

# Investors - Corporate Governance Guidelines & Ratings



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## 1. Corporate Governance Quotient ("CGQ®")

Corporate Governance Quotient ("CGQ®") is a corporate governance rating system provided by Institutional Shareholder Services ("ISS") on over 8,000 companies worldwide. It evaluates the strengths, deficiencies and risks of a company's corporate governance practices and board of directors. Click [here](#) to view Valassis' Corporate Governance Quotient.

## 2. Director Qualifications

The Board of Directors (the "Board") will have a majority of directors who meet the criteria for independence required by the New York Stock Exchange. The Board shall affirmatively determine that each independent director has no material relationship with the Company (either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with the Company). The Corporate Governance/Nominating Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole.

This assessment will consider whether members qualify as independent, as well as considering the diversity, age, skills, and experience of each Board member in the context of the needs of the Board. Nominees for directorship will be identified and recommended by the Corporate Governance/Nominating Committee in accordance with the policies and principles in its Charter.

The Board does not believe that individual directors who retire or obtain a different position than the one they held when they were elected to the Board should resign from the Board.

There should, however, be an opportunity for the Board, through the Corporate Governance/Nominating Committee, to review the continued appropriateness of Board membership under the circumstances.

Directors may serve on other public company boards. However, directors should advise the Corporate Governance/Nominating Committee prior to accepting an invitation to serve on another public company board. There is no retirement age requirement for directors.

The Board does not believe it should establish term limits. While term limits could help ensure that more fresh ideas and new viewpoints are more regularly provided to the Board, they can

also result in the loss of directors who have been able to develop, over time, a uniquely strong insight into and keen understanding of the Company and its operations to the Company's disadvantage.

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### **3. Director Responsibilities**

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 senior executives and its outside advisors and auditors. The directors shall also be entitled to have the Company purchase directors' and officers' liability insurance on their behalf, to indemnify and exculpate them to the fullest extent permitted by law and the Company's charter, by-laws and any indemnification and exculpation agreements.

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed to the directors before the meeting, in time for the directors to review these materials in advance of the meeting.

The Board has no policy with respect to the separation of the offices of Chairperson and the Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination when it elects a new chief executive officer.

At the beginning of each year, the Board shall establish a schedule of Board meetings. The Chairperson will establish the agenda for each Board meeting. 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 review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

The non-management directors will meet in executive session at least quarterly. The senior non-management director shall preside at these meetings. The senior non-management director's name will be disclosed in the annual proxy statement.

The Board believes that the management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. But it is expected that Board members would do this with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

The Company has a policy requiring all Directors to attend the Annual Shareholders' Meeting (barring unusual circumstances).

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### **4. Board Committees**

The Board will have at all times an Executive Committee, an Audit Committee, a Compensation/Stock Option Committee and a Corporate Governance/Nominating Committee.

All of the members of these committees will be independent directors under the criteria established by the New York Stock Exchange. Committee members are appointed by the

## Board of Directors.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

The Chairperson of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's annual schedule and agendas (to the extent such agendas can be anticipated), which will be furnished to all directors.

The Board and each committee have 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.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

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### **5. Director Access to Officers and Employees**

Directors have full and free access to officers and employees of the Company.

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### **6. Director Compensation**

The form and amount of director compensation will be recommended to the Board of Directors by the Compensation/Stock Option Committee in accordance with the policies and principles set forth in its charter, and the Compensation/Stock Option Committee will conduct an annual review of director compensation. The Compensation/Stock Option Committee will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations 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 or an organization with which the director is affiliated.

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### **7. Director Orientation and Continuing Education**

All new directors must participate in the Company's orientation program, which should be conducted within two months of the annual meeting at which new directors are elected. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. All other directors are also invited to attend the orientation program.

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### **8. Voting for Directors**

In accordance with the Company's Amended and Restated By-Laws, in an uncontested

director election, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. Each director is required to tender his or her resignation if he or she fails to receive the required number of votes for re-election. The Board shall nominate for election or re-election as director only candidates who agree to tender, promptly following such person's failure to receive the required vote for election or re-election at the next meeting at which such person would face election or re-election, an irrevocable resignation that will be effective upon the Board's acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other directors in accordance with this Corporate Governance Guideline.

If an incumbent director fails to receive the required vote for re-election, then, within 90 days following certification of the shareholder vote, the Corporate Governance/Nominating Committee of the Board will consider whether to accept the director's resignation and will submit such recommendation to the Board, which will act to determine whether to accept the resignation offer. The Corporate Governance/Nominating Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation.

Any director who tenders his or her resignation pursuant to this provision shall not participate in the Corporate Governance/Nominating Committee recommendation or Board action regarding whether to accept the resignation offer.

Thereafter, the Board will disclose its decision regarding whether to accept or reject the director's resignation offer.

If each member of the Corporate Governance/Nominating Committee fails to receive the required vote in favor of his or her election in the same election, then those independent directors who did receive the required vote shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them.

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#### **9. CEO Evaluation and Management Succession**

The Compensation/Stock Option Committee will conduct an annual review of the Chief Executive Officer's ("CEO") performance, as set forth in its charter. The Board of Directors will review the Compensation/Stock Option Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Corporate Governance/Nominating Committee will make an annual report to the Board on succession planning. The entire Board will work with the Corporate Governance/Nominating Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

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#### **10. Annual Performance Evaluation**

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Corporate Governance/Nominating Committee will lead the review, receive comments from all directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the

Board could improve.

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### 11. Valassis Corporate Governance Hotline and Ethics Officer

If you have a concern regarding the Company's accounting processes or internal controls, you may dial the following toll-free number, available 24 hours a day: **(800) 789-5409**. A text transcript of your confidential, anonymous message will then be forwarded to the Valassis Audit Committee and the appropriate measures will be taken. Todd Wiseley, General Counsel and Senior Vice President of Administration and Corporate Secretary was appointed by the Corporate Governance/Nominating Committee of the Board as the Company's Ethics Officer.

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### 12. Senior Management Share Ownership Guidelines

The Valassis Communications, Inc. share ownership guidelines are intended to further align the interests of management and shareholders. The share ownership guidelines are determined by taking the multiple of a covered executive's annual base salary and converting the amount into the appropriate number of shares of Valassis Common Stock. The specific multiples are as follows:

- Chief Executive Officer.....4 x annual base salary
  - Executive Vice Presidents and President of NCH Marketing, Inc. ....3 x annual base salary
- Senior Vice Presidents .....2.5 x annual base salary
- Vice Presidents .....1.5 x annual base salary

Executives have four years from an initial promotion to the VP level to be in compliance with these guidelines, and two years from each subsequent promotion to a new level.

Shares that count toward the satisfaction of the guidelines include:

5. Shares of Valassis Common Stock owned outright by the executive or members of the executive's immediate family living in the same household.
6. Shares of Valassis Common Stock held in trust for the benefit of the executive and the executive's immediate family.
7. Restricted shares of Valassis Common Stock issued and held by the executive under the Valassis restricted stock award plans.
8. Shares of Valassis Common Stock held for the benefit of the executive in Valassis retirement and savings plans.
9. Value of in-the-money stock options for Valassis Common Stock.

Compliance is voluntary and subject to personal financial considerations.

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### 13. Independent Director Share Ownership Guidelines

The Company has a policy encouraging independent Directors to hold at least 6,000 shares of Company stock within three years of joining the board.

### Related Party Transaction Policy

In accordance with our Policy on Related Person Transactions, we review all relationships and transactions in which our Company and our directors and executive officers, or their immediate family members, are participants to determine whether such persons have a direct or indirect material interest. Our General Counsel is responsible for reviewing all related

person transactions and taking all reasonable steps to ensure that all material related person transactions are reported to our Corporate Governance/Nominating Committee. As required under applicable SEC rules, transactions that are determined to be directly or indirectly material to our company or a related person are disclosed in our proxy statement. In addition, our Corporate Governance/Nominating Committee reviews and must approve or ratify any related person transaction that is required to be disclosed. Such review is performed by disinterested directors. In the course of its review, the Corporate Governance/Nominating Committee considers the nature of the related person's interest in the transaction, the material terms of the transaction, including the amount of such transaction, the importance of the transaction to the related person, the importance of the transaction to our Company, the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts, whether the transaction is on terms comparable to those available to third parties, or in the case of employment relationships, to employees generally and any other matter that our Corporate Governance/Nominating Committee deems appropriate. We do not have any related person transactions.

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#### **14. Policy on Related Person Transactions**

The purpose of this Policy on Related Person Transactions (the "Policy") of Valassis Communications, Inc. (the "Corporation") is to set forth policies and procedures governing the review, and when required pursuant to this Policy, the approval or ratification of related person transactions by the Corporate Governance Committee of the Board of Directors (the "Committee").

##### **Application of this Policy**

This Policy applies to all direct or indirect related person transactions. A "related person transaction" is:

- . a transaction between the Corporation and any person who is an executive officer or director of the Corporation,
- i. a transaction between the Corporation and any security holder who is known by the Corporation to own of record or beneficially more than five percent of any class of the Corporation's voting securities (each, a "5% holder"),
- ii. a transaction between the Corporation and any "immediate family member" (as such term is defined in Regulation S-K, Item 404, as then in effect) of an executive officer, director or 5% holder of the Corporation, or
- iii. any other transaction involving the Corporation that would be required to be disclosed pursuant to Securities and Exchange Commission ("SEC") Regulation S-K, Item 404, as then in effect.

For purposes of this Policy, "related person transactions with the Corporation" shall be defined as including transactions with any subsidiary or affiliate of the Corporation.

##### **Statement of Policy**

All related person transactions shall be in the best interests of the Corporation and, unless different terms are specifically approved or ratified by the Committee, must be on terms that are (i) no less favorable to the Corporation than would be obtained in a similar transaction with an unaffiliated third party under the same or similar circumstances, or (ii) generally available to substantially all employees of the Corporation. All related person transactions or series of similar transactions required to be disclosed pursuant to Item 404 of Regulation S-K (which for purposes of this Policy are considered "material" related person transactions) must

be presented to the Committee for pre-approval or ratification pursuant to the procedures set forth below.

### **Review and Approval Procedures**

Each of the Corporation's directors and executive officers shall be responsible for promptly notifying the General Counsel of any related person transaction in which such director or executive officer may be directly or indirectly involved as soon he or she becomes aware of a possible transaction.

The General Counsel of the Corporation shall be responsible for reviewing all related person transactions and taking all reasonable steps to ensure that all material related person transactions are reported to the Committee for pre-approval or ratification in its discretion at its next regularly scheduled meeting, or by consent in lieu of a meeting if deemed appropriate.

For related person transactions that are not material related person transactions, the General Counsel shall determine whether the transaction is in compliance with this Policy. If such a non-material related person transaction involves the General Counsel, the Chief Financial Officer shall assume the responsibilities of the General Counsel described above.

### **Disclosure; Annual Review, Assessment and Affirmation**

To the extent required by applicable law, the Corporation shall disclose all related person transactions. The Committee shall review and assess the adequacy of this Policy periodically and adopt any changes it deems necessary. The General Counsel shall distribute this Policy to each executive officer and director of the Corporation. Periodically, as determined by the Committee, each executive officer and director of the Corporation shall acknowledge their familiarity and compliance with this Policy.

### **Executive Participation on Outside Boards**

The Board of Directors encourages participation by executives on outside boards. However, inside directors (not independent) presented with such an opportunity must present the opportunity to the Corporate Governance/Nominating Committee for approval prior to the acceptance of the offer. In conjunction therewith, any such inside director must disclose all relevant information in order to enable the Committee to determine if there are any conflicts or potential conflicts of interest. The Committee will evaluate the opportunity and approve or deny the request after considering the legal and corporate governance implications, if any. No executive shall serve on an outside board absent prior written approval by the Committee consistent with the guidelines set forth above.

### **Independent Director Participation on Outside Boards**

The Board of Directors encourages participation by independent directors on other boards. Independent directors presented with such an opportunity must present it to the Corporate Governance/Nominating Committee for consideration prior to acceptance of the offer. This provides an opportunity for the Committee to evaluate potential implications to the director's independent status and the Company's corporate governance in advance of acceptance. Directors should limit their other board memberships to a number which permits them, given their individual circumstances, to responsibly perform their Director duties, with no Director serving on more than five publicly traded companies.

### **Auditor Rotation Policy**

The Company requires the rotation of the audit partner and other audit team members at least

every five years.

#### **Shareholder Voting**

The Company has a policy of posting the results of shareholder voting within 14 calendar days of the annual meeting on the Company's website.

#### **Environmental, Health and Safety**

Valassis Executive Vice President of Manufacturing and Client Services - was appointed by the Corporate Governance/Nominating Committee of the Board to have responsibility for the Company's environmental health and safety issues.

#### **Change in Director Circumstances**

Independent directors who retire from their employment, change their employment or occupation, or otherwise make a material change in their non-Valassis responsibilities should notify the Chair of the Corporate Governance/Nominating Committee.

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#### **15. Workplace Safety Guidelines**

The Company has a variety of workplace safety guidelines, including

- [Safe Work Environment](#)
- [Work Environment Security](#)
- [Workplace Violence Prevention](#)

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#### **16. Insider Trading Policy**

Associates are subject to the Company's insider trading policy and related addendum. Among other things, the policy prohibits associates from engaging in any hedging or monetization transactions involving Company securities.

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