



## EXFO INC.

### BOARD OF DIRECTORS CORPORATE GOVERNANCE GUIDELINES

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#### I. Board Issues

##### Membership:

1. Size of Board. The Board's maximum size is twelve (12) members.
2. Board Membership Criteria. The Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. This assessment will include consideration of diversity, age, skills and experience in the context of the needs of the Board.

Directors should advise the Chairman of the Board in advance of accepting an invitation to serve on another company board.

Exceptional candidates who do not meet all of these criteria may still be considered.

The Board will be constituted in accordance with the requirements set out in the Canadian Business Corporations Act.

3. New Directors. The nominees for directorship will be selected by the Board in accordance with the following principles:
  - (a) When considering a potential candidate, the Board shall consider the qualities and skills that the Board, as a whole, should have and assesses the competencies and skills of the current members of the Board. Based on the talent already represented on the Board, the Board identifies the specific skills, personal qualities or experiences that a candidate should possess in light of the opportunities and risks facing the Corporation.
  - (b) Potential candidates should be screened to ensure that they possess the requisite qualities, including integrity, business judgment and experience, business or professional expertise, international experience, financial literacy, excellent communications skills and the ability to work well with the Board and the Corporation. The Board shall consider the existing commitments of a potential candidate to ensure such candidate will be able to fulfill his or her obligations as a Board member.
  - (c) The Board shall receive and discuss suggestions from shareholders for potential director nominees.



#### 4. Retirement.

- (a) Term Limits. The Board does not favor term limits for directors, but believes that it is important to monitor overall Board performance. Therefore, the Board shall review each director's continuation on the Board every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.
- (b) Retirement Policy. No person shall be nominated by the Board to serve as a director after he or she has passed his or her 75<sup>th</sup> birthday, unless the Board has voted, on an annual basis, to waive, or continue to waive, the mandatory retirement age of such person as a director.
- (c) Resignation Policy - Directors. Directors shall offer to resign from the Board upon their resignation, removal or retirement as an officer of the Company.
- (d) Directors Changing Their Present Job Responsibilities. The Board expects directors to offer to resign from the Board upon a major change in their business position including, without limitation, retirement from the position on which their original nomination was based. There should, however, be an opportunity for the Board to review the continued appropriateness of Board membership under the circumstances. It is not the sense of the Board that in every instance the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board.

## II. **Conduct:**

- 1. Directors' Duties. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's officers, employees, outside advisors and independent auditors.

Directors are expected to attend Board meetings and to spend the time needed and meet as frequently as reasonable necessary to properly discharge their responsibilities. Directors are expected to review meeting materials prior to Board meetings and, when possible, should communicate in advance of meetings any questions or concerns that they wish to discuss so that management will be prepared to address the same. Each director's attendance at, and preparation for, Board meetings, shall be considered by the Board when recommending director nominees.



2. Board Meetings.
  - (a) Selection of Agenda Items and Executive Sessions. The Chairman of the Board or the Chief Executive Officer should establish the agenda for Board meetings. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will meet at least two (2) times per year in executive session without any members of the Company's management, whether or not they are directors, who may otherwise be present. The Chairman of the Board will be presiding at all executive sessions.
  - (b) Distribution of Materials. The Company shall distribute, sufficiently in advance of meetings to permit meaningful review, written materials, which shall in all events include recent financial information, for use at Board meetings.
  - (c) Attendance of Non-Directors. The Board believes that attendance of key executive officers augments the meeting process.
  - (d) Number of Meetings. The Board shall hold a minimum of five (5) meetings per year.
3. Conflicts of Interest. Directors shall avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict. The Company annually solicits information from directors in order to monitor potential conflicts of interest and directors are expected to be mindful of their fiduciary obligations to the Company.
4. Director Compensation. The form and amount of director compensation will be determined by the Board. The Board will review every three (3) years the director compensation with the Company's Vice-President of Human Resources and outside consultant.
5. Continuing Director Education. The Board will maintain orientation programs for new directors and continuing education programs for all directors.
6. Assessing Board Performance. The Board will conduct an annual self-evaluation to determine whether it is functioning effectively. The Board will receive comments from all directors as to the Board's performance and report annually with an assessment of the Board's performance, to be discussed with the full Board following the end of each fiscal year.
7. Access to Officers and Employees. Board members have complete and open access to the Company's Chief Executive Officer, Chief Financial Officer, Vice-President Human Capital, Legal Counsel and any other Officer of the Corporation. Board members who wish to have access to other members of management should coordinate such access through one of the foregoing.



8. Interaction with Third Parties. The Board believes that management should speak for the Company and that the Chairman should speak for the Board.
9. Board Authority. The Board has the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance. Information learned during the course of service on the Board is to be held confidential and used solely in furtherance of the Company's business.
10. Confidentiality. The Board believes maintaining confidentiality of information and deliberations is an imperative.

#### **IV. Chief Executive Officer Evaluation and Management Succession**

The Board will conduct an annual review and approve corporate goals and objectives relevant to Chief Executive Officer's compensation and set the Chief Executive Officer's compensation level based on this evaluation.

The Board shall be consulted on potential successors to the Chief Executive Officer.