

**Corporate Governance Guidelines**  
**of**  
**Laidlaw International, Inc.**

**Adopted as of November 19, 2003**

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## TABLE OF CONTENTS

THE BOARD.....	1
Role of Directors.....	1
The Board’s Goals .....	1
Selection of the Chairman of the Board.....	1
Size of the Board.....	1
Selection of New Directors.....	2
Board Membership Criteria .....	2
Other Directorships.....	2
Conflicts of Interest.....	3
Independence of the Board .....	3
Lead Independent Director .....	3
Directors Who Change Their Present Job Responsibility.....	4
Retirement Age .....	4
Director Tenure.....	4
Board Compensation.....	4
Separate Sessions of Non-Management Directors.....	5
Self-Evaluation by the Board.....	5
Strategic Direction of the Company .....	5
Board Access to Management .....	6
Attendance of Management Personnel at Board Meetings.....	6
Board Materials Distributed in Advance .....	6
Board Interaction with Institutional Investors, Analysts, Press and Customers.....	6
Board Orientation and Continuing Education.....	6
Board Support.....	7
BOARD MEETINGS .....	7
Frequency of Meetings .....	7
Selection of Agenda Items for Board Meetings.....	7
COMMITTEE MATTERS .....	7
Number and Names of Board Committees .....	7
Independence of Board Committees.....	7
Assignment and Rotation of Committee Members.....	8
Attendance of Non-Committee Members at Committee Meetings .....	8
LEADERSHIP DEVELOPMENT.....	8
Selection of the Chief Executive Officer.....	8
Evaluation of Chief Executive Officer .....	8
Evaluation of Senior Management.....	9
Succession Planning.....	9
Management Development .....	9
Annex A – Excerpt From NYSE Rule Proposals .....	10
Annex B – Standards for Director Independence .....	12

## **Corporate Governance Guidelines of Laidlaw International, Inc.**

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the “Board”) of Laidlaw International Inc. (the “Company”) to assist the Board in the exercise of its responsibilities. These Corporate Governance Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing long-term stockholder value. These Corporate Governance Guidelines are not intended to change or interpret any Federal or state law or regulation, including the Delaware General Corporation Law, or the Certificate of Incorporation or By-laws of the Company. These Corporate Governance Guidelines are subject to modification from time to time by the Board.

### **THE BOARD**

#### **Role of Directors**

The business and affairs of the Company shall be managed by or under the direction of the Board. A director is expected to spend the time and effort necessary properly to discharge such director’s responsibilities. Accordingly, a director is expected regularly to attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. A director who is unable to attend a meeting (which it is understood will occur on occasion) is expected to notify the Chairman of the Board (the “Chairman”) or the chairman of the appropriate committee in advance of such meeting.

#### **The Board’s Goals**

The Board’s goals are to build long-term value for the Company’s stockholders and to assure the vitality of the Company for its customers, employees and the other individuals and organizations who depend on the Company.

To achieve these goals the Board will monitor both the performance of the Company (in relation to its goals, strategy and competitors) and the performance of the Chief Executive Officer, and offer him or her constructive advice and feedback. When it is appropriate or necessary, it is the Board’s responsibility to remove the Chief Executive Officer and to select his or her successor.

#### **Selection of the Chairman of the Board**

The Board does not require the separation of the offices of the Chairman and the Chief Executive Officer. The Board shall be free to choose its Chairman in any way that it deems best for the Company at any given point in time.

#### **Size of the Board**

The Board believes that it should generally have no fewer than seven and no more than fifteen directors. This range permits diversity of experience without hindering effective

discussion or diminishing individual accountability. The size of the Board could, however, be increased or decreased if determined to be appropriate by the Board. For example, it may be desirable to increase the size of the Board in order to accommodate the availability of an outstanding candidate for director.

### **Selection of New Directors**

The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Nominating and Corporate Governance Committee (the “Governance Committee”) is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Governance Committee shall also consider advice and recommendations from others as it deems appropriate.

### **Board Membership Criteria**

The nominees for director shall be those people who, after taking into account their skills, expertise, integrity, diversity, character, judgment, age, independence, corporate experience, length of service, conflicts of interest and commitments, including, among other things, service on the boards (or comparable governing bodies) of other public companies, private business companies, charities, civic bodies or similar organizations) and other qualities, are believed to enhance the Board’s ability to manage and direct, in an effective manner, the affairs and business of the Company, including, when applicable, to enhance the ability of committees of the Board to fulfill their duties and/or to satisfy any independence requirements imposed by law, regulation or listing requirements of the New York Stock Exchange (the “NYSE”). In general, nominees for director should have an understanding of the workings of large business organizations such as the Company and senior level executive experience, as well as the ability to make independent, analytical judgments, the ability to be an effective communicator and the ability and willingness to devote the time and effort to be an effective and contributing member of the Board.

The Governance Committee shall be responsible for assessing the appropriate balance of criteria required of Board members.

Each non-employee director shall be expected, following his or her election to the Board, to own stock in the Company in accordance with the terms and provisions of the Company’s non-employee director compensation policy in effect from time to time.

### **Other Directorships**

As part of a review of the criteria required of Board members, the Governance Committee shall consider the number of boards (or comparable governing bodies) of other public companies, private business companies, charities, civic bodies or similar organizations of which a prospective nominee is a member. If any of the Company’s directors wishes to serve on the board of an additional public company, private business company, charity, civic body or similar organization, prior to accepting such position

such director should discuss his or her plans with the Chairman or, if appointed, the Lead Independent Director, or the Company's General Counsel. In addition, in all cases, the Company's General Counsel should have the opportunity to review, among other things, conflicts of interest, independence issues and other legal considerations, prior to such position being accepted.

While the Company does not have a policy limiting the number of other boards of directors upon which a director may sit, the Governance Committee will take particular notice if a director were to be a member of the boards (or comparable governing bodies) of more than four other public companies, private business companies, charities, civic bodies or similar organizations.

### **Conflicts of Interest**

Directors are expected to avoid any action, position or interest that conflicts with the interests of the Company or gives the appearance of a conflict. If an actual or potential conflict of interest develops, the director should immediately report the matter to the Company's General Counsel. Any significant conflict must be resolved to the satisfaction of the Board. If a director has a personal interest in a matter before the Board, the director will disclose the interest to the Board, excuse himself or herself from discussion on the matter and not vote on the matter.

### **Independence of the Board**

The Board shall be comprised of a majority of directors who qualify as independent directors ("Independent Directors") under the NYSE listing standards.

The Board shall review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to additional qualifications prescribed under the NYSE listing standards or under applicable law. The Board has adopted standards to assist it in determining director independence, a copy of which is attached hereto as Annex B.

### **Lead Independent Director**

If the Chairman is not an Independent Director, the Company's Independent Directors will designate one of the Independent Directors on the Board to serve as a lead Independent Director (the "Lead Independent Directors"). If the Chairman is an Independent Director then he or she shall perform the functions otherwise assigned to the Lead Independent Director. The Lead Independent Director's duties will include coordinating the activities of the Independent Directors, coordinating the agenda for and moderating sessions of the Board's Independent Directors and other non-management directors, and facilitating communications between the other members of the Board.

In performing the duties described above, the Lead Independent Director is expected to consult with the chairmen of the appropriate Board committees and solicit their participation in order to avoid diluting the authority or responsibilities of such committee chairmen.

### **Directors Who Change Their Present Job Responsibility**

Directors who are also employees of the Company are expected to resign from the Board at the same time they leave employment with the Company. However, the Board may determine to waive this policy in individual cases.

The Board does not believe that non-employee directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. Promptly following such event, the director must notify the Governance Committee, which shall review the continued appropriateness of the affected director remaining on the Board under the circumstances. The affected director is expected to act in accordance with the Governance Committee's recommendation following such review.

### **Retirement Age**

It is the general policy of the Company that no director having attained the age of 70 years shall be nominated for re-election or reappointment to the Board. However, the Board may determine to waive this policy in individual cases.

### **Director Tenure**

In connection with each director nomination recommendation, the Governance Committee shall consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. An individual director's renomination is dependent upon such director's performance evaluation, as well as a suitability review, each to be conducted by the Governance Committee in conjunction with the Chairman (except in the case of the Chairman) in connection with each director nomination recommendation.

### **Board Compensation**

A director who is also an officer of the Company shall not receive additional compensation for such service as a director.

The Company believes that compensation for non-employee directors should be competitive and should encourage increased ownership of the Company's stock through the payment of a portion of director compensation in Company stock, options to purchase Company stock or similar compensation including, without limitation, through the Company's non-employee director compensation policy in effect from time to time. The Human Resource and Compensation Committee (the "Compensation Committee") will periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation of companies of

comparable size, industry and complexity. Such review will also include a review of both direct and indirect forms of compensation to the Company's directors, including any charitable contributions by the Company to organizations in which a director is affiliated and consulting or other similar arrangements between the Company and a director. Changes to director compensation will be proposed to the full Board for consideration.

Director's fees (including any additional amounts paid to chairs of committees and to members of committees of the Board) are the only compensation a member of the Audit Committee may receive from the Company; provided, however, that a member of the Audit Committee may also receive pension or other forms of deferred compensation from the Company for prior service so long as such compensation is not contingent in any way on continued service.

### **Separate Sessions of Non-Management Directors**

The non-management directors of the Company shall meet in executive session without management on a regularly scheduled basis, but no less than four times a year. The Chairman or, if appointed, the Lead Independent Director shall preside at such executive sessions, or in such director's absence, another Independent Director designated by the Chairman or, if appointed, the Lead Independent Director shall preside at such executive sessions.

Any interested parties desiring to communicate with the Chairman or, if appointed, the Lead Independent Director and the other non-management directors regarding the Company may directly contact such directors by directing such communication to the office of the Corporate Secretary, who shall promptly forward it to the appropriate person.

### **Self-Evaluation by the Board**

The Governance Committee will sponsor an annual self-assessment of the Board's performance as well as the performance of each committee of the Board, the results of which will be discussed with the full Board and each committee. The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the Company. The Governance Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees.

### **Strategic Direction of the Company**

Normally it is management's job to formalize, propose and implement strategic choices and the Board's role to approve strategic direction and evaluate strategic results. However, as a practical matter, the Board and management will be better able to carry out their respective strategic responsibilities if there is an ongoing dialogue among the Chief Executive Officer, other members of top management and other Board members. To

facilitate such discussions, members of senior management who are not directors may be invited to participate in Board meetings when appropriate.

### **Board Access to Management**

Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors. Board members shall coordinate such access through the Chairman or, if appointed, the Lead Independent Director and Board members will use judgment to assure that this access is not distracting to the business operation of the Company.

### **Attendance of Management Personnel at Board Meetings**

The Chief Executive Officer may request to bring members of management from time to time into Board meetings, including to (i) provide management insight into items being discussed by the Board which involve the manager; (ii) make presentations to the Board on matters which involve the manager; and (iii) bring managers with significant potential into contact with the Board. Attendance of such management personnel at Board meetings is at the discretion of the Board. Should the Chief Executive Officer desire to add additional members of management as attendees on a regular basis, this should be suggested to the Chairman or, if appointed, the Lead Independent Director for his or her concurrence.

### **Board Materials Distributed in Advance**

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the directors. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

### **Board Interaction with Institutional Investors, Analysts, Press and Customers**

The Board believes that management generally should speak for the Company. It is suggested that each director shall refer all inquiries from institutional investors, analysts, the press or customers to the Chief Executive Officer or his or her designee.

### **Board Orientation and Continuing Education**

The Company shall provide new directors with a director orientation program to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, principal officers, internal auditors and independent auditors. Each director is expected to participate in continuing educational programs in order to support the performance of his or her duties as a director.

## **Board Support**

At the request of the Board, the Company shall provide the Board with an appropriate level of staff and support to allow the Board to function appropriately.

## **BOARD MEETINGS**

### **Frequency of Meetings**

There shall be at least six regularly scheduled meetings of the Board each year. At least one regularly scheduled meeting of the Board shall be held quarterly.

### **Selection of Agenda Items for Board Meetings**

The Chairman, in consultation with the Lead Independent Director, if appointed, and the Chief Executive Officer, shall annually prepare a “Board of Directors Master Agenda.” This Master Agenda shall set forth a general agenda of items to be considered by the Board at each of its specified meetings during the year. Thereafter, the Chairman, in consultation with the Lead Independent Director, if appointed, and the Chief Executive Officer, may adjust the agenda to include special items not contemplated during the initial preparation of the annual Master Agenda.

Upon completion, a copy of the Master Agenda shall be provided to the entire Board. Each Board member shall be free to suggest inclusion of items on the agenda as well as free to raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

## **COMMITTEE MATTERS**

### **Number and Names of Board Committees**

The Company shall have four standing committees: Audit, Compliance, Human Resources and Compensation (“Compensation”), and Nominating and Corporate Governance (“Governance”). The purpose and responsibilities for each of these committees shall be outlined in committee charters adopted by the Board. The Board may want, from time to time, to form a new committee or disband a current committee depending on circumstances. In addition, the Board may determine to form ad hoc committees from time to time, and determine the composition and areas of competence of such committees.

### **Independence of Board Committees**

Each of the Audit Committee, the Governance Committee and the Compensation Committee shall be composed entirely of Independent Directors satisfying applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee. All other standing Board committees shall be chaired by Independent Directors.

## **Assignment and Rotation of Committee Members**

The Governance Committee shall be responsible, after consultation with the Chairman or, if appointed, the Lead Independent Director, for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Governance Committee's recommendations, the Board shall be responsible for appointing the Chairman and members to the committees on an annual basis.

The Governance Committee shall annually review the committee assignments and shall consider the rotation of the Chairman and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors. With regard to the Chairman of the Governance Committee, such position shall rotate at least once every three years.

## **Attendance of Non-Committee Members at Committee Meetings**

Attendance at committee meetings by Board members who are not members of such committee and by members of management is welcomed at the discretion of the respective committees and may be requested. Such attendance may be to (i) provide management insight into items being discussed by the respective committees which involve the manager; (ii) make presentations to the respective committees on matters which involve the manager; and (iii) bring managers with significant potential into contact with the respective committees.

## **LEADERSHIP DEVELOPMENT**

### **Selection of the Chief Executive Officer**

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for, and selecting, the Company's Chief Executive Officer, the Board shall consider, among other things, a candidate's integrity, experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, and reputation in the business community.

### **Evaluation of Chief Executive Officer**

The Board will provide the Chief Executive Officer with an annual performance evaluation for the prior year as promptly as practicable following each fiscal year. The Compensation Committee shall annually establish the performance criteria (including both long-term and short term goals) to be considered in connection with the Chief Executive Officer's annual performance evaluation. Each year, the Chief Executive Officer shall make a presentation to the Compensation Committee, and subsequently to the Board, indicating his or her progress against such established performance criteria. Thereafter, with the Chief Executive Officer absent, the Board shall meet in executive session to review the Chief Executive Officer's performance. The results of the review and evaluation shall be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee, the Chairman of the Governance Committee and the

Chairman or, if appointed, the Lead Independent Director. The Governance Committee shall annually review and, as it deems appropriate, recommend modifications to the process for evaluation of the Chief Executive Officer, in satisfaction of its responsibility to oversee such evaluation.

### **Evaluation of Senior Management**

The evaluation of senior management shall be the primary responsibility of the Chief Executive Officer. Such evaluation, including the criteria applied, shall annually be reported to and reviewed by the Compensation Committee. The results of the review and evaluation shall be communicated to the members of senior management by the Chief Executive Officer and the Chairman of the Compensation Committee.

### **Succession Planning**

The Board shall plan for the succession to the position of the Chief Executive Officer. To assist the Board, the Chief Executive Officer shall prepare and distribute to the Compensation Committee an annual report on succession planning (including in emergency situations) for all senior officers of the Company with an assessment of senior managers and their potential to succeed the Chief Executive Officer and other senior management positions. Upon review of the Chief Executive Officer's annual report, the Compensation Committee will present its findings and recommendations to the Board.

### **Management Development**

The Board shall determine that a satisfactory system is in effect for education, development, and orderly succession of senior and mid-level managers throughout the Company.

## Annex A – Excerpt From NYSE Rule Proposals

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### **9. Listed companies must adopt and disclose corporate governance guidelines.**

*Commentary:* No single set of guidelines would be appropriate for every company, but certain key areas of universal importance include director qualifications and responsibilities, responsibilities of key board committees, and director compensation. Given the importance of corporate governance, each listed company's website must include its corporate governance guidelines, the charters of its most important committees (including at least the audit, compensation and governance committees) and the company's code of business conduct and ethics (see subsection 10 below). Each company's annual report on form 10-K filed with the SEC must state that the foregoing information is available on its website, and that the information is available in print to any shareholder who requests it. Making this information publicly available should promote better investor understanding of the company's policies and procedures, as well as more conscientious adherence to them by directors and management.

The following subjects must be addressed in the corporate governance guidelines:

- **Director qualification standards.** These standards should, at minimum, reflect the independence requirements set forth in subsections 1 and 2 of this Section 303A. Companies may also address other substantive qualification requirements, including policies limiting the number of boards on which a director may sit, and director tenure, retirement and succession.
- **Director responsibilities.** These responsibilities should clearly articulate what is expected from a director, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.
- **Director access to management and, as necessary and appropriate, independent advisors.**
- **Director compensation.** Director compensation guidelines should include general principles for determining the form and amount of director compensation (and for reviewing those principles, as appropriate). The board should be aware that questions as to directors' independence may be raised when directors' fees and emoluments exceed what is customary. Similar concerns may be raised when the company makes substantial charitable contributions to organizations in which a director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) a director. The board should critically evaluate each of these matters when determining the form and amount of director compensation, and the independence of a director.

- **Director orientation and continuing education.**
- **Management succession.** Succession planning should include policies and principles for CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO.
- **Annual performance evaluation of the board.** The board should conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively.

## **Annex B – Standards for Director Independence**

### **Laidlaw International, Inc. Standards for Director Independence**

Annually, the Governance Committee (the “Committee”) shall determine, and report to the Board of Directors (the “Board”) on whether any of the directors of Laidlaw International, Inc. (the “Company,” which, for purposes of the relationship described below, shall be deemed to include all of its consolidated subsidiaries), other than the management directors, has any relationship, which, in the opinion of the Committee (i) is material (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and, as such, is reasonably likely to interfere with the exercise by such person of independent judgment in carrying out the responsibilities of a Director or (ii) would otherwise cause such person not to qualify as an “independent” director under the rules of the New York Stock Exchange or, in the case of members of the Audit Committee, the Sarbanes-Oxley Act of 2002.

To facilitate the Committee’s review, the Committee has identified certain relationships, which, absent special circumstances, would not be deemed to interfere with a Director’s qualifying as an “independent” Director. Such relationships include:

- being a director who is not and has not been an employee, and whose immediate family members are not and have not been an executive officer of the Company during any of the last three years [NYSE 303A.02(b)(i)];
- being a director who has received, and whose immediate family members have received, during any twelve-month period within the last three years, less than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) [NYSE 303A.02(b)(ii)];
- (A) being a director who is not, or whose immediate family members are not a current partner of a firm that is the company’s internal or external auditor; (B) being a director who is not, a current employee of such a firm; (C) being a director whose immediate family members are not current employees of such a firm and do not participate in the firm’s audit, assurance or tax compliance (not including tax planning) practice; (D) being a director who was not, and whose immediate family members were not, within the last three years, a partner or employee of such a firm and personally worked on the listed company’s audit within that time [NYSE 303A.02(b)(iii)];
- being a director who is or was employed, or whose immediate family members are or were employed, as an executive officer of another organization where any of the Company’s present executives at the same time serves or served on that organization’s compensation committee, provided that at least three years have

passed since the end of such service or the employment relationship; [NYSE 303A.02(b)(iv)];

- being a director who is a current employee, or whose immediate family members are current executive officers, of a company which, during each of the last three fiscal years has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, was less than 2% of the Company's consolidated gross revenues or \$1 million, whichever is greater [NYSE 303A.02(b)(v)]; and
- being an officer or director of a tax exempt organization to which the Company has made a contribution, provided that the Company's donations to such organization in each of the two preceding fiscal years and anticipated for the current fiscal year are less than \$100,000.

To the extent that any relationship set forth in the second bullet or the fifth bullet exceeds the thresholds listed above, such relationship would create a presumption that a Director is not "independent". In the event, however, that the Board, after considering all relevant facts and circumstances, determines that the Director should qualify as an "independent" Director, such determination shall be set forth and specifically explained in the Company's proxy statement.

For purposes of the foregoing, an "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

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