

MANAGEMENT'S DISCUSSION AND ANALYSIS

Self-Assessment Checklist for Preparers October, 2008



INTRODUCTION

This MD&A Self-Assessment Checklist is intended to assist MD&A preparers in maximizing the value of their annual MD&As. The assessment addresses CICA's six MD&A general disclosure principles and the individual components of the MD&A. The assessment should assist MD&A preparers in ensuring that their annual MD&As provide an explanation of the company's past performance and future prospects that is understandable, balanced and complete in all material respects. Preparers may wish to consult other Canadian Performance Reporting Board (CPRB) publications when undertaking the assessment, in particular *Management's Discussion and Analysis: Guidance on Preparation and Disclosure* and *Management's Discussion & Analysis – A Baseline Report*. All CPRB publications are available at www.cica.ca/cpr

INSTRUCTIONS FOR USE

Compliance with the individual components of the checklist (that should also consider the application of the six general disclosure principles) should be evaluated and awarded a score of 0 to 3 where 0 = not discussed, 1 = satisfactory, 2 = good, and 3 = excellent. A ranking of "1 = satisfactory" implies the content element was discussed in general terms. A ranking of "2 = good" implies the content was discussed with additional qualitative and/or quantitative information. A ranking of "3 = excellent" implies the content was discussed as in the "good ranking", and also that the discussion and analysis provide further information, such as including implications for the company. The goal is to have all components receive a rank of 3. Thus, lower ranks indicate an area for improvement.

Overall, a company could receive a ranking as high as 33 as 11 components are analyzed. Based on the results of the October 2008 CPRB publication, *Management's Discussion & Analysis - A Baseline Report*, an overall score of 23 and above would indicate an excellent MD&A; 19-22 would indicate an above average MD&A; 14-18 would indicate an average MD&A; 10-13 would indicate a below average MD&A; and 12 and below would indicate a poor MD&A.

A response of "0" to any given question should prompt further consideration of the need for disclosure of the item in question. *Management's Discussion & Analysis – A Baseline Report* will provide examples and suggestions of how to improve an MD&A and additional examples are available on the CICA's web site at www.cica.ca/cpr

Part 1 Six General Disclosure Principles

Prior to addressing the questions in Parts A through I of this MD&A Self-Assessment Checklist tool, preparers will wish to remind themselves of the general disclosure principles in the CICA MD&A Guidance and related regulatory instructions that permeate all decisions about MD&A disclosures.

The following MD&A disclosure principles should be followed by preparers of MD&A's and an overall evaluation of the application of these 6 principles should be made for each of the components in Part 2.

1. ***Through the eyes of management:*** enable readers to view the company through the eyes of management
2. ***Integration with financial statements:*** complement by providing useful quantitative and qualitative information that may not be reported in financial statements, as well as supplement through insightful analysis of the financial statements
3. ***Completeness and materiality:*** be reliable, that is, complete, fair and balanced, and providing material information — namely, information that could influence a reasonable investor in making a decision to invest or continue to invest in the company
4. ***Forward-looking orientation:*** is fundamental to useful MD&A reporting
5. ***Strategic perspective:*** focus on management's strategy for generating value for investors over time
6. ***Usefulness:*** be written in plain language, with candour and without exaggeration, and embody the qualities of understandability, relevance, comparability and consistency over reporting periods

MANAGEMENT'S DISCUSSION AND ANALYSIS

SELF-ASSESSMENT CHECKLIST TOOL FOR PREPARERS

Part 2 Qualitative Evaluation of MD&A Components

A qualitative evaluation of each of the important MD&A components should be made. The evaluation should include a determination as to whether the component is included and an evaluation as to the quality of the discussion of the component.

| A. KEY FACTS – INTRODUCTION | Does the MD&A include the following component? (rank 0, 1, 2, 3) |
|---|---|
| 1. Does the MD&A disclose what the company does and what industry it is in? | |
| 2. Does the MD&A disclose the company's key business segments, key locations and key assets? | |
| 3. Does the MD&A disclose what makes the company unique? What is the distinctiveness and/or excellence of the product or service offered? | |
| 4. Does the MD&A include an executive summary that highlights key facts and results for the year? | |

| B. STRATEGY | Does the MD&A include the following component? (rank 0, 1, 2, 3) |
|---|---|
| 1. Does the MD&A communicate a clear understanding of i) the vision ii) the strategy iii) the underlying rationale, context and factors considered in the development of the strategy a) for the company as a whole and b) for each of the core business segments? | |

| C. KEY PERFORMANCE DRIVERS | Does the MD&A include the following component? (rank 0, 1, 2, 3) |
|---|---|
| 1. Does the MD&A identify the key performance drivers i) for the company as a whole and ii) for each of the core business segments? | |
| 2. Does the MD&A explain i) the significance of each of the identified key performance drivers to the strategy/results and ii) the performance measures used to track the progress on each of the identified key performance drivers? | |
| 3. Does the MD&A explain the relationship between the key performance drivers and executive compensation arrangements? | |

| D. CAPABILITY TO DELIVER RESULTS | Does the MD&A include the following component? (rank 0, 1, 2, 3) |
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| LEADERSHIP - KEY PEOPLE* | |
| 1. Does the MD&A provide evidence of the quality of management? | |
| 2. Does the MD&A provide evidence of the quality of the board of directors? | |
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| FINANCING (INCLUDING LIQUIDITY) | |
| 3. Does the MD&A discuss the company's financing strategy? (for example targeted debt/equity ratios and plans for refinancing or repayment of debt) | |
| 4. Does the MD&A explain the purpose for new debt or share capital issued in the period? | |
| 5. Does the MD&A explain the source of the funding for debt repayment and share re-purchases in the period? | |
| 6. Does the MD&A explain the company's ability to continue to meet its liabilities as they come due in the foreseeable future? | |
| 7. Does the MD&A explain the company's liquidity position and its ability to meet future requirements? | |
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*This component is not part of the CPRB publication *Management's Discussion and Analysis: Guidance on Preparation and Disclosure*. It is discussed, however, in *Building A Better MD&A – A Guide For Smaller Issuers*.

| PRODUCTIVE CAPACITY - FINANCIAL CONDITION* | |
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| 8. Does the MD&A discuss i) the nature of tangible and intangible capital assets acquired or disposed of during the period, ii) how they were financed, and iii) their effect on the entity's ability to maintain and grow its operations? | |
| 9. Does the MD&A discuss i) the nature of acquisitions made during the period, ii) how they were financed, and iii) their effect on the entity's operations? | |
| 10. Does the MD&A quantify and discuss expenses in the period that, although not capitalized, contributed to maintenance or growth of operations? | |
| 11. Does the MD&A discuss i) targeted amounts for both tangible and intangible capital expenditures and acquisitions for the next year, ii) how they are expected to be financed, and iii) their anticipated impact on operations? | |
| 12. Does the MD&A discuss expenses anticipated in the next year that are expected to contribute to the maintenance or growth of operations? | |
| 13. Does the MD&A discuss i) the company's use of financial instruments and other instruments, ii) the business purposes they serve, and iii) the relationships among the instruments? <i>Note: Other instruments are "instruments that may be settled by the delivery of non-financial assets" such as a commodity futures contract.</i> | |

* The term productive capacity is not used in *Management's Discussion and Analysis: Guidance on Preparation and Disclosure*. A CPRB project has recently been initiated to provide guidance on this topic.

| E. ACCOUNTING DISCLOSURES | Does the MD&A include the following component? (rank 0, 1, 2, 3) |
|---|---|
| CRITICAL ACCOUNTING POLICIES AND ESTIMATES | |
| 1. Does the MD&A identify accounting policies that are particularly important to understanding the reported results? | |
| 2. Does the MD&A identify estimates that are particularly important to understanding the reported results? | |
| 3. Does the MD&A clearly communicate i) any changes in critical estimates and ii) their impact on reported results? | |

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| CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION | |
| 4. Does the MD&A <ul style="list-style-type: none"> i) discuss ii) analyze any changes in accounting policies including the adoption of new policies? | |
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| TRANSACTIONS WITH RELATED PARTIES | |
| 5. For each disclosed transaction, does the MD&A discuss the qualitative and quantitative characteristics necessary for an understanding of the transaction's business purpose and economic substance? | |

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| F. RESULTS | Does the MD&A include the following component? (rank 0, 1, 2, 3) |
| HISTORICAL ANALYSIS | |
| 1. Does the MD&A compare the company's performance in the most recently completed financial year to the prior year's performance (or more if it will help the reader to better understand a trend)? | |
| 2. Does the MD&A communicate information about the company's earnings and cash flow to assist investors in determining the extent to which past performance is indicative of future performance <ul style="list-style-type: none"> i) for the company as a whole and ii) for each of the core business segments? | |
| 3. Does the MD&A indicate the extent to which past results will impact future <ul style="list-style-type: none"> i) capital resources ii) liquidity iii) cash flow a) for the company as a whole and b) for each of the core business segments? | |
| 4. Does the MD&A explain <ul style="list-style-type: none"> i) the nature of and ii) the reasons for changes in the company's performance, thereby assisting readers in understanding trends, events, transactions and expenditures? | |
| 5. If necessary, does the MD&A update forward-looking information disclosed in prior periods which, in light of intervening events and absent further explanation, may be misleading? | |

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| <p>6. If necessary, does the analysis of past results include an explanation of</p> <ul style="list-style-type: none"> i) any significant differences between those results and previously disclosed goals, objectives or targets ii) any changes to goals, objectives or targets made during the course of the current period and provide a rationale for any such changes and iii) actual performance relative to the original goal, objective or target as well as to the revised goals, objectives or targets | |
| <p>7. When Non-GAAP measures are used, does the MD&A provide an explanation of the purpose for the measure?</p> | |
| <p>8. Does the MD&A explain whether Non-GAAP measures are consistent with the measures used in prior years? (if not, is there an explanation as to why and how the new measure is different?)</p> | |
| <p>9. Does the MD&A discuss the significant factors which have caused period to period variations?</p> | |
| PROSPECTIVE ANALYSIS | |
| <p>10. Does the MD&A provide an analysis of future prospects</p> <ul style="list-style-type: none"> i) for the company as a whole and ii) for each of the core business segments? | |
| <p>11. Does the MD&A provide appropriate prospective analysis of business goals, objectives and targets</p> <ul style="list-style-type: none"> i) for the company as a whole and ii) for each of the core business segments? | |

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| G. RISK | Does the MD&A include the following component? (rank 0, 1, 2, 3) |
| <p>1. Does the MD&A clearly disclose the company's</p> <ul style="list-style-type: none"> i) principal risks (strategic, operational and financial) and ii) related risk management systems? | |
| <p>2. Does the MD&A include specific quantitative information about the potential variability of results depending on the outcome of the disclosed risks? (i.e. - could take the form of a sensitivity chart analysis).</p> | |
| <p>3. If risks or risk management strategies have changed significantly from one period to another, are the following clearly communicated</p> <ul style="list-style-type: none"> i) the nature of the changes ii) the justification for the change and iii) their impact on operations? | |

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| H. ENVIRONMENTAL & CLIMATE CHANGE ISSUES* | Does the MD&A include the following component? (rank 0, 1, 2, 3) |
| 1. Does the MD&A clearly discuss the environmental issues currently impacting i) the company as a whole ii) each of the core business segments? | |
| 2. Does the MD&A provide appropriate prospective analysis of environmental issues that could potentially impact i) the company as a whole and ii) each of the core business segments? | |
| 3. Does the MD&A clearly disclose the nature and magnitude of existing and potential impacts of climate change i) for the company as a whole and ii) for each of the core business segments? | |

* The CPRB has recently published *Building a Better MD&A: Climate Change Disclosures*.

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| I. REGULATORY MATTERS | Does the MD&A include the following component? (rank 0, 1, 2, 3) |
| 1. Does the MD&A comply with Canadian Securities Administrators' regulatory requirements? i) National Instrument (NI) 51-102, Continuous Disclosure Obligations ii) NI Form 51-102F1, Management's Discussion and Analysis iii) NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings iv) Multilateral Instrument 52-110, Audit Committees (applicable for venture issuers that do not send a management information circular to security holders) v) Staff Notice 52-306, Non-GAAP Financial Measures vi) NI 58-101, Disclosure of Corporate Governance Practices (applicable for venture issuers that do not send a management information circular to security holders) | |