GRC TOOLKIT

A 10 step self evaluation tool to improve Corporate Governance policies

Relate each question to the relevant EU directive, Company Practice, Decision taken and Actions required

1. Companies must have a majority of independent directors

2. Constrict the definition of “independent director” and review the following standards:
   - → No director qualifies as “independent” unless the board of directors affirmatively determines that the director has no material relationship with the company.
   - → Companies must disclose these determinations.
   - → No director who is a former employee of the company can be “independent” until 5 years after the employment has ended.
   - → No director who is, or in the past 5 years has been, affiliated with a present or former auditor of the company can be “independent” until 5 years after the end of the auditing relationship.
   - → No director can be “independent” if he or she is, or in the past 5 years has been, part of an interlocking directorate in which an executive officer of the company serves on the compensation committee of another company that concurrently employs the director.
   - → Directors with immediate family members in the foregoing categories are likewise subject to the 5-year “cooling off” provisions for purposes of determining “independence.”

3. To empower non-management directors to serve as a more effective check on management, the non-management directors of each company must meet at regularly scheduled sessions without management.

4. Nominating/corporate governance committee:
   - → Companies must have a nominating/corporate governance committee composed entirely of independent directors.
   - → The committee must have a written charter that addresses the committee's purpose, its goals and responsibilities, and an annual performance evaluation of the committee.

5. Compensation committee:
   - → Companies must have a compensation committee composed entirely of independent directors;
   - → The committee must have a written charter that addresses the committee's purpose, the committee's duties and responsibilities, and an annual performance evaluation of the committee.

6. Add to the "independence" requirement for audit committee membership the requirement that director's fees are the only compensation a committee member may receive from the company.

7. Audit committee:
   - → Increase the authority and responsibility of the audit committee, including granting it the sole authority to hire and fire independent auditors, and to approve any significant non-audit relationship with the independent auditors.
   - → The audit committee must have a written charter that within the last five years, dealing with one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the company.
   - → Discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the company's MD&A disclosures.
   - → Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
   - → As appropriate, obtain advice and assistance from outside legal, accounting, or other advisors.
   - → Discuss policies with respect to risk assessment and management.
   - → Meet separately, periodically, with management, with internal auditors, and with independent auditors.
   - → Review with the independent auditor any audit problems or difficulties and management's response.
   - → Set clear hiring policies for employees or former employees of the independent auditors.
   - → Report regularly to the board of directors.

8. To increase shareholder control over equity-compensation plans, shareholders must be given the opportunity to vote on all equity-compensation plans, except inducement options, plans relating to mergers or acquisitions, and tax qualified and excess benefit plans.

9. Companies must adopt and disclose corporate governance guidelines. The following subjects must be addressed in the guidelines:
   - → Director qualification standards.
   - → Director responsibilities.
   - → Director access to management and independent advisors.
   - → Director compensation.
   - → Director orientation and continuing education.
   - → Management succession.
   - → Annual performance evaluation of the board. N/A

10. Companies must adopt and disclose a code of business conduct and ethics for directors, officers, and employees, and promptly disclose any waivers of the code for directors or executive officers. All companies should address the following topics:
   - → Conflicts of interest.
   - → Corporate opportunities.
   - → Confidentiality.
   - → Fair dealing.
   - → Protection and proper use of company assets.
   - → Compliance with laws, rules, and regulations.
   - → Encouraging the reporting of any illegal or unethical behaviour.
   - → Privacy concerns.