



## **CORPORATE GOVERNANCE GUIDELINES**

Originally Adopted by the Board of Directors on February 10, 2006

Revised August, 2009

## Corporate Governance Guidelines

### 1.0 Purpose

These guidelines outline Brainhunter's policies with respect to corporate governance. Brainhunter is committed to establishing and maintaining best corporate governance practices and to make such practices publicly available. These guidelines, and attached Appendices, are to be posted on Brainhunter's website and will be reviewed at least annually. In light of various initiatives to enhance corporate governance, Brainhunter is regularly monitoring such developments and reviewing its current practices in order to ensure that Brainhunter is in compliance and following the appropriate best practices at all times.

### 2.0 Scope

These guidelines address qualification standards for Brainhunter's board of directors, director responsibilities, director compensation, the board's relationship with senior management and Brainhunter's external advisors, director orientation and continuing education, management succession, director peer feedback survey and annual board performance evaluations. In this Policy, "Brainhunter" or the "Corporation" means Brainhunter Inc. and "Board" means the Board of Directors of Brainhunter Inc.

### 3.0 Board Composition and Selection

#### 3.1 Board Size

The Articles of the Corporation provide for a maximum of nine directors. The specific number of directors will be determined from time to time by the Board, following a recommendation by the Governance and Nominating Committee.

#### 3.2 Independence of Directors

The Board shall be comprised of a majority of directors whom the Board has determined are "unrelated", or independent; meaning, are not members of management of the Corporation or its subsidiaries and are free of any interest and any business, family or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, and taking into account the applicable rules and regulations of securities regulatory authorities and/or stock exchanges.

Each year, the Governance and Nominating Committee will establish and recommend to the Board, specific criteria for determining director independence, and the Board shall review the relationships that each Director has with Brainhunter in order to ensure that these independence criteria have been met.

#### 3.3 Selection of Directors

Directors are elected annually by the Company's shareholders. Nominees for membership on the Board will be recommended to the Board by the Governance and Nominating Committee. The Governance and Nominating Committee is mandated to review annually the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board. The selection of candidates will also consider the extent to which candidates could make the

necessary time available to Brainhunter, including the number of other boards on which the candidate serves as a director, as well as the potential for conflict by serving on those other boards. The Board will then recommend the nominees to the shareholders for election at the annual meeting. In selecting nominees as new directors, the Governance and Nominating Committee will assess the ability to contribute to the effective management of the Company, taking into account the needs of the Company and the individual's background, experience, perspective, skills and knowledge that is appropriate and beneficial to the Company. In addition, the Governance and Nominating Committee will ensure that the composition of the Board will comply with any applicable requirements of the Business Corporations Act (Ontario), the stock exchanges on which Brainhunter lists its shares and any applicable securities regulatory authorities. The Committee will also consider the application of any applicable stock exchange guidelines or recommendations regarding the composition of the Board.

Between annual meetings of the shareholders the Board may fill vacancies in existing or new director positions to the extent permitted by applicable law. Directors so appointed by the Board will serve only until the next annual meeting unless elected by the shareholders at that time.

#### **3.4 Director Orientation**

Management of the Corporation, working with the Governance and Nominating Committee will provide an orientation process for new directors, including providing background materials on the Corporation and its business. As appropriate, management will prepare additional educational sessions for directors on matters relevant to the Corporation and its business. Directors are also encouraged to take advantage of other available educational opportunities that would further their understanding of the Corporation's business and enhance their performance on the Board.

#### **3.5 Term of Appointment**

Directors are appointed annually at Brainhunter's annual shareholders' meeting and serve on the board until the following annual shareholders' meeting, at which time they either stand for re-election or resign from the board. The Board recognizes the value of some turnover in Board membership to provide on-going input of fresh ideas and views and the Governance and Nominating Committee is mandated to annually consider recommending changes to the composition of the Board.

#### **3.6 Maximum Term for Any Director**

Subject to any exception that the Board of Directors may in its sole discretion resolve, the maximum term for any director shall be (6) years.

#### **3.7 Resignation**

Directors will be required to tender a proposed letter of resignation from the Board upon the occurrence of any of the following events: the director's principal occupation or business associations change materially; a change in the country of residence of the director; failure to attend at least 66% of regularly scheduled Board and committee meetings during the preceding calendar year; or any other change occurs in the personal or professional circumstances of the director that might reasonably be perceived as adversely affecting the director's ability to effectively serve as a director of the Corporation. In such circumstances, the Governance and Nominating Committee will review the director's continuation on the Board and make a recommendation to the Board as to whether the Board should accept the director's resignation or request that the director continue to serve.

## **4.0 Responsibilities of the Board**

### **4.1 Board Mandate**

The Board has responsibility for the stewardship of the Corporation and has adopted a formal mandate setting out the Board's stewardship responsibilities as detailed in the Board's Terms of Reference (see Appendix A). These responsibilities include selection of management, corporate strategy, fiscal management and reporting, legal and statutory compliance, risk management, external communications, and evaluation of performance.

### **4.2 Responsibilities of Individual Directors**

In addition to the terms of reference for the Board, the Board has established Terms of Reference for individual directors which set out their individual responsibilities and duties (see Appendix B). These Terms of Reference serve as a standard of conduct to which each director is expected to comply, and address matters such as conflicts of interest, acting in the best interests of the Corporation, the level of availability which is expected of directors, requirements for maximizing the effectiveness of board and committee meetings, and considerations directors are to keep in mind in order to be able to make effective and informed decisions. These Terms of Reference require that directors of Brainhunter must comply with Brainhunter's Disclosure and Insider Trading Policy and Code of Conduct, particularly with respect to potential conflicts of interest and transactions in securities.

### **4.3 Responsibilities of the Chair of the Board of Directors**

The primary functions of the Chair of the Board are to facilitate the operations and deliberations of the Board and the satisfaction of the Board's functions and responsibilities under its mandate.

A full description of the Terms of Reference of the Chair is provided in Appendix C

### **4.4 Board Committees**

There are currently three standing committees of the Board. They are the Audit Committee, the HR and Compensation Committee and the Governance and Nominating Committee. The responsibilities of each committee of the board are contained in committee mandates which are established by the Board and reviewed at least once a year. Each committee's mandate sets out the specific duties of the committee and the matters delegated to the committee for decision or for consideration and recommendation back to the Board. The mandate of each committee is posted on the Brainhunter's website and is attached as appendices to these guidelines.

Each of the committee chairs reports on the activities of the committee to the Board following the committee meetings.

All of these committees are comprised solely of independent directors.

Related party transactions are approved by the Audit Committee, other than in cases where the board has delegated review to a special committee.

The Audit Committee is also tasked with ensuring a method for the anonymous receipt, retention and treatment of complaints received by the Corporation relating to accounting and auditing matters. Under Brainhunter's Whistleblower Policy, various methods are provided for submissions of complaints, including an anonymous toll free phone number and website managed by a reputable and professional consulting firm. Any submissions received relating to accounting or auditing matters, including any suspected fraudulent or dishonest activity, are forwarded directly to the Chair of the Audit Committee for further action.

## **5.0 Functioning of the Board**

### **5.1 Number and Schedule of Meetings**

The Board will hold a minimum of five regularly scheduled meetings per year, one after each quarter and one to consider the Annual Business Plan and Budget. At the beginning of each fiscal year, the Chair of the Board and the CEO will propose a schedule of Board meetings for the upcoming year for consideration by the Board. Additional meetings may be held from time to time as necessary or appropriate.

### **5.2 Agenda**

The Chair of the Board and the CEO will establish the agenda for each regularly scheduled Board meeting, giving consideration to any suggestions from other members of the Board. Any director may suggest agenda items and may raise at meetings other matters that they consider worthy of discussion.

### **5.3 Distribution of Materials**

The agenda and the related information and data that is important to the Board's understanding of the business to be discussed for each regularly scheduled meeting and, where feasible, each special meeting, will be distributed sufficiently in advance of the meeting to provide a reasonable opportunity for review, except when such material is too sensitive to be put in writing.

### **5.4 Attendance**

Directors should make reasonable efforts to attend all meetings of the Board of Directors and of all Board committees upon which they serve. To prepare for meetings, directors should review the materials that are distributed in advance of those meetings. Although the Board recognizes that, on occasion, circumstances may prevent directors from attending meetings, directors are expected to ensure that other commitments do not materially interfere with the performance of their duties. Subject to extenuating circumstances (such as illness, for example), directors are expected to attend a minimum of 66% of regularly scheduled Board and committee meetings. Directors should also make reasonable efforts to attend the annual meeting of shareholders of the Corporation.

### **5.5 Executive and Independent Sessions**

The Board of Directors of the Corporation will schedule regular executive sessions at which the independent directors of the Corporation will meet, in camera, in the absence of management and any non-independent directors.

### **5.6 Access to Management and Advisors**

The Corporation will provide directors with complete access to the management of Brainhunter, for the purposes of enabling the Board and the Corporation to fulfil their legal and other obligations and duties. Written communications from directors to members of management will be copied to the Chair of the Board. The Board, and Board committees, to the extent set forth in the applicable committee charter, have the right to consult and retain independent legal and other advisors at the expense of the Corporation. Directors are entitled to reasonably rely on advice from outside advisors such as lawyers, accountants, engineers or other persons whose profession lends credibility to a statement by such person. Directors should assess the qualifications of any such advisors and the processes such advisors use to reach their decisions and recommendations.

### **5.7 Board and Corporate Leadership**

The Board of Directors reserves the right to determine, from time to time, how to configure the leadership of the Board and the Corporation in the way that best serves the Corporation.

## **6.0 Board Evaluation and Compensation**

### **6.1 Annual Performance Evaluation**

The Governance and Nominating Committee will conduct an annual evaluation to determine whether the board and its committees are functioning effectively and will report its findings and make any appropriate recommendations to the full Board. The Board will discuss the evaluation to determine what, if any, action could improve Board and committee improvement. The evaluation tool initially being considered is provided in Appendix H.

The Governance and Nominating Committee will also conduct individual director evaluations. The evaluation tool currently used is provided in Appendix I.

### **6.2 Director Compensation**

Directors have been compensated in the past through a combination of cash and options to purchase Common shares in the capital of Brainhunter. Upon joining the Board, directors have been awarded a stock option grant. Directors receive annual cash retainers for sitting on the board, as well its various committees. In addition, the Chairs of the various committees receive annual cash retainers in recognition of their additional contributions. Directors also receive meeting fees for attendance at board and committee meetings. Director compensation is reviewed annually by the Governance and Nominating Committee and a recommendation is made to the full board for their approval. The Governance and Nominating Committee may, at their discretion, engage external compensation consultants to assist in developing the recommendation to the Board.

## **7.0 Managing the Corporate Governance Guidelines**

### **7.1 Review of Guidelines**

The Board of Directors, with the assistance of the Governance and Nominating Committee, as appropriate, shall review these Corporate Governance Guidelines on an annual basis to determine whether any changes are appropriate.

### **7.2 Amendment, Modification and Waiver**

These Corporate Governance Guidelines may be amended, modified or waived by the Board of Directors, and waivers of these Guidelines may also be granted by the Governance and Nominating Committee.

## *Appendix A*

### **Terms of Reference for Board of Directors**

#### **I. INTRODUCTION**

The Board of Directors ("Board") bears responsibility for the stewardship of Brainhunter Inc. (the "Corporation"). To discharge that responsibility, the Board is obligated by the Business Corporations Act (Ontario) to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation's business and affairs. Financial reporting and disclosure by the Corporation constitute a significant aspect of the management of the Corporation's business and affairs.

The Board of Directors believes that it is responsible for ensuring that the Corporation is effectively managed so as to maximize long-term growth of shareholder value. The Board does not manage the Corporation; rather it delegates this function to management, and then supervises and evaluates management's execution of Board approved strategies and business plans.

Directors have a duty under corporate law to exercise independent judgment and to always make decisions with the best interests of the Corporations in mind.

#### **II. COMPOSITION AND CONSTITUTION OF THE BOARD**

- As currently provided in the Corporation articles, Brainhunter's Board shall consist of a maximum of nine directors. The Board should have a majority of independent directors. The Board shall appoint all corporate officers including the CEO.
- The Governance and Nominating Committee should regularly assess the most appropriate size for the Board taking into account independence and shareholder relationships.

#### **III. BOARD MEETING FORMAT, OPERATING PROCEDURES AND MINUTES**

- The Board will hold a minimum of five meetings per year, one after each quarter and one to consider the Annual Business Plan and Budget. Additional meetings may be held from time to time as necessary or appropriate.
- Members of management will be invited to participate in Board meetings at the pleasure of the Board.
- Meetings will provide for and allow for independent discussion and input from all Board members and discussion among unrelated directors, when appropriate.
- The Board may delegate specific tasks, assignments or authority to individuals or committees.
- To assist the Board with responsibilities for corporate governance, organization, succession planning, officer appointment, selection of nominees for election of director and compensation; an HR and Compensation Committee and a Governance and Nominating Committee have been formed.
- Board deliberations (including those of committees) will be duly recorded in appropriate minute format by such person as may be designated from time to time. Minutes of meetings of Board committees will be provided to directors prior to the next Board meeting.
- Board meeting agendas will be prepared by the Chair of the Board and the CEO.



#### IV. DUTIES AND RESPONSIBILITIES

The following are the primary and specific responsibilities and duties of the Board of Directors:

##### Primary Responsibilities and Duties:

1. **The Development of Strategy:** The Board is responsible for ensuring that a strategic planning process is adopted and for approving the long-term goals of the Corporation. The Board must also ensure that strategic and operating plans are developed by management led by the CEO and as approved with comments from the Board. These plans should result in the Corporation achieving its long-term goals and should strike an appropriate balance between short and long-term considerations. The Board must then monitor and evaluate management's success in implementing these plans.
2. **The Management of Risk:** The Board is responsible for ensuring that the principal risks which impact Brainhunter's business (including how new risks may develop or existing risks alter with each new development effort that the Corporation plans and undertake) are regularly identified and understood. The Board must ensure that the appropriate systems are implemented to monitor and manage these risks for the benefit of the long-term viability of the Corporation.
3. **The Appointment, Training and Monitoring of Senior Management:** The Board functions through delegation to management. Therefore the Board must continually endeavour to ensure that senior management of the highest calibre is appointed and evaluated on a regular basis. Notwithstanding that regular Board evaluation and feedback, both formal and informal, is a form of training for senior management; the Board should endeavour to ensure that programs are in place for the ongoing training, development and orderly succession of all levels of senior management. The Board is also responsible for establishing compensation policies and plans so as to attract and reward high-calibre individuals for senior management positions.
4. **Timely Communication to All Stakeholders:** The Board is responsible for endeavouring to ensure that the Corporation develops a Disclosure Policy and for regularly assessing whether Brainhunter is communicating on a timely and effective manner with all stakeholders.
5. **Controls and Information Systems:** The Board is responsible for regularly reviewing the integrity of the Corporation's internal control procedures and management information systems. This will be done through the Audit Committee and in conjunction with the external auditors and the CFO.
6. **Code of Conduct:** The Board shall establish corporate policies and systems to endeavour to ensure that Brainhunter's business is conducted in accordance with proper ethical standards and in compliance with all relevant laws and regulations.

##### Specific Responsibilities and Duties

- Review and approve corporate goals, objectives, strategies, annual operating plans and budgets.
- Review business and financial performance and deviations from operating plans and approve corrective actions.
- Review and approve business acquisitions, divestitures and strategic alliances.
- Review and approve all expenditure authorizations, which materially exceed individual or aggregate expenditure levels agreed in previously approved annual operating budgets.
- Review and approve all banking resolutions.
- Review and approve all share capital transactions.
- Review on a regular basis the systems and procedures established by management for ensuring that the Corporation complies with applicable laws and regulations including environmental laws, occupational health and safety laws and human rights codes.
- Establish appropriate committees of the Board and their terms of reference and review and approve reports or recommendations of the Board's committees.



- Review and approve the Annual Report, Annual Information Form, Management Information Circular, quarterly financial statements, MD&As, and annual financial statements.
- Provide advice to management as appropriate and take a critical role in assessing and challenging, where appropriate, recommendations and proposals from management.
- Evaluate exposure to Corporate, Director and Officer liability issues and consider steps to minimize such risks.
- In conjunction with the Audit Committee, assess the state of internal controls over financial accounting

## *Appendix B*

### **Terms of Reference for Individual Directors**

#### **I. INTRODUCTION**

These terms of reference for directors:

- set out the professional and personal competencies and characteristics expected from directors.
- form the basis for the recruitment, selection and evaluation of directors.

#### **II. COMPETENCIES AND CHARACTERISTICS OF BRAINHUNTER DIRECTORS**

- demonstrates high ethical standards
- willing to be accountable for, and be bound by, Board decisions
- attendance – available when needed; is accessible and approachable
- diligently prepares for meetings
- participation – contributes meaningfully and knowledgeably to Board discussions; provides valuable input
- willing to and owns shares in Brainhunter
- participates in committees of the Board
- some senior management business experience; ability to think strategically in evaluating Brainhunter's direction and operations
- sound judgment
- team player – respects others and works effectively with fellow directors
- moderate level of financial literacy
- communicates clearly and effectively and has the ability to be a good listener
- independence of judgement – willing to take a stand and defend it
- willing to continue to grow and develop personally – effectively applies his/her knowledge, experience and expertise to issues confronting Brainhunter
- communicate to the Board Chair and Chair of the Governance and Nominating Committee before accepting membership on any other boards – Directors gather valuable experience from other boards, however those other boards may also present demands on time and availability, or present conflicts or legal issues
- communicate to the Board Chair and Chair of the Governance and Nominating Committee if circumstances change that might affect the "independence" of the director

## *Appendix C*

### **Terms of Reference for Board Chair**

#### **I. INTRODUCTION**

- The primary function of the Chair of the Board of Directors is to facilitate the operations and deliberations of the Board and to satisfy the Board's functions and responsibilities under its mandate.

#### **II. DUTIES AND RESPONSIBILITIES**

The Chair is responsible for:

- Chairing Board meetings and all shareholder general meetings
- In consultation with the CEO, setting the agenda of each Board meeting and reviewing all background briefing material
- Chairing Board meetings in a manner which makes effective use of time while ensuring adequate discussion of agenda items.
- Assisting the Board and its committees to carry out their functions and responsibilities.
- Utilizing Board expertise for the goals of the corporation.

## *Appendix D*

### **Terms of Reference for the CEO**

#### **I. INTRODUCTION**

- The CEO reports to the Board of Directors and is responsible for directing, managing and planning the business and affairs of Brainhunter to achieve above average profitability and return on capital employed while ensuring the long-term growth and development of the business.
- The CEO is responsible to report on a timely basis any significant negative event affecting the business of Brainhunter to the Board.
- The CEO is responsible to ensure that the operations of the corporation meet all applicable laws and regulations.

#### **II. DUTIES AND RESPONSIBILITIES**

The Chief Executive Officer is responsible for:

##### **A. Planning**

- Developing a vision and goals for long-term profitable growth of the corporation.
- Developing strategies through which growth and goals can be attained.
- Developing operating plans, which are consistent with corporate goals and objectives.

##### **B. Execution**

- Implementing approved strategies through appropriate delegation and organization.
- Executing the operating plan through delegation, organization and resource allocation.
- Monitoring business and financial performance and implement appropriate responses to changing circumstances.

##### **C. Human Resource Development**

- Recruiting and managing a team of direct reports capable of meeting the corporate objectives.
- Developing personal management and executive skills as well as those of the whole organization through appropriate assignments, training, delegation of responsibility and authority, etc.
- Developing and optimizing the corporate organization to meet corporate challenges and performance requirements.
- Developing succession and management development plans for immediate subordinates as well as other levels of management.
- Ensuring that all employees are fairly and appropriately rewarded for their contribution to the corporation.

##### **D. Risk Management**

- Providing the Board with reports regarding material risks associated with Brainhunter's business and operations, the implementation by management of systems to manage these risks, and the operation, of and any material deficiencies in these systems.

##### **E. Controls**

- Establishing internal, financial, non-financial and business control and information systems and for the application of appropriate standards of corporate conduct in these systems.

**F. Communication**

- Communicating clearly with appropriate persons within the company the corporation's goals, strategies to affect such goals and performance expectations.
- Developing and maintaining good communication channels with other stakeholders including shareholders, suppliers, customers, governments and the general public.
- Complying in a timely manner with communications requirements in regulatory and statutory provisions.
- Preparing materials for Board meetings and ensuring delivery to directors at an appropriate time in advance of meetings.

**G. Awareness**

- Developing and maintaining a good appreciation of business trends affecting the corporation and the macro business environment in order to react appropriately to changes.
- Maintaining an up-to-date understanding of trends and developments in the industry sectors in which Brainhunter operates.

**H. Reporting**

- Reporting to the Board in a timely manner on all material aspects of the corporation's condition and business.
- Reporting to other bodies, external and internal, as may be appropriate or required from time to time

## *Appendix E*

### **Terms of Reference for the Audit Committee**

#### **I. INTRODUCTION**

##### **1. Framework**

The Board of Directors ("Board") bears responsibility for the stewardship of Brainhunter Inc. (the "Corporation"). To discharge that responsibility, the Board is obligated by the Business Corporations Act (Ontario) to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation's business and affairs.

Financial reporting and disclosure by the Corporation constitute a significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's financial reporting and disclosure (the "Financial Reporting Objective") is to gain reasonable assurance of the following:

1. that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
2. that the accounting principles, significant judgments and disclosures which underlie or are incorporated in the Corporation's financial statements are the most appropriate in the prevailing circumstances;
3. that the Corporation's quarterly and annual financial statements are accurate and present fairly the Corporation's financial position and performance in accordance with generally accepted accounting principles and together with management's discussion and analysis and the annual information form constitute a fair presentation of the Corporation's financial condition; and
4. that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

The Board is of the view that the Financial Reporting Objective cannot be reliably met unless the following activities (the "Fundamental Activities") are conducted effectively:

1. the Corporation's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation's financial transactions;
2. the Corporation's internal financial controls are regularly assessed for effectiveness and efficiency;
3. the Corporation's quarterly and annual financial statements are properly prepared by management;
4. the Corporation's quarterly, as required, and annual financial statements are reported on by an external auditor appointed by the shareholders of the Corporation; and
5. the financial components of the Corporation's Disclosure Policy are complied with by management and the Board.

To assist the Board in its monitoring of the Corporation's financial reporting and disclosure, the Board has established, and hereby continues the existence of, a committee of the Board known as the Audit Committee (the "Committee"). The Committee shall develop and present to the Board for the Board's approval a Charter which, amongst other things, will describe the activities in which the Committee will engage for the purpose of gaining reasonable assurance that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met.

## **2. Composition of Committee**

1. The Committee shall be appointed annually by the Board and consist of at least three (3) members from among the directors of the Corporation, each of whom shall be an independent director as defined under the applicable requirements of the securities regulatory authorities as adopted or amended and in force from time to time and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his or her independent judgment as a member of the Committee. Officers of the Corporation, including the Chairman of the Board, may not serve as members of the Audit Committee.
2. All members of the Committee shall be financially literate as described in paragraph 3 of the Operating Principles. {NTD: what are these operating principles?}
3. The Board shall designate the Chairman of the Committee.

## **3. Reliance on Experts**

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

1. financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and
2. any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

## **4. Limitations on Committee's Duties**

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met and to enable the Committee to report thereon to the Board.



## II. AUDIT COMMITTEE CHARTER

The Audit Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

- Operating Principles;
- Operating Procedures;
- Specific Responsibilities and Duties.

### A. Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles:

1. **Committee Values.** The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Conduct and corporate policies; with laws and regulations governing the Corporation; and to maintain strong financial reporting and control processes.
2. **Communications.** The Chairman and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors, the Internal Auditor and other key Committee advisors as applicable.
3. **Financial Literacy.** All Committee members shall have 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 Corporation's financial statements.
4. **Annual Audit Committee Work Plan.** The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter. In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's financial disclosure.
5. **Meeting Agenda.** Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.
6. **Committee Expectations and Information Needs.** The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least one week in advance of meeting dates.
7. **External Resources.** To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise.
8. **In Camera Meetings.** At each meeting of the Committee, the members of the Committee shall meet in private session with the external auditors; with management; and with the Committee members only.
9. **Reporting to the Board.** The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.
10. **Committee Self Assessment.** The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.
11. **The External Auditors.** The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

12. **Approval of Other Engagements.** The Committee shall approve all engagements for accounting and tax advice provided by an audit firm other than the external auditors.

**B. Operating Procedures**

1. The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee or at the request of the external auditors.
2. A quorum shall be a majority of the members.
3. A Secretary shall be appointed at the start of all meetings to record the minutes of the Committee.
4. In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
5. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

**C. Specific Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

**1.0 Financial Reporting**

- 1.1. Review the Corporation's annual and quarterly financial statements with management and the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and together with management's discussion and analysis and the annual information form constitute a fair presentation of the Corporation's financial condition and report thereon to the Board before such financial statements are approved by the Board;
- 1.2. Receive from the external auditors reports on their review of the annual and quarterly financial statements;
- 1.3. Receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
- 1.4. Review and, if appropriate, recommend approval to the Board of news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements;
- 1.5. Review and, if appropriate, recommend approval to the Board of all public disclosure documents containing material audited or unaudited financial information, including material change disclosures of a financial nature, earnings press releases, prospectuses, management's discussion and analysis, annual information forms, as well as any earnings guidance; and
- 1.6. Satisfy itself that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements in order to satisfy itself that such information is fairly presented and periodically assess the adequacy of these procedures.

## **2.0 Accounting Policies**

- 2.1 Review with management and the external auditors the appropriateness of the Corporation's accounting policies, disclosures, reserves, key estimates and judgments, including changes or variations thereto and obtain reasonable assurance that they are presented fairly in accordance with GAAP; and report thereon to the Board;
- 2.2 Review major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the accounts of the Corporation and its subsidiaries;
- 2.3 Review with management and the external auditors the degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgments and reserves.

## **3.0 Risk and Uncertainty**

- 3.1 Acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
  - 3.1.1 reviewing with management the Corporation's tolerance for financial risk;
  - 3.1.2 reviewing with management its assessment of the significant financial risks facing the Corporation;
  - 3.1.3 reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant financial risks;
  - 3.1.4 reviewing with management its plans, processes and programs to manage and control such risks;
- 3.2 Discuss with management, at least annually, the guidelines and policies utilized by management with respect to financial risk assessment and management, and the major financial risk exposures and the procedures to monitor and control such exposures in order to assist the Committee to assess the completeness, adequacy and appropriateness of financial risk disclosure in management's discussion and analysis and in the financial statements;
- 3.3 Ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
- 3.4 Review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
- 3.5 Review foreign currency, interest rate and other financial risk mitigation strategies, including the use of derivative financial instruments;
- 3.6 Review the adequacy of insurance coverage maintained by the Corporation;
- 3.7 Review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

## **4.0 Financial Controls and Control Deviations**

- 4.1 Review the plans of the external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;
- 4.2 Receive regular reports from management, the external auditors and its legal advisors on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

## **5.0 Compliance with Laws and Regulations**

- 5.1 Review regular reports from management and others (e.g. internal and external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:
  - 5.1.1 tax and financial reporting laws and regulations;
  - 5.1.2 legal withholding requirements;
  - 5.1.3 environmental protection laws and regulations;
  - 5.1.4 other laws and regulations which expose directors to liability;
- 5.2 Review the status of the Corporation's tax returns and those of its subsidiaries;
- 5.3 Discuss with the corporation's legal counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the business of the Corporation, or on the compliance policies of the Corporation.

## **6.0 Relationship with External Auditors**

- 6.1 Recommend to the Board the nomination of the external auditors;
- 6.2 Recommend to the Board the remuneration and the terms of engagement of the external auditors;
- 6.3 If necessary, recommend the removal by the shareholders of the current external auditors and replacement with new external auditors;
- 6.4 Review the performance of the external auditors annually or more frequently as required;
- 6.5 Receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;
- 6.6 Receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;
- 6.7 Establish a policy under which management shall bring to the attention of the Committee all requests for non-audit services to be performed by the external auditors for the Corporation and its subsidiaries before such work is commenced. The Committee is authorized to approve any such requests.
- 6.8 Discuss with management and the external auditors the timing and the process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner;
- 6.9 Review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit and the materiality levels which the external auditors propose to employ;

- 6.10 Meet regularly with the external auditors in the absence of management to determine, *inter alia*, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
- 6.11 Establish effective communication processes with management and the Corporation's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee;
- 6.12 Oversee the work of the external auditors and the resolution of disagreements between management and the external auditors with respect to financial reporting; and
- 6.13 Request that the external auditors provide to the Committee, at least annually, an oral and/or written report describing the external auditors' internal quality assurance policies and procedures as well as any material issues raised in the most recent internal quality assurance reviews, quality reviews conducted by the Canadian Public Accountability Board, or any inquiry or investigation conducted by government or regulatory authorities.

## **7.0 Other Responsibilities**

- 7.1 Periodically review the form, content and level of detail of financial reports to the Board;
- 7.2 Approve annually the reasonableness of the expenses of the Chief Executive Officer;
- 7.3 After consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;
- 7.4 Review in advance the appointment of the Corporation's senior financial executives;
- 7.5 Investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
- 7.6 Review reports from the external auditors and other Committee Chairmen on their review of compliance with the Corporation's Code of Conduct;
- 7.7 Review and approve the Corporation's policies with respect to the hiring of partners, employees and former partners and employees of the current and former external auditors;
- 7.8
  - 7.8.1 Establish procedures for:
    - (i) the confidential receipt, retention and treatment of complaints received by the Corporation regarding the Corporation's accounting, internal accounting controls or auditing matters; and
    - (ii) the confidential anonymous submission, retention and treatment of concerns by employees regarding questionable accounting or auditing matters; and
  - 7.8.2 Require that all such matters be reported to the Committee together with a description of the resolution of the complaints or concerns.

## **8.0 Delegation**

The Committee may designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

**9.0 Reporting to the Board**

The Chair shall report to the Board on material matters arising at Committee meetings and, where applicable, shall present the Committee's recommendations to the Board for its approval.

After each meeting of the Committee where conduct review matters are discussed, the Chair shall report to the Board on the conduct review matters considered by the Committee.

**10.0 Committee Member Development and Performance Review**

The Chair shall co-ordinate orientation and continuing director development programs relating to this mandate for Committee members.

At least annually, the Committee shall evaluate and review the performance of the Committee, each of its members and the adequacy of this mandate.

**11.0 Accountability**

The Committee shall review and update these Terms of Reference on a regular basis for approval by the Board.

## *Appendix F*

### **Terms of Reference for the HR and Compensation Committee**

#### **I. INTRODUCTION**

##### **1. Framework**

The Board of Directors ("Board") bears responsibility for the stewardship of Brainhunter Inc. (the "Corporation"). To discharge that responsibility, the Board is obligated by the Business Corporations Act (Ontario) to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation's business and affairs.

Management of its human resources and disclosure of key compensation information constitute a significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's human resource management practices and compensation disclosure is to gain reasonable assurance of the following:

1. that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to reporting and disclosure;
2. that the human resource management and compensation practices applied by the Corporation are the most appropriate in the prevailing circumstances;
3. that the Corporation's public releases are accurate and present fairly the Corporation's human resource management and compensation practices in accordance with the requirements of the appropriate regulatory bodies; and
4. that appropriate information concerning the human resource and compensation issues of the Corporation is disseminated to the public in a timely manner.

The Board is of the view that its responsibilities cannot be reliably met unless the following activities are conducted effectively:

1. the Corporation's human resources management functions are performed to a high professional standard and record properly and accurately all of the Corporation's human resource, especially compensation transactions;
2. the Corporation's internal human resources management processes are regularly assessed for effectiveness and efficiency;
3. the Corporation's various public releases, including the information circular, are properly prepared by management;
4. the human resources and compensation components of the Corporation's Disclosure Policy are complied with by management and the Board.

To assist the Board in its monitoring of the Corporation's human resources management and disclosure, the Board has established, and hereby continues the existence of, a committee of the Board known as the HR and Compensation Committee (the "Committee"). The Committee shall develop and present to the Board for the Board's approval a Charter which, amongst other things, will describe the activities in which the Committee will engage for the purpose of gaining reasonable assurance that the Board's responsibilities are being met.



## 2. **Composition of Committee**

- a. The Committee shall be appointed annually by the Board and consist of at least three (3) members from among the directors of the Corporation, each of whom shall be an independent director as defined under the applicable requirements of the securities regulatory authorities as adopted or amended and in force from time to time and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his or her independent judgment as a member of the Committee. Officers of the Corporation, including the Chairman of the Board, may not serve as members of the Committee.
- b. The Board shall designate the Chairman of the Committee.

## 3. **Reliance on Experts**

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- a. any statements or reports represented to him or her by an officer of the Corporation or in a written report of any external advisor to present fairly the position of the Corporation; and
- c. any report of an human resources consultant, compensation advisor, lawyer, accountant, or other person whose profession lends credibility to a statement made by any such person.

## 4. **Limitations on Committee's Duties**

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Board's responsibilities are being met. and to enable the Committee to report thereon to the Board.

## II. **HR AND COMPENSATION COMMITTEE CHARTER**

The Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

- Operating Principles;
- Operating Procedures;
- Specific Responsibilities and Duties.

### A. **Operating Principles**

The Committee shall fulfill its responsibilities within the context of the following principles:

1. **Committee Values.** The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Conduct and corporate policies, and the laws and regulations governing the Corporation.
2. **Communications.** The Chairman and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairmen and other key Committee advisors as applicable.
3. **HR Management Knowledge.** All Committee members shall have the knowledge and experience required that is generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's human resource and compensation issues.

4. **Annual HR and Compensation Committee Work Plan.** The Committee, in consultation with management and any external advisors shall develop an annual HR and Compensation Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter. In addition, the Committee, in consultation with management and any external advisors shall develop and participate in a process for review of important topics that have the potential to impact the Corporation's human resources and compensation disclosures.
5. **Meeting Agenda.** Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and any external advisors.
6. **Committee Expectations and Information Needs.** The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and any external advisors at least one week in advance of meeting dates.
7. **External Resources.** To assist the Committee in discharging its responsibilities, the Committee may, at the expense of the Corporation, retain one or more persons having special expertise.
8. **In Camera Meetings.** At each meeting of the Committee, the members of the Committee shall meet in private session with any external advisors; with management; and with the Committee members only.
9. **Reporting to the Board.** The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.
10. **Committee Self Assessment.** The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.
11. **The External Advisors.** The Committee expects that, in discharging their responsibilities to the shareholders, it may from time to time employ external advisors. These external auditors shall be accountable to the Board through the HR and Compensation Committee.

#### **B. Operating Procedures**

1. The Committee shall meet at least two times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee.
2. A quorum shall be a majority of the members.
3. A Secretary shall be appointed at the start of all meetings to record the minutes of the Committee.
4. In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
5. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

#### **C. Specific Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall ensure the following duties are carried out effectively.

##### **1.0 Chief Executive Officer Performance, Evaluation and Compensation**

- 1.1 **Performance Goals** - At least annually, the Committee shall review and, if advisable, approve and recommend for Board approval performance goals for the CEO.

- 1.2 CEO Evaluation - At least annually, the Committee shall evaluate the performance of the CEO in relation to his or her performance goals. The CEO evaluation shall be conducted in conjunction with the Chair of the Board and shall be presented to the Board for its review.
  - 1.3 Compensation - At least annually, the Committee shall review, and, if advisable, approve and recommend for Board approval the CEO's compensation package. The compensation package recommendation shall be based on the CEO's performance evaluation conducted pursuant to subsection 4(1)(b) of this mandate, as well as other factors and criteria as may be determined by the Committee from time to time.
  - 1.4 Employment Arrangements - The Committee shall review, and, if advisable, approve and recommend for Board approval any arrangement with the CEO relating to employment terms, termination, severance, change in control or any similar arrangements. In undertaking this review, the Committee shall take into account the overall structure, costs and general implications of these arrangements.
- 2.0 Appointment and Compensation of Senior Management other than the CEO**
- 2.1 Senior Management - The Committee shall, as required, review and, if advisable, approve and recommend for Board approval the compensation and other terms of employment of the senior management team reporting directly to the CEO. At least annually, the Committee shall review and approve a report prepared by management on the rationale for annual compensation recommendations (including incentive allocations) in respect of each strategic business unit and infrastructure group and their respective employees, in general.
  - 2.2 Employment Arrangements and Organizational Changes - The Committee shall review, and, if advisable, approve and recommend for Board approval arrangements relating to appointments of all senior management reporting to the CEO. In undertaking this review, the Committee shall review material or non-standard employment terms, departures, termination, severance, change in control or any similar arrangements and shall take into account the overall structure, costs and general implications of these arrangements.
  - 2.3 Succession Planning - The Committee shall review and, if advisable, approve and recommend for Board approval a succession and emergency preparedness plan for all senior management reporting directly to the CEO. At least annually, the CEO shall present a formal updated succession plan in respect of these positions for approval by the Committee. The Committee shall receive input from the Audit Committee in respect of the succession plans for the Chief Financial Officer. Upon the vacancy of these senior management personnel, the Committee may make a replacement recommendation for Board approval based on the succession plan. {NTD: should this committee have input into the succession planning for the CEO – see 3.00 GNC}
- 3.0 Internal Controls, Regulatory Compliance and Human Resource Risks**
- 3.1 Assessment of Risk and Internal Controls - At least annually, the Committee shall review management's assessment of significant human resource risks and the effectiveness of related internal controls, including controls relating to any pension or retirement plans, equity compensation plans and other incentive compensation arrangements.
  - 3.2 Organization Changes - The Committee shall review and, if advisable, approve and recommend for Board approval any material organization changes.

#### **4.0 Compensation Principles, Policies and Plans, Incentive Compensation Plans and Equity-Based Plans**

- 4.1 Compensation Principles, Policies and Plans - At least annually, the Committee shall review and, if advisable, approve Brainhunter's compensation principles, policies and plans for the senior management team reporting to the CEO, including the overall performance and evaluation processes. The Committee shall oversee the development and implementation of these compensation principles, policies and plans.
- 4.2 Incentive Compensation and Equity-Based Plans - At least annually, the Committee shall review Brainhunter's compensation plans and shall determine whether these plans, including incentive compensation plans and equity-based plans, are consistent with Brainhunter's compensation principles and policies. At least annually, the Committee shall, if advisable, approve and recommend for Board approval these plans.
- 4.3 Plan Amendments - The Committee shall review and, if advisable, approve any material amendments to Brainhunter's employee incentive compensation plans and equity-based plans.
- 4.4 New Plans - The Committee shall review and, if advisable, approve and recommend for Board approval any new incentive compensation or equity-based plans.

#### **6.0 Disclosure**

HR and Compensation Committee Report on Executive Compensation - The Committee shall prepare, in conjunction with management, the Report on Executive Compensation in Brainhunter's management proxy circulars. The Report on Executive Compensation must be approved by the Committee prior to its dissemination. The Committee should also, if advisable, approve any other disclosures required to be approved by it under applicable law prior to public release.

#### **7.0 Assessment of Regulatory Compliance**

The Committee shall review management's assessment of compliance with laws and regulations as they pertain to responsibilities under this mandate, report its findings to the Board and recommend changes it considers appropriate.

#### **8.0 Delegation**

The Committee may designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

#### **9.0 Reporting to the Board**

The Chair shall report to the Board on material matters arising at HR and Compensation Committee meetings and, where applicable, shall present the Committee's recommendations to the Board for its approval.

#### **10.0 Committee Member Development and Performance Review**

- 10.1 The Committee Chair shall co-ordinate orientation and continuing director development programs relating to this mandate for Committee members.

10.2 At least annually, the Committee shall evaluate and review the performance of the Committee, each of its members and the adequacy of this mandate. This review will be undertaken in consultation with the Governance and Nominating Committee of the Board.

#### **11.0 Accountability**

The Committee shall review and update these Terms of Reference on a regular basis for approval by the Board.

## *Appendix G*

### Terms of Reference for the Governance and Nominating Committee

#### **I. INTRODUCTION**

##### **1. Framework**

The Board of Directors ("Board") bears responsibility for the stewardship of Brainhunter Inc. (the "Corporation"). To discharge that responsibility, the Board is obligated by the Business Corporations Act (Ontario) to supervise the management of the business and affairs of the Corporation. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation's business and affairs.

The overall governance processes of the Corporation and disclosure of these processes by the Corporation constitute a significant aspect of the management of the Corporation's business and affairs. The objective of the Board's monitoring of the Corporation's governance processes and disclosure of these processes is to gain reasonable assurance of the following:

1. that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to governance and disclosure of its governance processes;
2. that the governance processes and disclosures applied by the Corporation are the most appropriate in the prevailing circumstances;
3. that the Corporation's public statements are accurate and present fairly the Corporation's governance processes in accordance with the requirements of the applicable regulatory bodies; and
4. that appropriate information concerning the governance processes of the Corporation are disseminated to the public in a timely manner.

The Board is of the view that its responsibilities cannot be reliably met unless the following activities are conducted effectively:

1. the Corporation's governance processes are performed in accordance with the Corporation's policies and guidelines;
2. the Corporation's governance processes are regularly assessed for effectiveness and efficiency;
3. the Corporation's various public statements are properly prepared by management; and
4. the Corporation's Disclosure Policy are complied with by management and the Board.

To assist the Board in its monitoring of the Corporation's governance processes, the Board has established, and hereby continues the existence of, a committee of the Board known as the Governance and Nominating Committee (the "Committee"). The Committee shall develop and present to the Board for the Board's approval a Charter which, amongst other things, will describe the activities in which the Committee will engage for the purpose of gaining reasonable assurance that the Board's responsibilities are being met.

## 2. Composition of Committee

1. The Committee shall be appointed annually by the Board and consist of at least three (3) members from among the directors of the Corporation, each of whom shall be an independent director as defined under the applicable requirements of the securities regulatory authorities as adopted or amended and in force from time to time and free from any relationship that, in the opinion of the Board, could interfere with the exercise of his or her independent judgment as a member of the Committee. Officers of the Corporation, including the Chief Executive Officer, may not serve as members of the Committee.
2. The Board shall designate the Chairman of the Committee.

## 3. Reliance on Experts

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

1. any statements or reports represented to him or her by an officer of the Corporation or in a written report of the external advisor to present fairly the position of the Corporation; and
2. any report of a person whose profession lends credibility to a statement made by any such person.

## 4. Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Board's responsibilities are being met and to enable the Committee to report thereon to the Board.

## II. GOVERNANCE AND NOMINATING COMMITTEE CHARTER

The Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

- Operating Principles;
- Operating Procedures;
- Specific Responsibilities and Duties.

### A. Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles:

1. **Committee Values.** The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Conduct and corporate policies, and the laws and regulations governing the Corporation.
2. **Communications.** The Chairman and members of the Committee expect to have direct, open and frank communications throughout the year with management, other Committee Chairmen and other key Committee advisors as applicable.
3. **Annual Governance and Nominating Committee Work Plan.** The Committee, in consultation with management shall develop an annual Governance and Nominating Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter. In addition, the Committee, in consultation with management shall develop and participate in a



process for review of important governance topics that have the potential to impact the Corporation's disclosures.

4. **Meeting Agenda.** Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members and senior management.
5. **Committee Expectations and Information Needs.** The Committee shall communicate its expectations to management with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management at least one week in advance of meeting dates.
6. **External Resources.** To assist the Committee in discharging its responsibilities, the Committee may, at the expense of the Corporation, retain one or more persons having special expertise.
7. **In Camera Meetings.** At each meeting of the Committee, the members of the Committee shall meet in private session; with management; and with the Committee members only.
8. **Reporting to the Board.** The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.
9. **Committee Self Assessment.** The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.
10. **The External Advisors.** The Committee expects that, in discharging their responsibilities to the shareholders, it may from time to time employ external advisors. These external advisors shall be accountable to the Board through the Committee.

#### **B. Operating Procedures**

1. The Committee shall meet at least two times annually, or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman or upon the request of two (2) members of the Committee.
2. A quorum shall be a majority of the members.
3. A Secretary shall be appointed at the start of all meetings to record the minutes of the Committee.
4. In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
5. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

### **C. Specific Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall ensure the following duties are carried out effectively.

#### **1.0 Oversight of Corporate Governance Matters**

- 1.1 Governance Framework - At least annually, the Committee shall review and, if advisable, approve and recommend for Board approval, Brainhunter's corporate governance framework and guidelines.
- 1.2 Governance Activity - At least annually, the Committee shall review Brainhunter's corporate governance activities and approve changes it considers appropriate. As part of its review, the Committee shall take into account regulatory requirements and best practices. At least annually, the Committee shall report to the Board on the state of Brainhunter's corporate governance activities.
- 1.3 Disclosure Policy - At least annually, the Committee shall review management's compliance with Brainhunter's disclosure policies and procedures. The Committee shall also review, and if advisable, recommend for Board approval, material changes to Brainhunter's Disclosure Policy.
- 1.4 Governance Disclosure - The Committee shall prepare, in conjunction with management, corporate governance disclosure for Brainhunter's annual reports and management proxy circulars. This corporate governance disclosure must be approved by the Committee prior to its dissemination.
- 1.5 Organizational Structure - The Committee shall review and, if advisable, approve any proposed changes to Brainhunter's organization structure which have a material effect on reporting lines or the independence of key control groups.

#### **2.0 Composition and Performance of the Board and its Committees**

- 2.1 Nomination or Appointment of Directors - Committee shall consider and, if advisable, recommend for Board approval, candidates for nomination or appointment to the Board.
- 2.2 Committee Appointments - The Committee shall consider and recommend for Board approval, the appointment of directors to Board committees.
- 2.3 Removal of Director from Board Committee - The Committee may recommend for Board approval the removal of a director from a Board committee if he or she is no longer qualified to serve as a director under applicable law or for any other reason the Governance and Nominating Committee considers appropriate.
- 2.4 Director Qualifications/Competencies - The Committee shall establish and recommend for Board approval appropriate criteria for the selection of Board and Board committee members, including competencies and skills that the Board, as a whole, should possess and criteria for determining director independence. At least annually, the Committee shall review Brainhunter's director qualification criteria and recommend for Board approval changes it considers appropriate.

- 2.5 Director Development - The Committee shall oversee the development by management of a director development program. At least annually, the Committee shall review this program and approve changes it considers appropriate.
  - 2.6 Director Remuneration - At least annually, the Committee shall review and, if advisable, approve and recommend for Board approval the remuneration paid to directors.
  - 2.7 Mandate Review - At least annually, the Committee shall review and, if advisable, approve and recommend for Board approval the mandates for the Board, the Chair of the Board, the directors, each Board committee, and the CEO, and shall include a review of the delegations of authority between the Board and its committees. This review shall be conducted in conjunction with the applicable Board committee or person, having regard to best practices, regulatory requirements and an assessment of significant risk areas for Brainhunter within the mandate of the applicable person or committee, including, strategic, operational, financial and regulatory risks.
  - 2.8 Performance Assessment - At least annually, the Committee shall conduct an assessment of the performance of the Board, the directors, each Board committee and the Chairman of the Board against criteria the Committee considers appropriate. The Committee shall report its findings to the Board and, based on those findings, recommend any action plans that the Committee considers appropriate.
  - 2.9 Evaluation of Independence - At least annually, the Committee shall evaluate each director against the independence criteria approved by the Board and shall make a recommendation to the Board, based on these criteria, on the independence of each director.
- 3.0 Succession of CEO**
- 3.1 At least annually, and in conjunction with the CEO, the Committee shall review a succession and emergency preparedness planning process for the CEO and recommend these plans for Board approval.
  - 3.2 The Committee may recommend for Board approval the removal of the CEO for any reason the Committee considers appropriate.
  - 3.3 Upon the vacancy of the CEO, the Committee is responsible to make a replacement recommendation to the Board based on the applicable succession planning process and, if necessary, a complete external search.
- 4.0 Conflicts of Interest and Conduct Review**
- 4.1 The Committee shall at least annually, review and, if advisable, approve and recommend for Board approval Brainhunter's Code of Conduct;
  - 4.2 The Committee shall review and, if advisable, approve Brainhunter's processes for administering the Code of Conduct;
  - 4.3 The Committee shall review with management the results of their assessment of Brainhunter's compliance with the Code of Conduct and their plans to remediate any deficiencies identified;
  - 4.4 The Committee shall review and, if advisable, approve any waiver from a provision of the Code of Conduct requested by a member of senior management or director;

#### **5.0 Reputation Risk Review**

At least annually, the Committee shall review the policies and processes established by management to create and sustain Brainhunter's image and mitigate reputation risk, including policies and procedures to address: customer complaints; Board and employee compliance with the Code of Conduct; promoting accurate, timely and broadly disseminated disclosure of material information about Brainhunter; Brainhunter's efforts to conduct its business in an ethical and socially responsible manner; and Brainhunter's efforts to maintain relationships with the governments and regulators having authority with respect to Brainhunter in jurisdictions in which Brainhunter operates.

#### **6.0 Delegation**

The Committee may designate a sub-committee to review any matter within this mandate as the Committee deems appropriate.

#### **7.0 Reporting to the Board**

7.1 The Chair shall report to the Board on material matters arising at Committee meetings and, where applicable, shall present the Committee's recommendations to the Board for its approval.

7.2 After each meeting of the Committee where conduct review matters are discussed, the Chair shall report to the Board on the conduct review matters considered by the Committee.

#### **8.0 Committee Member Development and Performance Review**

8.1 The Chair shall co-ordinate orientation and continuing director development programs relating to this mandate for Committee members.

8.2 At least annually, the Committee shall evaluate and review the performance of the Committee, each of its members and the adequacy of this mandate.

#### **9.0 Accountability**

The Committee shall review and update these Terms of Reference on a regular basis for approval by the Board.

## *Appendix H*

### **Board Evaluation Survey**

#### **Objective and Overview**

On an annual basis all directors and officers of the Corporation will be asked to complete a confidential survey similar to that outlined below in order to assess the performance of the Board as a whole. The feedback will be reviewed by the Governance and Nominating Committee in order to make recommendations on how the Board's performance could be improved.

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#### **Brainhunter Board Evaluation Survey**

Year \_\_\_\_\_

#### **1.0 Overall Mandate and Accountabilities**

- 1.1 The Board understands its mandate and responsibilities
- 1.2 The terms of reference of the Board and the CEO and rest of senior management are clear
- 1.3 I believe that my overall knowledge of Brainhunter's activities is sufficient for me to be able to fulfil my responsibilities as a director
- 1.4 I believe that adequate systems are in place to ensure that Brainhunter conforms to its policies and to the requirements of the law and pertinent regulations
- 1.5 I am of the opinion that Brainhunter is managed in a manner which protects the reputation of its directors and protects them in a reasonable fashion from legal liabilities

#### **2.0 Strategy**

- 2.1 I am satisfied with Brainhunter's current strategy as approved by the Board
- 2.2 I am satisfied with the degree of participation of the Board in the oversight of the strategic plan and the process of its approval by the Board
- 2.3 The Board has access to the appropriate external information in order to make informed decisions with regard to the strategic direction of Brainhunter

#### **3.0 Risk Management**

- 3.1 The Board is kept informed of all important issues
- 3.2 I am satisfied with the degree of awareness of the Board as to the nature and importance of the risks to which Brainhunter is exposed and as to the policies Brainhunter has put in place to define, pay attention to, and manage these risks

#### **4.0 Human Resource Management**

- 4.1 The procedure used by the Board to establish the objectives of the CEO is satisfactory
- 4.2 The procedure used by the Board to evaluate the performance of the CEO is satisfactory
- 4.3 Through the Board, its committees and other means, I know the management team and promising upcoming managers well enough and my contacts with them is sufficient
- 4.4 The Board is effectively involved in the senior leadership succession process

#### **5.0 Disclosure**

5.1 The Board effectively manages the disclosure processes and ensures compliance with all applicable regulations and legislation

## **6.0 Corporate Performance**

6.1 The information I receive with respect to profitability and competition permits me to oversee results, target areas of possible concern and understand issues and trends impacting Brainhunter

6.2 The Board openly communicates its objectives, expectations and concerns to management

6.3 The Board effectively monitors operating performance on a regular basis

## **7.0 Governance Processes**

7.1 The frequency of Board and committee meetings permits me to fulfil my obligations as a director

7.2 The time allocated to Board and committee meetings is sufficient

7.3 The number of directors is adequate

7.4 The diversity of experience and expertise of the members of the Board, permits the Board to effectively guide Brainhunter towards the achievement of its strategic objectives

7.5 I am satisfied with the current structure of the Board committees

7.6 I am satisfied with the functioning of each of the Board's committees

- Audit
- HR and Compensation
- Governance and Nominating

7.7 I am satisfied with the information presented to the Board by each of the following committees

- Audit
- HR and Compensation
- Governance and Nominating

7.8 I am of the opinion that the current mechanisms used to replace directors and the selection of new candidates to be proposed for election to the Board works well

7.9 I am satisfied with the frequency of discussion by independent directors in the absence of senior management and with the amount of time allocated to these independent discussions

7.10 The documents and information I receive for the meetings are adequate and delivered in sufficient time for me to consider them

7.11 Board and committee meetings are constructive and marked with frankness and are managed in a fashion so as to encourage open dialogue, active participation, a critical spirit and the timely resolution of problems

7.12 Board members comply with conflict of interest standards

7.13 I am satisfied with the current policies and practices of the board with respect to governance

7.14 The Chair of the Board

- encourages the directors to ask questions and express their views during Board meetings
- directs the meetings in a methodical and efficient fashion

- manages the agenda such that board meetings address important matters that the directors should consider
- allows sufficient time during board meetings so that all matters on the agenda are addressed in order of priority
- manages the meetings so that the board arrives at decisions on matters on the agenda following discussion

#### **8.0 Overall**

8.1 The most important accomplishment of the Board during this last year was . . . .

8.2 In my opinion the one thing the Board could do to improve its effectiveness is to . . . .





## Appendix I

## Director Peer Evaluation Survey

## Objective and Overview

On an annual basis all directors and officers of the Corporation will be asked to complete a confidential survey similar to that outlined below in order to assess the performance of each member of the Board. The feedback will be reviewed by the Governance and Nominating Committee in order to provide specific feedback to each director and to make recommendations on board membership, committee membership and leadership.

Director :           (name)          

Year: \_\_\_\_\_

## Section A – Background and Expertise

*Information will be provided on the relevant background, credentials and expertise of each Director*

Education: \_\_\_\_\_

Accreditations: \_\_\_\_\_

Work Experience: \_\_\_\_\_

Other Board Experience: \_\_\_\_\_

## Section B: Roles on Brainhunter Board of Director

*Information will be provided on both the history and current roles played on the Brainhunter Board for each Director*

Historic Information: Tenure on Board: \_\_\_\_\_

Roles on Board: (committees, leadership positions, tc) \_\_\_\_\_

**Current Roles:** (committees, leadership positions, etc)

## Section C: Evaluation of Director

*To be completed by all other directors and officers of the Corporation*

*What are the key strengths of and / or contribution made by this director?*

*How could this director use his / her skills and abilities to more effectively participate as a board and committee member?*

*What recommendations would you make with regard to new responsibilities for this director?*

*Summarize this director's overall contribution to Brainhunter's Board of Directors.*