



Corporate Governance Guidelines

1. General

The Board of Directors of the Company (the "Board") believes that sound corporate governance practices are essential to the well-being of the Company and the promotion and protection of its shareholders' interests as owners of the Company. The Board oversees the functioning of the Company's governance system, in part, through the work of the Corporate Governance and Nominating Committee. The Board has adopted these guidelines, which reflect the Company's commitment to high standards of corporate governance, to assist the Board in supervising the management of the business and affairs of the Company as required under Applicable Rules.

"Applicable Rules"

For the purpose of these guidelines "Applicable Rules" means applicable laws, regulations, rules, policy statements or guidelines, stock exchange rules and regulations and rules, regulations and standards of applicable self-regulating organizations, and includes (1) the United States Securities Exchange Act of 1934, as amended (together with the rules and regulations promulgated under that act, the "Exchange Act"), (2) the United States Sarbanes-Oxley Act of 2002 (together with the rules and regulations promulgated under that act, "S Ox"), (3) laws, rules and regulations of the United States Securities and Exchange Commission, (4) the rules and regulations of The Nasdaq Stock Market, Inc. ("Nasdaq"), (5) Canadian provincial and territorial securities laws, rules and regulations, (6) the rules and regulations of the Toronto Stock Exchange ("TSX") and (7) the laws, rules and regulations of the corporate statute under which the Company is existing.

2. Composition of the Board and Board Membership Criteria

a. Director Qualifications

The Nominating and Corporate Governance Committee shall recommend to the Board criteria for Board membership, which shall include the criteria set forth in these Corporate Governance Guidelines, and shall recommend individuals for membership on the Company's Board. In making its recommendations, the Nominating and Corporate Governance Committee shall:

- consider the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess and the competencies and skills that the Board considers each existing director to possess;
- review candidates' qualifications for membership on the Board (including making a specific determination as to the independence of the candidate for (i) general board purposes and (ii) Audit Committee purposes) based on the criteria approved by the Board (and taking into account the enhanced independence, financial literacy and financial expertise standards that may be required under Applicable Rules);
- in evaluating current directors for re-nomination to the Board, assess the performance of such director; and
- periodically review the composition of the Board in light of the current challenges and needs of the Board and the Company, and determine whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background and experience.

b. Independence

If, at any time, the Board shall determine that the Company is no longer a "controlled company" that is eligible for an exemption from the independence requirements of Nasdaq and any other Applicable Rules, the composition of the Board shall be adjusted by the Nominating and Corporate Governance Committee, and if necessary, to ensure that the Company remains in compliance with such requirements. The Board shall make an affirmative determination at least annually as to the independence of each director and, if required by Applicable Rules, will publish its determinations in the management proxy circular for the Company's annual meeting of shareholders or as otherwise required under Applicable Rules. The Nominating and Corporate Governance Committee may, from time to time, establish categorical standards to assist it in making independence determinations. Directors have an ongoing obligation to inform the Board of any material changes in their circumstances or relationships that may affect the Board's determination as to their independence.

c. Term

All directors are elected at the annual meeting of shareholders of the Company for a term of one year. Although the Board has determined that term limits for its members are not necessary, the Board shall periodically review the appropriateness of director term limits in connection with its procedures for the selection and nomination of directors to ensure the presence of diverse viewpoints and ideas on the Board.

d. Retirement Age

Although the Board does not have a mandatory retirement policy for directors, it is the sense of the Board that directors should generally no longer serve after age 70.

e. Simultaneous Service on Other Public Company Boards It is the policy of the Board that every director should seek the consent of the Board and confirm the absence of any actual or potential conflict, prior to accepting any invitation to serve on the board of another publicly traded company.

f. Changes in Primary Employment

It is the policy of the Board that every director must notify the Nominating and Corporate Governance Committee of his or her retirement, any change in employer and any other significant change in professional roles and responsibilities. The Nominating and Corporate Governance Committee shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to any action to be taken with respect to continued Board membership.

g. Conflicts of Interests

If an actual or potential conflict of interest develops because of a change in the business of the Company, or in a director's circumstances (for example, significant and ongoing competition between the Company and a business with which the director is affiliated), the director should report the matter immediately to the Nominating and Corporate Governance Committee for evaluation and appropriate resolution.

If a director has a personal interest in a matter before the Board, the director shall disclose the interest to the full Board, shall recuse himself or herself from participation in the discussion and shall not vote on the matter, provided, however, that mandatory recusal and loss of vote shall not apply to a personal interest that emanates solely from a direct or indirect ownership interest in the Company's common shares or where other specific exceptions exist under Applicable Rules.

h. Director Equity Ownership

The Board believes that directors should directly or indirectly hold meaningful equity ownership positions in the Company.

i. Board Succession

The Corporate Governance and Nominating Committee is responsible for maintaining a Board succession plan that is responsive to the Company's needs and the interests of its shareholders.

3. Director Responsibilities

The Board acts as the ultimate decision-making body of the Company and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In fulfilling this role, each director must act in what he or she reasonably believes to be in the best interests of the Company and must exercise his or her business judgment.

a. **Board and Committee Meetings**

Board meetings are scheduled in advance at appropriate intervals throughout the year by the Chairman in consultation with the CEO. In addition to regularly scheduled Board meetings, additional Board meetings may be called upon proper notice at any time to address specific needs of the Company. The Board may also take action from time to time by unanimous written consent. A Board meeting may be called by the Chairman, the CEO or any two directors.

Each committee meets as often as it determines is necessary to fulfill its responsibilities. A meeting of any committee may be called by the Chairman, or any committee member.

Board meetings are held at a location determined by the Chairman and meetings of each committee are held at a location determined by the committee chair, provided, in determining the location of meetings, the Chairman and committee chairs shall consider what, if any, implications such location may have on the Company's status as a "foreign private issuer" under Rule 3b-4 of the Exchange Act.

b. **Establishment of Meeting Agenda**

The Chairman establishes the agenda for each Board meeting in consultation with the CEO (assuming they are not the same individual), the other directors, the Corporate Secretary to the Board and senior management. Any director may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

Committee chairs establish the agenda for each committee meeting. Any committee member may propose the inclusion of items on the agenda, request the presence of or a report by any member of senior management, or at any committee meeting raise subjects that are not on the agenda for that meeting.

c. Participation at and Preparation for Board Meetings

The Company expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of the Company. Directors are expected to attend all Board meetings and the meetings of the committees on which they serve and to prepare themselves for these meetings.

Any written materials that assist directors in preparing for a Board or committee meeting shall be distributed to the directors in advance of the meeting, to the extent possible, and directors are expected to review such materials prior to the meeting.

d. Appointment and Supervision of the CEO and Senior Management

The Board appoints and supervises the CEO and other members of the Company's senior management, approves their compensation and, as permitted by Applicable Rules, delegates to senior management responsibility for the day-to-day operations of the Company.

For purposes of these guidelines, references to "senior management" mean officers of the Company or its principal operating subsidiaries at the level of Senior Vice President (or an equivalent title) or above.

e. Company Performance and Corporate Strategy

The Board reviews the Company's financial performance on a regular basis at Board meetings and through periodic updates, with a particular focus on peer and competitive comparisons. These reviews include the views of management.

The Board also reviews and approves, no less frequently than annually, the Company's long-term strategy, and assesses its strategic, competitive and financial performance, on both an absolute basis and in relation to the performance, practices and policies of its peers and competitors.

f. Approval of Certain Other Matters

The Board must approve those matters which may not be delegated by the Board under Applicable Rules including, among others, the issuance of securities of the Company (except in the manner and on terms authorized by the Board), the declaration of dividends, the repurchase or redemption of shares of the Company and the adoption, repeal or amendment of the by-laws of the Company. The Board may also reserve to itself the right to approve certain matters notwithstanding the delegation to senior management of the authority to manage the business of the Company.

4. Lead Director

The Board notes that all directors are elected by the shareholders and all have an equal voice. The Board, therefore, does not currently believe it appropriate or necessary in serving the best interests of the Company to designate a lead director. The Chairman of the Board and the CEO are free, as is the Board as a whole, to call upon any one or more directors to provide leadership in a given situation should a special need arise.

5. Secretary to the Board

The Board will appoint an individual to act as the Corporate Secretary to the Board. The Corporate Secretary to the Board is responsible for assisting the Chairman and the lead director, if there be one, in managing the operations and affairs of the Board and for performing additional duties requested by the Chairman or the chair of any committee. The Corporate Secretary to the Board reports directly to the Chairman.

6. Meetings of Non-Management Directors

The Company's non-management directors shall regularly schedule executive sessions in which management does not participate. If at the time of such executive session, the Company is no longer a controlled company, the

independent directors shall also meet in executive session at least once a year.

7. Board Size

The Board presently has 6 members. Although the Board considers its present size to be appropriate, it may consider expanding its size to accommodate an outstanding candidate or candidates or reducing its size if the Board determines that a smaller Board would be more appropriate. The Nominating and Corporate Governance Committee shall periodically review the size of the Board and recommend any proposed changes to the Board.

8. Chairman of the Board

The Board will in each year elect from among its members a Chairman. The Board believes it is important to retain its flexibility to allocate the responsibilities of the offices of the Chairman and CEO in any way that is in the best interests of the Company at a given point in time. The Board may make a determination as to the appropriateness of its current policies in connection with the recruitment and succession of the Chairman of the Board and/or the CEO.

9. Board Committees

The Board shall have at all times an Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Subject to any changes that the Board may make from time to time:

- the Audit Committee shall generally be responsible for overseeing the integrity of the Company's financial statements, its independent auditor, its internal audit function and compliance by the Company with legal and regulatory requirements;
- the Compensation Committee shall generally be responsible for overseeing the Company's compensation and benefits policies, evaluating executive officer performance and compensation and reviewing the Company's management succession plan;
- the Nominating and Corporate Governance Committee shall generally be responsible for identifying qualified Board candidates, recommending director nominees and appointments to Board committees, evaluating Board performance, overseeing director compensation and overseeing the Company's Corporate Governance Guidelines and Code of Business Conduct and Ethics; and
- the Nominating and Corporate Governance Committee shall generally be responsible for establishing appropriate policies and procedures regarding public disclosure and restricted trading by insiders.

Each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall operate pursuant to its own written charter. These charters shall, among other things, set forth the purpose, goals and responsibilities of the particular committee, the procedures for committee member appointment and removal and committee structure and operations, as well as reporting to the Board. The charters shall also provide for an annual evaluation of each committee's performance.

Only directors meeting the independence requirements of Nasdaq and other Applicable Rules may serve on the Audit committee. If, at any time, the Board shall determine that the Company is no longer a "controlled company" that is eligible for an exemption from the independence requirements of the Nasdaq, membership of the Compensation Committee and Nominating and Corporate Governance Committee, shall be adjusted such that promptly following such determination, the members of such Committees (any other Committees, as applicable) shall meet the independence requirements under Nasdaq and such other independence requirements as may be imposed under Applicable Rules. The composition of Board Committees shall be adjusted by the Board, as and if necessary, to ensure that the Company remains in compliance with such requirements. Committee members shall be appointed by the Board based upon the recommendation of the Nominating and Corporate Governance Committee, except for the Nominating and Corporate Governance Committee, which is directly appointed by the Board. The Board may, from time to time, establish or maintain additional committees as it deems appropriate and in the best interests of the Company.

In making its recommendations for committee appointments, the Nominating and Corporate Governance Committee shall:

- review candidates' qualifications for membership on the committee (including a determination as to the independence of the candidate) based on the criteria recommended by the Nominating and Corporate Governance Committee;
- consider the competencies and skills necessary for membership on the committee;
- in evaluating current directors for re-appointment to a committee, assess the performance of such director and of such committee; and

- periodically review the composition of the committee in light of the current challenges and needs of the committee, and determine whether it may be appropriate to add or remove individuals after considering issues of judgment, diversity, age, skills, background and experience.

While the rotation of committee members at certain set intervals should be considered periodically, rotation is not required because the Board believes there are significant benefits attributable to continuity and experience gained in service on a particular committee over time.

10. Board Member Access to Management and Independent Advisors

Board members shall have access to the management and employees of the Company and to its outside counsel and auditors. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO, General Counsel or Corporate Secretary.

Executive officers and other members of senior management are expected to be present at Board meetings at the invitation of the Board. The Board encourages senior management to make presentations and to invite to Board meetings managers and other employees who can provide additional insight into the items being discussed.

The Board is authorized to hire independent legal, financial or other advisors as they may consider necessary, without conferring with or obtaining the approval of management.

11. Director Compensation

The Nominating and Corporate Governance Committee shall review and approve compensation (including stock option grants and other equity-based compensation) for the Company's directors. In so reviewing and approving director compensation, the Nominating and Corporate Governance Committee shall, among other things:

- identify corporate goals and objectives relevant to director compensation;
- evaluate the performance of the Board in light of such goals and objectives and set director compensation based on such evaluation and such other factors as the Nominating and Corporate Governance Committee deems appropriate and in the best interests of the Company (including the cost to the Company of such compensation);
- determine any long-term incentive component of director compensation based on the awards given to directors in past years, the Company's performance, shareholder return and the value of similar incentive awards relative to such targets at comparable companies and such other factors as the Nominating and Corporate Governance Committee deems appropriate and in the best interests of the Company (including the cost to the Company of such compensation); and
- evaluate the possibility that directors' independence may be compromised or impaired for Board or committee purposes if director compensation exceeds customary levels, if the Company makes substantial charitable contributions to an organization with which a director is affiliated or if the company enters into consulting contracts with (or provides other indirect forms of compensation to) a director (which consulting contracts or other indirect forms of compensation are expressly prohibited for Audit Committee members).

12. Contributions to Tax Exempt Organizations

Proposed contributions or pledges of contributions to tax exempt organizations, by the Company within any given fiscal year in an aggregate amount of \$100,000 or more, to an entity for which a director or a member of his or her immediate family serves as a director, officer, employee or member of such entity's fund raising organization or committee, shall be subject to prior review and approval by the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee shall be provided on an annual basis with a report from management of the contributions to tax exempt organizations or pledges made by the Company during the fiscal year in an amount of \$100,000 or more, to an entity for which a director or executive officer, or a member of his or her immediate family, serves as a director, officer, employee or member of such entity's fund-raising organization or committee.

13. Director Orientation and Continuing Education

All new members of the Board are encouraged to participate in the Company's orientation program for directors. Other directors may also attend the orientation program.

All directors will be offered the opportunity to participate in continuing education programs in order to stay current and

knowledgeable about the business of the Company. Such orientation and continuing education programs shall be overseen by the Nominating and Corporate Governance Committee of the Board.

Prohibition on Personal Loans

The Company will not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any director or executive officer.

14. Management Evaluation and Management Succession

The Compensation Committee shall evaluate the performance of the senior management of the Company and shall present its findings to the full Board. The Board shall review the Compensation Committee's report in order to ensure that management's performance is satisfactory and that management is providing the best leadership for the Company in the long and short-term.

The Compensation Committee shall review and report to the Board on the Company's succession planning, including succession planning in the case of the incapacitation, retirement or removal of the CEO. The CEO shall provide an annual report to the Compensation Committee recommending and evaluating potential successors, along with a review of any development plans recommended for such individuals. The CEO shall also provide to the Board, on an ongoing basis, his or her recommendation as to a successor in the event of an unexpected emergency.

15. Annual Performance Evaluation

The Board, led by the Nominating and Corporate Governance Committee, shall establish and conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee shall oversee the evaluation with each director completing a questionnaire developed by the Nominating and Corporate Governance Committee with respect to various criteria. The collective evaluations shall be compiled in advance of the review session and shall be presented by the Chairman of the Nominating and Corporate Governance Committee to the full Board for discussion. This process shall also include annual self-assessments by each Board committee, relying on a review process similar to that used by the Board, with performance criteria for each committee established on the basis of its charter.

16. Evaluation of Individual Director Performance

It is the policy of the Board to have the Nominating and Corporate Governance Committee assess, on the basis of established criteria, the performance of each individual director standing for re-election at the next shareholders meeting. The established criteria address each director's core competencies, independence and level of commitment.

The Nominating and Corporate Governance Committee considers not only an individual's qualities, performance and professional responsibilities, but also the then composition of the Board and the challenges and needs of the Board at that time. The Nominating and Corporate Governance Committee also considers the impact of any change in the principal occupation of existing directors. Upon completion of the individual director evaluation process, the Committee reports to the full Board its conclusions and recommendations for nominations to the Board.

It is the policy of the Board that the Nominating and Corporate Governance Committee also should review and consider the performance of any individual director if a situation were to arise that interfered with the proper performance of his or her duties as a member of the Board.

a. Indemnification and Insurance

In accordance with the by-laws of the Company and Applicable Rules, present and former directors and officers are each indemnified by the Company against all liability and costs arising out of any action or suit against them from the execution of their duties, provided that they have carried out their duties honestly and in good faith with a view to the best interests of the Company.

The Company maintains insurance for the benefit of its directors and officers against any liability incurred by them for which they would be indemnified. The amount and terms of the insurance coverage are dependent upon prevailing market conditions and practices with the objective of adequately protecting directors and officers from such liability. The Company may also enter into indemnification agreements with directors and officers, as may be approved by the Board.

b. To Contact the Board and its Committees

The Board welcomes input and comments from shareholders of the Company. You may contact one or more members of the Board or its committees by writing to the Corporate Secretary to the Board at:

Board of Directors of Corel Corporation
c/o Corporate Secretary

Corel Corporation
1600 Carling Avenue
Ottawa, Ontario
Canada K1Z 8R7

January 19, 2006