

## Corporate Governance Disclosures

This Corporate Governance Disclosure has been reviewed and approved by the Board of Directors of Gendis Inc. The following analysis uses definitions contained in the National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices issued by the Canadian Securities Administrators. This Corporate Governance Disclosure numbering follows Form 58-101F1 Corporate Governance Disclosure.

### 1) Board of Directors

- a) The independent directors are: Mr. Robert M. Chipman, Mr. Jerry L. Gray, Mr. Lawrence O. Pollard, and Mr. Gordon B. Webster.
- b) The directors who are not independent are Mr. Albert D. Cohen and Mr. James E. Cohen. Mr. Albert D. Cohen is not an independent director as he is an Executive Officer and has a material relationship with his son, Mr. James E. Cohen. Mr. James E. Cohen is not an independent director as he is an Executive Officer of Gendis Inc., and together with his brother and sister is part of the group that acquired the legal and beneficial interest of his father, Mr. Albert D. Cohen in the shares of Gendis Inc. Mr. James E. Cohen owns 3,386,685 Common shares or 24.3% of the issued shares of Gendis Inc. Mr. James E. Cohen's sister, Ms Anna-Lisa Cohen, owns 2,886,686 Common shares or 20.7% of the issued shares of Gendis Inc. Mr. James E. Cohen's brother, Mr. Anthony J. Cohen, owns 2,856,686 Common shares or 20.5% of the issued shares of Gendis Inc. Together, Mr. James E. Cohen and his sister and his brother own 65.5% of Gendis Inc.
- c) A majority of the Board of Directors are independent directors.
- d) The following directors are directors of other issuing companies:
  - i) Mr. Robert M. Chipman: Boyd Income Trust
  - ii) Mr. Jerry L. Gray: Pollard Banknote Limited.
  - iii) Mr. Lawrence O. Pollard: Pollard Banknote Limited.
- e) The independent directors hold regularly scheduled meetings without the non-independent directors and members of management present, and formal and informal meetings of a majority of the independent directors can and do occur from time to time. Formal meetings are documented and notes are maintained by the lead director and reviewed by the auditors. Three meetings were held in 2010. All independent directors are residents of Winnipeg and frequently discuss corporate issues informally. In addition, the independent directors have quarterly Audit Committee meetings without the non-independent directors present.
- f) The Chair of the Board is a non-independent director. The lead director, Mr. Jerry L. Gray, is an independent director. His primary responsibilities are:
  - i) Monitoring the development and implementation of a corporate strategic plan
  - ii) Developing a management succession plan
  - iii) Recruiting of new board members
  - iv) Evaluating the effectiveness of the Board
  - v) Serving as Chair of the Board as required
  - vi) Chairing the Corporate Governance Committee
  - vii) Serving as the liaison between the Chair and the Directors
- g) All directors have attended all board meetings since the beginning of the most recently completed financial year.

### 2) Board Mandate

The Board does not have a formal written mandate. It delineates its roles and responsibilities through a committee system with written responsibilities for each committee. The lead director assumes responsibility for ensuring that effective corporate governance is practiced. Because of the changes the Corporation has faced and the recent turbulent economy, the Board is substantially involved in the strategic planning process and will have a significant role in determining the Gendis' future. A Board mandate will be developed as the Corporation progresses through its transition phase.

### 3) Position Descriptions

- a) With the transitional nature of the corporation and its smaller size, written positions descriptions for the Chair and the Committee Chairs have been deemed not necessary by the Board. The Board has limited the monetary authority of the Chairman, Co-President and Co-CEO to \$3 million per transaction, a practice that has been in effect for several years. With the relatively small size of the Board, and with only four executive officers and no more than ten employees, there is ample opportunity to formally and informally discuss items of importance. The responsibilities of the committees have been formally documented and the Board relies on the lead director to ensure that roles and responsibilities are fulfilled.
- b) Mr. Albert D. Cohen is the Chairman, Co-President and Co-CEO and the father of the controlling shareholders. With Gendis in a transitional phase, no formal position description has been developed. The role of the Chairman, Co-President and Co-CEO is formally influenced through the setting of agenda items for the quarterly board meetings, and through the informal discussions among directors and management that are now common given the unique circumstances of Gendis Inc. as described in 3(a).

### 4) Orientation and Continuing Education

- a) Orientation consists primarily of individual meetings with the Chairman, Co-President and Co-CEO, the lead director, a majority of the independent directors, and members of management. These discussions focus on the major issues facing the Corporation and the role of the Board and the composition and role of the Board committees. Given the relatively small size of the Board, all independent directors serve on multiple committees, thus familiarizing them with a broad scope of corporate issues. New directors were provided with previous annual reports, financial statements, corporate by-laws, Annual Information Forms, a copy of the current strategic plan, and access to all previously distributed public documents.
- b) No formal continuing education programs are in place. The Corporation's auditors regularly provide updated information on corporate governance issues and audit committee issues to the directors. All independent directors are directors of other issuer or comparable companies and are exposed to additional opportunities to maintain their skill and knowledge. The performance of individual directors is monitored by the lead director to ensure that the requisite skill and knowledge are present. All directors have attended an IFRS information session.

### 5) Ethical Business Conduct

- a) The Board has adopted Code of Conduct.
  - i) The Code of Conduct may be obtained by contacting The Secretary of the Board of Directors, Gendis Inc., Winnipeg, Manitoba R3T 1N5.
  - ii) The Board monitors compliance to the Code by engaging in its normal Board discussions at Board meetings, with a particular focus on ethical conduct in those situations that have ethical issues. The Code of Conduct is posted in a public place at the corporate head office with instructions on the appropriate method of reporting alleged violations of the Code.
  - iii) There are no material change reports filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.
- b) All issues in which a director or executive officer has a material interest are discussed in committee meetings involving only the independent directors. In instances in which any director would have a material interest in the outcome of a decision, that director would be required to remove himself/herself from the Board discussion. This situation is monitored by the lead director.
- c) All Board decisions include, either implicitly or explicitly, a consideration of the reputation of Gendis Inc., the directors, and the Cohen family.

### 6) Nomination of Directors

- a) All board members are encouraged to suggest names of potential directors at any time to the Corporate Governance Committee. Names of potential directors are discussed formally at Board meetings, as well as

informally among directors as circumstances develop. Individuals who pass an initial screening process are interviewed by the Chairman, Co-President and Co-CEO and the lead director (at minimum). Should there be continued interest by the Corporation and the candidate, other directors and executive officers are invited to meet with the candidate. The process culminates with a formal nomination and vote at a Board meeting with ratification by the shareholders at the next Annual Meeting.

- b) The Corporate Governance Committee, which is composed of all independent directors, also serves as the Nominating Committee.
- c) The Corporate Governance Committee has the ultimate responsibility and authority to nominate directors. As a practical matter, as noted previously, the relatively small size of the Board is conducive to the involvement of all directors in proposing new directors and discussing their capability and suitability.

## 7) **Compensation**

- a) The compensation of directors is not regularly reviewed by the Board. The review of directors' compensation would be conducted at the request of any board member, or group of board members, or the Human Resources and Compensation Committee. The matter would be referred to the Human Resources and Compensation Committee for discussion and recommendation. The compensation of directors was last considered in 2000. The compensation of the Chairman, Co-Presidents and Co-CEOs are reviewed and decided annually by the Human Resources and Compensation Committee. The Committee considers the performance of the Corporation and the unique and changing circumstances of the Corporation in deciding the compensation of Executives and whether performance incentives should be included. At the present time, there are no performance incentives (including stock options) in place. In the past, the Human Resources and Compensation Committee has employed the services of a compensation consultant. The remaining Executive Officer salaries are decided by the Chairman, Co-President and Co-CEO.
- b) The Human Resources and Compensation Committee is composed entirely of independent directors.
- c) The Human Resources and Compensation Committee meets annually or as required, and has the power to recommend to the Board on the following matters:
  - i) Compensation of the Chairman, Co-Presidents and Co-CEOs
  - ii) Compensation of the directors
  - iii) Review of the Chairman, Co-Presidents and Co-CEOs expenses by the Chairman of the Committee
- d) No external consultants have been retained since the beginning of the issuer's most recently completed financial year.

## 8) **Other Board Committees**

In addition to the Audit Committee and the Human Resources and Compensation Committee, there is a Corporate Governance Committee that, in addition to the responsibilities described below, serves as the Nominating Committee and assesses the Corporate Governance Disclosure on an ongoing basis.

## 9) **Assessments**

The Corporate Governance Committee has been assigned the responsibility of assessing the effectiveness of the Board as a whole, the Committees of the Board, and the contribution of individual directors. The Chairman of the Corporate Governance Committee (the lead director) discusses effectiveness issues (as well as the size of the Board) with each director individually and makes recommendations to the Corporate Governance Committee on an "as needed" basis. All matters of effectiveness are monitored on a consistent and on-going basis. Given the relatively small size of the Board, formal review mechanisms have been deemed inappropriate by the Corporate Governance Committee.