

VERSION 1.0
TSX Guide to Good Disclosure for
National Instrument 58-101 *Disclosure of Corporate Governance Practices* (NI 58-101)
and
Multilateral Instrument 52-110 – *Audit Committees* (MI 52-110)
(As of January 2006)

DISCLOSURE REQUIRED in <i>Corporate Governance Disclosure</i> Form 58-101F1 ¹	RELEVANT GUIDELINE FROM National Policy 58-201 <i>Corporate Governance Guidelines</i> (NP 58-201)	SUGGESTED ADDITIONAL VOLUNTARY DISCLOSURE TO PROVIDE GREATER INSIGHT INTO ADOPTED PRACTICES
		For each question in Form 58-101F1 discuss and explain <ul style="list-style-type: none"> ▪ any changes to the issuer’s corporate governance practices from the previous year. ▪ why the issuer has adopted the corporate governance practice that it has.
1. Board of Directors	Meaning of Independence	
a) Disclose the identity of directors who are independent. b) Disclose the identity of directors who are not independent, and describe the basis of that determination.	2.1 For the purposes of this NP 58-201, a director is independent if he or she would be independent for the purposes of NI 58-101.	<ul style="list-style-type: none"> ▪ To educate readers, provide the definition of independence used by the board to determine each director’s status. Highlight any additional brightline tests that the board applied when assessing independence. Issuers must use, at a minimum, the independence definition found in section 1.4 of MI 52-110, <i>Audit Committees</i>. Part 1 of MI 52-110 can be found in Appendix 1. ▪ Describe the process the board undertakes to assess director independence. ▪ For each independent director, describe any relationship the board considered but deemed not to be material. ▪ Provide a short biography of all directors including age, length of time on the board, his/her experience, competencies, skills and expertise, or cross-reference to another section of the information circular. ▪ Include a photo of each director.
	Composition of the Board	
c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the	3.1 The board should have a majority of independent directors.	<ul style="list-style-type: none"> ▪ If the board has a majority of independent directors, describe any additional measures taken by the board to exercise independent judgement. ▪ Disclose the number of independent directors as a percentage of the board of directors.

¹ For TSX issuers, this disclosure must be published in the issuer’s management information circular (“circular”), or in its annual information form (“AIF”) if a circular is not sent to its security holders. For TSX Venture Exchange issuers, please see Form 58-101F2 *Corporate Governance Disclosure (Venture issuers)*.

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board of directors (the board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.		<ul style="list-style-type: none"> ▪ Disclose if any security holders have the right to appoint directors and if so, describe that right.
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.		<ul style="list-style-type: none"> ▪ Name the market(s) on which the other public issuers are listed or traded. ▪ List any board committees with the other issuer(s) on which the director is a member. ▪ List all other private and non-public boards the director sits on. ▪ Identify any interlocking directorships (an interlocking directorship results when directors on the listed issuer are also together on the board of another issuer) - CCGG recommendation. ▪ List all directorships held by each director over the previous five years.
	Meetings of Independent Directors	
e) Disclose whether or not the independent directors hold regularly scheduled meeting 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.	3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	<ul style="list-style-type: none"> ▪ If separate meetings are held, disclose when the meetings are scheduled. ▪ Outline the topics the independent directors discuss without the presence of management. ▪ Name the committee that manages the board's relationship with management, if any. ▪ State whether the discussions of the independent director meeting discussions are communicated to the rest of the board and management, and if so, how is this done. ▪ If the meetings are not in conjunction with board meetings or the attendance record differs from the board meeting record in 1(g), disclose attendance record at these meetings. ▪ Disclose how the board deals with conflicts.
	Composition of the Board	
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	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	<ul style="list-style-type: none"> ▪ Cross-reference to position description for independent chair or lead director discussed in item 3 of Form 58-101F1. ▪ Indicate the length of time independent chair or lead director has served in that capacity. ▪ Disclose if independent chair or lead director has acted/acts in that capacity for other public issuers.

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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 lead director that is independent, describe what the board does to provide leadership for its independent directors.	ensure that the board's agenda will enable it to successfully carry out its duties.	
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.		<ul style="list-style-type: none"> ▪ Also provide attendance record members of each board committee. ▪ Present special factors or considerations which may have affected the attendance record of board members or committee members. ▪ Disclose any special circumstances that have influenced the number of meetings (board and committee) during the year (i.e. significant acquisition, merger, financing, etc.). ▪ Disclose if the board has established a required attendance level at committee and board meetings and what the attendance policy is. ▪ Disclose how director attended the meetings (i.e. in person, conference call, etc).
2. Board Mandate	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.	<p>3.4 The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:</p> <p>(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;</p> <p>(b) adopting a strategic planning process and approving, on at least an annual basis, a</p>	<ul style="list-style-type: none"> ▪ Disclose when or how often the board mandate is reviewed. ▪ Disclose which committee is responsible for monitoring compliance with the mandate and updating it. ▪ Discuss whether the board assumes responsibility for: <ul style="list-style-type: none"> ▪ overseeing the operation of the business; and ▪ supervising management. ▪ Explain what the board expects of management. ▪ State what responsibilities have been assigned to a committee. <p><u>Strategic Planning Process</u></p> <ul style="list-style-type: none"> ▪ Describe how the strategic planning process is carried out. ▪ Discuss whether the board or a committee reviews the plan on an ongoing basis, and how they carry out this review.

² 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.

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	<p>strategic plan which takes into account, among other things, the opportunities and risks of the business;</p> <p>(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;</p> <p>(d) succession planning (including appointing, training and monitoring senior management);</p> <p>(e) adopting a communication policy for the issuer;</p> <p>(f) the issuer's internal control and management information systems; and</p> <p>(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.²</p> <p>The written mandate of the board should also set out:</p> <p>(i) measures for receiving feedback from stakeholders (<i>e.g.</i>, the board may wish to establish a process to permit stakeholders to directly contact the independent directors); and</p> <p>(ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.</p>	<p><u>Principal Risks</u></p> <ul style="list-style-type: none"> ▪ Describe principal risks identified by the board. ▪ Describe the process that the board or committee follows to evaluate risk. ▪ Discuss the structures and procedures in place to manage identified and potential risks. ▪ Discuss if the board has adopted a specific approach to corporate social responsibility. <p><u>Succession Planning</u></p> <ul style="list-style-type: none"> ▪ Describe the succession planning process ▪ Discuss how frequently the succession plan is reviewed. <p><u>Communication Policy</u></p> <ul style="list-style-type: none"> ▪ Discuss if the issuer has a disclosure policy and provide a summary of the policy. ▪ Describe how the issuer interacts with stakeholders, such as analysts and security holders. ▪ Discuss whether the board assumes responsibility for any policy that allows the company to communicate effectively with its security holders, other stakeholders and the public in general. ▪ Discuss how the issuer complies with timely and continuous disclosure requirements. ▪ Discuss how frequently the communications policy is reviewed. ▪ Disclose who reviews and approves major public announcements by the issuer. <p><u>Internal Controls</u></p> <ul style="list-style-type: none"> ▪ Discuss whether the board assumes responsibility for implementing appropriate internal control and management information systems to ensure that it can carry out its responsibilities. ▪ Describe how the board or committee reviews internal control and management information systems. ▪ Discuss how frequently the board or committee reviews these systems. <p><u>Developing Issuer's Approach to Corporate Governance</u></p> <ul style="list-style-type: none"> ▪ Describe the responsibilities in developing the issuer's approach to corporate governance. ▪ State who is responsible for disclosing the issuer's approach to corporate governance under Form 58-101F1. <p><u>Measures for Receiving Stakeholder Feedback</u></p>

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	<p>In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in National Policy 51-201 <i>Disclosure Standards</i>.</p> <p>For purposes of this NP 58-201, “executive officer” has the same meaning as in National Instrument 51-102 <i>Continuous Disclosure Obligations</i>.</p>	<ul style="list-style-type: none"> ▪ Describe the measures the board has put in place.
3. Position Descriptions	Position Descriptions	
<p>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.</p>	<p>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.</p>	<ul style="list-style-type: none"> ▪ If the board has developed position descriptions, provide a copy of the position descriptions or provide a summary of the position descriptions. ▪ Disclose the approval process for the position descriptions. ▪ Disclose how often the position descriptions are reviewed and updated.
<p>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.</p>	<p>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.</p>	<ul style="list-style-type: none"> ▪ If a CEO position description has been developed, provide a copy of the position description or provide a summary of the positions description including the limits to management’s responsibility. ▪ Disclose whether the board or a committee develops corporate goals for the CEO and assesses the CEO against these objectives. If a committee is responsible for developing corporate goals, disclose the committee and how it reports its results to the board. ▪ Disclose who approves the CEO position description and how often is it reviewed.
4. Orientation and Continuing Education	Orientation and Continuing Education	
<p>a) Briefly describe what measures the board takes to orient new directors regarding: (i) the role of the board, its</p>	<p>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</p>	<ul style="list-style-type: none"> ▪ Provide information about the elements in the new director orientation program (i.e. information packages, meetings with management, tours of facilities.).

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<p>committees and its directors; and (ii) the nature and operation of the issuer's business.</p>	<p>contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.</p>	
<p>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.</p>	<p>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.</p>	<ul style="list-style-type: none"> ▪ Describe how the board and directors identify their continuing education needs. ▪ Provide types and examples of courses and programs taken by the directors in the last fiscal year.
<p>5. Ethical Business Conduct</p>	<p>Code of Business Conduct and Ethics</p>	
<p>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:</p> <p>(i) disclose how a person or company may obtain a copy of the code;</p> <p>(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</p> <p>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently</p>	<p>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:</p> <p>(a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;</p> <p>(b) protection and proper use of corporate assets and opportunities;</p> <p>(c) confidentiality of corporate information;</p> <p>(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;</p>	<ul style="list-style-type: none"> ▪ Briefly describe the code. ▪ Summarize departures from the code and explain why these departures were granted. ▪ Discuss the process for reviewing the code and updating it and whether the code is reviewed on a regular basis. ▪ Describe the process for assessing and granting requests for departures from the code. ▪ If the code is available to the public, describe how. ▪ Discuss any amendments that have been made to the code in the last fiscal year. ▪ Disclose how the code is communicated to directors, officers and employees.

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<p>completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>(e) compliance with laws, rules and regulations; and</p> <p>(f) reporting of any illegal or unethical behaviour.</p> <p>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.</p> <p>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 <i>Continuous Disclosure Obligations</i>. 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:</p> <ul style="list-style-type: none"> ▪ the date of the departure(s); ▪ the party(s) 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). 	
b) Describe any steps the board		

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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	Nomination of Directors	
a) Describe the process by which the board identifies new candidates for board nomination.	<p>3.12 Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:</p> <p>(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.</p> <p>(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.</p> <p>The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.</p>	<ul style="list-style-type: none"> ▪ Describe the board's expectations of new nominees, with respect to time commitment, attendance and number of other directorships. ▪ Briefly describe the nominating committee charter. ▪ Disclose when the board last appointed a new member. ▪ Disclose if the board keeps a current list of potential directors with the required skills and competencies. ▪ Discuss the competencies, skills and other attributes that new nominees should have. ▪ Discuss if the size of the board is appropriate in order to facilitate effective decision making. ▪ Describe how the board (or the committee) determines that new nominees will be able to devote sufficient time and commitment to his or her duties as a board member.

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	In carrying out each of these functions, the board should consider the advice and input of the nominating committee.	
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.	3.10 The board should appoint a nominating committee composed entirely of independent directors.	
c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	<p>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.</p> <p>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.</p> <p>3.14 In making its recommendations, the nominating committee should consider:</p>	

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	<p>(a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess;</p> <p>(b) the competencies and skills that the board considers each existing director to possess; and</p> <p>(c) the competencies and skills each new nominee will bring to the boardroom.</p> <p>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.</p>	
7. Compensation	Compensation	
a) Describe the process by which the board determines the compensation for the issuer's directors and officers.		<ul style="list-style-type: none"> ▪ Indicate if the compensation committee reviews and approves corporate goals relevant to CEO compensation and if CEO compensation is based on that review. ▪ Disclose if the compensation committee recommends to the board non-CEO officer and director compensation, incentive compensation plans and equity-based plans. ▪ Discuss if the committee reviews executive compensation disclosure before it is publicly disclosed. ▪ Disclose how often compensation is reviewed. ▪ Disclose if there is a minimum security ownership requirement for officers and directors. ▪ Cross-reference other sections of the information circular that include information pertaining to officer and director compensation. ▪ Provide a copy of the committee charter or disclose where a copy of the charter can be found.
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	3.15 The board should appoint a compensation committee composed entirely of independent directors.	

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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.	<p>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.</p> <p>3.17 The compensation committee should be responsible for:</p> <ul style="list-style-type: none"> (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. 	
d) If a compensation consultant or		<ul style="list-style-type: none"> ▪ Disclose whether the board or management, or both, have retained a consultant

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<p>advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>		<p>to help determine compensation.</p> <ul style="list-style-type: none"> ▪ Provide, separately, the amount paid to the consultant for assisting the board in determining compensation, and for any other services provided to the issuer.
<p>8. Other Board Committees</p>		
<p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>		<ul style="list-style-type: none"> ▪ For each committee, provide, or cross-reference another section of the circular, the: <ul style="list-style-type: none"> ▪ number of members; ▪ names of members; ▪ number and names of independent members; ▪ the chair of the committee; ▪ attendance record at committee meetings; and ▪ scope of each committee's responsibility or a copy of its charter, or where a copy of the charter can be found.
<p>9. Assessments</p>	<p>Regular Board Assessments</p>	
<p>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.</p>	<p>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</p> <ul style="list-style-type: none"> (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 	<ul style="list-style-type: none"> ▪ Disclose whether: <ul style="list-style-type: none"> ▪ assessments of the chair are done; ▪ assessments of the chair of each committee are done; ▪ how frequently are assessments performed; ▪ the consequences that can result from the conclusion of the assessments; and ▪ the scope of the assessments.

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	individual director is expected to bring to the board.	

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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.		<ul style="list-style-type: none"> • To assist readers, provide the applicable definitions of "independent" and "financially literate". • Disclose any additional requirements imposed by the issuer to assess independence. • Disclose if a committee member has been deemed a financial expert (i.e. if they have a professional qualification such as a CA or CMA).
3. Relevant Education and Experience		
<p>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:</p> <p>a) an understanding of the accounting principles used by the issuer to prepare its financial statements;</p> <p>b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;</p>		

³ For TSX issuers, this disclosure must be published in the issuer's AIF, and must be cross-referenced in its circular if the issuer solicits proxies from its security holders for the purpose of electing directors to the issuer's board of directors. For TSX Venture Exchange issuers, please see Form 52-110F2 *Disclosure by Venture Issuers*. MI 52-110 has been accepted (or is intended to be accepted) in all jurisdictions except British Columbia.

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<p>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 persons engaged in such activities; and</p> <p>d) an understanding of internal controls and procedures for financial reporting.</p>		
4. Reliance on Certain Exemptions		
<p>If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied on</p> <p>a) the exemption in section 2.4 (<i>De Minimis Non-audit Services</i>);</p> <p>b) the exemption in section 3.2 (Initial Public Offerings);</p> <p>c) the exemption in section 3.4 (Events Outside Control of Member);</p> <p>d) the exemption in section 3.5 (Death, Disability or Resignation of Audit Committee Member); or</p>		<ul style="list-style-type: none"> ▪ Include a description of the exemption relied on in order to assist readers. ▪ Disclose the date the issuer began relying on the exemption. ▪ Provide information about the issuer's plans/expectations to discontinue reliance on the stated exemption.

DISCLOSURE REQUIRED in Form 52-110F1 <i>Audit Committee Information Required in an AIF</i> ³	RELEVANT GUIDELINE FROM	SUGGESTED ADDITIONAL VOLUNTARY DISCLOSURE TO PROVIDE GREATER INSIGHT INTO ADOPTED PRACTICES
<p>e) an exemption from this Instrument, in whole or in part, granted under Part 8 (Exemptions).</p> <p>State that fact.</p>		
5. Reliance on the Exemption in Subsection 3.3(2) or Section 3.6		
<p>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) (<i>Controlled Companies</i>) or section 3.6 (<i>Temporary Exemption for Limited and Exceptional Circumstances</i>), state that fact and disclose</p> <p>a) the name of the member; and</p> <p>b) the rationale for appointing the member to the audit committee.</p>		<ul style="list-style-type: none"> ▪ Include a description of the applicable exemption in order to assist readers. ▪ Disclose the date the issuer began relying on the exemption. ▪ Provide information about the issuer's plans/expectations to discontinue reliance on the stated exemption.
6. Reliance on Section 3.8		
<p>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</p> <p>a) the name of the member;</p> <p>b) that the member is not financially literate; and</p> <p>c) the date by which the member expects to become financially</p>		<ul style="list-style-type: none"> ▪ Include a description of the section 3.8 exemption in order to assist readers. ▪ Disclose the date the issuer began relying on the exemption. ▪ Provide information about the issuer's plans/expectations to discontinue reliance on the stated exemption.

DISCLOSURE REQUIRED in Form 52-110F1 <i>Audit Committee Information Required in an AIF</i> ³	RELEVANT GUIDELINE FROM	SUGGESTED ADDITIONAL VOLUNTARY DISCLOSURE TO PROVIDE GREATER INSIGHT INTO ADOPTED PRACTICES
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		

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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.		

APPENDIX 1

PART 1 of MULTILATERAL 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, Auditing Standards and Reporting Currency*;

“AIF” has the meaning ascribed to it in National Instrument 51-102;

“asset-backed security” has the meaning ascribed to it in National Instrument 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 National Instrument 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 National Instrument 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;

“investment fund” has the meaning ascribed to it in National Instrument 51-102;

“marketplace” has the meaning ascribed to it in National Instrument 21-101 *Marketplace Operation*;

“MD&A” has the meaning ascribed to it in National Instrument 51-102;

“National Instrument 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, does not have any of its securities listed or quoted on the Toronto Stock Exchange, a U.S. marketplace or a marketplace outside of Canada and the United States of America.

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 National Instrument 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 National Instrument 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.