

## Statement of Corporate Governance Practices of The Corporation

In 1995, the Toronto Stock Exchange (the “TSX”) adopted a requirement that disclosure be made by each listed company of its corporate governance system by making reference to the TSX Guidelines for Corporate Governance (the “Guidelines”). and each listed company is also required to explain where its system of governance differs from the Guidelines.

More recently, regulators in both Canada and the United States have brought forth new requirements in terms of corporate governance and accountability in connection with public companies. Heightened expectations on the part of investors and the public in general encouraged governments and regulators in both countries to propose and adopt new rules in these sectors and to revise and amend those rules that were already in effect. The Corporation’s Nominating & Governance Committee will continue to follow the progress of these developments with a view to recommending to the Board any changes to the Corporation’s governance practices that may become necessary in order that the Corporation complies with the aforementioned requirements as they become effective.

The following is a statement of the Corporation’s existing corporate governance practices with specific reference to the Guidelines (as indicated in bold below) currently in effect:

***The board of directors of every corporation should explicitly assume responsibility for the stewardship of the Corporation and adopt a formal mandate setting out the board’s stewardship responsibilities, and as part of the overall stewardship responsibility, the board should assume responsibility for the following matters:***

- 1) adoption of a strategic planning process and the approval and review, on at least an annual basis of a strategic plan;***
- 2) the identification of the principal risks of the corporation’s business and overseeing the implementation of appropriate systems to manage these risks;***
- 3) succession planning, including appointing, training and monitoring senior management;***
- 4) communications policies for the corporation; and***
- 5) the integrity of the corporation’s internal control and management information systems.***

All the directors presently in office and proposed to be elected at the Meeting have served as directors in good standing of the Corporation since 1994, other than Mr. Cunningham who was elected in 1998, Mr. Lanthier who was elected in 2001 and Thomas E. Costello who was elected on November 22, 2002.

Participation of directors is expected

at all Board of Directors and Committee meetings. Directors are asked to notify the Corporation if they will be unable to attend and attendance at meetings is duly recorded. All the directors have agreed to contribute to the evaluation of their collective as well as their individual performances.

The mandate of the Board of Directors of the Corporation is to supervise the management of the business and affairs of the Corporation, including the development of major policy and strategy and the identification of the risks of the Corporation’s business and implementation of the appropriate systems to manage these risks. The Board of Directors of the Corporation has explicitly assumed responsibility for the stewardship of the Corporation and has adopted a formal mandate setting out its stewardship responsibilities. Additionally, the Corporation has adopted a Code of Conduct and Business Ethics that all directors, management personnel and employees of the Corporation are expected to adhere to.

All major decisions concerning, among other things, the Corporation's corporate status, capital, debt financing, securities distributions, investments, acquisitions, divestitures and strategic alliances, are subject to approval by the Board of Directors. In particular, capital investments and other outlays of an aggregate monetary amount of one million U.S. dollars or more are subject to the prior approval of the Board of Directors.

The Board of Directors meets at least quarterly, and more frequently as required to consider particular issues or conduct specific reviews between quarterly meetings whenever appropriate. The Board of Directors periodically invites senior operating management to attend meetings of the Board of Directors to report on their business responsibilities. Governance responsibilities are undertaken by the Board of Directors as a whole, with certain specific responsibilities delegated to the Audit, the Compensation and the Nominating & Governance Committees as described below. For example, the Board of Directors has mandated the Compensation Committee and the Nominating & Governance Committee to develop a succession planning strategy for the Corporation which will include formalizing the Corporation's procedures related to the appointing, training and monitoring of senior management.

***The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors. If the corporation has a significant shareholder, in addition to a majority of unrelated directors, the board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder. The application of the definition of "unrelated director" to the circumstances of each individual director should be the responsibility of the board which will be required to disclose whether the board has a majority of unrelated directors or, in the case of a corporation with a significant shareholder, whether the board is constituted with the appropriate number of directors which are not related to either the corporation or the significant shareholder.***

The Corporation's Board of Directors currently consists of seven directors, five of whom are unrelated directors in accordance with the definition of an unrelated director in the Guidelines. The Board of Directors has examined its size and determined that seven directors, five of whom are unrelated, is an appropriate number for continued effective decision-making for the Corporation.

The Board of Directors is currently chaired by M.F. Yull who is also the Chief Executive Officer of the Corporation. The Board is of the view that this does not impair its ability to act independently of management due, inter alia, to the independence of the remaining members of the Board of Directors and due to the role of the Board of Directors in determining its own policies, procedures and practices, and ensuring that the appropriate information is made available to the Board of Directors.

The Corporation does not have a significant shareholder as described in the Guidelines given that no shareholder of the Corporation has the ability to exercise a majority of the votes for the election of the Corporation's Board of Directors.

***Committees of the board of directors should generally be composed solely of non-management directors, a majority of whom are unrelated directors.***

The Board of Directors has established three committees, the Audit Committee, the Compensation Committee, and the Nominating & Governance Committee to facilitate the carrying out of its duties and responsibilities and to meet applicable statutory requirements. The Guidelines recommend that the Audit Committee be made up of nonmanagement and unrelated directors only and that other board committees should be comprised generally of nonmanagement directors, a majority of whom should be unrelated

directors.

The following is a description of the Committees of the Board of Directors and their mandate:

### **Audit Committee**

The Audit Committee is presently composed of four directors, being L. Robbie Shaw, Gordon R. Cunningham, J. Spencer Lanthier and Thomas E. Costello, all of whom are non-management directors and all of whom are unrelated directors, as such term is understood in reference to the Guidelines. The Audit Committee met eight times during the period from January 1, 2003 to December 31, 2003.

The basic mandate of the Audit Committee is to review the annual financial statements of the Corporation and to make recommendations to the Board of Directors in respect thereto. Further, the Committee reviews the nature and scope of the annual audit as proposed by the external auditors and management and, with the external auditors and management, the adequacy of the internal accounting control procedures and systems within the Corporation.

During 2002, the Audit Committee formalized its mandate into a written charter document. The charter sets out that, in addition to its basic mandate, the Audit Committee will, on a going-forward basis, have the sole authority to recommend to the Corporation's shareholders the appointment or replacement of the Corporation's external auditors and shall approve all audit engagement fees and terms and all significant non-audit engagements with the external auditors. Further, the Audit Committee will require that the Corporation's external auditors provide a report at least annually regarding, inter alia, the auditors' internal quality-control procedures and all relationships between the external auditors and the Corporation. While the Audit Committee may consult with management on these issues, it shall not delegate its overall responsibility. The charter also sets out that the Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants for additional advice as may be required.

### **Compensation Committee**

The Compensation Committee is presently composed of four directors, being Ben J. Davenport, Jr., Michael L. Richards, L. Robbie Shaw and Gordon R. Cunningham. The Compensation Committee met six times during the period from January 1, 2003 to December 31, 2003. Michael L. Richards is considered to be a related director given that the law firm Stikeman Elliott LLP, of which Mr. Richards is a senior partner, provides legal services to the Corporation on a regular basis. Nonetheless, given Mr. Richards' broad business experience, the Corporation feels he should continue to serve on the Compensation Committee. Further, the Corporation is of the view that its relationship with Stikeman Elliott LLP does not inhibit Mr. Richards' ability to act impartially, nor his ability to act independently of the views of management of the Corporation.

The mandate of the Compensation Committee was described above under the heading "Report on Executive Compensation".

### **Nominating & Governance Committee**

The Nominating & Governance Committee is composed of all of the members of the Board, a majority of whom are unrelated directors. The charter of the Nominating & Governance Committee sets out that the committee will, inter alia:

- i. assess on an annual basis the effectiveness of the Board as a whole as well as periodically evaluate the contribution of individual members of the Board;
- ii. review, on a periodic basis, the size and composition of the Board and ensure that an appropriate

- number of unrelated directors sit on the Board;
- iii. identify individuals qualified to become members of the Board as may be required and recommend to the Board new nominees for appointment;
  - iv. provide appropriate orientation to any new members of the Board;
  - v. recommend to the Board corporate governance guidelines and ensure the sufficiency of such guidelines on a periodic basis; and
  - vi. review and advise the Board at least annually as to corporate governance issues.

***The board of directors of every corporation should appoint a committee of directors composed exclusively of nonmanagement directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis.***

As aforementioned, this responsibility has been undertaken by the Nominating & Governance Committee of the Board, a majority of whom are unrelated directors, but one of whom is a member of management.

***Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.***

As aforementioned, this responsibility has been undertaken by the Nominating & Governance Committee of the Board.

***Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board. In addition, every corporation should provide continuing education for all directors.***

As aforementioned, this responsibility has been undertaken by the Nominating & Governance Committee of the Board.

***Every board of directors should examine its size and composition and undertake, where appropriate, a program to establish a board comprised of members who facilitate effective decision-making.***

As aforementioned, this responsibility has been undertaken by the Nominating & Governance Committee of the Board.

***A committee of the board of directors comprised solely of unrelated directors should review the adequacy and form of the compensation of senior management and directors, with such compensation realistically reflecting the responsibilities and risks of such positions.***

This responsibility forms part of the mandate of the Compensation Committee, as described above under the heading “Report on Executive Compensation”.

***Every board of directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the corporation’s approach to governance issues.***

***This committee would, among other things, be responsible for the Corporation's response to these governance guidelines.***

As aforementioned, this responsibility has been undertaken by the Nominating & Governance Committee of the Board.

***The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities. In addition, the board should approve or develop the corporate objectives which the CEO is responsible for meeting and assess the CEO against these objectives.***

The Corporation established written corporate governance guidelines to address the above issues. Such guidelines do not contain formalized position descriptions for the Board and for the CEO, nor do they set out specific objectives which the CEO is responsible for meeting. The Board is of the view that due to its relatively small size, the need for these formalities is diminished because effective communication between the Board and management of the Corporation is otherwise achieved. That being said, the Compensation Committee conducts an annual review of the CEO's performance in order to ensure that the CEO is providing the best leadership for the Corporation in the long and short term.

***The audit committee should be composed only of unrelated directors. All of the members of the audit committee should be financially literate and at least one member should have accounting or related financial experience. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee duties should include oversight responsibility for management reporting on internal control.***

The Audit Committee of the Corporation, as described previously, meets all of the above criteria.

***Every board of directors should implement structures and procedures that ensure that the board can function independently of management. The board of directors should implement a system which enables an individual director to engage an external adviser at the expense of the Corporation in appropriate circumstances. The engagement of the external adviser should be subject to the approval of an appropriate committee of the board.***

Non-management directors meet at least quarterly. Further, the Board and the Audit Committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Corporation in advance.

***Corporations should have a formalized process in order to communicate as required with shareholders and in order to address their feedback and queries.***

The fundamental objective of the Corporation's shareholder communication policy is to ensure an open, accessible and timely exchange of information with all shareholders respecting the business, affairs and performance of the Corporation, subject to the requirements of securities legislation in effect and other statutory and contractual obligations limiting the disclosure of such information. In order to facilitate the effective and timely dissemination of information to all of its shareholders, the Corporation releases its disclosed information through news wire services, the general media, telephone conferences with investment analysts and mailings to shareholders.