasonable period after public listing.

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[12] Institutional investors have indicated low tolerance for dilutive preferred share issuances. Therefore, if the authorized preferred shares may be assigned conversion rights or voting rights when issued, the authorization should be limited to no more than 20 percent of the outstanding common shares as of record date. If the preferred share authorization proposal prohibits the assignment of conversion, voting or any other right attached which could dilute or negatively impact the common shares or the rights of common shareholders when such preferred shares are issued, a maximum authorization limit of 50 percent of the outstanding common shares as of record date may be supported taking into account the stated purpose for the authorization and other details of the proposal.

[13] The company has disclosed that it has requested to have its shares listed for trading on a non-Canadian stock exchange.

5. COMPENSATION

Executive Pay Evaluation

Underlying all evaluations are five global principles that most investors expect corporations to adhere to in designing and administering executive and director compensation programs:

Maintain appropriate pay-for-performance alignment with emphasis on long-term shareholder value: This principle encompasses overall executive pay practices, which must be designed to attract, retain, and appropriately motivate the key employees who drive shareholder value creation over the long term. It will take into consideration, among other factors: the linkage between pay and performance; the mix between fixed and variable pay; performance goals; and equity-based plan costs;

Avoid arrangements that risk "pay for failure": This principle addresses the use and appropriateness of long or indefinite contracts, excessive severance packages, and guaranteed compensation;

Maintain an independent and effective compensation committee: This principle promotes oversight of executive pay programs by directors with appropriate skills, knowledge, experience, and a sound process for compensation decision-making (e.g., including access to independent expertise and advice when needed);

Provide shareholders with clear, comprehensive compensation disclosures: This principle underscores the importance of informative and timely disclosures that enable shareholders to evaluate executive pay practices fully and fairly;

Avoid inappropriate pay to non-executive directors: This principle recognizes the interests of shareholders in ensuring that compensation to outside directors does not compromise their independence and ability to make appropriate judgments in overseeing managers' pay and performance. At the market level, it may incorporate a variety of generally accepted best practices.

Evaluate executive pay and practices, as well as certain aspects of outside director compensation on a case-by-case basis.

Advisory Vote on Executive Compensation (Say-on-Pay) Management Proposals

General Recommendation: Vote case-by-case on management proposals for an advisory shareholder vote on executive compensation (Management Say-on-Pay proposals or MSOPs).

Vote against MSOP proposals, withhold for compensation committee members (or, in rare cases where the full board is deemed responsible, all directors including the CEO), and/or against an equity-based incentive plan proposal if:

- There is a significant misalignment between CEO pay and company performance (pay for performance);
- The company maintains significant problematic pay practices; or
- The board exhibits a significant level of poor communication and responsiveness to shareholders.

Primary Evaluation Factors for Executive Pay

Pay for Performance:

- Rationale for determining compensation (e.g., why certain elements and pay targets are used, how they are used in relation to the company's business strategy, and specific incentive plan goals, especially retrospective goals) and linkage of compensation to long-term performance;
- Evaluation of peer group benchmarking used to set target pay or award opportunities;
- Analysis of company performance and executive pay trends over time, taking into account ISS' Pay for Performance policy;
- Mix of fixed versus variable and performance versus non-performance-based pay.

Pay Practices:

- Assessment of compensation components included in the Problematic Pay Practices policy such as: perks, severance packages, employee loans, supplemental executive pension plans, internal pay disparity, and equity plan practices (including option backdating, repricing, option exchanges, or cancellations/surrenders and re-grants, etc.);
- Existence of measures that discourage excessive risk taking which include but are not limited to: clawbacks, holdbacks, stock ownership requirements, deferred compensation practices, etc.

Board Communications and Responsiveness:

- Clarity of disclosure (e.g., whether the company's Form 51-102F6 disclosure provides timely, accurate, complete and clear information about compensation practices in both tabular format and narrative discussion);
- Assessment of board's responsiveness to investor concerns on compensation issues (e.g., whether the company engaged with shareholders and / or responded to majority-supported shareholder proposals relating to executive pay).

Voting Alternatives

In general, the MSOP is the primary focus of voting on executive pay practices; dissatisfaction with compensation practices can be expressed by voting against an MSOP rather than withholding or voting against the compensation committee. If, however, there is no MSOP on the ballot, then the negative vote will apply to members of the compensation committee. In addition, in egregious cases or if the board fails to respond to concerns raised by a

prior MSOP proposal, vote withhold or against compensation committee members (or, if the full board is deemed accountable, all directors). If the negative factors involve equity-based compensation, then vote against an equity-based plan proposal presented for shareholder approval.

Pay for Performance Evaluation

This policy will be applied at all S&P/TSX Composite Index Companies and for all MSOP resolutions.

On a case-by-case basis, ISS will evaluate the alignment of the CEO's total compensation with company performance over time, focusing particularly on companies that have underperformed their peers over a sustained period. From a shareholder's perspective, performance is predominantly gauged by the company's share price performance over time. Even when financial or operational measures are used as the basis for incentive awards, the achievement related to these measures should ultimately translate into superior shareholder returns in the long term.

General Recommendation: Vote against MSOP proposals and/or vote withhold for compensation committee members (or, in rare cases where the full board is deemed responsible, all directors including the CEO) and/or against an equity-based incentive plan proposal if:

- There is significant long-term misalignment between CEO pay and company performance.

The determination of long-term pay for performance alignment is a two-step process: step one is a quantitative screen, which includes a relative and absolute analysis on pay for performance, and step two is a qualitative assessment of the CEO's pay and company performance. A pay for performance disconnect will be determined as follows:

Step I: Quantitative Screen

Relative:

- The Relative Degree of Alignment (RDA) is the difference between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group[14], each measured over a three-year period or less if pay or performance data is unavailable for the full three years;
- The Financial Performance Assessment (FPA) is the ranking of CEO total pay and company financial performance within a peer group, each measured over a three-year period;
- Multiple of Median (MOM) is the total compensation in the last reported fiscal year relative to the median compensation of the peer group; and

Absolute:

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[14] The peer group is generally comprised of 11-24 companies using following criteria:
The GICS industry classification of the subject company;
The GICS industry classification of the company's disclosed pay benchmarking peers;

- Size constraints for revenue between 0.25X and 4X the subject company's size (or assets for certain financial companies) and market value utilizing four market cap "buckets" (micro, small, mid and large);;
- The following order is used for GICS industry group peer selection (8-digit, 6-digit, 4-digit, or 2-digit) while pushing the subject company's size closer to the median of the peer group.
- Please refer to ISS' Canadian Compensation FAQ for further details.

In exceptional cases, peer groups may be determined on a customized basis.

› The CEO Pay-to-TSR Alignment (PTA) over the prior five fiscal years, i.e., the difference between absolute pay changes and absolute TSR changes during the prior five-year period (or less as company disclosure permits).

Step II: Qualitative Analysis

Companies identified by the methodology as having potential P4P misalignment will receive a qualitative assessment to determine the ultimate recommendation, considering a range of case-by-case factors which may include:

› The ratio of performance- to time-based equity grants and the overall mix of performance-based compensation relative to total compensation (considering whether the ratio is more than 50 percent); standard time-vested stock options and restricted shares are not considered to be performance-based for this consideration;
› The quality of disclosure and appropriateness of the performance measure(s) and goal(s) utilized, so that shareholders can assess the rigor of the performance program. The use of non-GAAP financial metrics also makes it challenging for shareholders to ascertain the rigor of the program as shareholders often cannot tell the type of adjustments being made and if the adjustments were made consistently. Complete and transparent disclosure helps shareholders to better understand the company's pay for performance linkage;
› The trend in other financial metrics, such as growth in revenue, earnings, return measures such as ROE, ROA, ROIC, etc.;
› The use of discretionary out-of-plan payments or awards and the rationale provided as well as frequency of such payments or awards;
› The trend considering prior years' P4P concern;
› Extraordinary situation due to a new CEO in the last reported FY;[15] and
› Any other factors deemed relevant.

Rationale: The two-part methodology is a combination of quantitative and qualitative factors that more effectively drive a case-by-case evaluation. Please refer to the latest version of the Canadian Executive Compensation FAQ for a more detailed discussion of ISS' quantitative pay-for-performance screen and peer group construction methodology.

Problematic Pay Practices

General Recommendation: Vote against MSOP resolutions and/or vote withhold for compensation committee members if the company has significant problematic compensation practices. Generally vote against equity plans if the plan is a vehicle for problematic compensation practices.

Generally vote based on the preponderance of problematic elements; however, certain adverse practices may warrant withhold or against votes on a stand-alone basis in particularly egregious cases. The following practices, while not an exhaustive list, are examples of problematic compensation practices that may warrant an against or withhold vote:

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[15] Note that the longer-term emphasis of the methodology alleviates concern about impact of CEO turnover. Thus, except in extenuating circumstances, a "new" CEO will not exempt the company from consideration under the methodology since the compensation committee is also accountable when a company is compelled to significantly "overpay" for new leadership due to prior poor performance.

Poor disclosure practices:

› General omission of timely information necessary to understand the rationale for compensation setting process and outcomes, or omission of material contracts, agreements or shareholder disclosure documents;

New CEO with overly generous new hire package:

› Excessive "make whole" provisions;
› Any of the problematic pay practices listed in this policy;

Egregious employment contracts:

› Contracts containing multiyear guarantees for salary increases, bonuses, or equity compensation;

Employee Loans:

› Interest free or low interest loans extended by the company to employees for the purpose of exercising options or acquiring equity to meet holding requirements or as compensation;

Excessive severance and/or change-in-control provisions:

› Inclusion of excessive change-in-control or severance payments, especially those with a multiple in excess of 2X cash pay (salary + bonus);
› Severance paid for a "performance termination" (i.e., due to the executive's failure to perform job functions at the appropriate level);
› Employment or severance agreements that provide for modified single triggers, under which an executive may voluntarily leave following a change in control without cause and still receive the severance package;
› Perquisites for former executives such as car allowance, personal use of corporate aircraft, or other inappropriate arrangements;
› Change-in-control payouts without loss of job or substantial diminution of job duties (single-triggered);

Abnormally large bonus payouts without justifiable performance linkage or proper disclosure:

› Performance metrics that are changed, canceled, or replaced during the performance period without adequate explanation of the action and the link to performance;

Egregious pension/SERP (supplemental executive retirement plan) payouts:

› Inclusion of performance-based equity awards in the pension calculation;
› Inclusion of target (unearned) or excessive bonus amounts in the pension calculation;
› Addition of extra years of service credited without compelling rationale;
› No absolute limit on SERP annual pension benefits (any limit should be expressed as a dollar value);
› No reduction in benefits on a pro-rata basis in the case of early retirement;

Excessive perks:

› Overly generous cost and/or reimbursement of taxes for personal use of corporate aircraft, personal security systems maintenance and/or installation, car allowances, and/or other excessive arrangements relative to base salary;

Payment of dividends on performance awards:

› Performance award grants for which dividends are paid during the period before the performance criteria or goals have been achieved, and therefore not yet earned;

Problematic option granting practices:

› Backdating options (i.e. retroactively setting a stock option's exercise price lower than the prevailing market value at the grant date);
› Springloading options (i.e. timing the grant of options to effectively guarantee an increase in share price shortly after the grant date);
› Cancellation and subsequent re-grant of options;

Internal Pay Disparity:

› Excessive differential between CEO total pay and that of next highest-paid named executive officer (NEO);

Absence of pay practices that discourage excessive risk taking:

- These provisions include but are not limited to: clawbacks, holdbacks, stock ownership requirements, deferred bonus and equity award compensation practices, etc.;
- Financial institutions will be expected to have adopted or at least addressed the provisions listed above in accordance with the Financial Stability Board's (FSB) Compensation Practices and standards for financial companies;

Other excessive compensation payouts or problematic pay practices at the company.

Rationale: Shareholders are not generally permitted to vote on provisions such as change-in-control provisions or the ability of an issuer to extend loans to employees to exercise stock options, for example, when reviewing equity-based compensation plan proposals. Nor do shareholders in Canada have the ability to approve employment agreements, severance agreements, or pensions; however, these types of provisions, agreements, and contractual obligations continue to raise shareholder concerns. Therefore, ISS will review disclosure related to the various components of executive compensation and may recommend withholding from the compensation committee or against an equity plan proposal if compensation practices are unacceptable from a corporate governance perspective.

Board Communications and Responsiveness

General Recommendation: Consider the following on a case-by-case basis when evaluating ballot items related to executive pay:

- Poor disclosure practices, including: insufficient disclosure to explain the pay setting process for the CEO and how CEO pay is linked to company performance and shareholder return; lack of disclosure of performance metrics and their impact on incentive payouts; no disclosure of rationale related to the use of board discretion when compensation is increased or performance criteria or metrics are changed resulting in greater amounts paid than that supported by previously established goals.
- Board's responsiveness to investor input and engagement on compensation issues, including:
- Failure to respond to majority-supported shareholder proposals on executive pay topics;
- Failure to respond to concerns raised in connection with significant opposition to MSOP proposals;
- Failure to respond to the company's previous say-on-pay proposal that received support of less than 70 percent of the votes cast taking into account the ownership structure of the company.

Examples of board response include but are not limited to: disclosure of engagement efforts regarding the issues that contributed to the low level of support, specific actions taken to address the issues that contributed to the low level of support, and more rationale on pay practices.

Equity-Based Compensation Plans

General Recommendation: Vote case-by-case on equity-based compensation plans using an "equity plan scorecard" (EPSC) approach. Under this approach, certain features and practices related to the plan[16] are assessed in combination, with positively-assessed factors potentially counterbalancing negatively-assessed factors and vice-versa. Factors are grouped into three pillars:

- **Plan Cost:** The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:
  - SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
  - SVT based only on new shares requested plus shares remaining for future grants.

[16] In cases where certain historic grant data are unavailable (e.g. following an IPO or emergence from bankruptcy), Special Cases models will be applied which omit factors requiring these data.

› **Plan Features:**
Detailed disclosure regarding the treatment of outstanding awards under a change in control (CIC)
No financial assistance to plan participants for the exercise or settlement of awards;
Public disclosure of the full text of the plan document; and
Reasonable share dilution from equity plans relative to market best practices.

› **Grant Practices:**
- › Reasonable three-year average burn rate relative to market best practices;
- › Meaningful time vesting requirements for the CEO's most recent equity grants (three-year lookback);
- › The issuance of performance-based equity to the CEO;
- › A clawback provision applicable to equity awards; and
- › Post-exercise or post-settlement share-holding requirements (S&P/TSX Composite Index only).

Generally vote against the plan proposal if the combination of above factors, as determined by an overall score, indicates that the plan is not in shareholders' best interests.

Overriding Negative Factors: In addition, vote against the plan if any of the following unacceptable factors have been identified:

- › Discretionary or insufficiently limited non-employee director participation;
- › An amendment provision which fails to adequately restrict the company's ability to amend the plan without shareholder approval;
- › A history of repricing stock options without shareholder approval (three-year look-back);
- › The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances; or
- › Any other plan features that are determined to have a significant negative impact on shareholder interests.

Rationale: As issues around cost transparency and best practices in equity-based compensation have evolved in recent years, ISS' Equity Plan Scorecard approach provides for a more nuanced consideration of equity plan proposals.

Feedback obtained through ongoing consultation with institutional investors indicates strong support for the scorecard approach, which incorporates the following key goals:

1. Consider a range of factors, both positive and negative, in determining vote recommendations;
2. Select factors based on institutional investors' concerns and preferences and on best practices within the Canadian market established through regulation, disclosure requirements, and best practice principles;
3. Establish factor thresholds and weightings which are cognizant of the Canadian governance landscape (separate scorecards for the S&P/TSX Composite Index and the broader TSX);
4. Ensure that key concerns addressed by policy continue to hold paramount importance (institution of overriding negative factors).

The EPSC policy for equity plan proposals provides a full-spectrum overview of plan cost, plan features, and historic grant practices. This allows shareholders greater insight into rising governance concerns, such as the implementation of risk-mitigating mechanisms, the strength of vesting provisions, and the use of performance-based equity, while also providing added assessments of longstanding concerns relating to equity plans such as burn rate and dilution. By assessing these factors in combination, the EPSC is designed to facilitate a more holistic approach to reviewing these plans. Plans will, however, continue to be subject to the scrutiny of overriding

negative factors reflecting ISS' current policies regarding problematic non-employee director participation, insufficient plan amendment provisions, repricing without shareholder approval, and other egregious practices.

More information about the policy and weightings can be found in ISS' Canadian Executive Compensation FAQ.

Plan Cost

General Recommendation: Vote against equity plans if the cost is unreasonable.

Shareholder Value Transfer (SVT)

The cost of equity plans is expressed as Shareholder Value Transfer (SVT), which is measured using a binomial option pricing model that assesses the amount of shareholders' equity flowing out of the company to employees and directors. SVT is expressed as both a dollar amount and as a percentage of market value, and includes the new shares proposed, shares available under existing plans, and shares granted but unexercised (using two measures, in the case of plans subject to the Equity Plan Scorecard evaluation, as noted above). All award types are valued. For omnibus plans, unless limitations are placed on the most expensive types of awards (for example, full value awards), the assumption is made that all awards to be granted will be the most expensive types.

SVT is assessed relative to a company-specific benchmark. The benchmark is determined as follows: The top quartile performers in each industry group (using the Global Industry Classification Standard: GICS) are identified. Benchmark SVT levels for each industry are established based on these top performers' historic SVT. Regression analyses are run on each industry group to identify the variables most strongly correlated to SVT. The benchmark industry SVT level is then adjusted upwards or downwards for the specific company by plugging the company-specific performance measures, size and cash compensation into the industry cap equations to arrive at the company's benchmark.[17]

Rationale: Section 613 of the TSX Company Manual requires shareholder approval for equity-based compensation arrangements under which securities listed on the TSX may be issued from treasury. Such approval is also required for equity-based plans that provide that awards issued may be settled either in treasury shares or cash. Cash only settled arrangements or those which are only funded by securities purchased on the secondary market are not subject to shareholder approval.

In addition, shareholder approval is also required for stock purchase plans using treasury shares where financial assistance or share matching is provided, security purchases from treasury where financial assistance is provided, and certain equity awards made outside of an equity plan.

Overriding Negative Factors

Plan Amendment Provisions

General Recommendation: Vote against the approval of proposed Amendment Procedures that do not require shareholder approval for the following types of amendments under any security-based compensation arrangement, whether or not such approval is required under current regulatory rules:

- Any increase in the number of shares reserved for issuance under a plan or plan maximum;
- Any reduction in exercise price or cancellation and reissue of options or other entitlements;
- Any amendment that extends the term of options beyond the original expiry;

[17] For plans evaluated under the Equity Plan Scorecard policy, the company's SVT benchmark is considered along with other factors.

- Amendments to eligible participants that may permit the introduction or reintroduction of non-employee directors on a discretionary basis or amendments that increase limits previously imposed on non-employee director participation;
- Any amendment which would permit options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes; and
- Amendments to the plan amendment provisions.

To clarify application of the above criteria, all items will apply to all equity-based compensation arrangements under which treasury shares are reserved for grants of, for example: restricted stock, restricted share units, or deferred share units, except those items that specifically refer to option grants.

Rationale: In response to the rule changes affected by the TSX related to Part IV, Subsection 613 of the TSX Company Manual and Staff Notices #2004-0002, and #2006-0001 which came into effect in 2007, ISS has revised its policy with regard to Equity Compensation Plan Amendment Procedures. This policy addresses the removal by the TSX of previously established requirements for shareholder approval of certain types of amendments to Security-Based Compensation Arrangements of its listed issuers. For the purposes of the rule change, security-based compensation arrangements include: stock option plans for the benefit of employees, insiders and service providers; individual stock options granted to any of these specified parties outside of a plan; stock purchase plans where the issuer provides financial assistance or where the employee contribution is matched in whole or in part by an issuer funded contribution; stock appreciation rights involving the issuance of treasury shares; any other compensation or incentive mechanism involving the issuance or potential issuance of securities of the listed issuer; security purchases from treasury by an employee, insider or service provider which is financially assisted by the issuer in any manner. Issuers had until June 30, 2007, to adopt the proper Amendment Procedure in their Plans. After such date, issuers who have "general amendment" provisions in their Plans are no longer able to make any amendments to their Plans without security holder approval, including amendments considered to be of a "housekeeping" nature until they have put a shareholder approved detailed Plan Amendment Provision in place.

According to the TSX Guide to Security-Based Compensation Arrangements, the following amendments will continue to be subject to security holder approval according to TSX rules notwithstanding the amendment provisions included in the plan:

- Any increase in the number of shares reserved for issuance under a plan or plan maximum;Any reduction in exercise price of options or purchase price of other entitlements which benefits an insider;[18]
- Any amendment that extends the term of options or other entitlements beyond the original expiry and that benefits an insider of the issuer;
- Any amendment to remove or exceed the insider participation limits; and
- Amendments to an amending provision within a security based compensation arrangement.

In addition, the TSX requires that the exercise price for any stock option granted under a security-based compensation arrangement or otherwise, must not be lower than the market price of the securities at the time the option is granted.

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[18] Security holder approval, excluding the votes of securities held by insiders benefiting from the amendment, is required for a reduction in the exercise price, purchase price, or an extension of the term of options or similar securities held by insiders. If an issuer cancels options or similar securities held by insiders and then reissues those securities under different terms, the TSX will consider this an amendment to those securities and will require security holder approval, unless the re-grant occurs at least 3 months after the related cancellation. Staff Notice #2005-0001, Section 613 Security Based Compensation Arrangements, S.613(h)(iii) Amendments to Insider Securities.

Any proposal to increase the maximum number of shares reserved under a plan requires specific shareholder approval for the increase even if the plan includes a shareholder-approved general amendment procedure permitting increases to such maximum numbers.

Sections 613(d) and (g) set out a list of disclosure requirements in respect of materials that must be provided to security holders in meeting materials issued prior to a meeting at which the approval of any security-based compensation arrangement is requested. The disclosure requirements include annual disclosure by listed issuers in their information circular or other annual disclosure document distributed to all security holders, the terms of any security-based compensation arrangement as well as any amendments that were adopted in the most recently completed fiscal year, including whether or not security holder approval was obtained for the amendment. Staff Notice #2005-0001 goes on to clarify that such disclosure must be as of the date of the information circular containing the relevant disclosure and that issuers must update disclosure for the most recently completed fiscal year end to include grants, exercises, amendments, etc. which may occur after the fiscal year-end is completed, but prior to the filing of the information circular.

ISS has reiterated the need for shareholder approval for the amendments that currently still require shareholder approval by the TSX due to the ability of the TSX to change or eliminate these requirements at any time in future which we believe would not be in the best interests of shareholders or consistent with institutional investor proxy voting guidelines. Note however that from a corporate governance viewpoint, ISS does not support re-pricing of any outstanding options and does not limit this policy to only those options held by insiders. ISS has for many years recommended against any re-pricing of outstanding options. Our reasons are based on the original purpose of stock options as at-risk, incentive compensation that is meant to align the interests of option-holders with those of shareholders. The incentive value of stock options is diminished when the exercise price of out-of-the-money options can be adjusted downwards and is not supportable when shareholders must suffer the consequences of a downturn in share price.

Discretionary participation by non-employee directors in equity compensation plans is unacceptable from a corporate governance and accountability viewpoint because administrators of the plan should not have the unrestricted ability to issue awards to themselves. Directors who are able to grant themselves equity awards without limit could find their independence compromised. Therefore, the inclusion of non-employee directors in management equity-based compensation plans, must at a minimum be subject to shareholder-approved limits. Issuer discretion to change eligible participants may result in discretionary director participation. For clarification purposes, in keeping with ISS' policy regarding acceptable limits on non-employee director participation, if directors are included in an employee equity compensation plan according to a shareholder approved limit, then any amendment that would remove or increase such limit should be approved by shareholders.

The ability of plan participants to assign options by means of Option Transfer Programs or any other similar program which results in option holders receiving value for underwater options when shareholders must suffer the consequences of declining share prices does not align the interests of option holders with those of shareholders and removes the intended incentive to increase share price which was originally approved by shareholders.

Non-Employee Director (NED) Participation

Discretionary Participation

General Recommendation: Vote against a management equity compensation plan that permits discretionary NED participation.

Limited Participation

General Recommendation: Vote against an equity compensation plan proposal where:

- The NED aggregate share reserve under the plan exceeds 1 percent of the outstanding common shares; or
- The equity plan document does not specify an annual individual NED grant limit with a maximum value of (i) $100,000 worth of stock options, or (ii) $150,000 worth of shares.

The maximum annual individual NED limit should not exceed $150,000 under any type of equity compensation plan, of which no more than $100,000 of value may comprise stock options. For further details, please refer to the ISS Canadian Executive Compensation FAQ.

Rationale: Due to the continuing use of options in compensation plans in Canada, we have not opposed the use of options for outside directors *per se* but have tried to address potential governance concerns by ensuring a reasonable limit on grants to independent NEDs who are charged with overseeing not only a company's compensation scheme but also corporate governance and long-term sustainability. With regard to full value award plans, the directors who administer the plans should not participate in those same plans on a discretionary or excessive basis.

Repricing Options

Repricing History

General Recommendation: Vote against an equity-based compensation plan proposal if the plan expressly permits the repricing of options without shareholder approval and the company has repriced options within the past three years.

Other Compensation Proposals

Individual Grants

General Recommendation: Vote against individual equity grants to NEDs in the following circumstances:

- In conjunction with an equity compensation plan that is on the agenda at the shareholder meeting if voting against the underlying equity compensation plan; and
- Outside of an equity compensation plan if the director's annual grant would exceed the above individual director limit.

Shares taken in lieu of cash fees and a one-time initial equity grant upon a director joining the board will not be included in the maximum award limit.

Rationale: To address investor concerns related to discretionary or unreasonable NED participation in management equity compensation plans, ISS established an acceptable limit on grants to such directors who are not only charged with the administration of a company's compensation program but are also responsible and accountable for the company's overall corporate governance and long term sustainability. The established acceptable range for aggregate NED option grants is 0.25 percent to 1 percent of the outstanding shares. Within that range an individual annual director limit was established based on market practice.

Canadian institutional investors do not generally support stock options as an appropriate form of equity compensation for NEDs, and, at a minimum, require that option grants to NEDs be substantially restricted. ISS has maintained the previously established maximum limit on stock option grants to NEDs of $100,000 per director per year. However, based on current market practice, an updated annual individual NED share-based (non-option) award limit of $150,000 may be reasonable taking into consideration the increased demands on directors.

Please refer to the latest version of the ISS Canadian Equity Plan Scorecard FAQ for further details and discussion related to the NED limit policy.

Repricing Proposals

General Recommendation: Vote against proposals to reprice outstanding options. The following and any other adjustments that can be reasonably considered repricing will generally not be supported:

- reduction in exercise price or purchase price;
- extension of term for outstanding options, cancellation and reissuance of options; and
- substitution of options with other awards or cash.

Rationale: Security Based Compensation Arrangements Section 613(h)(iii) of the TSX Company Manual requires security holder approval (excluding the votes of securities held directly or indirectly by insiders benefiting from the amendment) for a reduction in the exercise price or purchase price or an extension of the term of an award under a security based compensation arrangement benefiting an insider of the issuer notwithstanding that the compensation plan may have been approved by security holders.

Canadian institutional investors have long opposed option repricing. Market deterioration is not an acceptable reason for companies to reprice stock options.

Although not required by TSX rules, ISS believes that any proposal to reduce the price of outstanding options, including those held by non-insiders, should be approved by shareholders before being implemented (see discussion under Plan Amendment Provisions).

The extension of option terms is also unacceptable. Options are not meant to be a no-risk proposition and may lose their incentive value if the term can be extended when the share price dips below the exercise price. Shareholders approve option grants on the basis that recipients have a finite period during which to increase shareholder value, typically five to ten years. As a company would not shorten the term of an option to rein in compensation during, for example, a commodities bull market run, it is not expected to extend the term during a market downturn when shareholders suffer a decrease in share value.

Employee Stock Purchase Plans (ESPPs, ESOPs)

General Recommendation: Vote for broadly based (preferably all employees of the company with the exclusion of individuals with 5 percent or more beneficial ownership of the company) employee stock purchase plans where the following apply:

- Reasonable limit on employee contribution (may be expressed as a fixed dollar amount or as a percentage of base salary excluding bonus, commissions and special compensation);
- Employer contribution of up to 25 percent of employee contribution and no purchase price discount or employer contribution of more than 25 percent of employee contribution and SVT cost of the company's equity plans is within the allowable cap for the company;
- Purchase price is at least 80 percent of fair market value with no employer contribution;
- Potential dilution together with all other equity-based plans is 10 percent of outstanding common shares or less; and
- The Plan Amendment Provision requires shareholder approval for amendments to:
  - The number of shares reserved for the plan;
  - The allowable purchase price discount;
  - The employer matching contribution amount.

Treasury funded ESPPs, as well as market purchase funded ESPPs requesting shareholder approval, will be considered to be incentive-based compensation if the employer match is greater than 25 percent of the employee contribution. In this case, the plan will be run through the ISS compensation model to assess the Shareholder Value Transfer (SVT) cost of the plan together with the company's other equity-based compensation plans.

Eligibility and administration are also key factors in determining the acceptability of an ESPP/ESOP plan.

Management Deferred Share Unit (DSU) Plans

General Recommendation: Vote for deferred compensation plans if:

- SVT cost of the plan does not exceed the company's allowable cap;
- If the SVT cost cannot be calculated, potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less;
- NED participation is acceptably limited or the plan explicitly states that NEDs may only receive DSUs in lieu of cash in a value for value exchange (please refer to Overriding Negative Factors/NED Participation above);
- The plan amendment provisions require shareholder approval for any amendment to:
- Increase the number of shares reserved for issuance under the plan;
- Change the eligible participants that may permit the introduction or reintroduction of non-employee directors on a discretionary basis or amendments that increase limits previously imposed on NED participation;
- Amend the plan amendment provisions.

Rationale: Deferred compensation plans generally encourage share ownership in the company. These types of deferred compensation arrangements are usually designed to compensate executives and outside directors by granting share awards that are held for a period of time before payment or settlement thus aligning their interests with the long-term interests of shareholders, and by allowing them the opportunity to take all or a portion of their cash compensation in the form of deferred units.

Director Compensation

Non-Employee Director (NED) Deferred Share Unit (DSU) Plans

General Recommendation: Vote for a NED deferred compensation plan if:

- DSUs may ONLY be granted in lieu of cash fees on a value for value basis (no discretionary or other grants are permitted), and
- Potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less.

General Recommendation: Vote for NED deferred compensation plans that permit discretionary grants (not ONLY in lieu of cash fees) if:

- Potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less;
- If the plan includes a company matching or top-up provision, the SVT cost of the plan does not exceed the company's allowable cap;
- NED participation is acceptably limited (please refer to Overriding Negative Factors/NED Participation above);
- The plan amendment provisions require shareholder approval for any amendment to:
  - Increase the number of shares reserved for issuance under the plan;

- Change the eligible participants that may permit the introduction or reintroduction of non-employee directors on a discretionary basis or amendments that increase limits previously imposed on NED participation;
- Amend the plan amendment provisions.

Other elements of director compensation evaluated in conjunction with DSU plan proposals include:

- Director stock ownership guidelines of a minimum of three times annual cash retainer;
- Vesting schedule or mandatory deferral period which requires that shares in payment of deferred units may not be paid out until the end of board service;
- The mix of remuneration between cash and equity; and
- Other forms of equity-based compensation, i.e. stock options, restricted stock.

Problematic Director Compensation Practices

General Recommendation: On a case-by-case basis, generally vote withhold for members of the committee responsible for director compensation (or, where no such committee has been identified, the board chair or full board) where director compensation practices which pose a risk of compromising a non-employee director's independence or which otherwise appear problematic from the perspective of shareholders have been identified, including:

- Excessive (relative to standard market practice) inducement grants issued upon the appointment or election of a new director to the board (consideration will be given to the form in which the compensation has been issued and the board's rationale for the inducement grant);
- Performance-based equity grants to non-employee directors which could pose a risk of aligning directors' interests away from those of shareholders and toward those of management; and
- Other significant problematic practices relating to director compensation.

Rationale: The issuance of excessive inducement grants to non-employee directors can create problematic incentives which may compromise an otherwise independent director's judgement or foster divergent incentives between those directors who have recently received such awards and those who have not. Similarly, the issuance of performance-based equity awards (e.g. performance share units or PSUs) to non-employee directors may increase the risk of misaligning directors' interests away from the interests of shareholders and align them more with those of management.

Shareholder Proposals on Compensation

General Recommendation: Vote on a case-by-case basis for shareholder proposals targeting executive and director pay, taking into account:

- The target company’s performance, absolute and relative pay levels as well as the wording of the proposal itself.

Vote for shareholder proposals requesting that the exercise of some, but not all stock options be tied to the achievement of performance hurdles.

Shareholder Advisory Vote Proposals

General Recommendation: Vote for shareholder proposals requesting the adoption of a non-binding advisory shareholder vote to ratify the report of the compensation committee.

Vote against shareholder proposals requesting a binding vote on executive or director compensation as being overly prescriptive and which may lead to shareholder micro-management of compensation issues that are more appropriately within the purview of the compensation committee of the board of directors.

Rationale: Based on the experience of other global markets where advisory votes are permitted, the consensus view is that advisory votes serve as a catalyst for dialogue between investors and public issuers on questionable or contentious compensation practices and can lead to a higher level of board accountability, a stronger link between pay and performance, significantly improved disclosure, and in some cases a noticed deceleration in the rate of increase in executive compensation overall.

Supplemental Executive Retirement Plan (SERP) Proposals

General Recommendation: Vote against shareholder proposals requesting the exclusion of bonus amounts and extra service credits to determine SERP payouts, unless the company's SERP disclosure includes the following problematic pay practices:

- Inclusion of equity-based compensation in the pension calculation;
- Inclusion of excessive bonus amounts in the pension calculation;
- Addition of extra years' service credited in other than exceptional circumstances and without compelling rationale;
- No absolute limit on SERP annual pension benefits (ideally expressed in dollar terms);
- No reduction in benefits on a pro-rata basis in the case of early retirement.

In addition, consideration will also be given to the extent to which executive compensation is performance driven and "at risk," as well as whether bonus payouts can exceed 100 percent of base salary.

Rationale: The inclusion of incentive compensation amounts along with base pay as the basis for calculating supplemental pension benefits is generally viewed as an unacceptable market practice. Proposals that aim to limit excessive pension payments for executives are laudable. The inclusion of variable compensation or other enhancements under SERP provisions can significantly drive up the cost of such plans, a cost that is ultimately absorbed by the company and its shareholders.

Investor pressure to structure executive compensation so that the majority is "at risk" has driven down base salary and therefore it may be reasonable in certain cases to include short-term cash bonus amounts in the SERP calculation. Therefore, ISS will assess limits imposed on extra service credits and the overall mix of guaranteed (salary) and at risk (performance driven incentive compensation) executive compensation, as well as the size of potential cash bonus amounts, when determining vote recommendations on SERP shareholder proposals asking for elimination of these elements in SERP calculations. Given the conservative general market practice in this regard, support for such proposals should be limited to those companies that exceed standard market practice thus qualifying as problematic pay practices as outlined above.

6. SOCIAL/ENVIRONMENTAL ISSUES

Global Approach

Issues covered under the policy include a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short term or long term.

General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:

- If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;
- If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;
- Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive;
- The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;
- Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
- If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and
- If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

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Canada

Proxy Voting Guidelines for Venture-Listed Companies

Benchmark Policy Recommendations

Effective for Meetings on or after February 1, 2019

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COVERAGE

The Canadian research team provides proxy analyses and voting recommendations for common shareholder meetings of publicly – traded Canadian-incorporated companies that are held in our institutional investor clients' portfolios. These Venture policy guidelines apply to companies listed on TSXV, NEX and CSE. ISS reviews its universe of coverage on an annual basis, and the coverage is subject to change based on client need and industry trends.

U.S. Domestic Issuers – which have a majority of outstanding shares held in the U.S. and meet other criteria, as determined by the SEC, and are subject to the same disclosure and listing standards as U.S. incorporated companies – are generally covered under standard U.S. policy guidelines. U.S. Foreign Private Issuers that are incorporated in Canada and that do not file DEF14A reports and do not meet the SEC Domestic Issuer criteria are covered under Canadian policy.

In all cases – including with respect to other companies with cross-market features that may lead to ballot items related to multiple markets – items that are on the ballot solely due to the requirements of another market (listing, incorporation, or national code) may be evaluated under the policy of the relevant market, regardless of the "assigned" market coverage.

1. ROUTINE/MISCELLANEOUS

Audit-Related

Financial Statements/Director and Auditor Reports

Companies are required under their respective Business Corporations Acts (BCAs) to submit their financial statements and the auditor's report, which is included in the company's annual report, to shareholders at every Annual General Meeting (AGM). This routine item is almost always non-voting.

Ratification of Auditors

General Recommendation: Vote for proposals to ratify auditors, unless the following applies:

› Non-audit related fees paid to the auditor > audit fees + audit related fees + tax compliance/preparation fees.

Rationale: National Instrument 52-110 - *Audit Committees* defines "audit services" to include the professional services rendered by the issuer's external auditor for the audit and review of the issuer's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

ISS recognizes that certain tax-related services, e.g. tax compliance and preparation, are most economically provided by the audit firm. Tax compliance and preparation include the preparation of original and amended tax returns, refund claims, and tax payment planning. However, other services in the tax category, e.g. tax advice, planning, or consulting fall more into a consulting category. Therefore, these fees are separated from the tax

compliance/preparation category and are added to the Non-audit (Other) fees for the purpose of determining whether excessive non-audit related fees have been paid to the external audit firm in the most recent year.

In circumstances where "Other" fees include fees related to significant one-time capital restructure events: initial public offerings, emergence from bankruptcy, and spinoffs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining whether non-audit fees are excessive.

In all Canadian jurisdictions, in conjunction with National Instrument 52-110 - *Audit Committees*, Form 52-110F2 - *Disclosure for Venture Issuers* requires that Venture companies disclose:

- The text of the audit committee's charter;
- The name of each audit committee member and state whether or not that member is (i) independent and (ii) financially literate;
- Each audit committee member's relevant education and experience to the performance of their duties as an audit committee member;
- Any instances during the most recent financial year where a recommendation of the audit committee to compensate or nominate an external auditor was not adopted by the board of directors and why;
- A description of any policies or procedures adopted by the audit committee for the engagement of non-audit services;
- All fees paid to the external audit firm, broken down by category as (i) Audit Fees, (ii) Audit-Related Fees, (iii) Tax Fees, or (iv) Other Fees.

If a Venture issuer does not solicit proxies from security holders, then the required disclosure must appear in its Annual Information Form or annual MD&A.

Other Business

General Recommendation: Vote against all proposals on proxy ballots seeking approval for unspecified "other business" that may be conducted at the shareholder meeting as shareholders cannot know what they are approving.

2. BOARD OF DIRECTORS

Voting on Director Nominees in Uncontested Elections

Fundamental Principles

Four fundamental principles apply when determining votes on director nominees:

Board Accountability: Practices that promote accountability and enhance shareholder trust begin with transparency into a company's governance practices (including risk management practices). These practices include the annual election of all directors by a majority of votes cast by all shareholders, affording shareholders the ability to remove directors, and providing detailed timely disclosure of voting results. Board accountability is facilitated through clearly defined board roles and responsibilities, regular peer performance review, and shareholder engagement.

Board Responsiveness: In addition to facilitating constructive shareholder engagement, boards of directors should be responsive to the wishes of shareholders as indicated by majority supported shareholder proposals or lack of majority support for management proposals including election of directors. In the case of a company controlled through a dual-class share structure, the support of a majority of the minority shareholders should equate to majority support.

Board Independence: Independent oversight of management is a primary responsibility of the board. While true independence of thought and deed is difficult to assess, there are corporate governance practices with regard to board structure and management of conflicts of interest that are meant to promote independent oversight. Such practices include the selection of an independent chair to lead the board, structuring board pay practices to eliminate the potential for self-dealing, reducing risky decision-making, ensuring the alignment of director interests with those of shareholders rather than the interests of management, and structuring separate independent key committees with defined mandates. In addition, the board must be able to objectively set and monitor the execution of corporate strategy, with appropriate use of shareholder capital, and independently set and monitor executive compensation programs that support that strategy. Complete disclosure of all conflicts of interest and how they are managed is a critical indicator of independent oversight.

Board Composition: Companies should ensure that directors add value to the board through their specific skills and expertise and by having sufficient time and commitment to serve effectively. Boards should be of a size appropriate to accommodate diversity, expertise, and independence, while ensuring active and collaborative participation by all members. Boards should be sufficiently diverse to ensure consideration of a wide range of perspectives.

Slate Ballots (Bundled Director Elections)

General Recommendation: Vote withhold for all directors nominated only by slate ballot at the annual/general or annual/special shareholders' meetings. This policy will not apply to contested director elections.

Rationale: On February 24, 2012, the TSX Venture Exchange ("Venture") released a bulletin notice reminding issuers of ongoing corporate governance requirements under Venture exchange listing rules. Among the requirements is a prohibition on any mechanisms that entrench existing management as established in section 19.6 of Policy 3.1 – Directors, Officers, Other Insiders & Personnel and Corporate Governance of the Corporate Finance Manual. Specifically cited is the prohibition on the election of the board of directors as a slate without also providing shareholders with the ability to elect each of the directors on an individual basis.

The policy reflects these regulatory requirements while maintaining flexibility to address specific circumstances that would warrant a case-by-case approach.

ISS Canadian Definition of Independence

1. Executive Director

1.1. Employees of the company or its affiliates[i].

1.2. Current interim CEO or any other current interim executive of the company or its affiliates[i].

2. Non-Independent Non-Executive Director

Former/Interim CEO[ii]

2.1. Former CEO of the company or its affiliates[i] within the past five years[iii] or of an acquired company within the past five years.

2.2. Former interim CEO of the company or its affiliates[i] within the past five years[iii] if the service was longer than 18 months or if the service was between 12 and 18 months and the compensation was high relative to that of the other directors or in line with a CEO's compensation[iv] at that time.

2.3. CEO of a former parent or predecessor firm at the time the company was sold or split off from the parent/predecessor within the past five years[iii].

Controlling/Significant Shareholder

2.4. Beneficial owner of company shares with more than 50 percent of the outstanding voting rights (this may be aggregated if voting power is distributed among more than one member of a group).

Non-CEO Executives[ii]

2.5. Former executive of the company, an affiliate[i], or a firm acquired within the past three years.

2.6. Former interim executive of the company or its affiliates[i] within the past three years if the service was longer than 18 months or if the service was between 12 and 18 months, an assessment of the interim executive's terms of employment including compensation relative to other directors or in line with the top five NEOs at that time.

2.7. Executive of a former parent or predecessor firm at the time the company was sold or split off from parent/predecessor within the past three years.

2.8. Executive, former executive of the company or its affiliates[i] within the last three years, general or limited partner of a joint venture or partnership with the company.

Relatives

2.9. Relative[v] of current executive officer[vi] of the company or its affiliates[i].

2.10. Relative[v] of a person who has served as a CEO of the company or its affiliates[i] within the last five years; or an executive officer of the company or its affiliates[i] within the last three years.

Transactional, Professional, Financial, and Charitable Relationships[vii]

2.11. Currently provides (or a relative[v] provides) professional services[viii] to the company, its affiliates[i] or to its officers.

2.12. Is (or a relative[v] is) a partner, controlling shareholder or an employee of, an organization that provides professional services[viii] to the company, to an affiliate of the company, or to an individual officer of the company or one of its affiliates[i].

2.13. Currently employed by (or a relative[v] is employed by) a significant customer or supplier[ix] of the company or its affiliates[i].

2.14. Is (or a relative[v] is) a trustee, director or employee of a charitable or non-profit organization that receives material[x] grants or endowments from the company or its affiliates[i].

2.15. Has, or is (or a relative[v] is) a partner, controlling shareholder or an employee of, an organization that has a transactional relationship with the company or its affiliates[i], excluding investments in the company through a private placement.

Other Relationships

2.16. Has a contractual/guaranteed board seat and is party to a voting agreement to vote in line with management on proposals being brought to shareholders.

2.17. Founder[xi] of the company but not currently an employee.

2.18. Has any material[x] relationship with the company or with any one or more members of management of the company.
2.19. Non-employee officer of the company or its affiliates[i] if he/she is among the five most highly compensated.

Board Attestation

2.20. Board attestation that an outside director is not independent.

3. Independent Director

3.1. No material[x] ties to the company other than board seat.

Footnotes:

i "Affiliate" includes a subsidiary, sibling company, or parent company. ISS uses 50 percent control ownership by the parent company as the standard for applying its affiliate designation.

ii When there is a former CEO or other officer of a capital pool company (CPC) or special purpose acquisition company (SPAC) serving on the board of an acquired company, ISS will generally classify such directors as independent unless determined otherwise taking into account the following factors: any operating ties to the firm; and the existence of any other conflicting relationships or related party transactions.

iii The determination of a former CEO's classification following the five year cooling-off period will be considered on a case-by-case basis. Factors taken into consideration may include but are not limited to: management/board turnover, current or recent involvement in the company, whether the former CEO is or has been Executive Chairman of the board or a company founder, length of service with the company, any related party transactions, consulting arrangements, and any other factors that may reasonably be deemed to affect the independence of the former CEO.

iv ISS will look at the terms of the interim CEO's compensation or employment contract to determine if it contains severance pay, long-term health and pension benefits or other such standard provisions typically contained in contracts of permanent, non-temporary CEOs. ISS will also consider if a formal search process was underway for a full-time CEO.

v Relative refers to immediate family members including spouse, parents, children, siblings, in-laws and anyone sharing the director's home.

vi Executive Officer will include: the CEO or CFO of the entity; the president of the entity; a vice-president of the entity in charge of a principal business unit, division or function; an officer of the entity or any of its subsidiary entities who performs a policy making function in respect of the entity; any other individual who performs a policy-making function in respect of the entity; or any executive named in the Summary Compensation Table.

vii The terms "Currently", "Is" or "Has" in the context of Transactional, Professional, Financial, and Charitable Relationships will be defined as having been provided at any time within the most recently completed fiscal year and/or having been identified at any time up to and including the annual shareholders' meeting.

viii Professional services can be characterized as advisory in nature, generally involve access to sensitive company information or to strategic decision-making, and typically have commission or fee-based payment structure. Professional services generally include, but are not limited to the following: investment banking/financial advisory services, commercial banking (beyond deposit services), investment services, insurance services, accounting/audit services, consulting services, marketing services, legal services, property management services, realtor services, lobbying services, executive search services and IT consulting services. "Of counsel" relationships are only considered immaterial if the individual does not receive any form of compensation from, or is a retired partner of, the firm providing the professional services. The following would generally be considered transactional relationships and not professional services: deposit services, IT tech support services, educational services, and construction services. The case of participation in a banking syndicate by a non-lead bank should be considered a transactional rather than a professional services relationship. The case of a company providing a professional service to one of its directors or to an entity with which one of its directors is affiliated, will be considered a transactional rather than a professional relationship. Insurance services and marketing services are assumed to be professional services unless the company explains why such services are not advisory.

ix If the company makes or receives annual payments exceeding the greater of $200,000 or 5 percent of recipient's gross revenues (the recipient is the party receiving proceeds from the transaction).

x "Material" is defined as a standard of relationship (financial, personal or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.

xi The company's public disclosure regarding the operating involvement of the Founder with the company will be considered. If the Founder was never employed by the company, ISS may deem the Founder as an independent outsider absent any other relationships that may call into question the founding director's ability to provide independent oversight of management.

Vote case-by-case on director nominees, examining the following factors when disclosed:

- Independence of the board and key board committees;
- Attendance at board, and if disclosed, committee meetings;
- Corporate governance provisions and takeover activity;
- Long-term company performance;
- Directors' ownership stake in the company;
- Compensation practices;
- Responsiveness to shareholder proposals;
- Board accountability; and
- Adoption of a Majority Voting (director resignation) policy.

Rationale: Corporate governance disclosure requirements for Venture Issuers are set out in Form 58-101F2 – *Corporate Governance Disclosure*. These requirements include:

- Assessment of the independence of each director and the basis for determination;
- Identification of any other issuer for which the director holds a board seat;
- Description of the director orientation process, if any, and continuing education measures;
- Description of ethical business conduct policies or procedures;
- Disclosure of the nomination process and who is responsible for identifying new candidates;
- Disclosure of the process for determining compensation for the directors and CEO, and who is responsible;
- Description of standing board committees other than the audit, compensation and nominating committees;
- Description of any board assessment procedures.

Non-Independent Directors on Key Committees

General Recommendation: Vote withhold for Executive Directors, Controlling Shareholders or a Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated who:

- Are members of the audit committee;
- Are members of the compensation committee or the nominating committee and the committee is not majority independent; or
- Are board members and the entire board fulfills the role of a compensation committee or a nominating committee and the board is not majority independent.

Rationale: Given the limitations presented by extremely small boards of directors at many Venture issuers, flexibility may be extended to these companies to permit an insider on the compensation committee (or nominating committee if there is one) as long as the committee is majority independent and thus provides an effective balance of independent directors to ensure an independent perspective to counterbalance the presence of an insider. The same rationale would apply to the board as a whole if the entire board fulfills the role of the compensation committee or nominating committee. Given, however, the importance of independent fiscal oversight to all issuers, this exception does not apply to insiders on an audit committee.

Policy Considerations for Majority Owned Companies[1]

ISS policies support a one-share, one-vote principle. In recognition of the substantial equity stake held by certain shareholders, on a case-by-case basis, director nominees who are or who represent a controlling shareholder of a majority owned company may be supported under ISS' board and committee independence policies if the company meets all of the following independence and governance criteria:

- Individually elected directors;
- The number of directors related to the controlling shareholder should not exceed the proportion of common shares controlled by the controlling shareholder. In no event, however, should the number of directors related to the controlling shareholder exceed two-thirds of the board;
- In addition to the above, if the CEO is related to the controlling shareholder then no more than one-third of the board should be related to management (as distinct from the controlling shareholder);
- If the CEO and chair roles are combined or the CEO is or is related to the controlling shareholder, then there should be an independent lead director and the board should have an effective and transparent process to deal with any conflicts of interest between the company, minority shareholders, and the controlling shareholder;
- A majority of the audit and nominating committees should be either independent directors or in addition to at least one independent director, may be directos who are related to the controlling shareholder. All members of the compensation committee should be independent of management. If the CEO is related to the controlling shareholder, no more than one member of the compensation committee should be a director who is related to the controlling shareholder;
- Prompt disclosure of detailed vote results following each shareholder meeting; and
- Adoption of a majority voting director resignation policy for uncontested elections OR public commitment to adopt a majority voting director resignation policy for uncontested elections if the controlling shareholder ceases to control 50 percent or more of the common shares.

ISS will also take into consideration any other concerns related to the conduct of the subject director(s) and any controversy or questionable actions on the part of the subject director(s) that are deemed not to be in the best interests of all shareholders.

Rationale: Canadian corporate law provides significant shareholder protections. For example, under most BCAs, a shareholder or group of shareholders having a 5 percent ownership stake in a company may requisition a special meeting for the purposes of replacing or removing directors and in most jurisdictions, directors may be removed by a simple majority vote. Shareholders also benefit from the ability to bring an oppression action against the board or individual directors of Canadian incorporated public companies.

Against this legal backdrop, Canadian institutions have taken steps to acknowledge and support the premise that a shareholder who has a significant equity stake in the common shares of a reporting issuer under a single class common share structure has a significant interest in protecting the value of that equity stake in the company and is therefore deemed to have significant alignment of interests with minority shareholders. This policy firmly supports the one-share, one-vote principle and is intended to recognize the commonality of interests between certain shareholders having a majority equity stake under a single class share structure and minority shareholders in protecting the value of their investment.

This policy will not be considered at dual class companies having common shares with unequal voting or board representation rights.

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[1] A majority owned company is defined for the purpose of this policy as a company controlled by a shareholder or group of shareholders who together have an economic ownership interest under a single class common share capital structure that is commensurate with their voting entitlement of 50 percent or more of the outstanding common shares.

Audit Fee Disclosure

General Recommendation: Vote withhold for individual directors who are members of the audit committee as constituted in the most recently completed fiscal year if:

› No audit fee information is disclosed by the company within 120 days[2] after its fiscal year end. In the event that the shareholders' meeting at which ratification of auditors is a voting item is scheduled prior to the end of the 120 day reporting deadline and the audit fees for the most recently completed fiscal year have not yet been provided, the vote recommendation will be based on the fee disclosure for the prior fiscal year.

Rationale: The disclosure of audit fees by category is a regulatory requirement and this information is of great importance to shareholders due to the concern that audit firms could compromise the independence of a company audit in order to secure lucrative consulting services from the company.

Excessive Non-Audit Fees

General Recommendation: Vote withhold from individual directors who are members of the audit committee as constituted in the most recently completed fiscal year if:

› Non-audit fees ("other") fees paid to the external audit firm > audit fees + audit-related fees + tax compliance/preparation fees.

Rationale: ISS recognizes that certain tax-related services, e.g. tax compliance and preparation, are most economically provided by the audit firm. Tax compliance and preparation include the preparation of original and amended tax returns, refund claims, and tax payment planning. However, other services in the tax category, e.g. tax advice, planning, or consulting fall more into a consulting category. Therefore, these fees are separated from the tax compliance/preparation category and are added to the Non-audit (Other) fees for the purpose of determining whether excessive non-audit related fees have been paid to the external audit firm in the most recent year.

In circumstances where "Other" fees include fees related to significant one-time capital restructure events (for the purpose of this policy such events are limited to initial public offerings, emergence from bankruptcy, and spinoffs) and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining whether non-audit fees are excessive.

Part 2 of National Instrument 52-110 - *Audit Committees* states that the audit committee must be directly responsible for overseeing the work of the external auditor and that the audit committee must pre-approve all non-audit services provided to the issuer or its subsidiary entities by the issuer's external auditor. It is therefore appropriate to hold the audit committee accountable for payment of excessive non-audit fees.

Persistent Problematic Audit Related Practices

General Recommendation: Vote case-by-case on members of the Audit Committee and potentially the full board if adverse accounting practices are identified that rise to a level of serious concern, such as:

› Accounting fraud;
› Misapplication of applicable accounting standards; or
› Material weaknesses identified in the internal control process.

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[2] Venture-listed reporting issuers are not required to file Annual Financial Statements (AFS) until up to 120 days after the company's fiscal year end.

Severity, breadth, chronological sequence and duration, as well as the company's efforts at remediation or corrective actions, will be examined in determining whether withhold votes are warranted.

Rationale: The policy addresses those cases which could potentially raise serious concern with respect to the audit committee's oversight of the implementation by management of effective internal controls over the accounting process and financial reporting. As well, the audit committee has primary responsibility for selecting and overseeing the external audit firm that would be expected to raise concerns related to problematic accounting practices, misapplication of applicable accounting practices, or any material weakness it may identify in the company's internal controls, as well as whether fraudulent activity is uncovered during the course of the audit assignment.

Director Attendance

Meeting attendance disclosure is not required for Venture issuers. Therefore, no policy is contemplated in this area.

Voting on Directors for Egregious Actions

General Recommendation: Under extraordinary circumstances, vote withhold for directors individually, one or more committee members, or the entire board, due to:

- Material failures of governance, stewardship, risk oversight[3] or fiduciary responsibilities at the company;
- Failure to replace management as appropriate; or
- Egregious actions related to the director(s)' service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

Rationale: Director accountability and competence have become issues of prime importance given the failings in oversight exposed by the global financial crisis and subsequent events. There is also concern over the environment in the boardrooms of certain markets, where past failures appear to be no impediment to continued or new appointments at major companies and may not be part of the evaluation process at companies in considering whether an individual is, or continues to be, fit for the role and best able to serve shareholders' interests.

In the event of exceptional circumstances (including circumstances relating to past performance on other boards) that raise substantial doubt about a director's ability to effectively monitor management and serve in the best interests of shareholders, a withhold vote may be recommended.

Board Responsiveness

In keeping with Canadian market expectations and improvements to provide shareholders with the ability to affect board change, a lack of board response to shareholder majority votes or majority withhold votes on directors is unacceptable and would result in one of the following:

General Recommendation: Vote withhold for continuing individual directors, nominating committee[4] members, or the continuing members of the entire board of directors, where prior meeting voting results have been disclosed, if:

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[3] Examples of failure of risk oversight include, but are not limited to: bribery, large or serial fines or sanctions from regulatory bodies; significant adverse legal judgments or settlements; or hedging of company stock.
[4] Or other board committee charged with the duties of a nominating committee as specified in the company's majority voting director resignation policy.

- At the previous board election, any director received more than 50 percent withhold votes of the votes cast under a majority voting/director resignation policy and the nominating committee[4] has not required that the director leave the board after 90 days, or has not provided another form of acceptable response to the shareholder vote, which will be reviewed on a case-by-case basis;
- At the previous board election, any director received more than 50 percent withhold votes of the votes cast under a plurality voting standard and the company has failed to address the issue(s) that caused the majority withheld vote; or
- The board failed to act[5] on a shareholder proposal that received the support of a majority of the votes cast (excluding abstentions) at the previous shareholder meeting.

As indicated at the beginning of the guidelines for Voting on Director Nominees in Uncontested Elections, board responsiveness is a fundamental principle that should apply when determining votes on director nominees.

Rationale: Follow-up action or response by the board is warranted in the instance where a director is not supported by a majority of the votes cast by shareholders but remains on the board at the next election. A reasonable period of time within which the board or nominating committee is expected to deal with a director resignation under these circumstances is indicated in the widely accepted version of Canadian majority-voting director resignation policies as required by the TSX.

Disclosed board response and rationale will be taken into consideration in limited extraordinary circumstances in the event that a director's resignation is not accepted by the board or the concern that caused majority shareholder opposition has not been addressed. The vote recommendation will be determined on a case-by-case basis that is deemed to be in the best interests of shareholders.

Unilateral Adoption of an Advance Notice Provision

General Recommendation: Vote withhold for individual directors, committee members, or the entire board as appropriate in situations where an advance notice policy has been adopted by the board but has not been included on the voting agenda at the next shareholders' meeting.

Continued lack of shareholder approval of the advanced notice policy in subsequent years may result in further withhold recommendations.

Rationale: The ability of shareholders to put forward potential nominees for election to the board is a fundamental right and should not be amended by management or the board without shareholders' approval, or, at a minimum, with the intention of receiving shareholder approval at the next annual or annual/special meeting of shareholders. As such, the board of directors, as elected representatives of shareholders' interests and as the individuals primarily responsible for corporate governance matters, should be held accountable for allowing such policies to become effective without further shareholder approval.

Furthermore, disclosures regarding these policies should be made available to shareholders (similar to shareholder proposal deadline disclosures or majority voting policy disclosures) because they are substantive changes that may impact shareholders' ability to nominate director candidates. Failure to provide such disclosure is not in shareholders' best interests.

Externally-Managed Issuers (EMIs)

[5] Responding to the shareholder proposal will generally mean either full implementation of the proposal or, if the matter requires a vote by shareholders, a management proposal on the next annual ballot to implement the proposal. Responses that involve less than full implementation will be considered on a case-by-case basis.

General Recommendation: Vote case-by-case on say-on-pay resolutions where provided, or on individual directors, committee members, or the entire board as appropriate, when an issuer is externally-managed and has provided minimal or no disclosure about their management services agreements and how senior management is compensated. Factors taken into consideration may include but are not limited to:

- The size and scope of the management services agreement;
- Executive compensation in comparison to issuer peers and/or similarly structured issuers;
- Overall performance;
- Related party transactions;
- Board and committee independence;
- Conflicts of interest and process for managing conflicts effectively;
- Disclosure and independence of the decision-making process involved in the selection of the management services provider;
- Risk mitigating factors included within the management services agreement such as fee recoupment mechanisms;
- Historical compensation concerns;
- Executives' responsibilities; and
- Other factors that may reasonably be deemed appropriate to assess an externally-managed issuer's governance framework.

Rationale:

Externally-managed issuers (EMIs) typically pay fees to outside firms in exchange for management services. In most cases, some or all of the EMI's executives are directly employed and compensated by the external management firm.

EMIs typically do not disclose details of the management agreement in their proxy statements and only provide disclosure on the aggregate amount of fees paid to the manager, with minimal or incomplete compensation information.

Say-on-pay resolutions are voluntarily adopted in Canada. Some investor respondents to ISS' 2015-16 ISS Global Policy Survey indicated that in cases where an externally managed company does not have a say-on-pay proposal (i.e., 'withhold' votes may be recommended for individual directors), factors other than disclosure should be considered, such as performance, compensation and expenses paid in relation to peers, board and committee independence, conflicts of interest, and pay-related issues. Policy outreach sessions conducted with Canadian institutional investors resulted in identical feedback.

Other Board-Related Proposals

Classification/Declassification of the Board

General Recommendation: Vote against proposals to classify the board. Vote for proposals to repeal classified boards and to elect all directors annually.

Independent Chair (Separate Chair/CEO)

General Recommendation: Vote for shareholder proposals seeking separation of the offices of CEO and chair if:

- The company has a single executive occupying both positions; and
- The board is not majority independent.

Rationale: The separation of the positions of chair and CEO is supported as it is viewed as superior to the lead director concept. The positions of chair and CEO are two distinct jobs with different job responsibilities. The chair is the leader of the board of directors, which is responsible for selecting and replacing the CEO, setting executive pay, evaluating managerial and company performance, and representing shareholder interests. The CEO, by contrast, is responsible for maintaining the day-to-day operations of the company and being the company's spokesperson. It therefore follows that one person cannot fulfill both roles without conflict.

At Venture issuers, however, one person typically fulfills both roles due to limited resources and the extremely small size of boards. As noted previously, flexibility is necessary for these small issuers but shareholders expect at a minimum that the board of directors comprise a majority of independent directors in order to provide the requisite independent balance to board oversight.

Majority Vote Standard for the Election of Directors

General Recommendation: Vote for resolutions requesting that: (i) the board adopt a majority voting director resignation policy for director elections or (ii) the company amend its bylaws to provide for majority voting, whereby director nominees are elected by the affirmative vote of the majority of votes cast, unless:

- A majority voting policy director resignation policy is codified in the company's bylaws, corporate governance guidelines, or other governing documents prior to an election to be considered; and
- The company has adopted formal corporate governance principles that provide an adequate response to both new nominees as well as "holdover" nominees (i.e. incumbent nominees who fail to receive 50 percent of votes cast).

Proxy Access

ISS supports proxy access as an important shareholder right, one that is complementary to other best-practice corporate governance features. However, in the absence of a uniform standard, proposals to enact proxy access may vary widely; as such, ISS is not setting forth specific parameters at this time and will take a case-by-case approach in evaluating these proposals.

Proxy Contests - Voting for Director Nominees in Contested Elections

General Recommendation: Vote case-by-case in contested elections taking into account:

- Long-term financial performance of the target company relative to its industry;
- Management's track record;
- Background to the proxy contest;
- Nominee qualifications and any compensatory arrangements;
- Strategic plan of dissident slate and quality of critique against management;
- Likelihood that the proposed goals and objectives can be achieved (both slates); and
- Stock ownership positions

Overall Approach: When analyzing proxy contests, ISS focuses on two central questions:

- Have the dissidents met the burden of proving that board change is warranted? And, if so;
- Will the dissident nominees be more likely to affect positive change (i.e., increase shareholder value) versus the incumbent nominees?

When a dissident seeks a majority of board seats, ISS will require from the dissident a well-reasoned and detailed business plan, including the dissident's strategic initiatives, a transition plan and the identification of a qualified and credible new management team. ISS will then compare the detailed dissident plan against the incumbent plan and the dissident director nominees and management team against the incumbent team in order to arrive at a vote recommendation.

When a dissident seeks a minority of board seats, the burden of proof imposed on the dissident is lower. In such cases, ISS will not require from the dissident a detailed plan of action, nor is the dissident required to prove that its plan is preferable to the incumbent plan. Instead, the dissident will be required to prove that board change is preferable to the status quo and that the dissident director slate will add value to board deliberations including by, among other factors, considering issues from a viewpoint different from that of the current board members.

Reimbursing Proxy Solicitation Expenses

General Recommendation: Vote case-by-case taking into account:

- Whether ISS recommends in favour of the dissidents, in which case we may recommend approving the dissident's out of pocket expenses if they are successfully elected and the expenses are reasonable.

3. SHAREHOLDER RIGHTS & DEFENSES

Advance Notice Requirements

General Recommendation: Vote case-by-case on proposals to adopt or amend an advance notice board policy or to adopt or amend articles or by-laws containing or adding an advance notice requirement. These provisions will be evaluated to ensure that all of the provisions included within the requirement solely support the stated purpose of the requirement. The purpose of advance notice requirements, as generally stated in the market, is:

- To prevent stealth proxy contests;
- To provide a reasonable framework for shareholders to nominate directors by allowing shareholders to submit director nominations within a reasonable timeframe; and
- To provide all shareholders with sufficient information about potential nominees in order for them to make informed voting decisions on such nominees.

Features that may be considered problematic under ISS' evaluation include but are not limited to:

- For annual notice of meeting given not less than 50 days prior to the meeting date, the notification timeframe within the advance notice requirement should allow shareholders the ability to provide notice of director nominations at any time not less than 30 days prior to the shareholders' meeting. The notification timeframe should not be subject to any maximum notice period. If notice of annual meeting is given less than 50 days prior to the meeting date, a provision to require shareholder notice by close of business on the 10th day following first public announcement of the annual meeting is supportable. In the case of a special meeting, a requirement that a nominating shareholder must provide notice by close of business on the 15th day following first public announcement of the special shareholders' meeting is also acceptable;
- The board's inability to waive all sections of the advance notice provision under the policy or bylaw, in its sole discretion;
- A requirement that any nominating shareholder provide representation that the nominating shareholder be present at the meeting in person or by proxy at which his or her nominee is standing for election for the nomination to be accepted, notwithstanding the number of votes obtained by such nominee;
- A requirement that any proposed nominee deliver a written agreement wherein the proposed nominee acknowledges and agrees, in advance, to comply with all policies and guidelines of the company that are applicable to directors;
- Any provision that restricts the notification period to that established for the originally scheduled meeting in the event that the meeting has been adjourned or postponed;
- Any disclosure request within the advance notice requirement, or the company’s ability to request additional disclosure of the nominating shareholder(s) or the shareholder nominee(s) that: exceeds what is required in a dissident proxy circular; goes beyond what is necessary to determine director nominee qualifications, relevant experience, shareholding or voting interest in the company, or independence in the same manner as would be required for management nominees; or, goes beyond what is required under law or regulation;
- Stipulations within the provision that the corporation will not be obligated to include any information provided by dissident director nominees or nominating shareholders in any shareholder communications, including the proxy statement; and
- Any other feature or provision determined to have a negative impact on shareholders' interests and deemed outside the purview of the stated purpose of the advance notice requirement.

Rationale: As advance notice requirements continue to evolve and their use is tested by market participants, Canadian institutional investors are voicing concerns about the specific provisions contained therein. Investors have cautioned with respect to the potential for certain provisions included within these requirements to be used to impede the ability of shareholders to nominate director candidates to the board of directors, a fundamental shareholder right under Canada's legal and regulatory framework.

A minimum 30-day shareholder notice period supports notice and access provisions and is in keeping with the stated purpose of advance notice requirements which is to prevent last minute or stealth proxy contests. Any maximum threshold for shareholder notice is deemed unacceptable, and the removal of such is expected to facilitate timelier access to the proxy and afford shareholders more time to give complete and informed consideration to dissident concerns and director nominees.

Enhanced and discretionary requirements for additional information that is not then provided to shareholders, provisions that may prohibit nominations based on restricted notice periods for postponed or adjourned meetings and written confirmations from nominee directors in advance of joining the board are all examples of the types of provisions that have the potential to be misused and are outside the intended stated purpose of advance notice requirements.

Canadian court cases have provided a clear indication that these provisions are intended to protect shareholders, as well as management, from ambush and that they are not intended to exclude nominations given on ample notice or to buy time to allow management to develop a strategy to defeat dissident shareholders. As well, these rulings have shown that in the case of ambiguous provisions the result should weigh in favour of shareholder voting rights.

Enhanced Shareholder Meeting Quorum for Contested Director Elections

General Recommendation: Vote against new by-laws or amended by-laws that would establish two different quorum levels which would result in implementing a higher quorum solely for those shareholder meetings where common share investors seek to replace the majority of current board members ("Enhanced Quorum").

Rationale: With Enhanced Quorum, the ability to hold a shareholders' meeting is subject to management's pre-determination that a contested election to replace a majority of directors is the singularly most important corporate issue, thus justifying a significantly higher shareholder (or proxy) presence before the meeting can commence. From a corporate governance perspective, this higher threshold appears to be inconsistent with the view that shareholder votes on any voting item should carry equal importance and should therefore be approved under the same quorum requirement for all items.

Companies have indicated in examples to date that Enhanced Quorum is not designed to block the potential consequence of a majority change in board memberships. In the absence of Enhanced Quorum being met, the affected shareholder meeting will be adjourned for up to 65 days. Notwithstanding the equality of all voting issues, shareholders may question the benefits of a delayed shareholder meeting resulting from a 50 percent quorum requirement for the initial meeting.

Appointment of Additional Directors Between Annual Meetings

General Recommendation: Vote for these resolutions where:

- The company is incorporated under a statute (such as the *Canada Business Corporations Act*) that permits removal of directors by simple majority vote;
- The number of directors to be appointed between meetings does not exceed one-third of the number of directors appointed at the previous annual meeting; and
- Such appointments must be ratified by shareholders at the annual meeting immediately following the date of their appointment.

Articles/By-laws

General Recommendation: Vote for proposals to adopt or amend articles/by-laws unless the resulting document contains any of the following:

- The quorum for a meeting of shareholders is set below two persons holding 25 percent of the eligible vote (this may be reduced to no less than 10 percent in the case of a small company that can demonstrate, based on publicly disclosed voting results, that it is unable to achieve a higher quorum and where there is no controlling shareholder);
- The quorum for a meeting of directors is less than 50 percent of the number of directors;
- The chair of the board has a casting vote in the event of a deadlock at a meeting of directors;
- An alternate director provision that permits a director to appoint another person to serve as an alternate director to attend board or committee meetings in place of the duly elected director;
- An advance notice requirement that includes one or more provisions which could have a negative impact on shareholders' interests and which are deemed outside the purview of the stated purpose of the requirement;
- Authority is granted to the board with regard to altering future capital authorizations or alteration of the capital structure without further shareholder approval;
- Any other provisions that may adversely impact shareholders' rights or diminish independent effective board oversight.

In any event, proposals to adopt or amend articles or bylaws will generally be opposed if the complete article or by-law document is not included in the meeting materials for thorough review or referenced for ease of location on SEDAR.

General Recommendation: Vote for proposals to adopt or amend articles/by-laws if the proposed amendment is limited to only that which is required by regulation or will simplify share registration.

Rationale: Constating documents such as articles and by-laws (in concert with the legislative framework provided by Canada's various BCAs) establish the rights of shareholders of a company and the procedures through which the board of directors exercises its duties. Given this foundational role, these documents should reflect best practices within the Canadian market wherever possible.

- **Quorum Requirements:** The quorum requirement for meetings of shareholders should encourage wide-ranging participation from all shareholders. Shareholder meeting quorum requirements that allow only one shareholder to constitute quorum could allow a single significant or controlling shareholder to dominate meetings at the expense of minority shareholders. Quorum requirements with lower shareholding thresholds, such as five percent, could provide a significant shareholder or a small group of shareholders with the ability to pass resolutions that may be considered contentious or problematic by other shareholders. Likewise, quorum requirements for meetings of directors should ensure that at least half of shareholders' representatives are present before significant decisions are made. Directors' responsibilities include attending all meetings for which their presence is scheduled and a company's core documents should reflect this duty.

- **Casting Vote for the Chair at Board Meetings:** While the chair is the appointed leader of the board, the authority granted to the chair by shareholders is no greater than that granted to any other director. Providing the chair with a casting or second vote in the event of a tie could result in a power structure which is not conducive to effective governance. Additionally, while boards are increasingly transitioning toward a governance structure involving a separate chair and CEO, many issuers still combine these roles or appoint a recent former CEO as board chair. In cases where the board is divided on an issue, it is inappropriate from the perspective of shareholders for an insider or affiliated outsider to have the final decision in contentious matters which could significantly affect shareholders' interests.

- **Alternate Directors:** A provision allowing for alternate directors, who have been neither elected by shareholders nor ratified by shareholders following board appointment, raises serious concerns regarding whether these individuals may be bound to serve in the best interests of shareholders. Furthermore, directors must be willing to earmark sufficient time and effort toward serving on a board once they have accepted the responsibility entrusted to them by shareholders. The appointment of unelected alternates is inconsistent with this duty.

- **Problematic Advance Notice Requirements:** A number of advance notice requirements have been included on ballots as amendments to company by-laws or articles. Any such requirements are deemed significant additions to the bylaw or articles and therefore are reviewed with respect to whether they negatively affect shareholders' ability to nominate directors to the board. See ISS' policy on Advance Notice Requirements for details.

- **Blanket Authority for Share Capital Structure Alterations:** In recent years, some companies incorporated under the *Business Corporations Act* (British Columbia) ("BCBCA") have sought to amend their constating documents to provide the board with blanket authority to alter the company's share capital structure. These changes include the ability to increase the company's authorized capital and change restrictions on any class of shares. Although permitted under the BCBCA, shareholders would be better served if changes which could affect shareholders' interests required shareholder approval.

- **Other Problematic Provisions:** Other proposals to alter the articles or by-laws will be approached on a case-by-case basis. Where a potential inclusion, deletion, or amendment is deemed contrary to shareholders' interests, ISS will generally, taking into consideration any other problematic factors or mitigating circumstances, recommend against such changes.

Cumulative Voting

General Recommendation: Where such a structure would not be detrimental to shareholder interests, generally vote for proposals to introduce cumulative voting.

Generally vote against proposals to eliminate cumulative voting.

Generally vote for proposals to restore or permit cumulative voting but exceptions may be made depending on the company's other governance provisions such as the adoption of a majority vote standard for the election of directors.

Confidential Voting

General Recommendation: Vote for shareholder proposals requesting that corporations adopt confidential voting, use independent vote tabulators, and use independent inspectors of election, as long as:

- The proposal includes a provision for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents will not agree, the confidential voting policy is waived for that particular vote.

Generally vote for management proposals to adopt confidential voting.

Poison Pills (Shareholder Rights Plans)

General Recommendation: Vote case-by-case on management proposals to ratify a shareholder rights plan (poison pill) taking into account whether it conforms to 'new generation' rights plan best practice guidelines and its scope is limited to the following two specific purposes:

- To give the board more time to find an alternative value enhancing transaction; and
- To ensure the equal treatment of all shareholders.

Vote against plans that go beyond these purposes if:

- **The plan gives discretion to the board to either:**
  - Determine whether actions by shareholders constitute a change in control;
  - Amend material provisions without shareholder approval;
  - Interpret other provisions;
  - Redeem the rights or waive the plan's application without a shareholder vote; or
  - Prevent a bid from going to shareholders.
- **The plan has any of the following characteristics:**
  - Unacceptable key definitions;
  - Reference to Derivatives Contracts within the definition of Beneficial Owner;
  - Flip over provision;
  - Permitted bid minimum period greater than 105 days;
  - Maximum triggering threshold set at less than 20 percent of outstanding shares;
  - Does not permit partial bids;
  - Includes a Shareholder Endorsed Insider Bid (SEIB) provision;
  - Bidder must frequently update holdings;
  - Requirement for a shareholder meeting to approve a bid; and
  - Requirement that the bidder provide evidence of financing.
- **The plan does not:**
  - Include an exemption for a "permitted lock up agreement";
  - Include clear exemptions for money managers, pension funds, mutual funds, trustees, and custodians who are not making a takeover bid; and
  - Exclude reference to voting agreements among shareholders.

Rationale: The evolution of "new generation" shareholder rights plans in Canada has been the result of reshaping the early antitakeover provision known as a "poison pill" into a shareholder protection rights plan that serves only two legitimate purposes: (i) to increase the minimum time period during which a Permitted Bid may remain outstanding in order to the give the board of directors of a target company sufficient time to find an alternative to a takeover bid that would increase shareholder value; and (ii) to ensure that all shareholders are treated equally in the event of a bid for their company.

Recent changes to take-over bid regulation under National Instrument 62-104 Take-Over Bids and Issuer Bids, have codified a number of key provisions that ISS has long required in order to support a shareholder rights plan. As well, new regulation has established a 105-day minimum bid deposit period, with board discretion to reduce this period in certain circumstances but in no event to less than 35 days.

Elimination of board discretion to interpret the key elements of the plan was critical to this evolution. Definitions of Acquiring Person, Beneficial Ownership, Affiliates, Associates and Acting Jointly or in Concert are the terms that set out the who, how, and when of a triggering event. These definitions in early poison pills contained repetitive, circular, and duplicative layering of similar terms which created confusion and made interpretation difficult. Directors were given broad discretion to interpret the terms of a rights plan to determine when it was triggered, or in other words, whether a takeover bid could proceed. This, in turn, created enough uncertainty for bidders or

potential purchasers to effectively discourage non-board negotiated transactions. It can be seen how the early poison pill became synonymous with board and management entrenchment.

“New generation” rights plans have therefore been drafted to remove repetitive and duplicative elements along with language that gives the board discretion to interpret the terms of the plan. Also absent from “new generation” plans are references to similar definitions in regulation. Definitions found in various regulations often contain repetitive elements, but more importantly they cross-reference other definitions in regulation that are unacceptable to and not intended to serve the same purpose as those found in a "new generation" rights plan.

A number of other definitions are relevant to the key definitions mentioned above and are therefore equally scrutinized. Exemptions under the definition of Acquiring Person, for example, such as Exempt Acquisitions and Pro Rata Acquisitions, are sometimes inappropriately drafted to permit acquisitions that should trigger a rights plan. In order for an acquisition to be pro rata, the definition must ensure that a person may not, by any means, acquire a greater percentage of the shares outstanding than the percentage owned immediately prior to the acquisition. It should also be noted that "new generation" rights plans are premised on the acquisition of common shares and ownership at law or in equity. Therefore, references to the voting of securities (a.k.a. "voting pills") which may have a chilling effect on shareholder initiatives relating to the voting of shares on corporate governance matters, or the extension of beneficial ownership to encompass derivative securities that may result in deemed beneficial ownership of securities that a person has no right to acquire goes beyond the acceptable purpose of a rights plan.

Equally important to the acceptability of a shareholder rights plan is the treatment of institutional investors who have a fiduciary duty to carry out corporate governance activities in the best interests of the beneficial owners of the investments that they oversee. These institutional investors should not trigger a rights plan through their investment and corporate governance activities, including the voting of shares, for the accounts of others. The definition of Independent Shareholders should make absolutely clear these institutional investors acting in a fiduciary capacity for the accounts of others are independent for purposes of approving a takeover bid or other similar transaction, as well as approving future amendments to the rights plan.

Probably one of the most important and most contentious definitions in a shareholder rights plan is that of a Permitted Bid. ISS guidelines provide that an acceptable Permitted Bid definition must permit partial bids. Canadian takeover bid legislation is premised on the ability of shareholders to make the determination of the acceptability of any bid for their shares, partial or otherwise, provided that it complies with regulatory requirements. In the event that a partial bid is accepted by shareholders, regulation requires that their shares be taken up on a pro rata basis. Shareholders of a company may welcome the addition of a significant new shareholder for a number of reasons.

Also, unacceptable to the purpose of a rights plan is the inclusion of a "Shareholder Endorsed Insider Bid" (SEIB) provision which would allow an "Insider" and parties acting jointly or in concert with an Insider an additional less rigorous avenue to proceed with a take-over bid without triggering the rights plan, in addition to making a Permitted Bid or proceeding with board approval. The SEIB provision allows Insiders the ability to take advantage of a less stringent bid provision that is not offered to other bidders who must make a Permitted Bid or negotiate with the board for support.

Finally, a "new generation” rights plan must contain an exemption for lockup agreements and the definition of a permitted lockup agreement must strike the proper balance so as not to discourage either (i) the potential for a bidder to lock up a significant shareholder and thus give some comfort of a certain degree of success, or (ii) the potential for competitive bids offering a greater consideration and which would also necessitate a locked up person be able to withdraw the locked up shares from the first bid in order to support the higher competing bid.

New generation rights plans have been limited to achieving the two purposes identified here. The adoption of National Instrument 62-104 now ensures that a board has ample time to consider a take-over bid and to find a

superior alternative transaction that maximizes shareholder value. However, "new generation" shareholder rights plans will continue to serve an important purpose because they ensure that shareholders are treated equally in a control transaction by precluding creeping acquisitions or the acquisition of a control block through private agreements between a few large shareholders.

Reincorporation Proposals

General Recommendation: Vote case-by-case on proposals to change a company's jurisdiction of incorporation taking into account:

- Financial and corporate governance concerns, including: the reasons for reincorporating, a comparison of the governance provisions, and a comparison of the jurisdictional laws.

Generally vote for reincorporation when:

- Positive financial factors outweigh negative governance implications; or
- Governance implications are positive.

Generally vote against reincorporation if business implications are secondary to negative governance implications.

Supermajority Vote Requirements

General Recommendation: Vote against proposals to require a supermajority shareholder vote at a level above that required by statute.

Generally vote for proposals to lower supermajority vote requirements.

4. CAPITAL/RESTRUCTURING

Mergers and Corporate Restructurings

General Recommendation: For mergers and acquisitions, review and evaluate the merits and drawbacks of the proposed transaction, balancing the various and sometimes countervailing factors including:

Valuation: Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction and strategic rationale.

Market Reaction: How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.

Strategic Rationale: Does the deal make sense strategically? From where is value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favourable track record of successful integration of historical acquisitions.

Negotiations and Process: Were the terms of the transaction negotiated at arms-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. Significant negotiation “wins” can also signify the deal makers’ competency. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.

Conflicts of Interest: Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. Consider whether these interests may have influenced these directors and officers to support or recommend the merger. The CIC figure presented in the "ISS Transaction Summary" section of this report is an aggregate figure that can in certain cases be a misleading indicator of the true value transfer from shareholders to insiders. Where such figure appears to be excessive, analyze the underlying assumptions to determine whether a potential conflict exists.

Governance: Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.

Capital Structure

Increases in Authorized Capital

General Recommendation: Vote case-by-case on proposals to increase the number of shares of common stock authorized for issuance. Generally vote for proposals to approve increased authorized capital if:

- A company's shares are in danger of being de-listed; or
- A company's ability to continue to operate as a going concern is uncertain.

Generally vote against proposals to approve unlimited capital authorization.

Rationale: Canadian jurisdictions generally permit companies to have an unlimited authorized capital. ISS prefers to see companies with a fixed maximum limit on authorized capital, with at least 30 percent of the authorized stock issued and outstanding. Limited capital structures protect against excessive dilution and can be increased when needed with shareholder approval.

Private Placement Issuances

General Recommendation: Vote case-by-case on private placement issuances taking into account:

- Whether other resolutions are bundled with the issuance;
- Whether the rationale for the private placement issuance is disclosed;
- Dilution to existing shareholders' position:
- Issuance that represents no more than 30 percent of the company's outstanding shares on a non-diluted basis is considered generally acceptable;
- Discount/premium in issuance price to the unaffected share price before the announcement of the private placement;
- Market reaction: The market's response to the proposed private placement since announcement; and
- Other applicable factors, including conflict of interest, change in control/management, evaluation of other alternatives.

Generally vote for the private placement issuance if it is expected that the company will file for bankruptcy if the transaction is not approved or the company's auditor/management has indicated that the company has going concern issues.

Rationale: The TSX-V requires shareholder approval for private placements where:

- The issuance of the private placement shares would result in or be part of a transaction which would result in the creation of a new control person; or
- The issuance of the private placement shares constitutes a related party transaction in the contect of Policy 5.9. In this case, disinterested shareholder approval would be required.

In addition, the TSX-V may require shareholder approval where the private placement appears to be undertaken as a defensive tactic to a takeover bid.

Allowable discounts for private placements not requiring shareholder approval are as follows:

Market Price	Maximum Discount
$0.50 or less	25%
$0.51 to $2.00	20%
Above $2.00	15%

In instances where a company will file for bankruptcy if the transaction is not approved or where a company has going concern issues, the urgent need for financing will generally override the other criteria under examination. In instances where the transaction is required for other financing purposes, the other criteria will be examined on a case-by-case basis.

Blank Cheque Preferred Stock

General Recommendation: Vote against proposals to create unlimited blank cheque preferred shares or increase blank cheque preferred shares where:

- The shares carry unspecified rights, restrictions, and terms; or
- The company does not specify the purpose for the creation or increase of such shares;

Generally vote for proposals to create a reasonably limited[6] number of preferred shares where both of the following apply:

- The company has stated in writing and publicly disclosed that the shares will not be used for antitakeover purposes; and
- The voting, conversion, and other rights, restrictions and terms of such stock where specified in the articles and are reasonable.

Dual-class Stock

General Recommendation: Vote against proposals to create a new class of common stock that will create a class of common shareholders with diminished or superior voting rights.

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[6] Institutional investors have indicated low tolerance for dilutive preferred share issuances. Therefore, if the authorized preferreds may be assigned conversion rights or voting rights when issued, the authorization should be limited to no more than 20 percent of the outstanding common shares as of record date. If the preferred share authorization proposal prohibits the assignment of conversion, voting or any other right attached which could dilute or negatively impact the common shares or the rights of common shareholders when such preferred shares are issued, a maximum authorization limit of 50 percent of the outstanding common shares as of record date may be supported taking into account the stated purpose for the authorization and other details of the proposal.

The following is an exceptional set of circumstances under which ISS would generally support a dual class capital structure. Such a structure must meet all of the following criteria:

- It is required due to foreign ownership restrictions and financing is required to be done out of country[7];
- It is not designed to preserve the voting power of an insider or significant shareholder;
- The subordinate class may elect some board nominees;
- There is a sunset provision; and
- There is a coattail provision that places a prohibition on any change in control transaction without approval of the subordinate class shareholders.

Escrow Agreements

General Recommendation: Vote against an amendment to an existing escrow agreement where the company is proposing to delete all performance-based release requirements in favour of time-driven release requirements.

Rationale: On going public, certain insiders of smaller issuers must place a portion of their shares in escrow. The primary objective of holding shares in escrow is to ensure that the key principals of a company continue their interest and involvement in the company for a reasonable period after public listing.

[7] The company has disclosed that it has requested to have its shares listed for trading on a non-Canadian stock exchange.

5. COMPENSATION

Advisory Vote on Executive Compensation (Say-on-Pay) Management Proposals

The following policy approach will apply to any Say on Pay resolution adopted by a TSXV company.

General Recommendation: Vote case-by-case on management proposals for an advisory shareholder vote on executive compensation (Management Say-on-Pay proposals or MSOPs).

Vote against MSOP proposals, withhold for compensation committee members (or, in rare cases where the full board is deemed responsible, all directors including the CEO), and/or against an equity-based incentive plan proposal if:

- There is a significant misalignment between CEO pay and company performance (pay for performance);
- The company maintains significant problematic pay practices; or
- The board exhibits a significant level of poor communication and responsiveness to shareholders.

Primary Evaluation Factors for Executive Pay

Pay for Performance:

- Rationale for determining compensation (e.g., why certain elements and pay targets are used, how they are used in relation to the company's business strategy, and specific incentive plan goals, especially retrospective goals) and linkage of compensation to long-term performance;
- Evaluation of peer group benchmarking used to set target pay or award opportunities;
- Analysis of company performance and executive pay trends over time, taking into account ISS' Pay for Performance policy;
- Mix of fixed versus variable and performance versus non-performance-based pay.

Pay Practices:

- Assessment of compensation components included in the Problematic Pay Practices policy such as: perks, severance packages, employee loans, supplemental executive pension plans, internal pay disparity, and equity plan practices (including option backdating, repricing, option exchanges, or cancellations/surrenders and re-grants, etc.);
- Existence of measures that discourage excessive risk taking which include but are not limited to: clawbacks, holdbacks, stock ownership requirements, deferred compensation practices, etc.

Board Communications and Responsiveness:

- Clarity of disclosure (e.g., whether the company's Form 51-102F6 disclosure provides timely, accurate, complete and clear information about compensation practices in both tabular format and narrative discussion);
- Assessment of board's responsiveness to investor concerns on compensation issues (e.g., whether the company engaged with shareholders and / or responded to majority-supported shareholder proposals relating to executive pay).

Voting Alternatives

In general, the MSOP is the primary focus of voting on executive pay practices; dissatisfaction with compensation practices can be expressed by voting against an MSOP rather than withholding or voting against the compensation committee. If, however, there is no MSOP on the ballot, then the negative vote will apply to members of the compensation committee. In addition, in egregious cases or if the board fails to respond to concerns raised by a prior MSOP proposal, vote withhold or against compensation committee members (or, if the full board is deemed accountable, all directors). If the negative factors involve equity-based compensation, then vote against an equity-based plan proposal presented for shareholder approval.

Pay for Performance Evaluation

This policy will be applied for all MSOP resolutions.

On a case-by-case basis, ISS will evaluate the alignment of the CEO's total compensation with company performance over time, focusing particularly on companies that have underperformed their peers over a sustained period. From a shareholder's perspective, performance is predominantly gauged by the company's share price performance over time. Even when financial or operational measures are used as the basis for incentive awards, the achievement related to these measures should ultimately translate into superior shareholder returns in the long term.

General Recommendation: Vote against MSOP proposals and/or vote withhold for compensation committee members (or, in rare cases where the full board is deemed responsible, all directors including the CEO) and/or against an equity-based incentive plan proposal if:

- There is significant long-term misalignment between CEO pay and company performance.

The determination of long-term pay for performance alignment is a two-step process: step one is a quantitative screen, which includes a relative and absolute analysis on pay for performance, and step two is a qualitative assessment of the CEO's pay and company performance. A pay for performance disconnect will be determined as follows:

Step I: Quantitative Screen

Relative:

1. The Relative Degree of Alignment (RDA) is the difference between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group[8], each measured over a three-year period or less if pay or performance data is unavailable for the full three years;
2. The Financial Performance Assessment (FPA) is the ranking of CEO total pay and company financial performance within a peer group, each measured over a three-year period;
3. Multiple of Median (MOM) is the total compensation in the last reported fiscal year relative to the median compensation of the peer group; and

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[8] The peer group is generally comprised of 11-24 companies using following criteria:
The GICS industry classification of the subject company;
The GICS industry classification of the company's disclosed pay benchmarking peers;
- Size constraints for revenue between 0.25X and 4X the subject company's size (or assets for certain financial companies) and market value utilizing four market cap "buckets" (micro, small, mid and large);;
- The following order is used for GICS industry group peer selection (8-digit, 6-digit, 4-digit, or 2-digit) while pushing the subject company's size closer to the median of the peer group.
- Please refer to ISS' Canadian Compensation FAQ for further details.

In exceptional cases, peer groups may be determined on a customized basis.

Absolute:

4. The CEO pay-to-TSR Alignment (PTA) over the prior five fiscal years, i.e., the difference between absolute pay changes and absolute TSR changes during the prior five-year period (or less as company disclosure permits).

Step II: Qualitative Analysis

Companies identified by the methodology as having potential P4P misalignment will receive a qualitative assessment to determine the ultimate recommendation, considering a range of case-by-case factors which may include:

- The ratio of performance- to time-based equity grants and the overall mix of performance-based compensation relative to total compensation (considering whether the ratio is more than 50 percent); standard time-vested stock options and restricted shares are not considered to be performance-based for this consideration;
- The quality of disclosure and appropriateness of the performance measure(s) and goal(s) utilized, so that shareholders can assess the rigor of the performance program. The use of non-GAAP financial metrics also makes it challenging for shareholders to ascertain the rigor of the program as shareholders often cannot tell the type of adjustments being made and if the adjustments were made consistently. Complete and transparent disclosure helps shareholders to better understand the company's pay for performance linkage;
- The trend in other financial metrics, such as growth in revenue, earnings, return measures such as ROE, ROA, ROIC, etc.;
- The use of discretionary out of plan payments or awards and the rationale provided as well as frequency of such payments or awards;
- The trend considering prior years' P4P concern;
- Extraordinary situation due to a new CEO in the last reported FY;[9] and
- Any other factors deemed relevant.

- **Rationale:** The two part methodology is a combination of quantitative and qualitative factors that more effectively drive a case-by-case evaluation. Please refer to the latest version of the Canadian Compensation Policy FAQ for a more detailed discussion of ISS' quantitative pay-for-performance screen and peer group construction methodology.

Problematic Pay Practices

General Recommendation: Vote against MSOP resolutions and/or vote withhold for compensation committee members if the company has significant problematic compensation practices. Generally vote against equity plans if the plan is a vehicle for problematic compensation practices.

Generally vote based on the preponderance of problematic elements; however, certain adverse practices may warrant withhold or against votes on a stand-alone basis in particularly egregious cases. The following practices, while not an exhaustive list, are examples of problematic compensation practices that may warrant an against or withhold vote

Poor disclosure practices:

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[9] Note that the longer-term emphasis of the methodology alleviates concern about impact of CEO turnover. Thus, except in extenuating circumstances, a "new" CEO will not exempt the company from consideration under the methodology since the compensation committee is also accountable when a company is compelled to significantly "overpay" for new leadership due to prior poor performance.

- General omission of timely information necessary to understand the rationale for compensation setting process and outcomes, or omission of material contracts, agreements or shareholder disclosure documents;

New CEO with overly generous new hire package:

- Excessive "make whole" provisions;
- Any of the problematic pay practices listed in this policy;

Egregious employment contracts:

- Contracts containing multiyear guarantees for salary increases, bonuses, or equity compensation;

Employee Loans:

- Interest free or low interest loans extended by the company to employees for the purpose of exercising options or acquiring equity to meet holding requirements or as compensation;

Excessive severance and/or change-in-control provisions:

- Inclusion of excessive change-in-control or severance payments, especially those with a multiple in excess of 2X cash pay (salary + bonus);
- Severance paid for a "performance termination" (i.e., due to the executive's failure to perform job functions at the appropriate level);
- Employment or severance agreements that provide for modified single triggers, under which an executive may voluntarily leave following a change in control without cause and still receive the severance package;
- Perquisites for former executives such as car allowance, personal use of corporate aircraft, or other inappropriate arrangements;
- Change-in-control payouts without loss of job or substantial diminution of job duties (single-triggered);

Abnormally large bonus payouts without justifiable performance linkage or proper disclosure:

- Performance metrics that are changed, canceled, or replaced during the performance period without adequate explanation of the action and the link to performance;

Egregious pension/SERP (supplemental executive retirement plan) payouts:

- Inclusion of performance-based equity awards in the pension calculation;
- Inclusion of target (unearned) or excessive bonus amounts in the pension calculation;
- Addition of extra years of service credited without compelling rationale;
- No absolute limit on SERP annual pension benefits (any limit should be expressed as a dollar value);
- No reduction in benefits on a pro-rata basis in the case of early retirement;

Excessive perks:

- Overly generous cost and/or reimbursement of taxes for personal use of corporate aircraft, personal security systems maintenance and/or installation, car allowances, and/or other excessive arrangements relative to base salary;

Payment of dividends on performance awards:

- Performance award grants for which dividends are paid during the period before the performance criteria or goals have been achieved, and therefore not yet earned;

Problematic option granting practices:

- Backdating options (i.e. retroactively setting a stock option's exercise price lower than the prevailing market value at the grant date);
- Springloading options (i.e. timing the grant of options to effectively guarantee an increase in share price shortly after the grant date);
- Cancellation and subsequent re-grant of options;

Internal Pay Disparity:

- Excessive differential between CEO total pay and that of next highest-paid named executive officer (NEO);

Absence of pay practices that discourage excessive risk taking:

- These provisions include but are not limited to: clawbacks, holdbacks, stock ownership requirements, deferred bonus and equity award compensation practices, etc.;
- Financial institutions will be expected to have adopted or at least addressed the provisions listed above in accordance with the Financial Stability Board's (FSB) Compensation Practices and standards for financial companies;

Other excessive compensation payouts or problematic pay practices at the company.

Rationale: Shareholders are not generally permitted to vote on provisions such as change-in-control provisions or the ability of an issuer to extend loans to employees to exercise stock options, for example, when reviewing equity-based compensation plan proposals. Nor do shareholders in Canada have the ability to approve employment agreements, severance agreements, or pensions; however, these types of provisions, agreements, and contractual obligations continue to raise shareholder concerns. Therefore, ISS will review disclosure related to the various components of executive compensation and may recommend withholding from the compensation committee or against an equity plan proposal if compensation practices are unacceptable from a corporate governance perspective.

Board Communications and Responsiveness

General Recommendation: Consider the following on a case-by-case basis when evaluating ballot items related to executive pay:

- Poor disclosure practices, including: insufficient disclosure to explain the pay setting process for the CEO and how CEO pay is linked to company performance and shareholder return; lack of disclosure of performance metrics and their impact on incentive payouts; no disclosure of rationale related to the use of board discretion when compensation is increased or performance criteria or metrics are changed resulting in greater amounts paid than that supported by previously established goals.
- Board's responsiveness to investor input and engagement on compensation issues, including:
  - Failure to respond to majority-supported shareholder proposals on executive pay topics;
  - Failure to respond to concerns raised in connection with significant opposition to MSOP proposals;
  - Failure to respond to the company's previous say-on-pay proposal that received support of less than 70 percent of the votes cast taking into account the ownership structure of the company.

Examples of board response include, but are not limited to: disclosure of engagement efforts regarding the issues that contributed to the low level of support, specific actions taken to address the issues that contributed to the low level of support, and more rationale on pay practices.

Equity-Based Compensation Plans

General Recommendation: Vote on a case-by-case basis on share-based compensation plans. Generally vote against an equity compensation plan proposal if:

- The basic dilution (i.e. not including warrants or shares reserved for equity compensation) represented by all equity compensation plans is greater than 10 percent;
- The average annual burn rate is greater than 5 percent per year (generally averaged over most recent three-year period and rounded to nearest whole number for policy application purposes);
- The plan expressly permits the repricing of options without shareholder approval and the company has repriced options within the past three years.

Plan Amendment Provisions

General Recommendation: Vote against a proposal to adopt or amend plan amendment provisions where shareholder approval is not required for the following types of amendments under any share-based compensation arrangement, whether or not such approval is required under current regulatory rules:

- Any increase in the number of shares reserved for issuance under a plan or plan maximum;
- Any reduction in exercise price or cancellation and reissue of options or other entitlements;
- Any amendment that extends the term of options beyond the original expiry;
- Any amendment which would permit options granted under the Plan to be transferable or assignable other than for normal estate settlement purposes; and

› Amendments to the plan amendment provisions.

Rationale: Although the changes affected by the TSX related to Plan Amendment Provisions do not apply to Venture issuers, some Venture issuers continue to submit Plan Amendment Provisions for shareholder approval. In the event that shareholders are asked to vote on such a proposal, ISS uses substantially the same guidelines as those developed for TSX issuers which can be found with a more complete explanation in the ISS Canadian Proxy Voting Guidelines for TSX-Listed Companies. Because Venture issuers are not required to adopt detailed plan amendment provisions, these guidelines will not result in a vote against an equity-based compensation plan if the plan meets the dilution and burn rate guidelines noted above.

Any proposal to increase the maximum number of shares reserved under a plan requires specific shareholder approval for the increase even if the plan includes a shareholder-approved general amendment procedure permitting increases to such maximum numbers.

From a corporate governance viewpoint, the practice of repricing any outstanding options is unacceptable, and this view is not limited to only those options held by insiders. ISS has for many years recommended against any repricing of outstanding options. The rationale for these recommendations is based on the original purpose of stock options as at-risk, incentive compensation that is meant to align the interests of option-holders with those of shareholders. Options have, however, come to be viewed as a sort of substitute currency that may be used to compensate service providers and consultants. It may be questionable to expect that outsiders, who have no direct impact on the business operations of a company, can, through their relationships with the company, contribute in any meaningful way to an increase in shareholder value. The use of stock options may be viewed as inappropriate for this purpose and not an acceptable justification for repricing any outstanding options when shareholders must suffer the consequences of a downturn in share price.

The ability of plan participants to assign options by means of Option Transfer Programs or any other similar program which results in option holders receiving value for underwater options when shareholders must suffer the consequences of declining share prices does not align the interests of option holders with those of shareholders and removes the intended incentive to increase share price which was originally approved by shareholders.

Repricing Proposals

General Recommendation: Vote against management proposals to reprice outstanding options. The following and any other adjustments that can be reasonably considered repricing will generally not be supported: reduction in exercise price or purchase price, extension of term for outstanding options, cancellation and reissuance of options, substitution of outstanding options with other awards or cash.

Rationale: Canadian institutional investors have long opposed option repricing. Market deterioration is not an acceptable reason for companies to reprice stock options.

The extension of option terms is also unacceptable. Options are not meant to be a no-risk proposition and may lose their incentive value if the term can be extended when the share price dips below the exercise price. Shareholders approve option grants on the basis that recipients have a finite period during which to increase shareholder value, typically five to ten years. As a company would not shorten the term of an option to rein in compensation during, for example, a profitable bull market run, it is not expected to extend the term during a market downturn when shareholders suffer a decrease in shareholder value.

Other Compensation Plans

Venture issuers tend to rely heavily on stock option plans as an alternative to cash compensation. In the event that a Venture issuer has an Employee Stock Purchase Plan or Deferred Share Unit Plan, we have included the following guidelines which are substantially similar to those for TSX listed issuers.

Employee Stock Purchase Plans (ESPPs, ESOPs)

Venture companies do not usually implement these kinds of plans. In the event that shareholders are asked to approve a share purchase plan, votes should be determined on a case-by-case basis.

General Recommendation: Vote for broadly based (preferably all employees of the company with the exclusion of individuals with 5 percent or more beneficial ownership of the company) employee stock purchase plans where all of the following apply:

- Reasonable limit on employee contribution (may be expressed as a fixed dollar amount or as a percentage of base salary excluding bonus, commissions and special compensation);
- Employer contribution of up to 25 percent of employee contribution and no purchase price discount;
- Purchase price is at least 80 percent of fair market value with no employer contribution;
- Potential dilution together with all other equity-based plans is ten percent of outstanding common shares or less; and
- The Plan Amendment Provision requires shareholder approval for amendments to:
  - The number of shares reserved for the plan;
  - The allowable purchase price discount;
  - The employer matching contribution amount.

Treasury funded ESPPs, as well as market purchase funded ESPPs requesting shareholder approval, will be considered to be incentive based compensation if the employer match is greater than 25 percent of the employee contribution.

ESPPs that require the authorization of treasury shares for issuance in payment of the deferred units would be evaluated on a dilution, eligibility and administration basis.

Management Deferred Share Unit (DSU) Plans

General Recommendation: Vote for deferred compensation plans if:

- Potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less;
- The average annual burn rate is no more than 5 percent per year (generally averaged over most recent three-year period and rounded to the nearest whole number for policy application purposes).

Non-Employee Director (NED) Deferred Share Unit (DSU) Plans

General Recommendation: Vote for a NED deferred compensation plan if:

- DSUs may ONLY be granted in lieu of cash fees on a value for value basis (no discretionary or other grants are permitted), and

› Potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less.

General Recommendation: Vote for NED deferred compensation plans that permit discretionary grants or a company match or top-up provision (not ONLY in lieu of cash fees) if:

› Potential dilution together with all other equity-based compensation is 10 percent of the outstanding common shares or less;
› The average annual burn rate is no more than 5 percent per year (generally averaged over most recent three-year period and rounded to the nearest whole number for policy application purposes)

In the case of Director DSU plans, other elements of director compensation to evaluate in conjunction with DSU plan proposals include:

› The mix of remuneration between cash and equity;
› Other forms of equity-based compensation, i.e. stock options, restricted stock; and
› Vesting schedule or mandatory deferral period.

Rationale: Deferred compensation arrangements generally encourage share ownership in the company and are usually designed to compensate outside directors by granting share awards that are held for a period of time before payment or settlement thus aligning their interests with the long-term interests of shareholders, and by allowing them the opportunity to take all or a portion of their annual retainer in the form of deferred units.

Shareholder Proposals on Compensation

General Recommendation: Vote on a case-by-case basis for shareholder proposals targeting executive and director pay, taking into account:

› The target company's performance, absolute and relative pay levels as well as the wording of the proposal itself.

Vote for shareholder proposals requesting that the exercise of some, but not all stock options be tied to the achievement of performance hurdles.

6. SOCIAL/ENVIRONMENTAL ISSUES

Global Approach

Issues covered under the policy include a wide range of topics, including consumer and product safety, environment and energy, labor standards and human rights, workplace and board diversity, and corporate political issues. While a variety of factors goes into each analysis, the overall principle guiding all vote recommendations focuses on how the proposal may enhance or protect shareholder value in either the short term or long term.

General Recommendation: Generally vote case-by-case, examining primarily whether implementation of the proposal is likely to enhance or protect shareholder value. The following factors will be considered:

- If the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;
- If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;
- Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive;
- The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;
- Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
- If the proposal requests increased disclosure or greater transparency, whether reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources; and
- If the proposal requests increased disclosure or greater transparency, whether implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

The Global Leader In Corporate Governance

www.issgovernance.com

CCGG POLICY
BOARD GENDER DIVERSITY
OCTOBER 2015

Canadian Coalition for GOOD GOVERNANCE
THE VOICE OF THE SHAREHOLDER

For many years, and through various avenues, CCGG has publicly supported increased gender diversity on boards. CCGG has decided to summarize our views in one document at this time and accordingly this policy sets out CCGG's current position on gender diversity on boards.

Need for enhanced gender diversity on boards

The level of board gender diversity at Canadian public companies remains stubbornly low. According to a 2014 study by Catalyst[1], only 20.8% of board seats at S&P/TSX 60 companies are filled by women. Gender diversity is lower at Canadian companies below the TSX 60: only 17.1% of board seats among Canada's 500 largest companies[2] and 12.3% of the board seats of all Canadian public companies are filled by women[3]. CCGG views the underrepresentation of women on boards to be a governance issue and therefore an appropriate policy focus for CCGG.

The Governance Case for Board Gender Diversity

It is CCGG's view that board quality is paramount. It also is CCGG's view that diversity improves board quality. By 'diversity' we mean not only gender but all forms of diversity. As stated in CCGG's Building High Performance Boards: "While the quality of individual directors is paramount, we also expect boards as a whole to be diverse. A high performance board is comprised of directors with a wide variety of experiences, views and backgrounds which, to the extent practicable, reflects the gender, ethnic, cultural and other personal characteristics of the communities in which the corporation operates and sells its goods or services." CCGG's adoption of a board gender diversity policy should not be interpreted as a sign that the lack of other forms of diversity is less deserving of remediation. Since women comprise half the population and remain persistently under-represented on boards, however, gender is an appropriate focus.

[1] 2014 Catalyst Census: Women Board Directors
[2] Canadian Board Diversity Council 2014 Annual Report Card
[3] Davies Insights: Women on Boards, Davies LLP 2014

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Research has shown that diverse boards generally have numerous tangible benefits, such as the following:

- They are more likely to avoid 'group think'[4], that is, where the desire for group consensus circumscribes the ability to present differing perspectives Diversity improves board decision making, independence and the oversight and mitigation of risk.[5]
- Diversity leads to more effective monitoring of CEO performance.[6]
- Evidence shows that diverse groups outperform homogeneous groups when performing complex tasks.[7]

Research also has shown a correlation between board gender diversity and corporate performance[8].

Further, companies that do not consider women as director candidates (i) are drawing corporate leadership from a subset of the available talent pool, with the result that the quality of leadership will necessarily be less than optimal, and (ii) are at a competitive disadvantage compared to those that choose to access the whole pool.

Increasing gender diversity

In recent years, regulators in Canada as well as around the world have considered the problem of board gender disparity and proposed various solutions. In Canada, the Canadian Securities Administrators (CSA) in 2014 released 'comply or explain' disclosure rules (the "CSA Rules") that require TSX listed companies to disclose annually prescribed information about gender diversity policies and practices at the board and executive officer levels. On September 28, 2015, the CSA released Multilateral Staff Notice 58-307 on the results of its review of the first year of disclosure under the CSA Rules. The Ontario Securities Commission ("OSC") held a roundtable to discuss the results of the review the following day. Those results showed that there remains much room for improvement: 65% of the 722 companies reviewed disclosed that they had decided not to adopt a written policy on board gender diversity while only 14% clearly disclosed that they had adopted such a policy. The OSC indicated at the roundtable that it is not satisfied with the results to date and that it will continue to monitor trends in board gender diversity and disclosure going forward.

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[4] Maznevski, M. L. (1994) Understanding our differences: Performance in decision-making groups with diverse members, Human Relations, 47(5): 531–52.
[5] Women on Boards" February 2011, U.K., pages 7-9 (the "Davies Report")
[6] Women in the Boardroom and their Impact on Governance and Performance, Renee B. Adams and Daniel Ferreria, October 22, 2008 at https://www.responsible-investor.com/images/uploads/Women_in_the_boardroom.pdf
[7] Diversity and Work Group Performance, November 1, 1999, Graduate School of Stanford Business
[8] *"Women Matter: gender diversity, a corporate performance driver"*, McKinsey & Company, 2007; *"The Bottom Line: Corporate Performance and Women's Representation on Boards"*, Lois Joy, Nancy M. Carter, Harvey M. Wagener, Sriram Narayanan, October 2007; *"Mining the Metrics of Board Diversity"*, June 2013 Thomson Reuters; *"Women on Boards"* February 2011, U.K., pages 7-9 (the Davies Report")

Other jurisdictions use different methods than 'comply or explain' to increase board gender diversity. Some countries have legislated quotas[9] while others rely on voluntary private sector-led initiatives[10]. Given Canada's wide acceptance and generally successful use of a 'comply or explain' methodology to enhance corporate governance practices, CCGG supports a similar regulatory regime at this time for encouraging gender diversity, such as the one adopted by the CSA referred to above.

CCGG believes, however, that the current regulations should go beyond simply requiring disclosure of gender diversity policies and should recommend the adoption of such policies in corporate governance 'best practices' guidelines[11]. The CSA Rules are not truly "comply or explain" in that they do not recommend the adoption of gender diversity policies and then require an explanation if there is non-compliance with the guidelines; rather they are simply requirements to disclose whether policies are in place. Without the moral suasion of prescribed best practices for gender diversity, CCGG is concerned that the CSA Rules may not be effective.

CCGG does not believe that any CSA guidelines that are adopted in the future should prescribe the content of company gender diversity policies, for example, by stipulating a certain percentage of women on boards for all companies. Instead, it should be a recommended best practice for a company to adopt a written board gender diversity policy suitable to the company's specific circumstances. This will help to ensure that the issue is at least considered at the highest levels of a corporation.

CCGG recognizes that a 'comply or explain' approach is not always sufficient. For example, there was insufficient progress made under a 'comply or explain' rule for majority voting, which then led to a TSX requirement for companies listed on the exchange to adopt a prescribed form of majority voting policy. If the CSA Rules do not lead to real progress, it may be necessary to revisit the use of a 'comply or explain' methodology in the case of gender diversity as well. CCGG will continue to engage with companies on this issue, as it does on other policy matters, to discuss developments in companies' gender diversity practices.

Director recruitment

Professionalizing the director recruitment process[12], rather than relying on the existing board's (and, in some cases, the CEO's) circle of business and social relationships to find candidates can be an effective way to increase board diversity. A professional recruitment process makes it less likely that nominees will have backgrounds, experiences, views, genders and ethnicities similar to current directors and is more likely to identify new directors who will bring different or unique perspectives to the

[9] For example, Belgium, France, Germany, Iceland, Italy and Norway have adopted legislation stipulating that a mandated percentage of directors must be women. See Women in Leadership Roles at TSX-Listed Companies: Diversity Disclosure Practices, July 2015, Andrew MacDougall et al, Osler.
[10] Women on Boards Davies Review Annual Report 2015 (UK)
[11] National Policy 58-201 Corporate Governance Guidelines
[12] As stated in CCGG's Brief to Senate Committee on Banking, Trade and Commerce, January 31, 2011

boardroom.[13] Requiring more disclosure about the board recruitment processes of public companies would likely go some distance towards strengthening those processes.

Board refreshment

A robust method of board refreshment is also key to increasing gender diversity: change in board composition is harder when directors are seldom replaced. Simply expanding the size of the board to accommodate more women is not a viable, long-term solution to increasing the percentage of women on boards. Moreover, board renewal is important not only to make positions available for women, but also to help ensure an appropriate balance between the experienced perspective of long term directors and new perspectives that bring fresh insights to the board. Rather than having director term limits or a retirement age, CCGG's preferred method of board renewal is through a strong annual evaluation process of the full board, board committees and individual directors. Because long term directors can continue to meet individual assessment expectations, a robust board evaluation process should incorporate a consideration of the balance between experienced and fresh insights in board composition.

Increasing gender diversity in senior management

Given that directors are traditionally chosen from among those with senior management experience (with many boards still thinking that a CEO background is essential) it is imperative that senior management become more gender diverse if there is to be an adequate pool of female board candidates. There is some evidence that the lack of women in executive positions is a more intractable problem than board diversity.[14] Accordingly, CCGG supports the requirements in the CSA Rules that companies disclose their policies with respect to increasing women in executive officer positions. Again, we would go further and suggest that the CSA corporate governance guidelines be amended to recommend the adoption of policies that consider gender in management succession planning as a 'best practice'.

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[13] We do not mean to suggest that the director recruitment process will be sufficient simply by outsourcing the search to an external executive search consultant but rather that it is essential that the pool of board candidates be comprehensive and extend beyond the current board's and management's circle.

[14] *"Women on boards"* April 2013, U.K., pages 6-7; *"Women on Boards"*, February 2011 U.K. page 26

2018 Best Practices

for Proxy Circular Disclosure

Canadian Coalition for GOOD GOVERNANCE

THE VOICE OF THE SHAREHOLDER

PO Box 22, 3304-20 Queen St W, Toronto, ON M5H 3R3

Table of Contents

Introduction

Since 2004, the Canadian Coalition for Good Governance (CCGG) has prepared best practices documents for reporting issuers. These documents, including this "2018 Best Practices for Proxy Circular Disclosure" publication, provide examples of excellent disclosure by Canadian issuers in the area of corporate governance and executive compensation.

Mission of CCGG

The Members of the Canadian Coalition for Good Governance are Canadian institutional investors that together manage approximately $4 trillion in assets on behalf of pension fund contributors, mutual fund unit holders and other institutional and individual investors. CCGG promotes good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interests of boards and management with those of their shareholders and to promote the efficiency and effectiveness of the Canadian capital markets.

A note on terminology

In this document, any use of the term "company" refers broadly to any reporting issuer and likewise any use of the term "share" refers to any form of traded equity.

Why proxy disclosure matters

The proxy circular is the primary means for a board to communicate its corporate governance practices to the company's shareholders. Shareholders expect the circular to articulate, in plain language, the governance practices and activities of the board, the qualifications of directors, and the issuer's executive compensation programs.

How to use this document

We hope that issuers are familiar with and model their policies and behaviours based on the guidelines laid out in CCGG's *Building High Performance Boards*, *Executive Compensation Principles* and other CCGG publications. This document gives life to our principles and provides inspiration for creating and disclosing good corporate governance practices.

Feedback

We value your feedback. Please feel free to send us best practices you have come across or other suggestions for improvement.

You can reach us at aabid@ccgg.ca or 416-847-0525.

Governance Gavel Awards

Established in 2005, CCGG's Governance Gavel Awards recognize excellence in disclosure by issuers through their annual proxy circular. Awards are given for excellence in disclosure of board governance practices and executive compensation practices. CCGG also recognizes issuer disclosure in other categories on an ad hoc basis.

Best Disclosure of Corporate Governance and Executive Compensation Practices

In identifying nominees for a Governance Gavel award, CCGG considers those issuers with whom a board engagement was conducted during CCGG's most recent engagement season. CCGG members also may nominate an issuer for an award.

In determining the winner, CCGG considers the overall quality of proxy circular disclosure and whether there is substantial alignment between an issuer's governance and executive compensation practices and our expectations. Throughout this document, we provide examples of good disclosure of corporate governance and executive compensation practices.

CCGG's Governance Gavel award winner for 2018 is:

Emera

Plain Language Disclosure

Plain language is a form of communication that allows your intended audience to understand the information you are trying to convey the first time they read or hear it. In order to achieve effective disclosure, CCGG recommends that issuers disclose information in a manner that:

- is easy to find
- is easy to understand
- is accurate and complete
- includes context so that the information has meaning.

Plain language does not mean that issuers should exclude complex information that shareholders require to make informed investment and proxy voting decisions. Rather, plain language means issuers should disclose all the information shareholders need in a manner that is understandable and user-friendly, regardless of its complexity.

Recommended Tools for Disclosure

Companies should use plain language in their disclosure documents, but other tools also must be employed to give the document structure, ensure flow and communicate information meaningfully.

Organize for understanding

Organize the document in a manner that supports an understanding of the information it contains. Issuers should consider whether their disclosure documents are organized in a logical flow so that information continues to build upon itself, if applicable, and does not jump back and forth between different topics.

Use descriptive headings

Descriptive headings and subheadings allow readers to quickly find the information they are seeking and break up the document into more manageable pieces.

Draw attention to key ideas

Some effective disclosures by Canadian issuers provide summary overviews of each major section while others use highlight boxes to draw readers' attention to the main ideas. For example, issuers should consider using a plain language 'letter to shareholders' from the chair of the board near the beginning of the circular summarizing the key ideas that the board wishes to relay to shareholders.

Group related information

Grouping related information helps readers better understand the overall message being conveyed and reduces redundancies in disclosure documents. Whenever possible, the reader should not be made to jump around to different sections to understand a single component of compensation.

Introduce at a high level

For disclosure of executive compensation plans, CCGG encourages boards to include a plain-language introduction to the CD&A section that provides a high-level overview of the board's approach to executive compensation decision-making as well as any recent changes to its compensation program.

Employ visual aids

Use charts, tables or images to explain complicated or detailed information wherever appropriate. These visual aids can explain information more fully and easily than text alone and their use helps to divide the document into smaller pieces for easier reading.

Avoid industry talk

Avoid jargon that confuses the message. When it is necessary or best to use industry words or technical information, define or explain terms clearly.

New in 2018

Proxy Circular disclosure of Environmental and Social (E&S) factors

CCGG's recent publication *The Directors' E&S Guidebook* reflects, among other things, heightened institutional investor focus on board oversight of E&S factors and the integration of E&S considerations into company strategy and risk management processes. Throughout this publication, we have attempted to highlight disclosure examples which demonstrate the board's understanding of the importance of E&S considerations.

Use of adjusted financial performance measures in compensation structures

CCGG has observed that many issuers use adjusted financial performance measures to make executive compensation decisions. In such cases, to the extent possible, we encourage boards to indicate the types of adjustments that may be made or have been made in the past to the most comparable GAAP financial measure in order to arrive at the adjusted financial performance measure used in the company's executive compensation scheme. We also encourage issuers to discuss in their proxy circulars the efforts taken by the board to scrutinize and validate material adjustments made to the most comparable GAAP or IFRS figure in order to arrive at the adjusted financial performance used in the company's executive compensation scheme.

This year's publication includes examples of the above recommendation.

Disclosure of Governance Practices

Proxy circulars should articulate a company's governance practices clearly. This section provides examples of excellent disclosure in the following areas:

Majority Voting

Industrial Alliance Insurance and Financial Services, 2018 Proxy Circular, page 19:

> ***(II) Majority Voting***
>
> We have adopted a policy under which a nominee for election as a director for whom the number of votes withheld or abstentions exceeds the number of votes cast in his favour will be required to submit his or her resignation to the Board. Within ninety 90 days following the date of the Annual Meeting at which a director does not receive a majority of the votes cast, the Board, excluding the director who tendered his or her resignation, must decide if it will accept or refuse the director's resignation. Barring exceptional circumstances, the Board will accept the resignation. The Company must promptly issue a news release announcing the Board's decision. If the Board refuses the resignation, the reasons underlying this decision will be disclosed in the news release. Otherwise, the resignation will take effect upon its acceptance by the Board and the position will be filled in accordance with the Company's By-Laws. This policy does not apply in contested elections.

Discussion

Industrial Alliance discloses a majority voting policy that is similar to the model form which CCGG has espoused since 2006 and that contains the following important elements:

- directors with more votes withheld than in favour must submit resignations promptly,
- the board must accept resignations except in exceptional circumstances, and
- the board must announce its decision to either accept or reject the resignation in a press release within 90 days, including reasons for not accepting the resignation, if applicable.

Celestica Inc., 2018 Proxy Circular, page 7:

> **Majority Voting Policy**
>
> The Board has adopted a policy that requires, in an uncontested election of directors, that shareholders be able to vote in favour of, or to withhold from voting, separately for each director nominee. If, with respect to any particular nominee, other than the controlling shareholder or a representative of the controlling shareholder, the number of shares withheld from voting by shareholders other than the controlling shareholder and its associates exceeds the number of shares that are voted in favour of the nominee, by shareholders other than the controlling shareholder and its associates, then the Board shall determine, and in so doing shall give due weight to the rights of the controlling shareholder, whether to require the nominee to resign from the Board and, if so required, any such nominee shall immediately tender his or her resignation. A director who tenders a resignation pursuant to this policy will not participate in any meeting of the Board at which the resignation is considered. The Board shall determine whether to accept the resignation, which, if accepted, shall be effective immediately upon such

> acceptance. The Board shall accept such resignation absent exceptional circumstances. Such a determination by the Board shall be made, and promptly announced by press release (a copy of which will be provided to the Toronto Stock Exchange (''TSX'')), within 90 days after the applicable shareholders' meeting. If the Board determines not to accept a resignation, the press release will fully state the reasons for such decision […]

Discussion

Celestica is a dual class share company. The controlling shareholder, Onex Corporation, holds a voting interest equal to approximately 79%, while its economic interest is approximately 13%. Celestica's majority voting policy is noteworthy, based on the fact that the test for determining whether an individual director has received majority support from shareholders excludes any votes cast by the controlling shareholder. It therefore reflects the views of Celestica's public shareholders only. While CCGG would strongly prefer that a failure of Celestica's Majority Voting test would trigger an automatic requirement for the director to tender his/her resignation (as opposed to leaving it to the discretion of the Board), the policy nonetheless places the onus on the Board of Directors to report back to shareholders on any decision it makes.

Voting Results

Emera Incorporated, 2018 Report of Voting Results:

Resolutions	Number of Votes				Percentage of Votes Cast		
	For	Against	Withheld	TOTAL	For	Against	Withheld
ELECTION OF DIRECTORS:							
Scott C. Balfour	107,543,978		692,288	108,236,266	99.36%		0.64%
Sylvia D. Chrominska	107,851,977		384,289	108,236,266	99.64%		0.36%
Henry E. Demone	106,827,660		1,408,606	108,236,266	98.70%		1.30%
Allan L. Edgeworth	107,382,226		854,040	108,236,266	99.21%		0.79%
James D. Eisenhauer	107,858,389		377,877	108,236,266	99.65%		0.35%
Kent M. Harvey	107,965,579		270,687	108,236,266	99.75%		0.25%
B. Lynn Loewen	107,984,619		251,647	108,236,266	99.77%		0.23%
Donald A. Pether	107,410,100		826,166	108,236,266	99.24%		0.76%
John B. Ramil	107,565,954		670,312	108,236,266	99.38%		0.62%
Andrea S. Rosen	107,190,715		1,045,551	108,236,266	99.03%		0.97%
Richard P. Sergel	107,961,234		275,032	108,236,266	99.75%		0.25%
M. Jacqueline Sheppard	107,509,371		726,895	108,236,266	99.33%		0.67%
APPOINTMENT OF ERNST & YOUNG LLP AS AUDITORS	107,762,013		1,122,516	108,884,529	98.97%		1.03%
DIRECTORS TO ESTABLISH AUDITORS' FEE	107,956,299	279,987		108,236,286	99.74%	0.26%	
ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION	106,597,762	1,638,504		108,236,266	98.49%	1.51%	

Emera Incorporated, 2018 Proxy Circular, pages 6 & 37:

The voting results for those Directors who were nominees for election in the 2017 annual meeting of Shareholders are shown in the two rows below.

	Sylvia D. Chrominska	Henry E. Demone	Allan L. Edgeworth	James D. Eisenhauer	Christopher G. Huskilson	B. Lynn Loewen	John T. McLennan	Donald A. Pether	John B. Ramil	Andrea S. Rosen	Richard P. Sergel	M. Jackie Sheppard
Percentage of votes cast "For" each Director (%)	99.70	99.21	98.91	99.67	99.26	99.78	98.95	99.73	97.60	98.86	99.68	99.80
Percentage of votes cast "Withheld" (%)	0.30	0.79	1.09	0.33	0.74	0.22	1.05	0.27	2.40	1.14	0.32	0.20

Shareholder Engagement

In keeping with our ongoing commitment to strong corporate governance practices, we held our annual "Say on Pay" advisory vote at our 2017 Annual General Meeting that allowed shareholders to indicate whether they were in agreement with Emera's compensation practices and policies. Shareholders voted 97.9 per cent in favour of our approach to executive compensation. We will once again be presenting a "Say on Pay" non-binding advisory resolution at this year's Annual General Meeting.

Discussion:

While voting results are filed separately from the management information circular, this information is important disclosure for shareholders. Detailed voting results for each individual motion should be disclosed immediately following the shareholder meeting. Emera disclosed detailed voting results immediately following its 2018 annual meeting of shareholders.

CCGG believes that voting results on key matters should also be set out in the proxy circular. Emera, for example, includes in its proxy circular a summary of voting results in two important areas: individual director voting and Say on Pay.

Recipe Unlimited Corporation (formerly Cara Operations Limited), 2018 Report of Voting Results:

Election of Directors

Each of the nominee directors listed in the Corporation's management proxy circular dated April 10, 2018 was elected as a director, without a vote by ballot being conducted. The Corporation received proxies with regard to voting on the eight directors nominated for election, directing as set forth in the table below:

Name of Nominee	Vote For (*Aggregate*)	%	Withhold Vote (*Aggregate*)	%	Vote For (*Subordinate Voting Shares*)	%	Withhold Vote (*Subordinate Voting Shares*)	%
Christy Clark	879,808,947	100	7,600	0	19,901,847	99.96	7,600	0.04
David Aisenstat	879,769,439	99.99	47,108	0.01	19,862,339	99.76	47,108	0.24
William D. Gregson	878,115,654	99.81	1,700,893	0.19	18,208,554	91.46	1,700,893	8.54
Stephen K. Gunn	879,775,469	100	41,078	0	19,868,369	99.79	41,078	0.21
Christopher D. Hodgson	879,689,688	99.99	126,859	0.01	19,782,588	99.36	126,859	0.64
Michael J. Norris	879,783,781	100	32,766	0	19,876,681	99.84	32,766	0.16
John A. Rothschild	879,588,884	99.97	227,663	0.03	19,681,784	99.86	227,663	1.14
Sean Regan	879,676,336	99.98	140,211	0.02	19,769,236	99.30	140,211	0.70

Cogeco Communications Inc., 2018 Report of Voting Results:

For information purposes only, the voting results for the subordinate voting shares only at the Meeting on the same matters were as follows:

1. Election of Directors

Nominee	FOR	% FOR	WITHHELD	%WITHHELD
Louis Audet	17,994,098	98.91 %	198,891	1.09 %
Patricia Curadeau-Grou	18,149,365	99.76 %	43,624	0.24 %
Joanne Ferstman	17,369,687	95.47 %	823,302	4.53 %
Lib Gibson	18,109,461	99.54 %	83,528	0.46 %
David McAusland	16,530,524	90.86 %	1,662,465	9.14 %
Jan Peeters	17,225,317	94.68 %	967,672	5.32 %
Carole J. Salomon	18,058,657	99.26 %	134,332	0.74 %

Discussion:

When a dual class share company reports the results of director elections, in addition to disclosing the aggregate voting results the company also should disclose the voting results for subordinate voting shares separately. Recipe Unlimited and Cogeco Communications are dual class share companies that disclose voting results not only on an aggregate basis but also for subordinate voting shares.

Director and Board Independence

BCE Inc., 2018 Proxy Circular, page 21 & 28:

NAME	STATUS OF DIRECTOR NOMINEES: INDEPENDENT	STATUS OF DIRECTOR NOMINEES: NOT INDEPENDENT	REASON FOR NON-INDEPENDENT STATUS
B.K. Allen	●		
S. Brochu	●		
R.E. Brown	●		
G.A. Cope		●	President and CEO
D.F. Denison	●		
R.P. Dexter	●		
I. Greenberg	●		
K. Lee	●		
M.F. Leroux	●		
G.M. Nixon	●		
C. Rovinescu	●		
K. Sheriff		●	Employment/compensation by Bell Aliant/BCE within past 3 years
R.C. Simmonds	●		
P.R. Weiss	●		

AT EACH MEETING, THE INDEPENDENT DIRECTORS MET WITHOUT MANAGEMENT

In 2017, the Board held 6 regular meetings and 1 special meeting. Each private session of the Board was chaired by the Chair of the Board of directors.

Discussion

BCE uses a table to identify clearly which directors are independent and why certain directors are not classified as independent. More than 2/3rd of BCE's board is comprised of independent directors.

To promote independent functioning, CCGG recommends that a portion of each board meeting be held in-camera -- a session of independent directors only. BCE meets this expectation as well.

Director Interlocks

Bank of Montreal, 2018 Proxy Circular, page 38:

Board Interlocks and Outside Board Memberships

The Governance and Nominating Committee monitors the outside boards on which our directors serve to determine if there are circumstances that would impact a director's ability to exercise independent judgment and to confirm each director has enough time to fulfill his or her commitments to us. An interlock occurs when two or more Board members are also fellow board members of another public company. The Board has adopted a policy that no more than two directors may serve on the same public company board without the prior consent of the Governance and Nominating Committee. In considering whether or not to permit more than two directors to serve on the same board, that committee takes into account all relevant considerations including, in particular, the total number of Board interlocks at that time.

> The only Board interlock is between George Cope and Sophie Brochu, who are both directors of Bell Canada and its parent, BCE Inc. The Board has determined this relationship does not impair the exercise of independent judgment by these Board members.

Discussion

Boards should limit the number of director interlocks. BMO discloses its policy on director interlocks and indicates which of its board members also serve together on the boards of other public companies. BMO also presents the board's opinion on existing interlocks.

Independence of the Board Chair

Emera Incorporated, 2018 Proxy Circular, page 26:

> **Independent Chair**
>
> Ms. Sheppard, the Chair of the Board, is an independent Director. The Articles of Association of the Company require that the Chair of the Board and the President and CEO be separate individuals.

Discussion

The position of Board Chair should be separate from the CEO. Additionally, the Chair should be independent of a company's management team. Emera has split the roles of CEO and Board Chair and has appointed an independent Board Chair.

Thomson Reuters, 2018 Proxy Circular, page 28:

> **Lead Independent Director**
>
> Vance Opperman is the board's Lead Independent Director. Among other things, responsibilities of our Lead Independent Director include chairing meetings of the independent directors; in consultation with the Chairman, Deputy Chairman and CEO, approving meeting agendas for the board; as requested, advising the CEO on the quality, quantity, appropriateness and timeliness of information sent by management to the board; and being available for consultation with the other independent directors as required.

Discussion

The controlling shareholder of Thomson Reuters owns more than 50% of the common shares. In such cases, it is acceptable for the Chair to be a "related director" as defined in the CCGG publication *Governance Differences of Equity Controlled Corporations* if the board appoints an independent lead director. Thomson Reuters' Chair represents the controlling shareholder and, therefore, is a "related director". However, the company has appointed a Lead Independent Director.

Director Nominee Profiles

Emera Incorporated, 2018 Proxy Circular, page 18:

Jackie Sheppard

Age: 62
Calgary, Alberta
Canada
Director Since: 2009
Independent

Skills and Experience
- CEO/Senior Executive
- Customer/Stakeholder
- M&A/Growth Strategy
- Governance/Other Directorship
- Financial
- Energy Sector
- Compensation and Human Resources
- Legal and Regulatory

Ms. Sheppard has been an Emera Director since February 2009, and became Chair of the Board in May 2014. She was a member of the Management Resources and Compensation Committee from May 2009 to May 2014, and the Audit Committee from May 2009 to October 2014. She was Chair of the two ad hoc Committees formed by the Board in August 2015 and November 2016 to oversee certain aspects of the financing related to the TECO transaction and the equity offering completed in December 2016. She was also Chair of the ad hoc Committee formed by the Board in November 2017 to oversee the equity offering completed in December 2017. Ms. Sheppard was a Director of the Company's subsidiary Emera Newfoundland & Labrador Holdings Inc. from 2011 until May 2016.

Ms. Sheppard is the former Executive Vice President, Corporate and Legal of Talisman Energy Inc. She served as Chair of the Research and Development Corporation of the Province of Newfoundland and Labrador, a Provincial Crown Corporation, until June 2014. She was a director of NWest Energy Corp. until July 2012. She is founder and Lead Director of Black Swan Energy Inc., an Alberta upstream energy company that is private equity financed. She is a Director of Cairn Energy PLC, a publicly traded UK-based international upstream company. She is also a Director of Seven Generations Energy Ltd., a publicly traded energy company focused on Canadian natural gas development.

Ms. Sheppard is a Rhodes Scholar, having received an Honours Jurisprudence, Bachelor of Arts and Master of Arts from Oxford University in 1979. She earned a Bachelor of Laws degree (Honours) from McGill University in 1981, and a Bachelor of Arts degree from Memorial University of Newfoundland in 1977.

With her extensive roles as an executive in the energy industry, and as a director of public, private and crown corporations, Ms. Sheppard's experience in strategic planning, business development, public markets, legal and governance are the foundation for her leadership of the Board.

Board/Committee Membership	Attendance	Total	Public Company Board Membership During the Last Five Years
• Board Chair [1]	7 of 7	100%	• Seven Generations Energy Ltd. (May 2016 to present) • Cairn Energy PLC (May 2010 to present)

Total Compensation		
Fees earned in 2017 ($)	All other compensation ($)	Total ($)
400,000	N/A	400,000

Discussion

Director profiles provide shareholders with detailed information about the individuals being nominated to sit on the board. Emera's circular not only presents each director's profile but also explains why each director's experiences are relevant to the Emera board.

The following example taken from the circular of Martinrea International also provides a good description of how each director's experiences add value to the Martinrea board.

Martinrea International Inc., 2018 Proxy Circular, page 12:

Sandra Pupatello, 55, resides in Windsor, Ontario. She was elected as a director at the Company's annual general and special meeting in 2014. Ms. Pupatello spent the last five years as a Strategic Advisor (Industry, Global Markets and Public Sector) for PricewaterhouseCoopers Canada. She was also past Chair of Hydro One, the Province of Ontario's crown corporation responsible for electrical transmission, which is Canada's largest transmission company from 2014 to 2015. She was previously also the Chief Executive Officer of the Economic Development Corporation of Windsor and Essex County. Ms. Pupatello served as a member of the provincial parliament of the Province of Ontario for 16 years, including leadership roles as a Member of the Premier's Executive of Cabinet. In 2003, she was appointed to cabinet as Minister of Community and Social Services with responsibility for Women's Issues. She was the Ontario Minister of Economic Development & Trade from 2006 to 2011 and Ontario's Chief Investment Officer, her agency being awarded the top ranking in North America for economic development and for foreign direct investment in 2011. In this role, Ms. Pupatello was a leading advocate for, as well as participant in, the Canadian automotive industry, and was a member of the Canadian Automotive Partnership Council (CAPC). In 2008 and 2009, as Minister, she was heavily involved in providing assistance from the Government of Ontario to General Motors and Chrysler in order for them to continue operations. As Minister, she has signed strategic trade and sectoral investment cooperation agreements in important global markets including China, the European Union, Mexico and Brazil, all markets in which the Company operates. Ms. Pupatello was previously the Minister of Education and Minister of Community & Social Services for the Province of Ontario. In 2012, Ms. Pupatello was appointed by the federal government of Canada to review Canada's aeronautical and space industry and programs affiliated with it, which report was tabled publicly in December 2012. Since 2011 Ms. Pupatello has been President of Canadian International Avenues Ltd., a management consulting firm. She holds a B.A. (Hons) from the University of Windsor, has an Honourary Doctorate of Laws from the University of Windsor and has won multiple awards for her public service and leadership. She has also successfully completed the Directors Education Program from the Institute of Corporate Directors which is provided by the Rotman School of Management at the University of Toronto in 2012. Ms. Pupatello is a member of the Audit Committee, Compensation Committee and CGNC.

CGNC's Recommendation of Ms. Pupatello

Ms. Pupatello brings to the Board a deep knowledge of the political sector and has been involved in the automotive industry, as a regulator, an investor of public funds and an advocate for many years. She has worked with every leading automotive and automotive parts company in the Province of Ontario and has encouraged and negotiated investments by GM, Ford, Chrysler, Honda and Toyota, all customers of the Company. She has broad experience in other government roles as well, and brings to the Board great international experience, having led investment and trade missions to industrial capitals on five continents. She has been an active, effective and engaged participant in all Board and committee meetings, and has been very busy with the affairs of the Company. **The CGNC believes that Ms. Pupatello is a diligent independent director, as well as a responsible steward of the Company and, accordingly, recommends that shareholders vote FOR Ms. Pupatello's re-election.**

Board Composition, Skills, Diversity and Succession Planning

TELUS Corporation, 2018 Proxy Circular, page 25:

Board and committee succession planning

In 2017, the Corporate Governance Committee continued its efforts to recruit additional directors as part of its succession planning for the Board, resulting in the recruitment of three new directors. We are actively seeking to add another female director to our Board before the end of 2018.

Our newest Board member, Marc Parent, President and CEO of CAE Inc., was appointed to the Board on November 7, 2017. Marc has significant strategic expertise and technology knowledge, as well as experience in executive compensation and HR. His expertise and experience are aligned with our need for those skills and his roots in Quebec are aligned with our goal to attain greater representation in that province.

Our two other new directors, Kathy Kinloch and Claude Mongeau, were elected by our Shareholders at our 2017 annual meeting.

Kathy is the President of the B.C. Institute of Technology. She has considerable expertise and experience in the healthcare sector, an industry in which the Company has significant investments and plans for future development. Kathy also has very strong connections to the community in British Columbia, which is aligned with our community interests and goals in that province.

Claude is the former President and CEO of Canadian National Railway Company. He brings significant strategic expertise and operational experience in key markets, as well as expertise in finance, governance, and government and regulatory affairs.

The nomination and appointment of these three individuals over the past year aligns with the prioritized skills and attributes that the Corporate Governance Committee identified early in 2016, which include technology and/or industry knowledge, retail experience, geographic representation in Western Canada and Quebec, and gender diversity. The Corporate Governance Committee continues to review and assess the skills gaps and priorities of the Board when it reviews its list of director candidates.

The Corporate Governance Committee also continued the implementation of its committee chair succession process in 2017. This resulted in Mary Jo Haddad joining the Human Resources and Compensation Committee in May 2016, with a view to becoming Chair of that committee in May 2017. With Mary Jo's membership on the committee, and John Lacey's continued service as Chair, the Board ensured a smooth transition in accordance with the principles guiding the committee succession planning process, namely continuity and consistency. John remained on

the Human Resources and Compensation Committee after Mary Jo's appointment in May 2017 and continued to assist in the transition process.

TELUS Corporation, 2018 Proxy Circular, pages 33-35:

The Board succession planning process also involves maintaining a skills matrix, which helps the Corporate Governance Committee and the Board identify any gaps in the skills and competencies considered most relevant for the Company. Each director is asked to indicate the skills and competencies that each director, including themselves, has demonstrated. The following table lists the top four competencies of our nominees, together with their age range, tenure, official languages spoken and residency.

		Gender	Location				Years on Board			Age			Language		Top four competencies[1]							
			British Columbia	Alberta	Ontario	Quebec	0 to 5	6 to 10	11+	59 and under	60 to 69	70+	English	French	Senior executive / strategic leadership	Finance and accounting	Executive comp / human resources	Governance	Technology and/or industry knowledge	Retail / customer experience	Risk management	Government / regulatory affairs
Dick Auchinleck	M		x						x		x		x		x		x	x			x	
Ray Chan	M			x			x				x		x		x	x	x				x	
Stockwell Day	M		x					x			x		x	x	x			x			x	x
Lisa de Wilde	F				x		x				x		x	x	x			x	x			x

1 Definition of skills and competencies:

- Senior executive/strategic leadership – Experience as a senior executive of a public company or other major organization; experience driving strategic direction and leading growth
- Finance and accounting – Experience with, or understanding of, financial accounting and reporting, and corporate finance, as well as familiarity with internal financial/accounting controls and IFRS
- Executive compensation/HR – Experience with, or understanding of, executive compensation, talent management/retention and succession planning
- Governance – Experience with, or understanding of, leading governance/corporate responsibility practices with a public company or other major organization; experience leading a culture of accountability and transparency
- Technology and/or industry knowledge – Knowledge of relevant emerging technologies, including information and telecom technology, and knowledge of telecommunications or content and/or health information industries, including strategic context, market competitors and business issues facing those industries
- Retail/customer experience – Experience with, or understanding of, the mass consumer industry (whether directly or indirectly through retail channels)
- Risk management – Experience with, or understanding of, internal risk controls, risk assessments and reporting
- Government/regulatory affairs – Experience with, or understanding of, government and public policy, federally and/or provincially.

In 2017, the Corporate Governance Committee prioritized the following skills and attributes – gender diversity, technology and/or industry knowledge, retail experience, geographic representation in Western Canada and Quebec – in connection with its search for additional directors.

Recruiting new directors

The Corporate Governance Committee maintains an evergreen list of potential candidates. The directors, the CEO and external professional search organizations regularly identify additional candidates for consideration by the Corporate Governance Committee. In 2016 and 2017, the Committee engaged an external recruitment specialist to assist with the recruitment process.

When recruiting new directors, the Corporate Governance Committee considers candidates on merit taking into account the vision and business strategy of the Company; the skills and competencies of the current directors and the existence of any gaps; and the attributes, knowledge and experience new directors should have in order to best advance the Company's business plan and strategies.

Consistent with the Board diversity policy, the Corporate Governance Committee also takes into account diversity considerations, such as gender, geography, age and ethnicity, with a view to ensuring that the Board benefits from the broader exchange of perspectives made possible by diversity of thought, background, skills and experience.

The Committee reviews the list of candidates at each regularly scheduled meeting to identify top candidates and requests that the CEO conduct an initial meeting with such candidates. As the next step, candidates deemed to be most suited for the Board meet with the Chair of the Board, the Chair of the Corporate Governance Committee and, if deemed appropriate, other members of the Board and the TELUS executive team.

Representation of women on the Board and senior management

At TELUS, we believe the diversity of our team is a significant competitive advantage and we value the contribution and worth of each team member. We embrace diversity and inclusiveness because it is the right thing to do and it is critical to our success. Simply put, we recognize and leverage the value of diversity for our Shareholders, customers, team members and the communities we serve. Five years ago, the Board adopted a diversity policy to improve the representation of diversity on the TELUS Board. The policy provides that the Corporate Governance Committee, which is responsible for recommending director nominees to the Board, will consider director candidates on merit, based on a balance of skills, background, experience and knowledge. In identifying the highest quality directors, the Corporate Governance Committee will take into account diversity considerations such as gender, age and ethnicity with a view to ensuring that the Board benefits from a broader range of perspectives and relevant experience. The Corporate Governance Committee assesses the effectiveness of this policy annually and recommends amendments to the Board for approval, as appropriate. A copy of our Board diversity policy can be found at telus.com/governance.

According to the policy, the Corporate Governance Committee must also set measurable objectives for achieving diversity and recommend them to the Board for adoption on an annual basis. In 2013, the Board adopted a target of having diverse members represent between 30 and 40 per cent of its independent directors, with a minimum representation of 25 per cent women, by May 2017. The Board also agreed to have TELUS sign the Catalyst Accord and thereby pledge to increase the overall representation of women on the TELUS Board to a minimum of 25 per cent by 2017. In February 2015, the Board adopted an additional target of

> having women represent 30 per cent of its independent directors by the end of 2019. This was in line with Darren Entwistle being a founding member of the 30% Club Canada, which is also working toward having women represent 30 per cent of board members by the end of 2019. As noted on page 26, in 2016, the Board reframed its diversity objectives and expressed them in terms of a minimum percentage of both men and women, reflecting the principle that a board that consists entirely of women is no more diverse than a board that consists entirely of men. The Board also accelerated the target date for having a minimum of each gender representing 30 per cent of the independent directors from 2019 to 2018. TELUS' diversity objective now states that diverse members will represent not less than 30 per cent of the Board's independent directors by May 2017, with a minimum of each gender representing not less than 30 per cent of such directors by 2018.
>
> Diverse members (five nominees out of 12) represent 42 per cent of the independent directors nominated for election, and female members (three nominees out of 12) represent 25 per cent of the independent directors nominated for election at the Meeting. We intend to meet our goal of having 30 per cent of each gender represented by the end of 2018. Currently, we are actively seeking to add another female director to our Board […]

Discussion

Boards should have a plan in place for orderly succession of directors and should maintain an evergreen list of candidates. Boards also should identify key skills required of directors and use a skills matrix to ensure these skills are accounted for among current and prospective directors. The skills matrix should be disclosed in the proxy circular.

Not only does TELUS meet all of the above recommendations, it also describes what the governance committee's priorities have been when looking for new directors recently: technology and/or industry knowledge, retail experience, geographic representation in Western Canada and Quebec, and gender diversity.

While the quality of individual directors is paramount, CCGG expects boards as a whole to be diverse. Pursuant to TELUS' board diversity policy, the Corporate Governance Committee must set measurable objectives for achieving diversity and recommend them to the Board for adoption on an annual basis.

In some cases, issuers have limited each director's skill set, as identified in their director skills matrices, to a director's top 3 or 4 skills and competencies. In other cases, in their skills matrices, issuers have differentiated between directors who are experts and those with general or limited experience in a given area. In addition to the example of TELUS cited above, the following two excerpts taken from the director skills matrices of BCE and ARC Resources demonstrate this best practice.

BCE Inc., 2018 Proxy Circular, page 26:

COMPETENCY REQUIREMENTS AND OTHER INFORMATION

We maintain a "competency" matrix in which directors indicate their expertise level in areas we think are required at the Board for a company like ours. Each director has to indicate the degree to which he or she believes they possess these competencies. The table below lists the top four competencies of our director nominees together with their age range, tenure, linguistic background and residency.

	AGE			TENURE AT BCE		LINGUISTIC		REGION				TOP FOUR COMPETENCIES[1]										
NAME	< 60	60 – 69	≥ 70	0 – 5 YEARS	6 – 10 YEARS	ENGLISH	FRENCH	ONTARIO	QUÉBEC	ATLANTIC	U.S.	ACCOUNTING & FINANCE	CEO/SENIOR MANAGEMENT	GOVERNANCE	GOVERNMENT/ REGULATORY AFFAIRS	HR/COMPENSATION	INVESTMENT BANKING/M&A	MEDIA/CONTENT	RETAIL/CUSTOMER	RISK MANAGEMENT	TECHNOLOGY	TELECOMMUNICATIONS
B.K. Allen		●			●	●					●		✓	✓							✓	✓
S. Brochu	●				●	●	●		●				✓	✓	✓				✓			
R.E. Brown			●		●	●	●		●				✓	✓		✓				✓		
G.A. Cope	●				●	●		●					✓					✓			✓	✓

ARC Resources Ltd., 2018 Proxy Circular, page 35:

	Kvisle	Collyer	Dielwart	Dyment	Hearn	Houck	O'Neill	Pinder	Sembo	Smith	Stadnyk
Oil and Gas Experience											
Experience managing large, multinational and complex organizations.	●	●	●	●	●	●	●	●	●	●	●
Experience in leading major organizational change and/or managing a significant merger.	●	●	●	●	●	●	●	●	●	●	●
General experience with and/or executive responsibility for oil and gas reserves evaluation.	●	●	●	●	●	●	●	●	●	●	●

● Worked directly or had individuals directly reporting to you in specific area
● Have general experience in specific area
● Limited experience or expertise in specific area
No experience or expertise in specific area

Director Continuing Education

Methanex Corporation, 2018 Proxy Circular, pages 20-21:

4. Orientation and Continuing Education

[…] The Board recognizes the importance of ongoing education for directors. The Company's Corporate Governance Principles state that directors are encouraged to attend seminars, conferences and other continuing education programs to help ensure that they stay current on relevant issues such as corporate governance, financial and accounting practices and corporate ethics. The Company and all of our directors are members of the Institute of Corporate Directors ("ICD") and the Company pays the cost of this membership. A number of our directors have attended courses and programs offered by ICD. The Company also encourages directors to attend other appropriate continuing education programs and the Company contributes to the cost of attending such programs. As well, written materials published in periodicals, newspapers or by legal or accounting firms that are likely to be of interest to directors are routinely forwarded to directors or included in a "supplemental reading" section in Board and Committee meeting materials. Furthermore, the Company also believes that serving on other corporate and not-for-profit boards is a valuable source for ongoing education.

The Corporate Governance Committee is responsible for overseeing the director education program and, based on feedback from all directors, the program focuses primarily on providing the directors with more in-depth information about key aspects of our business, including the material risks and opportunities facing the Company. Directors provide input into the agenda for the education program and management schedules presentations and seminars covering these areas, some of which are presented by management and others by external consultants or experts.

The Board and its Committees received a number of presentations in 2017 focused on deepening the Board's knowledge of the business, the industry and the key risks and opportunities facing the Company. Presentation topics included plant technology standardization, North American gas strategy, methanol as a fuel for ships, an economic review of our Geismar projects, and the Company's Corporate Crisis Management Plan. In addition, a representative from the Methanol Institute provided an update on the activities of the Methanol Institute. In 2017, all but one director attended all internal Board education sessions.

In addition, Board meetings are periodically held at a location where the Company has methanol production operations or significant commercial activities. In November 2017, the Board visited the Company's methanol facilities in Trinidad & Tobago. This site visit gave our directors an opportunity to receive various presentations focused on these facilities. The visit also gave our directors an extended opportunity to interact with employees, business associates, government

officials and community members as well as tour the methanol production facilities and learn about the local culture.

Discussion

Directors should participate in continuing education programs and events in order to update their skills and knowledge of the company, its business and key executives and to address ongoing and emerging issues in the functional areas of the board. Issuers should encourage their directors to also attend external educational programs and events.

Methanex's director continuing education program focuses on providing information on key aspects of the company's business including the material risks and opportunities facing the company. Of note, Methanex also discloses some of the topics covered at internal board sessions in 2017, such as, plant technology standardization, North American gas strategy, and using methanol as a fuel for ships.

Also, of note, board meetings are periodically held at a location where the company has methanol production operations or significant commercial activities. This practice provides board members with an opportunity to visit and learn more about the company's key operations or commercial sites and engage with local stakeholders.

Director Compensation and Share Ownership

Director compensation should not include retirement benefits, change of control or severance provisions, health care coverage, charitable donations, vehicles, club memberships, pensions, or other such perquisites.

Director compensation plans can facilitate the achievement of minimum director shareholding requirements and encourage directors to continue to invest in the company beyond the minimum share ownership level. In instances where there is an equity-based component of compensation, the amount should not be determined based on corporate performance, as that may compromise the objectivity of directors as stewards of the company on behalf of shareholders. The equity-based component of director compensation should consist of full value awards such as common shares or deferred share units (DSUs) rather than stock options.

ARC Resources Ltd., 2018 Proxy Circular, pages 18-21:

DIRECTOR COMPENSATION PHILOSOPHY AND OBJECTIVES

[…] ARC's compensation program for non-management directors consists of both a cash component and an equity component for non-management directors paid in the form of DSUs. The maximum cash component received is 40 per cent of total compensation with the remaining compensation received in the form of DSUs.

A non-management director may elect to receive all of his or her compensation in the form of DSUs, therefore, a director may receive up to 100 per cent of his or her total compensation in the form of DSUs which many did in 2017. DSUs vest immediately upon grant but cannot be redeemed until the holder ceases to be a director. […]

EQUITY BASED COMPENSATION

[…] Non-management directors are not eligible to participate in the RSU and PSU Plan, the Share Option Plan or the Long-term Restricted Share Award Plan.

TOTAL DIRECTOR COMPENSATION

The following table details total compensation paid to each non-management director during 2017.

Director [1]	Board Chair or Member Retainer	Committee Chair Retainer	Total Cash Retainer Fees Earned	Equity (DSUs) [2]	Total Compensation	Portion Taken as Cash	Portion Taken as DSUs [3]
Harold Kvisle	$166,000	$ —	$166,000	$ 249,018	$ 415,018	$ —	$ 415,018
David Collyer	$ 88,000	$ —	$ 88,000	$ 132,000	$ 220,000	$ 87,978	$ 132,022

SHARE OWNERSHIP REQUIREMENTS

In order to align the interests of directors with those of ARC's shareholders, each non-management director is required to own a minimum of 20,000 Common Shares or share equivalents of the Corporation after having been on the Board for five years. A minimum of 10,000 Common Shares or share equivalents must be held after three years on the Board. The Board of Directors considered an ownership requirement based on a multiple of fees received but determined that setting a numeric threshold of 20,000 Common Shares or share equivalents, that at the time was approximately equal to three times the cash retainer fees for the Chairman of the Board and in excess of four times the cash retainer fees for other Board members, was appropriate. As at December 31, 2017, and as outlined on the following page, all non-management directors meet or exceed the minimum share ownership requirement other than Mr. Collyer who has until 2019 to meet the 10,000 Common Share or share equivalent minimum and until 2021 to meet the 20,000 Common Share or share equivalent minimum.

Director	Year Ended December 31	Common Shares	DSUs [1]	Total Common Shares and Share Equivalents	Total Market Value of Common Shares and Share Equivalents [2]	Value At Risk as Multiple of Cash Retainer Fees Earned [3]	Meets Minimum Share Ownership Guidelines [3]
Harold Kvisle	2017	115,000	90,601	205,601	$3,032,615	18	Yes
	2016	80,500	63,664	144,164	$3,331,630	20	Yes
David Collyer [4]	2017	—	8,721	8,721	$ 128,635	1	Yes
	2016	—	812	812	$ 18,765	0	Yes

Discussion

ARC has formal director share ownership requirements which require each non-management director to own at least 20,000 common shares or share equivalents within five years of appointment to the board.

Of note, even after directors have met the share ownership requirement, 60% of total director compensation is awarded in the form of DSUs. Some ARC board members, including the board chair, despite having met their share ownership requirement, chose to receive 100% of their 2017 compensation in the form of DSUs. This practice not only demonstrates the chair's commitment to the company's future but also sets an expectation of members of senior management to build an equity interest in the company beyond the minimum requirements.

As CCGG recommends, stock options are not part of ARC's director compensation mix.

Board, Committee and Director Assessments

Emera Inc., 2018 Proxy Circular, page 33:

Assessment Process

Each year, the NCGC, in consultation with the Board Chair, and with the intention of continuously improving, determines the process by which assessments of the Board, Directors, Committees and individual Committee members will be conducted. The process has included the use of questionnaires and one-on-one interviews with each Director by the Board Chair. A written report from the Board Chair on the assessment is provided to the NCGC and the Board of Directors. An in-camera Board session is held to consider the report. Issues arising from the assessment are identified, an action plan is developed and progress is monitored throughout the year with oversight on that process by the NCGC.

2016 Assessment Findings and Action Plans to Address Findings

The 2016 Board and Director Performance Assessment resulted in several priority actions for 2017. With the assistance of the NCGC, the Board Chair reviewed progress made to address those priorities. This progress was reported to the Board, with significant areas including […]

(e) Corporate Governance: With Emera's growth in size, sound governance processes remain critical to strong decision-making and performance. In 2017, the Board focused on clarity, efficiency and effectiveness in subsidiary governance and management decision-making. […]

Discussion

Instead of just providing boilerplate language on the company's director assessment process, Emera's circular provides readers with details on the practical impact of assessments that were conducted in 2016.

Certain issuers use a third party to facilitate board assessments. Bank of Montreal's circular demonstrates this approach.

Bank of Montreal, 2018 Proxy Circular, page 44:

Assessment of the Board, Committees, Directors, and Chairs

Each director annually completes an anonymous Board self-assessment survey, the results of which are compiled confidentially by an outside consultant, and has an annual one-on-one interview with the Chairman. The interview typically covers the operation of the Board, the adequacy of information provided to directors, Board structure, agenda planning for Board meetings, and strategic direction and process. […]

The annual survey also includes a peer evaluation process for feedback on the effectiveness of individual directors. Every director assesses the contribution of each of their peers relative to the performance standards for the director position description. The results are also compiled confidentially by an outside consultant. The Chairman receives the results of each director's peer assessment and meets with each director to discuss them […]

Executive Succession and Management Diversity

Intact Financial Corporation, 2018 Proxy Circular, pages 67-68:

Succession Planning

[…] The HRC Committee advises Management in relation to its succession planning including the appointment, development and monitoring of Senior Executives.

To limit the chances that the Company's operations suffer from a talent gap, succession planning is reviewed at least annually and implemented continuously to facilitate talent renewal and smooth leadership transitions. Furthermore, the Company aims to leverage succession planning as a tool to make progress on the diversity of the management team, including with respect to gender and ethnicity diversity. Each year, the Chief Human Resources Officer reviews succession plans and prepares a succession plan report covering a number of critical positions, including Senior Executives and the CEO. For each critical position, a pool of "Ready Now", "Ready in 1-3 Years", "Ready in 3-5 Years" and "Emergency Replacement" candidates is identified. Where a talent gap or risk is observed, a development plan is established to identify and develop potential successors. Individualized development plans may include lateral movements to diversify exposure, leadership training, mentoring and other special programs.

The annual succession plan report is presented to the HRC Committee for review, analysis, discussion and reporting to the Board of Directors. Committee members and directors actively participate in ongoing discussions with Management relating to succession planning year-round. The members of the HRC Committee and the entire Board of Directors ensure they are exposed to, have direct interactions with, and get to know, the candidates identified in the succession plans and can appreciate their skills and expertise first hand, including through presentations by such individuals at regular meetings, through presentations made at annual training sessions and by meeting and discussing with candidates at social events. The members of the HRC Committee firmly believe that they, and the Board of Directors in its entirety, have a

comprehensive and deep knowledge of succession planning and identified successors within the organization.

Intact Financial Corporation, 2018 Proxy Circular, pages 50-51:

Executive and Workforce Diversity

[…] As such, the Company has not adopted any formal targets regarding women in Executive and Senior Executive positions, however, it always aims to advance the cause of gender diversity and the advancement of women within its ranks. The Company firmly believes that all of its stakeholders benefit from the broader exchange of perspectives and balance brought by diversity of background, thought and experience and that it is in their best interest.

The Company's commitment to diversity is demonstrated through several facets, including the work of its Diversity Council and initiatives such as diversity and inclusion training, flexible work arrangements, employee networks and a structured mentoring program and workshops for identified women successors […]

Executive and Managerial Positions

As at December 31, 2017, IFC, including all major subsidiaries, had twenty-nine (29) members on its Executive Committee of which seven (7) were women (24.14%). It also had thirty-two (32) executive officer positions (as such term is defined under securities legislation), seven (7) of such positions being occupied by women representing 21.88% of the total. […]

The role played by women within the Company and their presence in Executive and Senior Executive positions are of great importance. The Company is proud of this representation and celebrates diversity and collective and individual achievements and awards. The Company will continue to strive to promote diversity, including the advancement of women, in the organization and in the communities in which it operates.

Discussion

An engaged board is aware of and monitors succession planning efforts (including a plan in the event of an emergency) for all critical roles within the organization. Intact Financial's disclosure clearly notes that the board, and the human resources committee, ensure that a succession plan is in place for the CEO and that the plan addresses an emergency replacement scenario.

Also, worth commending is the fact that Intact Financial aims to leverage succession planning as a tool to make progress on the diversity of its management team, including with respect to gender and ethnicity. Intact also has several initiatives in place (e.g. Diversity Council, flexible work arrangements and structured mentoring program and workshops for identified women successors) that demonstrate its commitment to diversity on its management team.

Strategic Planning Oversight

Circulars should explain the role of a company's board in strategy development and oversight.

Emera Incorporated, 2018 Proxy Circular, page 24:

Strategic Planning

Oversight and guidance on the Company's strategy is one of the primary roles of the Board. Management, led by the President and CEO, collaborate with the Board of Directors each year to develop, review and update the Company's strategic plan. The strategic plan determines the annual and longer-term objectives for the Company.

In 2017, the Board dedicated two meetings to strategy development, including a full-day Board off-site meeting in June to: (i) review the Company's five-year strategic plan; (ii) engage in scenario planning to test the existing strategy over a range of potential future states for the electricity and natural gas sectors, for different economic conditions and for the introduction of significant energy storage; and (iii) review the Company's plan for customer focused initiatives. At its September meeting, the Board undertook a review of the strategies of its operating subsidiaries.

A significant component of every regularly scheduled Board meeting is dedicated to the discussion of strategic matters. Directors use such Board meeting time to evaluate progress made in executing the Company's strategy, including reviewing near- and longer-term risks and opportunities relevant to its corporate strategy.

As an example of Board involvement in strategy, the Board's role in the lead up to the July 1, 2016 acquisition of TECO started in 2015 with the undertaking of a review of Emera's shareholder value proposition and established specific strategic objectives; including growth and value targets. In making the decision to acquire TECO, the Board considered how Emera's strengths could be leveraged within its industry. The Board is also focused on capital structure, the Company's commitment to renewable energy sources and optimizing Emera's market valuation as components of the corporate strategy.

With respect to current strategic priorities, the Company's emphasis has not changed, and remains focused on: (i) investing in delivering cleaner, affordable energy through investing in renewables, investing in natural gas as a cleaner fuel for electricity generation and customer use, and investing in electricity transmission to deliver new renewable energy to market; (ii) identifying opportunities to invest in the transition from higher carbon methods of electricity generation to lower carbon alternatives, including the creation of a separate wholly owned subsidiary focused exclusively on innovation; and (iii) maintaining the focus on customer solutions and what the utility of the future needs to look like.

Discussion

Unlike many Canadian issuers that provide boilerplate commentary, Emera provides details of the board's contribution and involvement in the strategic planning process.

Also, worth noting is that Emera's circular describes how the company's strategic priorities address potential environmental risks and opportunities.

Risk Management Oversight

Boards should disclose the processes used that enable them to identify and monitor risk management efforts.

Fortis Inc., 2018 Proxy Circular, page 35-36:

Risk management and governance

Our business is highly regulated and managing our financial and business risks is one of our primary objectives.

Fortis is a holding company and each of our significant operating subsidiaries is governed by its own board of directors comprised of a majority of independent directors. This structure provides a focused, primary level of risk management oversight and governance, while operating within the broad parameters of our policies and best practices. Given the regulated nature of the utility industry, the governance policies and compliance reporting of the operating subsidiaries are subject to significant regulatory scrutiny in each of their respective jurisdictions.

The board is responsible for understanding the material risks of our business and the mitigation strategies, and for taking reasonable steps to ensure that management has an effective risk management structure in place relative to its risk profile so we can achieve our strategy and objectives. This includes an increased focus on environmental, social and governance risk to ensure proper oversight and good governance generally.

The board oversees our enterprise risk management program (ERM). As part of ERM, senior management at Fortis and our subsidiaries seek to identify and manage all material risks facing the business. ERM at the subsidiary level is overseen by each subsidiary's board, most of which are comprised of a majority of independent directors. Material risks identified at the subsidiaries are communicated to Fortis management and form part of the Fortis ERM.

Every year the board evaluates the identified categories of risk. Specific risks and related mitigation strategies are evaluated, documented and reviewed, and the board receives updates on enterprise risk throughout the year.

In 2017 the board paid particular attention to the integration of ITC, our capital projects and our focus areas for growth as well as the disruptive threats facing the utility industry, including those arising from advancement in technology and changes to the regulatory framework. The board

also focused on changes in government policies, particularly those relating to the environment and U.S. tax reform, and the impact of currency fluctuations on our business. You can find a more comprehensive discussion of risk management in our 2017 MD&A, beginning on page 46 of our 2017 annual report. The annual report is available on our website (www.fortisinc.com) and on SEDAR (www.sedar.com) and on EDGAR (www.sec.gov).

Focus on technology

Recognizing that cybersecurity has emerged as the first and primary concern associated with the rapid advancement of the internet and information technology, in May 2017 the board announced the appointment of a Chief Information Officer for Fortis. Reporting directly to the President and Chief Executive Officer, Phonse Delaney is accountable for corporate technology strategy, including cybersecurity.

Elevating our focus on sustainability

In 2017 we demonstrated our commitment to responsible environmental and sustainable management in several ways. We:

a) enhanced our communication of environmental stewardship and priorities

b) produced an Integrated Resource Plan at TEP

c) implemented a board-shareholder engagement policy and held our first engagement meeting with institutional shareholders to proactively discuss environmental, social and governance practices and risk.

We also announced a new executive role in 2017. Nora Duke, one of our named executives, was appointed Executive Vice President, Sustainability and Chief Human Resource Officer, to focus on enterprise-wide sustainability and stewardship priorities.

Teck Resources Limited, 2018 Proxy Circular, pages 20-21:

Risk Oversight

The Board has the responsibility to take reasonable steps to ensure that Management identifies, understands, and evaluates the principal risks of and to the Corporation's business; implements appropriate systems to manage these risks; and achieves a proper balance between risk and reward. As a policy, the Board receives regular quarterly reports from Management on global and site-specific risk management, ethical conduct, environmental management and employee health and safety, in addition to detailed reports on particular risk issues. The Board, as a matter of routine at each meeting, discusses risks associated with the Corporation's business and

reviews the Corporation's risk tolerance for existing operations as well as for new projects and developments.

The Board considers that the most significant risks facing the Corporation vary from time to time depending on the prevailing economic climate and the specific nature of the Corporation's activities at the relevant time. At each meeting of the Board, the Board reviews and considers general as well as particular risks faced by the Corporation. The Board closely monitors the potential vulnerability of the Corporation's operations and financial condition in light of risks that arise in relation to the Corporation's business, including:

a) risks related to commodity prices, exchange rates and general economic conditions;

b) risks related to project development, including the risk of capital cost overruns and delays in receipt of permits or governmental approvals;

c) risks related to water quality management and other environmental issues;

d) risks related to technology and information technology, including data security;

e) risks related to existing operations, such as those associated with natural catastrophes, labour disputes and potential social issues;

f) risks relating to outstanding litigation that the Corporation may be involved in from time to time; and

g) longer-term risks such as physical and transition risks associated with climate change, political risk generally, and risks related to adverse developments in tax or environmental regulation.

As noted above, the relative significance of these risks shifts over time and the Board's assessment of the relative significance of these risks will depend in part on the issues before the Board at the time. The Board regularly reviews Management's processes in place for identification, monitoring, transfer and mitigation of all of these risks. The Audit Committee has separate processes in place to monitor risks related to financial reporting and financial matters, and Management's processes to deal with those risks.

Loblaw Companies Limited, 2018 Proxy Circular, page 27:

Enterprise Risk Management

The Board has oversight responsibility for ERM activities associated with the Corporation's businesses. In order to identify and address any material risks, the Board undertakes an annual assessment of the Corporation's ERM structure. The annual ERM assessment is carried out through interviews, surveys, and facilitated workshops between management and the Board. Risks are identified and then assessed and evaluated based on the Corporation's vulnerability to

the risk and the potential impact that the underlying risks would have on the Corporation's ability to execute its strategies and achieve its objectives. To assist with the ERM process, the Corporation has adopted a risk appetite statement that takes into consideration important aspects of the Corporation's businesses, values, and brands. The risk appetite framework articulates key aspects of the Corporation's business, values and brands and provides directional guidance on risk taking. The types of risks the Corporation is exposed to include: strategic; financial; operational; cyber-security; regulatory; human capital; and reputational risks. Management provides periodic updates to the applicable committee(s) of the Board on the status of the key risks including any anticipated impacts in future quarters and significant changes in key risk indicators. In addition, long-term (three to five year) risk levels are assessed to assist in risk mitigation planning activities. Accountability for oversight of each risk is allocated by the Board either to the full Board or to committees of the Board.

Two areas of focus for the Board in recent years include cyber security and data breaches as well as ongoing regulatory compliance. The Corporation has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and prevent the unauthorized access of confidential information and to reduce the likelihood of disruptions to its IT services. With respect to regulatory compliance, in 2017 the Corporation established an independent compliance office led by the Group Chief Compliance Officer to oversee implementation of enterprise-wide policies required to ensure compliance with all applicable laws, including competition law compliance. The Group Chief Compliance Officer reports directly to the Governance Committee.

Discussion

Unlike boilerplate commentary provided by many Canadian issuers in this area, Fortis, Teck Resources, and Loblaw describe the board's role in overseeing risk.

Of note, these issuers provide a brief overview of key risks facing their business or risks that are closely monitored by the board. Notably, all three circulars describe efforts to integrate environmental and social matters within the company's risk management framework and the board's risk oversight responsibilities.

In the case of Fortis and Loblaw, disclosure also includes recent actions taken to address specific areas of risk.

Shareholder Engagement

There is a growing emphasis by institutional shareholders on shareholder engagement. CCGG recognizes that while boards may be able to meet with their largest institutional shareholders and groups like CCGG, in-person meetings are not a practical forum for boards to engage with all shareholders.

Goldcorp Inc., 2018 Proxy Circular, pages 70-71:

Shareholder Engagement

We recognize the importance of strong and consistent engagement with our shareholders. We have in place policies and programs that ensure we understand and, when appropriate, address shareholder concerns. We have a comprehensive program designed to engage shareholders that aligns with the Canadian Coalition for Good Governance model policy of director and shareholder engagement on governance matters.

Event	Who engages	Who we engage with, when and what we talk about
Non-deal roadshows, meetings, calls and discussion	Directors and senior management	With institutional investors throughout the year to provide public information on our business, operations and sustainability initiatives and to get feedback on our governance processes and executive compensation
Quarterly conference call and webcast	Senior management	With the investment community to review our most recently released financial and operating results
Guidance release	Senior management	Released to the media, usually in early January, to report on our financial outlook for the coming year and to provide an overview of business operations and strategies
News releases	Senior Management	Released to the media throughout the year to report on any material changes with respect to Goldcorp
Broker-sponsored conference	Senior management	Speaking at industry investor conferences about public information on our business and operations
Investor Day	Senior management	Select Goldcorp investors and analysts are invited to attend each winter; and live webcast and presentations are made available on our website
Meetings, calls and discussions	Investor relations	With brokers and engagement with retail shareholders to address any shareholder-related concerns and to provide public information on Goldcorp
Regular meetings	Directors	With shareholder advocacy groups, such as the Canadian Coalition for Good Governance, to discuss governance issues
Regular meetings	Senior Management	With the Pension Plan of the United Church of Canada and The Presbyterian Church in Canada to discuss governance issues

We also post frequently asked questions on our website at www.goldcorp.com. […] Shareholders, employees and others can contact the Board directly by […] writing to the Vice-Chair and Lead Director at our head office address noted below.

Enerplus Corporation, 2018 Proxy Circular, page 25:

Shareholder Engagement

During 2017, the Chairman, the Chair of the Compensation & Human Resources Committee and several members of executive management of Enerplus reached out, as appropriate, to various corporate governance stakeholders and Shareholders to listen to their opinions and concerns.

> The meetings often involved a dialogue on a variety of topics, including: executive compensation issues, various corporate governance matters, disclosure practices, shareholder engagement, entity risk management, corporate operating results, capital allocation, liquidity issues, dividend strategy, portfolio management and commodity hedging. In total, Enerplus representatives engaged more than 65 Shareholders, representing approximately 42% of Enerplus' issued and outstanding Common Shares.
>
> […] As part of its long-established objective of open communication, the Board invites stakeholders and Shareholders alike to engage with representatives of the Company at investorrelations@enerplus.com or by telephone at 1-800-319-6462.

Discussion

Goldcorp and Enerplus are good examples showing a board's effort to reach out to and offer to engage with the company's shareholders.

Chair's Letter to Shareholders

Through a letter to shareholders, board chairs can communicate key corporate governance related activities to their shareholders.

Seven Generations Energy, 2018 Proxy Circular:

MESSAGE FROM THE CHAIR OF THE BOARD

Dear fellow shareholders:

On behalf of the board of directors of Seven Generations, we are pleased to invite you to our annual meeting of shareholders on Thursday, May 3, 2018 at 2:00 p.m., Calgary time. […]

Long-term value creation plan

With input and support from the board of directors, under Marty's leadership, 7G has developed a two-year plan and a five-year outlook, grounded in operational execution that is designed to generate attractive financial returns, meaningful production growth and optimize value for our shareholders. Marty's career is marked by operational and business success. With decades of operational engineering, a keen sense of value creation and a conscientious focus on stakeholder service, Marty is ideally suited to lead Seven Generations' transition from a high-growth producer to one that is evolving its business and financial model to generate free cash flow, competitive returns and a five-year robust production growth target of at least 100,000 boe/d day, about a 50 percent increase from expected 2018 levels. We are confident that Marty will lead the successful execution of this plan over the coming years, and the company will realize the full potential of its top tier asset base.

Strong governance

The board and management are committed to credible and professional governance, grounded in our stakeholder service model, which includes engaging with our shareholders as we continue to grow and expand our investor base. For details about the company's governance practices, please see the Governance section in the information circular beginning on page 24.

Commitment to sustainability and stakeholder service

In pursuit of stakeholder service, we strive to meet the needs of all of our stakeholders including our shareholders, the environment, employees, government and regulators, communities, partners, and suppliers and service providers. In this year's circular, we have a new section that describes some of our sustainability and stakeholder initiatives. We would invite you to learn more about our work in this important area by reviewing this new section, starting on page 37. Our Generations Stakeholder Report is also available on our website at www.7genergy.com/stakeholders/generations-stakeholder-report.

Looking ahead

Our Kakwa River Project is a tremendous asset with an expanding inventory of top tier drilling locations and growing reserves for development. We have dedicated support from several long-term investment partners. Our conservative balance sheet and diverse marketing portfolio underpins our financial sustainability and contributes to the strength of our netbacks. Above all, we have a talented workforce and a focused team that looks forward to delivering results in 2018 and beyond. […]

Enbridge Inc., 2018 Proxy Circular:

Letter to Shareholders

Dear Shareholder,

It is our pleasure to invite you to attend the Enbridge Inc. annual meeting of shareholders […]

Strategic and risk oversight

Among the board and management's most important responsibilities are oversight of Enbridge's strategic direction and identification and management of risks. Because of the complex and diverse nature of our business and associated risks, we take a comprehensive approach with accountability for oversight to specific risks across five board committees. As we do each year, the board of directors and executive management have assessed top risks and evaluated our strategy with the ultimate goal of ensuring that we can achieve our strategic priorities and deliver long-term value to the benefit of our shareholders. For a detailed review of our strategic objectives, approach to risk management and strong 2017 results, please refer to our annual report.

Environmental and social issues

Board and management believe that integration of environmental and social risks and opportunities into our strategic and financial plans is critical to the long-term sustainability of our business, and that our performance in this area is critical to differentiating our company. By engaging with our stakeholders, we've identified the most important factors that support our long-term sustainability: safety and environmental protection; community and Indigenous inclusion; and climate and energy solutions. You can learn more about our approach and performance in our CSR & Sustainability report, available at Enbridge.com.

We've long been committed to best practices in sustainability reporting and we continually seek to enhance our disclosure reflecting our sustainability efforts. In 2018, this will include fulfilling the commitment we made at last year's shareholder meeting to provide additional information on Indigenous consultation, engagement and inclusion, including the steps we take to integrate

> Indigenous and human rights sensitivities into our investment review processes and our progress in implementing our Indigenous Peoples Policy. Content relating to Indigenous issues will be published on our website prior to our May 2018 annual meeting. The first full CSR & Sustainability report of the combined company will be published on the website in June 2018 […]

Discussion

Both Seven Generations Energy and Enbridge do an excellent job of using a letter from the board chair to summarize key ideas that the board wishes to relay to shareholders.

Notably, both letters indicate a commitment to managing and reporting on important environmental and social issues.

Ongoing Relevance of a Dual Class Share Structure

On an ongoing basis, the board of a Dual Class Share (DCS) company should consider the reasons why a DCS structure was established and whether those reasons remain valid and should explain to shareholders annually in the DCS company's proxy circular the reasons why the continued existence of the DCS structure is appropriate. Teck Resources provides such disclosure in its proxy circular:

Teck Resources Limited, 2018 Proxy Circular, pages 22-24:

> **Dual-Class Share Structure – Governance Considerations**
>
> […]The Corporation's dual-class share structure has been in place for over 45 years, since a 1969 corporate reorganization in which all of the outstanding shares of Teck Corporation (as it then was) were converted into Class A common shares. The structure facilitated the consolidation of a group of related operating and exploration companies that were under common management into a single vehicle, one in which all shareholders could participate. Since 1969, Teck has continued to issue Class B subordinate voting shares to enable the Corporation to grow by acquisition and new mine development.
>
> […]The Committee believes that the major long-term holders of Class A shares are committed long-term investors, many with a deep knowledge of Teck's business and its industry. The Board considers that this longer-term perspective has permitted Teck to make decisions which have helped it to grow shareholder value significantly over the last number of decades and will continue to be of benefit to all shareholders. The Board rejects the proposition that dual-class share structures are inherently unfair or improper. In many forms of business organizations, certain investors and stakeholders have few or no voting rights. Purchasers of preferred shares, limited partnership units and many forms of debt instruments often hold voting rights more restrictive than those attached to Teck's Class B subordinate voting shares. It is widely accepted that appropriate governance practices can ensure that the interests of all these security holders

are considered and respected, and the Board believes that the same is true in the case of a dual-class structure.

While in the vast majority of matters that come before the Board, the interests of the Class A and Class B shareholders are entirely aligned, the Committee and the Board recognize that to fulfill Teck's commitment to good governance, a dual-class share structure requires vigilance and robust governance practices. The dual-class share structure does create a disparity between voting interests and equity interests and this could create some potential for conflicts of interest, as it would in any public company where there is an identifiable shareholder or group of shareholders holding majority voting control, whether under a dual-class share structure or a single voting class structure.

Accordingly, the Board and the Committee are alert to closely scrutinize any situation in which the interests of Class A shareholders and Class B shareholders could possibly diverge.

[…]Teck's dual-class share structure has been key in facilitating its growth into a major diversified Canadian mining company. Ultimately, any decision about the appropriateness of the structure is a question for all shareholders, as any change in voting rights would require the approval of the affected class or classes of shareholders, voting separately. So long as the Corporation has more than one class of voting shares, the Committee and the Board will diligently apply appropriate measures to ensure governance that respects the interests of all shareholders.

Additional disclosure relating to dual class share company IPOs

CCGG's board of directors and a majority of CCGG's members also expect the board of a DCS company which undertakes an initial public offering in Canada after September 2013 (i.e. the date CCGG's DCS policy was published) and which does not comply with any or all of CCGG's DCS principles to explain to shareholders annually in the DCS company's proxy circular (or if the DCS company does not issue a proxy circular because the public owns non-voting common shares, then in another public document which is filed with the securities regulatory authorities) the reasons why it is not appropriate for such principles to apply to the DCS company.

Disclosure of Executive Compensation

Compensation is one of the most powerful tools that boards have at their disposal for shaping the behaviour of company management.

Disclosure of a company's compensation plan should describe clearly how it is linked to the company's strategy, objectives and risk management. Compensation disclosure also should communicate the role of the board in designing executive compensation including the key factors considered by the board. This section provides examples of excellent disclosure of the following practices:

Executive Compensation and Corporate Strategy

CCGG expects issuers to explain the link between corporate strategy and executive compensation.

ARC Resources Ltd., 2018 Proxy Circular, pages 44-46:

2017 Performance Assessment

On an annual basis, Management and the Board develop corporate objectives to create clarity and focus for the executive team and the organization on performance outcomes. To determine base salaries, bonuses and medium and long-term incentives for executives, the Human Resources and Compensation Committee ("HRCC") and the Board consider two overarching measures – the overall performance of the Corporation and the individual performance of each executive. ARC's strategy of risk managed value creation and its enduring focus on profitability and sustainability have been paramount since inception, and those traits have become increasingly important to investors in the face of volatile commodity markets and competitive pressures. In 2017, ARC achieved strong operational and business performance and further advanced its strategy by achieving excellence in all aspects of our strategy. The team delivered record production levels, had our largest development reserves addition in corporate history with 320 per cent of produced reserves replaced through development activities, and grew 2017

cash flow per share by 15 per cent relative to 2016 while completing a major infrastructure project at Dawson and managing active risk management and market diversification programs. All this was accomplished with zero employee lost time incidents ("LTIs") and ARC ended 2017 with 1,448 employee days LTI free.

The following chart outlines ARC's 2017 key objectives and performance targets and resulting achievements:

Objectives and Performance Targets	Key Achievements
Deliver long-term **Risk-managed Value Creation** • Deliver top quartile total shareholder returns (TSR) over the three, five and ten-year timeframes. • Create shareholder returns in the form of a regular dividend. • Maintain our leadership position in corporate governance and disclosure.	√ ARC's trailing five-year annualized total return was -5.7 per cent, outperforming the peer group average of -11.4 per cent, ARC's ten-year total return was 2.2 per cent, significantly outperforming both the S&P/TSX Oil & Gas Exploration and Production index -4.2 per cent and ARC's peer group -5.2 per cent over the period. √ Delivered income by paying a dividend of $0.05 per month. √ Achieved Top Guns status in the Brendan Wood Survey including Confidence in Corporate Strategy, Confidence in CEO, Confidence in CFO, Confidence in Senior Management, Confidence in Executive Board and Confidence in Reporting and Disclosure.
Drive **Operational Excellence** through capital discipline and cost management in a **Safe** and **Environmentally** responsible manner. • Target zero lost time incidents (LTI) for employees and contractors. • Display leadership in environmental performance. • Meet or exceed guidance targets, including production growth. • Target industry leading capital efficiencies and operating costs. • Optimize economics of existing infrastructure to maximize value.	√ Continuous improvement within our safety management system including zero employee lost time incidents. ARC ended 2017 with 1,448 employee days LTI free. We have been focused on improving contractor safety performance over the last three years which has resulted in a 50 per cent reduction in our contractor Total Recordable Injury Frequency ("TRIF"). √ ARC's Environment, Sustainability and Governance ("ESG") reporting has qualified ARC as a leader by the MSCI Global Sustainability Index and Jantzi Social Index. Implemented several initiatives including building low-emissions natural gas plants, new technologies to reduce the impact of hydraulic fracturing operations, water use and recycling policies and a strong safety culture. √ Delivered record production of 122,937 boe per day which is a four per cent increase over 2016. New production was added at Dawson Phase III, more than offsetting the 8,800 boe per day of non-core production that was divested in 2016.

Discussion

ARC Resources' circular notes that to determine the value of executive compensation the board assesses the company's performance relative to its long term objectives. Notably, these objectives include goals related to safety and the environment. Therefore, executive compensation outcomes are linked not only to the company's financial performance but also to operating the company's assets in a safe and responsible manner.

Individual performance of executive officers is also a factor in compensation decision making.

Of note is the fact that approximately 72% of the CEO's total compensation and 63% of NEO total compensation is deferred and is tied to shareholder returns over a period of 3 to 10 years following grant date.

Executive Compensation and Risk Management

A company should disclose details of its executive compensation structure and comment on its effectiveness when viewed through a risk oversight lens. The disclosure should explain how the company's policies and practices discourage risk-taking beyond the company's acceptable risk appetite.

Inter Pipeline Ltd., 2018 Proxy Circular, page 46:

Risk Management

[…] Inter Pipeline's compensation framework incorporates a number of elements that are intended to ensure that inappropriate or excessive risk–taking is not encouraged, including the following:

1. **Formal Decision–Making Process**: Inter Pipeline follows a formal process for making executive compensation decisions. After a comprehensive review by the committee, pay recommendations are considered and must be approved by the full board. No individual, or group of individuals, has undue influence on the determination of executive pay […]

4. **Focus on Long–Term Performance**: Inter Pipeline ensures that executive pay is heavily weighted toward long–term incentives. Furthermore, a large portion of our cash flow is derived from stable, long–term contracts with no commodity price exposure. Our business fundamentals and compensation practices promote long–term performance rather than short–term gains.

5. Importance of Corporate and Individual Objectives: Inter Pipeline's corporate objectives and individual officer objectives are formally documented each year. Accordingly, performance expectations are highly visible and form the basis for determining individual compensation awards.

6. Share Ownership Guideline: Mandatory share ownership requirements apply to our officers and directors. Such requirements help promote a long-term view towards creating shareholder value as opposed to short-term personal gain.

> **7. Policy Prohibiting Hedging**: Inter Pipeline has implemented a policy that prevents our officers and directors from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in the market value of our common shares.
>
> **8. Limitations on Annual Cash Bonus Awards**: Inter Pipeline's compensation framework specifies maximum cash bonus awards based on a multiple of each executive's base salary. Limitations on short-term incentive payments serve to discourage excessive risk-taking.
>
> **9. Claw-Back Policy:** This policy allows Inter Pipeline to recover compensation elements under the circumstances of fraud or willful misconduct on the part of the executive.
>
> Inter Pipeline believes that our corporate culture also plays an important role in preventing inappropriate and excessive risk–taking. Our core values — Honesty and Integrity, Teamwork, Pursuit of Excellence, Personal Accountability, and Entrepreneurial Spirit — define our approach to business and drive the behaviour of our directors, officers and employees […]

Discussion

Inter Pipeline's proxy circular identifies how the company's policies and practices discourage excessive risk-taking.

Of note, an important tool to manage compensation related risk is prohibiting executives (and other insiders, including board members) from using financial instruments that hedge or offset a decrease in the market value of a company's securities. Inter Pipeline had adopted a policy that prohibits all forms of hedging or monetization.

Toronto-Dominion Bank, 2018 Proxy Circular, page 32:

> **Stock Options**
>
> Stock options cliff vest at the end of four years, and expire 10 years from the date of grant.

ARC Resources Ltd., 2018 Proxy Circular, page 52:

> **Long-Term Restricted Share Awards**
>
> […] Restricted Share Awards include a grant of Common Shares, issued from treasury to officers, thereby providing participants with actual equity ownership and promoting further alignment with shareholder interests. Common Shares are issued under the plan at a price equal to the weighted average trading price of ARC's Common Shares for the five trading days ending immediately prior to the grant date. Shares issued under the plan have a 10-year term with one-third vesting on each of the eighth, ninth and tenth anniversaries of the date of grant. These

> extended vesting periods are substantially longer than typical practices in the energy sector and are designed to encourage our executives to think and act with a clear focus on the long term.

Discussion

To the extent that issuers use options and/or other share based incentives that vest based on time only, CCGG encourages issuers to consider long term vesting restrictions.

Stock options often start vesting one year following the date of grant and fully vest after three years. TD Bank, however, grants stock options that cliff vest after four years, which is a long term vesting restriction.

Restricted shares or restricted stock units also often start vesting one year after award date and fully vest after three years. ARC Resources, however, grants restricted shares that start vesting after eight years, which also is a long term vesting restriction.

Emera Incorporated, 2018 Proxy Circular, page 44:

> **Risk Assessment**
>
> […] The clawback policy contributes to the Company's risk mitigation efforts. The clawback policy allows the Company to recoup short- and long-term incentive payments made to senior executives in cases where: (a) the payments were based on reported financial results that were subsequently corrected or restated as a result (or partial result) of the executive's gross negligence, misconduct or fraud and the reward received would have been lower had the financial results been properly reported; or (b) the executive commits a serious breach of the Company's Code of Conduct.

Empire Company, 2018 Proxy Circular, page 33:

> **Reimbursement of Incentive and Equity-Based Compensation (Clawback Policy)**
>
> [...] Specifically, the Board may seek reimbursement of full or partial compensation from an executive or former executive in situations where: (i) the amount of incentive compensation was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of the Company's financial statements, and the incentive compensation payment received would have been lower had the financial results been properly reported; (ii) the executive or former executive engaged in fraud, theft, embezzlement or similar activities related to the finances of the Company; (iii) the executive or former executive has violated the Code of Business Conduct and Ethics in a material way; or (iv) the executive or former executive has engaged in serious misconduct resulting in damage to the Company's financial situation or reputation.

Discussion

Several issuers manage compensation risk through clawback policies but these policies are often triggered only if there is a financial restatement and an executive is found at fault. CCGG has urged companies to adopt broader clawback policies as exemplified by clawback policies of Emera and Empire set out above and by the clawback policy of Inter Pipeline set out on page 39.

Performance Share Units

In the interest of improving the alignment between pay and performance, many public company boards across all industry sectors in Canada have introduced Performance Share Unit (PSU) plans into their executive compensation programs. In some cases, PSU plans are being used in place of stock option plans which have not achieved the originally intended outcome of linking pay with performance. CCGG is supportive of improving this link and believes that an appropriately-structured PSU plan may be helpful in that regard. True performance-vesting, in CCGG's view, should contemplate the possibility of a zero vesting outcome that is not dependent upon a board exercising discretion. Awards that partially vest based on time alone and for which a zero vesting outcome is possible only if a board exercises discretion should not be classified as PSUs.

Canadian National Railway Company, 2018 Proxy Circular, page 45:

Performance Share Units: 2017 Award

[…] PSUs vest after three years […] and the payout can range from 0% to 200%. At the end of the performance cycle, the number of PSUs will be adjusted based on the achievement of the performance conditions detailed below. PSUs will be settled in CN common shares purchased on the open market. PSUs awarded in 2017 will be subject to the following two performance measures:

1. PSUs – ROIC

Seventy percent (70%) of the PSU award value is subject to the achievement of a target related to the Company's average three-year ROIC over the plan period and the payment will be conditional upon meeting a minimum average closing share price during the last three months of 2018. The ROIC for each of the applicable plan years is generally calculated as net income before interest expense, divided by the total of the Company's average net indebtedness and the average shareholders' equity, and may, in certain instances, be adjusted for certain items as determined by the Committee. ROIC measures the Company's efficiency in the use of its capital funds and is viewed as a key measure of long-term value generation to its shareholders. […]

PSUs – ROIC granted in 2017 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the table below:

	OBJECTIVE	PERFORMANCE VESTING FACTOR[1]
PERFORMANCE OBJECTIVE: Average ROIC for the three-year period ending on December 31, 2019	Below 13.5%	0%
	13.5%	50%
	14.5%	100%
	16.0%	125%
	16.5%	150%
	17.0% and above	200%
PAYOUT CONDITION: Minimum average closing share price for the last three months of 2019	C$90.56 on the TSX or U.S.$67.92 on the NYSE	

(1) Interpolation applies between objectives.

2. PSUs – TSR

Thirty percent (30%) of the PSU award value is subject to CN's Relative TSR measured against two equally-weighted comparator groups: i) selected Class I Railroads, and ii) S&P/TSX 60 companies. Relative TSR performance measures CN's share price appreciation, inclusive of dividends, over the three-year plan period against the companies within each comparator group.

PSUs — TSR awarded in 2017 to NEOs and other designated employees are subject to the attainment of the performance measures presented in the table below:

TSR RELATIVE TO SELECTED CLASS I RAILWAYS CNR	PAYOUT
1st	200%
2nd	150%
3rd	100%
4th	50%
5th	0%

TSR RELATIVE TO S&P/TSX 60 CNR	PAYOUT[1]
75th Percentile and above	200%
50th Percentile	100%
25th Percentile	50%
Less than the 25th Percentile	0%

(1) Interpolation between points.

Discussion

CN Rail's PSU plan is noteworthy because:

a) It provides full disclosure of goals set under the PSU plan and describes why return on invested capital (ROIC) is emphasized: it measures the company's efficiency in the use of its capital funds and is viewed as a key measure of long-term value generation.

b) There is a possibility that, following an assessment of the company's future 3-year performance, no PSUs vest. Therefore, CN Rail's PSUs are truly at-risk.
c) ROIC and TSR (total shareholder return) are assessed against a single three-year goal as opposed to three one-year goals. CCGG encourages boards to evaluate key performance measures over multi-year periods in order to focus and incent management on long-term value creation.
d) PSUs are settled in common shares (purchased on the open market) instead of cash, thereby encouraging executive officers to build share ownership.

Use of adjusted financial performance measures in compensation structures

As shown in the previous example, CN Rail may, under certain circumstances, adjust return on invested capital for "certain items as determined by" its Human Resources and Compensation committee.

CCGG has observed that many issuers use adjusted financial performance measures to make executive compensation decisions. In such cases, to the extent possible, we encourage boards to indicate the type of adjustments that can be made or that have been made in the past to the most comparable GAAP financial measure. We also encourage issuers to discuss in their proxy circulars the role of the board in scrutinizing material adjustments that are made to the most comparable GAAP or IFRS figure in order to arrive at the adjusted financial performance measure used in the company's executive compensation scheme.

Canadian National Railway Company, 2018 Proxy Circular, page 46:

Performance Objectives and Results – Performance Share Units – 2015 Award

ROIC PSUs – 70% of the grant value:

	OBJECTIVE	PERFORMANCE VESTING FACTOR(1)	RESULTS
PERFORMANCE OBJECTIVE: Average ROIC for the three-year period ended on December 31, 2017	Below 14.0% 14.0% 15.0% 16.5% 17.0% 17.5% and above	0% 50% 100% 125% 150% 200%	16.7%(2) translating into a payout factor of 135%
PAYOUT CONDITION: Minimum average closing share price for the last three months of 2017	C$77.59 on the TSX or U.S.$67.20 on the NYSE		C$102.34 U.S.$80.54

(1) Interpolation applies between objectives.

(2) Adjusted to exclude deferred income taxes resulting from various tax enactments, including U.S. tax changes. If no adjustment had been performed for the U.S. tax changes, the payout factor would have been 200%.

Discussion

For the PSU award that vested in 2017, CN Rail's proxy circular notes that return on invested capital was adjusted to exclude deferred income taxes resulting from various tax enactments, including U.S. tax changes. If

no adjustment had been made for the U.S. tax changes, the payout factor would have been 200% instead of 135%.

TELUS Corporation, 2018 Proxy Circular, page 74 &75:

2017 corporate performance metrics and results

[…] Footnote (3): Simple cash flow is a non-GAAP measure and does not have a standardized meaning under IFRS-IASB. It is defined as EBITDA less capital expenditures (excluding spectrum licences). For the purposes of the scorecard payout, simple cash flow was normalized to exclude capital expenditures in excess of the 2017 plan, which were associated with our decision to accelerate our investment in broadband technology and infrastructure across wireless and wireline operations, and to exclude the impact of the British Columbia wildfires, as well as certain other minor, one-time exogenous factors. As a result, simple cash flow was adjusted from $1.680 billion to $1.796 billion.

Footnote (4): For the purposes of the scorecard payout, actual basic EPS was adjusted to remove the impact of certain one-time exogenous factors, including the increase in the B.C. corporate income tax rate. As a result, basic EPS was adjusted from $2.46 to $2.51.

[…] TELUS has had a standard practice in place since 2009 whereby the Chair of the Audit Committee and the Chair of the Compensation Committee review the results on the corporate scorecard in advance of their respective quarterly meetings and facilitate a line-by-line reconciliation of the corporate scorecard metrics and results with the quarterly financial results. Any proposed adjustments to the corporate scorecard results for payout purposes are subject to this review.

In approving the adjustments to the corporate scorecard results, the Compensation Committee sought an approach that was balanced and fair to the employees, as the corporate scorecard results drive the annual performance bonus of all employees participating in the program. The Committee decided it was appropriate to exclude negative and positive impacts of some events that could not have been anticipated when setting the targets or that resulted from in-year strategic decisions of senior management to achieve long-term benefits. Thus, the results were normalized as indicated in the footnotes above.

The corporate scorecard multiplier impacts 80 per cent of the annual performance bonus and EPSU award for each executive. The balance (20 per cent) reflects the individual performance multiplier.

Discussion

TELUS' proxy circular describes the role of the board in scrutinizing material adjustments proposed to financial measures used in the company's compensation scheme.

Effectiveness of the Compensation Program over Time

In order to truly understand the effectiveness of an issuer's compensation program, it is useful to know not only the grant date value of compensation awards, which reflects how the board intended to compensate management, but also how effective the compensation program has actually been in aligning management's interests with shareholders.

Canadian Imperial Bank of Commerce, 2018 Proxy Circular, page 73-74:

CEO realized and realizable pay

The chart and accompanying table below illustrate CIBC's strong track record of aligning CEO pay to CIBC's performance. The chart compares the current value of compensation awarded to CIBC CEOs since 2008 to the value received by shareholders over the same period. The table provides the underlying information reflected in the chart including the CEO's realized and realizable TDC pay values for each year. From fiscal 2008 to 2017, the current value of $100 invested by a shareholder is generally greater than the value of $100 in compensation awarded to CIBC's CEO.

The current value of the CEO awards as at December 31, 2017 for the fiscal years noted represents the total of:

(1) realized pay received by the CEO (actual pay from awards received, dividend equivalents paid and options exercised); and

(2) potential realizable value of awards yet to be paid (unvested units and unexercised options if still outstanding).

Year	CEO	TDC Awarded(1) ($)	A Realized Pay(2)	B Realizable Pay(3)	A+ B = C Current Value	Period	To CEO(4) ($)	To Shareholders(5) ($)
2008	McCaughey	8,160,000	13,497,068	–	13,497,068	10/31/2007 to 12/31/2017	165	176
2009	McCaughey	6,240,000	8,417,525	–	8,417,525	10/31/2008 to 12/31/2017	135	311
2010	McCaughey	9,337,000	12,186,401	–	12,186,401	10/31/2009 to 12/31/2017	131	258
2011	McCaughey	10,010,000	15,948,358	–	15,948,358	10/31/2010 to 12/31/2017	159	195
2012	McCaughey	9,244,000	14,030,954	–	14,030,954	10/31/2011 to 12/31/2017	152	194
2013	McCaughey	9,299,000	12,699,151	–	12,699,151	10/31/2012 to 12/31/2017	137	177
2014	McCaughey	8,793,700	8,793,700	–	8,793,700	10/31/2013 to 12/31/2017	100	149
2014	Dodig	4,728,820	4,689,441	711,473	5,400,914	10/31/2013 to 12/31/2017	114	149
2015	Dodig	8,149,650	3,502,376	7,107,305	10,609,681	10/31/2014 to 12/31/2017	130	124
2016	Dodig	8,793,500	3,338,050	9,118,479	12,456,529	10/31/2015 to 12/31/2017	142	121
2017	Dodig	8,938,000	3,381,400	4,924,442	8,305,842	10/31/2016 to 12/31/2017	93	115
						Weighted Average	**133**	**166**

(1) TDC Awarded for performance during the fiscal year. Mr. Dodig's 2014 TDC reflects 10.5 months in his previous role as the Group Head of Wealth Management and 1.5 months in the role of CEO.

(2) Realized Pay is the sum of base salary, cash incentive, the payout value of share units granted during the period, the dividend equivalents paid, and the value of options exercised during the period.

(3) Realizable Pay is the sum of the current value of unvested units granted during the period and the in-the-money value of vested and unvested options that are still outstanding.

(4) Represents the actual value to the CEO for each $100 awarded in TDC for the fiscal year indicated, as at the end of the period.

(5) Represents the value of a $100 investment in CIBC common shares made on the first day of the period indicated, assuming reinvestment of dividends.

Discussion

Some issuers have included in their circulars the realizable value of Options and PSUs based on year end stock prices. Disclosing realizable value of share based awards is a good practice but this value does not reflect the actual compensation that is realized by the executive.

Notably, CIBC's circular includes an *11 year* look-back table which shows grant date value of the current and former CEO's past compensation along with the value realized and realizable (for awards still outstanding as of the most recent fiscal year end). The table also compares the value of the CEO's compensation to the value of a $100 investment in CIBC common shares.

Management Biographies

In order to judge the appropriateness of an executive's compensation plan, it is essential to understand the roles and responsibilities of the executive.

TransCanada Corporation, 2018 Proxy Circular, page 93:

Russell Girling

PRESIDENT AND CHIEF EXECUTIVE OFFICER

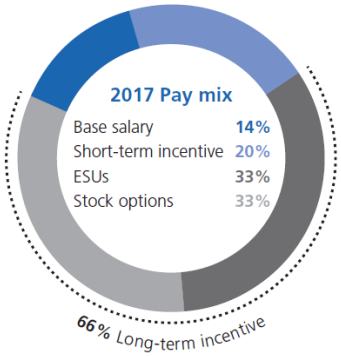
Mr. Girling is responsible for our overall leadership and vision in developing with our Board our strategic direction, values and business plans. This includes overall responsibility for operating and growing our business while managing risk to create long-term sustainable value for our shareholders.

2017 Key results

- Record comparable earnings per share and comparable funds generated from operations
- Increased portfolio of near-term infrastructure growth projects to $23 billion
- Advanced the Keystone XL project and secured shipping commitments
- Delivered financial plan that supports 8-10% dividend growth through 2021
- Advanced succession planning and high performance culture

- Mr. Girling's short-term incentive award was based 100 per cent on corporate performance.
- The short-term incentive award for 2017 performance was based on Mr. Girling's target of 120 per cent of base salary.
- Mr. Girling's 2017 short-term and long-term incentive awards as a percentage of 2017 base salary were 144 per cent and 485 per cent, respectively.

Compensation (as at December 31)	**2017**	**2016**	**2015**
Fixed			
Base salary	$1,300,008	$1,300,008	$1,300,008
Variable			
Short-term incentive	1,872,012	2,210,014	1,560,000
Long-term incentive			
ESUs	3,150,000	3,000,000	2,800,000
Stock options	3,150,000	3,000,000	2,800,000
Total direct compensation	**$9,472,020**	**$9,510,022**	**$8,460,008**
Change from last year	**-0.4%**	**12%**	—



Short-term incentive is attributed to the noted financial year, and is paid by March 15 of the following year.

Share ownership is based on the 20-day volume-weighted average closing price on the TSX of $61.95 for TransCanada shares as at December 31, 2017.

Share ownership

	Ownership under the guidelines			
Minimum level of ownership	**Minimum value**	**TransCanada shares**	**Total ownership as a multiple of base salary**
5x	$6,500,040	$15,367,007	11.8x

Discussion

TransCanada explains each NEO's role and responsibilities and provides shareholders with a brief overview of each NEO's direct compensation and ownership of TransCanada common shares.

Executive Share Ownership Requirements

Companies should consider adopting share ownership requirements for their NEOs to enhance alignment of interests with the company's shareholders. Additionally, disclosure should answer the following questions:

- What are the minimum share ownership requirements that each NEO must meet?
- Are NEOs required to maintain minimum share ownership levels for any period of time after leaving the company?
- What are each NEO's current shareholdings relative to the required holdings level?
- Beyond direct shareholdings, do vested or unvested equity-linked forms of compensation (for example, in-the-money option grants, unvested RSU or PSU grants, etc.) count towards an NEO's minimum ownership requirements?

TELUS Corporation, 2018 Proxy Circular, pages 81-82:

Share ownership requirement

Our executive share ownership requirement has been in place for over a decade, further demonstrating our compensation philosophy to align the interests of our executives with those of our Shareholders. Our executives must beneficially own, either directly or indirectly, a certain number of Shares based on targets varying by position. This is a more stringent requirement than prevalent market practice since TELUS does not include options, EPSUs or RSUs when determining if the target has been met. In our view, an executive purchasing Shares with his or her own funds more clearly demonstrates his or her commitment to the Company and its future success.

	Share (excluding options, EPSUs and RSUs) ownership guidelines
CEO	7x annual base salary
ELT	3x annual base salary

The ownership requirement was met by three NEOs in 2017 (Josh Blair, Eros Spadotto and David Fuller). Doug French is making progress toward meeting his share ownership target and has five years from the time of his official appointment (February 2022) to reach the target. At 6.9x, Darren is very close to meeting his share ownership target of 7x annual base salary. It will be met during 2018.

We also require an executive who has not met the share ownership requirement to take 50 per cent of net equity awards (after taxes) in Shares for any equity vesting unless that executive is pursuing other means of meeting the share ownership requirement. The executive must also hold such Shares until the requirement is met.

Furthermore, any executive retiring after January 1, 2013 must continue to hold a number of Shares equal to the share ownership requirement for one year following retirement. […]

Executive shareholdings and total equity summary

The following table lists the number and value of Shares and total equity (Shares, EPSUs and RSUs, but excluding options) held by each NEO as at December 31, 2017 (as set out in the Summary compensation table on pages 83 and 84). It also shows total shareholdings as a multiple of the individual's annual base salary at year-end relative to the share ownership guidelines described previously.

Name	Total Shares[1]	Value of Shares[2] ($)	Total EPSUs/ RSUs[1]	Value of EPSUs/ RSUs[2] ($)	Total equity (Shares/ EPSUs/ RSUs)[1]	Value of total equity[2] ($)	Base salary ($)	Value of total equity as a multiple of base salary[3]	Value of shareholdings[4] as a multiple of base salary[3]
Darren Entwistle[5]	198,804	9,467,046	406,309	19,348,435	605,113	28,815,481	1,375,000	21.0	6.9
Doug French[6]	7,123	339,197	68,000	3,238,160	75,123	3,577,357	600,000	6.0	0.6
Josh Blair	176,953	8,426,502	148,253	7,059,808	325,206	15,486,310	650,000	23.8	13.0
Eros Spadotto	68,531	3,263,446	106,818	5,086,673	175,349	8,350,119	600,000	13.9	5.4
David Fuller	47,475	2,260,760	154,201	7,343,052	201,676	9,603,812	600,000	16.0	3.8

1 Excludes any Shares that may be acquired by an executive in 2018 in payment of EPSUs that vested in 2017.
2 On December 29, 2017 (the last trading day before December 31, 2017), the closing Share price on the TSX was $47.62.
3 Annualized base salary, not pro-rated for the year.
4 Excludes all options, RSUs and EPSUs, per TELUS' stringent requirements.
5 At 6.9x, Darren is very close to meeting his share ownership target of 7x annual base salary. It will be met during 2018.
6 Doug's base salary is an annualized 2017 salary, not pro-rated for the year. He has until February 2022 to meet his share ownership target of three times annual base salary.

Discussion

TELUS does not include any form of share based compensation awards (e.g. options, RSUs or PSUs) when determining whether an executive has met his/her shareholding requirements. CCGG agrees with TELUS' position that executives purchasing common shares with their own funds more clearly demonstrate a commitment to the company and its future success. TELUS requires *all* executives (not just the CEO) to continue to meet their respective ownership requirements for at least one year following retirement.

In some cases, issuers have included vested and unvested share-based awards in calculating executive share ownership. Awards such as certain Deferred Share Units and certain Restricted Share Units, that have vested but have not yet paid out, and on which income taxes have been deferred till the awards are settled, may be included in an officer's share ownership if they are adjusted for any income taxes that are owed on settlement. Awards that have not yet vested should not count towards an officer's share ownership.

We ask issuers to differentiate between an officer's common share ownership and any share-based awards included in the computation of share ownership. Because TD Bank (see example below) discloses common shares held by each NEO separately from the NEO's share-based awards, investors can see that the CEO meets his share ownership requirements by virtue of the common shares he holds.

Toronto-Dominion Bank, 2018 Proxy Circular, page 38:

Share ownership

Mr. Masrani exceeds his share ownership requirement of $12,500,000.

	Actual Share Ownership at December 31, 2017				Multiple of Base Salary	
		Share Units		Total		
Required Multiple	Directly Held ($)	Vested ($)(1)	Subject to Vesting ($)	Ownership ($)	Directly Held & Vested Compensation	Total Ownership
10	45,476,196	19,612,311	16,376,792	81,465,299	52.07	65.17

(1) The value of Mr. Masrani's vested share units includes a combination of DSUs and VSUs. The value of VSUs included is $7,602,174.

Termination and Change of Control Benefits

In seeking to understand the employment arrangements between an issuer and its NEOs, CCGG looks for compensation disclosure to answer the following questions:

- Does the company have employment agreements with its NEOs? What are the material terms of the agreements?
- What payment, if any, is awarded…
  - …if a NEO resigns?
  - …if a NEO is terminated without cause?
  - …if a NEO is terminated without cause after a change of control occurs?
  - …if a change of control occurs but a NEO is not terminated?
- How a change of control is defined and whether vesting provisions upon a change-of-control are based on a "double-trigger"?
- What payments would be made to NEOs under each termination scenario if their employment had been terminated at year-end?

Methanex Corporation, 2018 Proxy Circular, pages 57-59:

Change of Control and Termination Benefits for NEOs

The Company has entered into employment agreements with each of the NEOs that provide them with certain rights in the event of involuntary termination of employment or a "Change of Control" of the Company. A "Change of Control" occurs when:

- more than 40% of voting shares of the Company are acquired by an outsider;
- a majority change in the Board occurs;
- all or substantially all of the assets of the Company are sold to an outsider; or
- a majority of directors determines that a change in control has occurred.

[...]The employment agreements with the NEOs provide for a "double trigger" for grants of stock options/SARs/TSARs. A "double trigger" means that early vesting of stock options /SARs/TSARs requires the occurrence of both (1) a Change of Control and (2) either termination of the NEO's employment or an adverse material change in the NEO's employment status within 24 months following such Change of Control.

[…]The following table shows the provisions in the employment agreements of the NEOs as at December 31, 2017 in the event of a termination of employment:

	Resignation[1] [2]	Retirement[2]	Termination Without Cause[1]	Change of Control and Termination within 24 months[1]	Termination for Cause
Termination Payment	No payment	No payment	CEO: 2.0 x Termination Amount Other NEOs: 1.5 x Termination Amount Termination Amount = (annual salary + short-term incentive target + compensation for pension and various other Company benefits)	CEO: 2.0 x Termination Amount Other NEOs: 2.0 x Termination Amount Termination Amount[3] = (highest annual salary during last three years + the average of last three years' short-term incentive award + any other cash compensation awards + pension and other Company benefits) + legal and professional fees and expenses	No payment

Example of NEO Termination Benefits on Change of Control

Based on the foregoing formulas, the following table shows the benefits that the NEOs would have been entitled to if a Change of Control with termination or termination without cause event had occurred on December 31, 2017.

Name	Change of Control with Termination			Termination without Cause ($)
	Termination Payment ($)	Value of Early Vested Options and Share-Based Awards [1] ($)	Total ($)	
John Floren	4,419,742	7,653,373	12,073,115	4,891,742
Ian Cameron	4,403,730	2,289,597	6,693,327	1,715,624
Vanessa James	1,747,842	1,695,021	3,442,863	1,434,381
Mike Herz	1,790,420	1,695,021	3,485,441	1,447,316
Wendy Bach	1,645,724	1,668,578	3,314,302	1,354,568

Discussion

Methanex's circular includes all the information discussed above.

Retirement Benefits and Perquisites

In reviewing executive perquisites and retirement benefits, CCGG looks for compensation disclosure to answer the following questions:

- Has the company granted an NEO bonus years of pension service beyond those years actually worked? Does the company have a policy on whether it will do so in the future?
- Does the company have caps, either hard-dollar or otherwise, on pension benefits?
- Does the company have any policies governing the use of perquisites for executives, particularly for controversial perquisites such as personal use of corporate aircraft or tax-gross ups?

Vermilion Energy Inc., 2018 Proxy Circular, page 56:

Savings Plan

Funds contributed to our Savings Plan are used to acquire Vermilion shares issued from treasury, on the open market or combination of both. Executives participate in the same plan as employees and are eligible to receive the same contribution level of 1.5 times the executive/employee contribution to a maximum Vermilion contribution of 10.5% of base salary earned. The purpose of the Savings Plan is to encourage ownership in Vermilion. Shares purchased with the employer contribution within the Savings Plan are restricted from sale for a one-year period from the contribution date. Where the restricted shares are withdrawn, a penalty is applied and the executive/employee loses Vermilion's matching contribution for a period of 12 weeks following the withdrawal. In 2017, a total of 124,824 shares were issued from treasury at prices per share between $38.98 and $56.96.

We do not have a pension plan for any Canadian-based employees, nor do we offer any deferred benefits.

Benefits and Perquisites

Our Canadian benefit plans provide all employees with extended health and dental coverage, life insurance, employee assistance program and disability insurance. Benefits provided to employees globally may vary depending on the jurisdictions the employees are located in. Costs for NEOs have been included in the Summary Compensation Table on page 77.

We limit the use of perquisites – special benefits – for our executives as we do not think they should be a significant element of compensation. We do, however, understand that some perquisites are appropriate to keep us competitive. The GHR Committee routinely reviews perquisites to ensure they are appropriate and market competitive. We provide executives with parking and an executive health plan as perquisites.

Pembina Pipeline Corporation, 2018 Proxy Circular, page 80:

Supplementary retirement plan

Employees can also earn supplementary benefits under our supplementary retirement plan. This plan is designed to provide benefits to employees beyond the limitations imposed by the Income Tax Act (Canada). The supplementary plan pays benefits for 120 months.

The total benefit under both the defined benefit and supplementary retirement plans cannot be more than 1.4 percent of the employee's highest three-year average base salary in the final 120 months of employment, multiplied by his or her defined benefit pensionable service.

Annual pension benefits payable

The table below shows the total estimated annual benefits payable to each named executive under the defined benefit and supplementary retirement plans, and the present value of our accrued obligation.

	Years of credited service	Annual benefits payable ($)		Present value of defined benefit obligation at start of 2017 ($)	Compensatory change ($)	Non-compensatory change[2] ($)	Defined benefit obligation at end of 2017 ($)
		At year end	At age 65				
Michael Dilger	12.8333	140,190	292,196	2,077,330	411,188	157,157	2,645,675

Discussion

Vermilion clearly discloses in its proxy circular the types and value (in its summary compensation table) of benefits and perquisites offered to executive officers. Of note, Vermilion does not offer its NEOs supplemental retirement benefits; instead NEOs participate under the company's employee share savings plan which promotes share ownership.

Certain issuers such as Pembina Pipeline offer their NEOs retirement plans that supplement those available to other employees. In some instances supplemental retirement benefits may be difficult to avoid for competitive reasons. We encourage issuers to limit such supplemental benefits, however, and to not grant extra years of service or special benefits such as higher than normal accrual rates under pension plans.

Say on Pay

Boardwalk REIT, 2018 Proxy Circular, pages 88-89:

Special Business – Advisory Vote on Executive Compensation

Unitholders may cast an advisory vote on the approach to executive compensation disclosed in the "Compensation Discussion & Analysis" section of the Circular.

[…] While the advisory vote is non-binding, the CGN Committee and the Board of Trustees will take the results of the vote into account, as they consider appropriate, when considering future compensation policies, procedures and decisions. In addition, the Trust is committed to ensuring that it communicates effectively and responsibly with Unitholders, other interested parties and the public. As part of that commitment, the Trustees periodically engage certain Unitholders and governance stakeholders directly to discuss the approach to executive compensation. Finally, the Trust offers Unitholders several ways to communicate directly with the independent Trustees either through the Chairman of the Board, including by email c/o Boardwalk Investor Relations at investor@bwalk.com, or directly with the CGN Committee at cgn@bwalk.com. Emails addressed to the Chairman of the Board received from Unitholders and expressing an interest to communicate directly with the independent directors via the Chairman will be provided to them.

[…]The Trust's Governance Guidelines provide that, if a majority or significant proportion of the Units represented in person or by proxy at the meeting are voted against the advisory resolution, the Chairman of the Board will oversee a process to seek a better understanding addressing the Unitholder's specific concerns. The CGN Committee will consider the results of this process and, as it considers appropriate, will review the approach to the executive compensation in the context of Unitholders' specific concerns and may make recommendations to the Board of Trustees. Following the review by the CGN Committee, the Trust intends to disclose a summary of the process undertaken and an explanation of any resulting changes to executive compensation. The Trust will provide this disclosure within six (6) months of the Unitholders' meeting and, in any case, not later than in the next Management Information Circular.

Discussion

Offering shareholders a 'Say on Pay' vote is a useful tool that is used by boards to assess shareholders' acceptance of the corporation's approach to executive compensation. More than 64% of the issuers in the S&P/TSX composite index now offer their shareholders a 'Say on Pay' vote.

Boardwalk REIT offers its shareholders a 'Say on Pay' vote and it also indicates that, in case a majority or a significant proportion of units are voted against the advisory resolution, the Chair of the Board will oversee a

process to understand unitholder concerns. Furthermore, Boardwalk Trustees "periodically engage certain unitholders and governance stakeholders directly to discuss the approach to executive compensation."

Compensation Peer Groups

Boards commonly benchmark compensation against peers to ensure the company pays in a manner that is competitive. We caution that the practice of benchmarking against peers should not be overly relied upon at the expense of a robust, independent analysis. Absent extenuating circumstances, the quantum of compensation awarded should be determined within the context of the organization as a whole and should be justified primarily by performance.

When external consultants are retained by the board, the board, as a governance best practice, should ensure that the consultant is independent of management. In any event, while the input received from independent compensation consultants may provide valuable assistance to the board, following a consultant's recommendation does not reduce a board's responsibility to ensure that compensation decisions are appropriate.

Boards should disclose answers to the following questions:

- Does the compensation committee make use of an independent compensation consultant?
- If management retains the same compensation consultant as the committee, must the committee first give its approval? If so, what portion of the consultant's total fees was attributable to work done for management?
- To the extent peer group benchmarking is used, does it serve solely to inform the board or does the board target a specific range or percentile level for compensation relative to its chosen peer group?
- What companies comprise the peer benchmarking group and what is the rationale for including the peers that were chosen?

Precision Drilling Inc., 2018 Proxy Circular, page 55:

Independent Advice

The HRCC retains an external consultant for advice, research and analysis about executive compensation and has worked with Mercer since 2006. Mercer provides insights on general compensation issues, competitiveness of pay levels, risks relating to compensation design, insights into market trends, and advice about technical matters. The HRCC takes this information into account but ultimately makes its own recommendations and decisions.

The table below shows the total fees paid to Mercer in the last two years.

Year Ended as of December 31	2017	2016
Executive compensation-related fees (HRCC)	$79,433	$162,800
All other fees (pension and benefits consulting)	$100,616	$115,864
Total fees	$180,050	$278,664

Precision Drilling Inc., 2018 Proxy Circular, page 56-57:

Benchmarking

We benchmark executive compensation with the aim to attract and retain global talent and stay competitive in markets where we operate.

The HRCC works with Mercer and our human resources group to review market data and establish a peer group of public companies that we compete with for executive talent. We also look at these companies to assess compensation trends and market practices.

Total compensation for each executive is based on several factors, including individual performance, leadership, global responsibilities, collaboration, experience, education, succession planning considerations, competitive pressures and internal equity.

We set our targets for base salaries at or slightly below the median (50th percentile) of our Compensation Peer Group. Targets for total direct compensation (salary plus short-term and long-term incentives) are set at the median for solid performance, and at the 75th percentile or higher for exceptional corporate and individual performance.

About the Compensation Peer Group

Our Compensation Peer Group includes similar companies, including contract drilling, well servicing and offshore drilling companies, that have been carefully selected based on their comparability to Precision – comparable business lines and similar in size, complexity, operating regions and style of operation. Our Compensation Peer Group also includes companies from the broader oilfield services sector that we compete with for global talent, market share and customers.

Our growth over the last several years, as well as our future growth plans, are primarily focused in the U.S. and our international regions. For our 2017 fiscal year, 57% of our revenue was from our U.S. and International operations, and 43% was from our operations in Canada. In 2018, the majority of our capital expenditures will be focused on the U.S. and International operations. Due to this shift in focus, we have centralized most of our leadership team in Houston, Texas and compensate them in U.S. dollars. With assistance from Mercer, we review the companies included in our Compensation Peer Group annually and include Canadian and U.S. based companies. Establishing a peer group that consists of a mix of Canadian and U.S. based companies reinforces our strategy of attracting and retaining the best talent in the drilling services market to drive value to shareholders over the long term.

The HRCC works with Mercer on the peer group analysis, examining eight metrics that provide a reasonable assessment of comparability and establish a peer group of companies that is relevant and appropriate:

- revenue
- EBITDA
- assets
- total employees
- market capitalization
- enterprise value
- geographic footprint
- complexity of service offerings.

We also use a different peer group to assess our relative TSR performance under our PSU plan. This group consists of companies we compete with for investors (see page 68 for details).

For benchmarking purposes, Mercer reviews the proxy materials of peer companies and gathers third party compensation survey data and relevant information from other companies in the energy services sector that have similar size revenue if compensation data for equivalent executive positions is not publicly available.

The HRCC reviews our Compensation Peer Group every year (more frequently if there are mergers, acquisitions or other industry developments) to ensure the group is appropriate for compensation planning purposes.

2017 Compensation Peer Group

We benchmarked compensation levels for 2017 against the following 16 companies. Our 2017 Compensation Peer Group was unchanged from 2016.

- Atwood Oceanics, Inc.
- CES Energy Solutions Corp. (formerly Canadian Energy Services & Technology Corp.)
- Diamond Offshore Drilling, Inc.
- Ensco PLC
- Ensign Energy Services, Inc.
- Forum Energy Technologies, Inc.
- Helmerich & Payne, Inc.
- Nabors Industries Ltd.
- Oil States International, Inc.
- Patterson-UTI Energy, Inc.
- RPC, Inc.
- Rowan Cos PLC
- Secure Energy Services, Inc.
- Shawcor Ltd.
- Superior Energy Services, Inc.
- Trinidad Drilling Ltd.

Discussion

Precision Drilling explains its approach to setting executive compensation which, among other things, includes the use of a compensation peer group. The method used to select compensation peers is also explained. Under its Performance Share Unit plan, Precision uses a different peer group to assess the company's relative performance and describes why it does so.

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