

# corporate governance

The Corporation's Board of Directors and management are committed to the highest standards of good corporate governance and understand that such standards are central to the efficient and effective operation of the Corporation in a manner that ultimately enhances shareholder value.

## **Board Mandate and Composition**

The Board of Directors has overall responsibility for conduct of the business and affairs of the Corporation. The Board discharges this responsibility both directly and through delegating certain authority to committees of the Board and to senior management of the Corporation.

The Board of Directors is currently made up of 11 members. All directors, other than Michael T. Waites (who is the President and Chief Executive Officer of the Corporation) and Douglas W.G. Whitehead (who was the former President and Chief Executive Officer) are independent.

In addition, in order to ensure that the Board can function independently from management, the Corporation has separated the role of Chairman of the Board (currently Douglas W.G. Whitehead) and Chief Executive Officer (currently Michael T. Waites). Further, to ensure objectivity, the Board has appointed John M. Willson as Lead Director. The Board further ensures its independence by convening an independent director-only *in camera* session at every Board Meeting.

Finally, each year the Board (with the assistance of the Corporate Governance Committee) formally reviews its own performance, the performance of each committee of the Board, the performance of the Chairman of the Board, the performance of each individual director (peer assessment) and the performance of the Chief Executive Officer.

## **Committees of the Board of Directors**

There are currently five standing committees of the Board of Directors: the Audit Committee, the Corporate Governance Committee, the Environment, Health and Safety Committee, the Pension Committee and the Human Resources Committee. Each committee operates in accordance with Board-approved terms of reference.

### **The Audit Committee**

The Audit Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders with respect to the Corporation's: (a) financial statements; (b) financial reporting process; (c) systems of internal and disclosure controls; (d) internal audit function; (e) external audit function; (f) financial arrangements and liquidity and (g) risk identification, assessment and management program. It is the responsibility of the Committee to maintain an open avenue of communication between itself, the external auditors, the internal auditors and the management of the Corporation. In performing its role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Corporation. It is also empowered to retain outside counsel or other experts as required.

### **The Corporate Governance Committee**

The mandate of the Corporate Governance Committee is to enhance corporate performance by assessing and making recommendations regarding Board effectiveness and by establishing a process for identifying, recruiting, appointing and re-appointing directors and providing for the on-going development of current Board members.

### **The Environment, Health and Safety Committee**

The mandate of the Environment, Health and Safety Committee is to encourage, assist and counsel the management of the Corporation in its drive towards attaining and maintaining a high level of performance in areas relating to the environment, health and safety. The Committee also seeks to ensure, through the management of the Corporation, that the Corporation's employees and contractors enjoy a safe and healthy workplace.

### **The Pension Committee**

The mandate of the Pension Committee is to oversee all of the Corporation's pension plans, including registered pension plans and supplemental pension arrangements. This oversight includes the responsibility to analyze policies and strategies developed by management in the area of pensions and to review the Corporation's performance with respect to meeting its fiduciary obligations as they relate to the Corporation's pension plans. Items to be addressed by the Board Pension Committee include, but are not limited to, governance, compliance, plan design and benefit strategy, investment strategy and funding policies, the ongoing performance of the plans and their investments, and the selection of certain advisors.

### **The Human Resources Committee**

The Human Resources Committee provides oversight of the design of the Corporation's compensation programs and policies and also provides recommendations to the Board of Directors on key compensation and human resources matters. The Committee makes recommendations to the full Board of Directors with respect to executive and key employee continuity and any changes to the Corporation's executive compensation program which the Committee considers to be necessary from time to time.

*The Corporation's management proxy circular issued in connection with the 2009 Annual Meeting of Shareholders and the corporate governance section of the Corporation's website provide a full discussion of Finning's corporate governance policies and practices.*