



---

## Corporate Governance Principles

One of the principal responsibilities of the Board of Directors is to exercise governance so as to ensure the long-term successful performance of the Company. These principles are subject to change and are intended to be reviewed annually.

### **1. Board Composition**

The Board believes that as a matter of policy the Board's composition should always consist of a majority of independent directors.

For this purpose, an "independent" director is one who has no present or former employment by the Company and no financial or personal tie to the Company other than share ownership and entitlement to director fees.

The Corporate Governance Committee shall review annually the independent status of all outside directors. In advance of that review, the Corporate Governance Committee shall be provided with sufficient information regarding each outside director's business relationship with the Company or management so as to enable it to determine the independence of the outside directors.

Interlocking directorships should not be allowed, except with respect to joint ventures or significant corporate collaborations. (An interlocking directorship would occur if an IDEC officer served on the Board of Company X and an officer of Company X served on the IDEC Board.)

The Board presently has nine members. It is the sense of the Board that a size of up to eleven members is appropriate. The Corporate Governance Committee shall from time to time review and make recommendations on the size and composition of the Board.

### **2. Selection of Chairman, Chief Executive Officer**

The Board does not have a policy on whether or not the role of the Chief Executive Officer and Chairman should be separate and, if it is to be separate, whether the Chairman should be selected from the nonemployee directors or be an employee. The Board should have the right to select a Chairman separate

from the Chief Executive Officer when it is deemed by the Board to be in the best interests of the Company to separate the positions.

### **3. Board Meetings**

The Chairman, in consultation with Board members, will determine the frequency and length of regularly scheduled meetings of the Board. Additional unscheduled Board meetings may, upon appropriate notice, be called at any time to address specific needs of the Company.

The Chairman will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda or at any Board meeting to raise subjects that are not on the agenda for that meeting.

At one meeting each year, the Board shall be presented the long-term strategic plans and the principal issues that the Company will face in the future. Sufficient time shall be allocated for this presentation so as to allow for questions by and full discussion with the members of the Board.

### **4. Executive Sessions of Independent Directors**

The independent directors of the Board will meet in Executive Session at regularly convened meetings (in addition to any Executive Session to review the Chief Executive Officer's performance). If practicable, these meetings should be scheduled in conjunction with a regular Board meeting.

It is the policy of the Board that independent directors select a director to chair Executive Sessions or undertake such other responsibilities, which the independent directors as a whole might designate from time to time.

### **5. Board Committees**

The Company currently has four standing committees: Audit and Finance, Compensation, Regulatory Oversight, and Corporate Governance. From time to time, the Board may form a new committee or disband a current committee depending upon the circumstances.

The Audit and Finance, Compensation and Corporate Governance Committees should consist exclusively of independent directors.

Each standing committee of the Board should have its own charter which shall set forth its committee responsibilities and the frequency of meetings. It is expected that committee meetings will be held in conjunction with regularly scheduled Board meetings, but separate meetings may be appropriate from time to time.

The chairman of each committee, in consultation with the appropriate members of management and staff, will develop the committee's agenda. Each committee will issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year (to the extent such subjects can be foreseen).

Key functional managers (i.e., designated management sponsors) will have direct contact with the appropriate committee chairperson.

**6. Assignment and Rotation of Committee Members**

The Chairman, with consideration of the desires of individual Board members and any applicable regulatory requirements, will recommend to the Board the assignment of Board members to committees. In making the recommendation, the Chairman will also consider the rotation of committee members at appropriate intervals.

**7. Board Materials Distributed in Advance**

It is the sense of the Board that information and material that are important to the Board's understanding of the business to be conducted at that meeting be distributed in writing to the Board in advance of the Board meeting. When there is no prior distribution of material on a sensitive subject, it is the sense of the Board that each member be advised by telephone in advance of the meeting of the subject and the principal issues the Board will need to consider.

**8. Regular Attendance of Non-Directors at Board Meetings**

The Board supports the regular attendance at each Board meeting of the non-Board members who are members of senior management. This practice is permissible and should be encouraged in order to enhance communication between directors and management.

The Chief Executive Officer may invite additional people as attendees to particular meetings, when their attendance and participation would be helpful or would provide insight to a specific subject.

**9. Board Access to Senior Management**

Board members shall have complete access to Management. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chief Executive Officer.

Furthermore, the Board encourages the senior management to, from time to time, bring other managers into Board meetings who: (i) can provide additional insight into the items being discussed because of personal involvement in these

areas, and/or (ii) represent managers with future potential that the senior management believes should be given exposure to the Board.

**10. Board Compensation Review**

Once every other year, the Chairman and Chief Executive Officer should have prepared a report on the Company's Board compensation in relation to other relevant U.S. public companies for presentation to the Compensation Committee.

Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee after it has reviewed all information it considers appropriate from the Chairman and Chief Executive Officer. Any change in Board compensation will be made only after full discussion and approval by the Corporate Governance Committee and the Board.

**11. Board Membership Criteria**

The Board places a high priority on the vitality and diversity of its Board and in the discharge of its responsibilities. The Board recognizes that it is important that each director have the time to devote to the oversight of the Company's business. Therefore, in choosing new directors, the Board will seek candidates who do not serve on so many other boards as to interfere with their ability to dedicate the requisite time to service on this Board. Also, the Board will seek new members who can devote their time and energies to provide fresh ideas and viewpoints, as well as to strengthen the expertise and balance of the Board.

The Corporate Governance Committee is responsible for reviewing with the Board the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. The assessment should include issues of diversity, age, skills relevant to the Company's business, etc., all in the context of an assessment of the perceived needs of the Board at that point in time.

**12. Selection of New Director Candidates**

The Board should be responsible, for selecting its own members. The Board delegates the screening process to the Corporate Governance Committee with the direct input from the Chairman of the Board and the Chief Executive Officer (if not the same person) and the other members of the Board. Director nominations shall be approved by the Corporate Governance Committee (acting as a nominating committee) or by a majority of the independent directors.

The invitation to join the Board should generally be extended by the Chairman of the Corporate Governance Committee or the Chairman of the Board on behalf of the Board after full Board approval. The new director will receive an orientation about the Company and its Corporate Governance philosophy.

### **13. Assessing the Board's Performance**

The Corporate Governance Committee is responsible for undertaking an annual assessment of the Board's overall performance as well as achievement of any established goals. This will be discussed with the full Board. This should be done following the end of each fiscal year and at the same time as the report on Board membership criteria.

This assessment should be the Board's contribution as a whole and specifically review areas in which the Board and/or the management believes a better contribution could be made. Its purpose is to increase the effectiveness of the Board, not to target individual Board members.

### **14. Term Limits**

Board members are elected for three-year terms with staggered elections. The Board does not believe it should establish limits on the number of terms a Director may serve. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operation and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to term limits, the Corporate Governance Committee, in consultation with the Chairman of the Board and the Chief Executive Officer, will review each Director's continuation on the Board in the third year of such Director's three-year term. This will also allow each director the opportunity to conveniently confirm his/her desire to continue as a member of the Board.

### **15. Formal Evaluation of the Chief Executive Officer**

The Compensation Committee, together with the Corporate Governance Committee, should undertake a formal evaluation of the Chief Executive Officer on an annual basis, and it should be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee. The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, etc.

The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

### **16. Succession Planning and Management Development**

There should be an annual report by the Chief Executive Officer to the Board on the Company's planning for executive succession. There should also be

available, on a continuing basis, the Chief Executive Officer's recommendation as to a successor should he/she be unexpectedly disabled.

There should also be an annual report to the Board by the Chief Executive Officer on the Company's program for management development. This report should be given to the Board at the same time as the succession planning report noted above.

**17. Board Interaction with the Investors, the Media, Customers, Etc.**

Only senior management speaks for the Company. Individual Board members should not discuss Company business or affairs with the media or investors unless requested by the Chief Executive Officer.

Individual Board members may, with the knowledge of management and, in most instances, at the request of management, agree to receive input from various constituencies that are involved with the Company.