

**BOARD MANDATE**  
**NEXJ SYSTEMS INC.**  
**BOARD OF DIRECTORS**  
**CORPORATE GOVERNANCE PRINCIPLES**

**Role of the Board of Directors**

The board of directors is elected by the Company's shareholders to oversee the actions of management and the results of the business. In discharging its responsibilities, the board will act in the best interests of the Company and its shareholders.

The board is explicitly responsible for the stewardship of the Company. The board has assumed responsibility for the following matters:

**Strategic Planning Process**

- The board reviews and approves management's strategic plans.
- The board provides input to management on emerging trends and issues.
- The board reviews and approves the Company's business plan and financial objectives.
- The board monitors corporate performance including key metrics against the Company's business plan.

**Risk Management**

- The audit committee of the board of directors is primarily responsible for ensuring that the principal risks of the business are identified and appropriate systems are implemented to manage these risks.
- The audit committee reviews the reports of any internal and external auditors on risk management and reviews and approves the disclosure of risks in the Company's Annual Information Form.

**Succession Planning**

- The board of directors regularly discusses senior level staffing issues with members of management and is responsible for the appointment of senior officers.
- The governance and human resources committee is responsible for assessing the effectiveness of the board in fulfilling its role including monitoring the effectiveness of individual directors.

**Communications Policy**

- The board of directors has reviewed and approved a disclosure policy for the Company that has been communicated to employees. The disclosure policy adopts the best practice recommendations of applicable securities regulators.
- The Chief Financial Officer is responsible for overseeing communications with shareholders and the public in accordance with the policy.
- Management is responsible for periodically reviewing and updating the policy for approval by the board of directors.
- The governance and human resources committee reviews the internal communications plan prepared by management.

**Internal Controls**

- The audit committee is primarily responsible for monitoring the integrity of the Company's internal control and management information systems.
- The audit committee reviews the reports of any internal and external auditors on internal controls and management information systems.

- The board has reviewed and approved a Code of Business Conduct and Ethics whose purpose is to ensure ethical behaviour and the compliance with laws and regulations. The Code of Business Conduct and Ethics complies with applicable laws and rules.

### **Approval of Transactions**

- The board of directors approves material transactions and contracts where required by applicable law or by customary practices of sound corporate governance.

### **Fiduciary Duties**

- Directors owe fiduciary duties to the Company and are expected to behave accordingly including promptly disclosing any potential conflict of interest that may arise.

### **Composition of the Board of Directors**

#### **Size**

- The board currently has 5 members. The Board believes 5 to 7 is an appropriate size based on the Company's current circumstances. The governance and human resources committee periodically evaluates whether a larger or smaller number of directors would be preferable.

#### **Selection**

- All board members are elected annually by the Company's shareholders. Each year at the Company's annual meeting, the board fixes the number of directors to comprise the board and recommends that number of nominees for election as directors by shareholders. The board's recommendation is based on the determination (using advice and information supplied by the governance and human resources committee) as to the suitability of each nominee individually and in the context of the board as a whole, to serve as a director of the Company, taking into account the membership criteria discussed below. Each director recommended by the board must also be recommended by a majority of the independent directors.

#### **Membership Criteria**

- The governance and human resources committee works with the board as a whole on an annual basis to determine the appropriate characteristics, skills and experience for the board as a whole and its individual members. In evaluating the suitability of individual board members, the board takes into account many factors, including general understanding of marketing, finance and other elements relevant to the success of a publicly-traded software company in today's business environment, understanding of the Company's business on a technical level, regulatory requirements, education and professional background, reputation, integrity, maturity, confidence and past track record and experience. The board evaluates each individual in the context of the board as a whole, with the objective of recommending a group that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment using its diversity of experience in these various areas. The governance and human resources committee monitors the effectiveness of individual directors who are expected to attend board meetings regularly, participate in committee activities, review and understand information distributed in advance of board meetings, be available to the CEO and other members of senior management for advice and counsel.

#### **Independence**

- The board believes that at least a majority of its members should be independent directors as determined by the board in accordance with applicable law and rules.

### **Independent Board Leadership**

- The board selects the Chairman in the manner that it determines to be in the best interests of the Company's shareholders. The board recognizes that having a board that functions independently of management is advantageous in representing the shareholders' interests. The board has determined that it is in the best interests of shareholders to have an independent director hold the position of Chairman. The governance and human resources committee regularly reviews this determination in light of changing circumstances. It is contemplated that the independent directors will hold in camera

sessions to discuss issues without management present at each meeting of the Board of Directors. In addition, the board encourages independent board member oversight of management by allowing all independent board members to add items to the agenda for board meetings, by requiring independent board member participation on committees, and by encouraging independent board members to consult directly with members of senior management and outside advisors as required.

### **Terms**

- The board does not believe it should limit the number of terms for which an individual may serve as a director. Directors who have served on the board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company's history, policies and objectives. The continued participation of each individual board member will be reviewed annually in accordance with the membership criteria described above and will also take into account the length of time the member has served on the board, the competence of the board member to fulfill his or her duties, and any relevant significant personal or professional changes that have occurred in the past year with respect to the board member.

### **Meetings**

- Senior executives of the Company and any board member may request that an item be added to the agenda for each board meeting.
- The agenda is distributed in advance to each director and certain members of senior management.
- All information and data that is relevant to the board's understanding of the matters to be discussed at an upcoming board meeting where feasible should be distributed in writing or electronically to all members of the board in advance of the meeting. This will help facilitate the efficient use of time at board meetings to deliberate and make decisions on key Company issues. In preparing this information, management should ensure that the materials being distributed are as concise as possible while giving directors sufficient information to make informed decisions.
- The board may request that management provide any information it considers relevant at any time.
- The board holds 4 regular meetings each year in February, April, July and October timed to review and approve the results for each quarter. Additional meetings are held as required to deal with other matters that arise. Committee meetings are generally held on the same day prior to the board meeting.

### **Compensation**

- The governance and human resources committee annually reviews and recommends the compensation of independent directors and committee members for approval by the board.
- All directors are encouraged to own stock in the Company in an amount that is appropriate for them.
- Employee directors are not eligible for any director compensation.

### **Education**

- The Company has a policy of making a full indoctrination and continuing education process available to board members that includes background materials on the Company, meetings with key management and visits to the Company's headquarters. Board members may request that the Company arrange for their participation in any cost-effective continuing education program that is relevant to their role as board and committee members.

### **Periodic Review**

- These corporate governance principles are reviewed from time to time by the governance and human resources committee and the board.