

Standards of Corporate Governance

Catalyst is committed to the highest standards of corporate governance, and we have always responded quickly to review and amend practices as necessary to conform with changing regulatory developments in Canada and the U.S.

As a measure of this commitment and to fulfill our obligations, we make information readily available to shareholders on the company's practices and performance against the guidelines for effective corporate governance established by the Toronto Stock Exchange (TSX). We have issued a summary report detailing our compliance with these guidelines in the Management Proxy Circular that accompanies our Annual Report. It is our opinion and the opinion of our advisors that the company meets or exceeds the TSX guidelines in this important area.

We also commend the initiative of the Canadian Coalition for Good Governance and meet substantially all of the base standards that are relevant to the company. Many of these standards overlap or complement the standards set by the TSX.

Within the coalition's guidelines for high performance boards, we also meet a majority of the best practice requirements that are applicable to our company, including the following:

- A formal, rigorous and transparent procedure for the appointment of new directors to the board.
- Full disclosure of director compensation and percentage of total compensation taken in shares or deferred share units (DSUs).
- A board composition where more than two-thirds of directors are independent of management and have no material relationship to the company.
- Reporting on the number of cross-board interlocks.
- Appointment of an independent director as chair.
- A process that requires the chair to hold in-camera sessions of independent directors without management present at each board meeting.
- Requiring the governance committee to monitor emerging best practices of leading corporations.

Standards of Corporate Governance

- Reviewing at every board meeting any recent developments that may impact growth strategy.
- Regular formal and social meetings between our directors and executives, and annual visits by the board to one of the company's operating facilities.

In addition, in order to align the directors' interests more fairly with those of the company, we have eliminated annual stock option grants to directors and replaced them with grants of DSUs. We invest significant energy and resources to ensure our company's directors and officers thoroughly understand our governance processes, and we provide updates as new developments within the broad governance community surface.