

APPENDIX B

Example of ICFR and DCP Working Together: a Case Study

This example relates to a reporting issuer in Canada and the US that was included in the study on which the DCP document is based.

The company's process for releasing its quarterly financial results and commentary includes issuing a news release after the close of markets, and then hosting a conference call to comment on its results and answer questions from attendees at the call. The company posts details of the time and call-in numbers on the company's website well before the time of the release, and there are no restrictions on who can attend the call, thereby reducing risks of selective disclosure. The news release also resides on the company's website.

The conference call starts approximately one hour after the release of the results to the market and regulatory authorities. This delay allows the market time to review the quarterly financial results and any other information provided. Management makes its presentation, and then answers questions from the attendees, so allowing participants to gain a greater understanding of the results and any future oriented information, and to develop their questions. This gives the research analysts time to develop their early morning reports for release the next day prior to the opening of the markets, and allows investors or potential investors to make timely investment decisions. The company retains details of all questions asked, and who asked the questions. It also has the call recorded, and retains a copy of each conference call.

A number of years ago, the company developed a standard PowerPoint® presentation that is the foundation of the script and details that are read to the attendees at conference calls. Examples of items included in the presentation are as follows:

- Introduction of participants
- Overview of process for meeting, and who will present the report
- Forward-looking statements disclaimer
- Confirmation that statements are prepared in accordance with GAAP, and the reporting currency
- Summary of financial results, including operating results, balance sheet and cash flows, on a comparative basis both sequential and comparative to the previous year
- Segmented results, with revenue by product, distribution channel, technology and geography
- Business development highlights during the quarter
- Guidance for the next quarter or future periods
- Summary

The meeting is then opened to questions from the participants. Management attempts to anticipate the questions that are likely to be asked on the call, and agrees on its responses and which member of management will respond to each question. ICFR and DCP are both used to address these questions. In those instances when the company is unable to answer a specific question, it commits to getting back to the person asking the question. Often the company is able to provide an answer during the call.

The interaction between ICFR and DCP:

The company adopted a standard process some years ago that incorporates the financial results generated by the finance team, in accordance with GAAP, and other information from the company's information systems utilizing and relying on its ICFR.

Prior to the release of the results for each period, an operations meeting is held involving presentations and commentary from the operating departments. The management team reviews the period's operating financial statements comparing budget to actual results and analyzing any variances. This process involves the generation of the management reports, and a comparison to the statutory results, each of which are subject to a review of the ICFR. This meeting and the review process enable the CEO and CFO to be satisfied that the financial statements are reasonable and that the DCP process has been followed.

The operations meeting also includes a review by the management team of forecast future results by department from which they develop a rolling forecast and the company's guidance to be included in the news release and conference call. The forecasts are presented, and are assessed by all members of the management team, utilizing information

generated from the modeling modules of the information system by the leaders of the respective operating departments in accordance with the company's business plan. For example, "*Can the production department generate sufficient product to meet the sales forecast?*" At this review, the CEO and CFO question the forecasts and rationale of the management team, and satisfy themselves as to the probability of achieving these forecasts. This review allows the CEO and CFO to be satisfied that they can rely on the forecast and develop their guidance after applying their judgment and risk tolerances. The meeting and review are part of their DCP process, and utilize financial information generated from the ICFR process.

Business developments are also included as part of the news release and conference call, and highlight material changes that have occurred during the quarter. Usually these items have been released during the reporting period, and have been subject to a review and assessment by the Disclosure Committee, prior to these releases being issued to the market in general. This review of non-financial information is undertaken as part of the DCP process.

The company's news release is also subject to review by the management team, and is approved by the Board before it can be released. The news release does not contain the MD&A; however, this document is subject to a significant review by the DCP Committee, and is created from financial information from the ICFR. The non-financial information is created from information generated from the operations meeting, and is subject to the DCP process. The MD&A is created, reviewed and approved prior to the news release being issued, so that the company is able to review all information contained in each of the required reports.

A further element of the company's DCP is the review undertaken by the Audit Committee as part of the audit committee meeting. This committee recommends to the Board the approval of the release of the financial results. As part of the committee's process, it receives and reviews the operating results, and the PowerPoint ® presentation, as mentioned above, prior to recommending approval to the Board.