



HIGHWOOD
ASSET MANAGEMENT LTD.

**MANDATE OF THE
BOARD OF DIRECTORS**

HIGHWOOD ASSET MANAGEMENT LTD.

The board of directors (the "**Board**") of Highwood Asset Management Ltd. ("**Highwood**" or the "**Corporation**") is responsible under law to supervise the management of the business and affairs of the Corporation. The Board has the statutory authority and obligation to protect and enhance the assets of the Corporation.

The principal mandate of the Board is to oversee the management of the business and affairs of the Corporation, and monitor the performance of management.

In keeping with generally accepted corporate governance practices and the recommendations contained in National Policy 58-201 adopted by the Canadian Securities Administrators, and the requirements of any stock exchange on which the Corporation's securities are listed, the Board assumes responsibility for the stewardship of the Corporation and, as part of the overall stewardship responsibility, explicitly assumes responsibility for the following:

1. Independence

- (a) The Board retains the responsibility for managing its own affairs, including planning its composition, selecting its Chairman and/or Lead Director, appointing Board committees and determining directors' compensation. While it is appropriate to confer with the management on the selection of candidates to be nominated as members of the Board, the ultimate selection shall be determined by the existing independent members of the Board. The Chairman of the board should be an independent director, and where this is not appropriate, an independent director should be appointed to act as Lead Director.
- (b) In that the Board must develop and voice objective judgment on corporate affairs, independently of the management, practices promoting Board independence will be pursued. This includes constituting the Board with a majority of independent and unrelated directors. Certain tasks suited to independent judgments will be delegated to specialized committees of the Board that are comprised exclusively of outside directors and at least a majority of unrelated directors.
- (c) The Board will evaluate its own performance in a continuing effort to improve. For this purpose, the Board will establish criteria for Board and Board member performance, and pursue a self-evaluation process for evaluating both overall Board performance and contributions of individual directors.

2. Leadership in Corporate Strategy

- (a) The Board ultimately has the responsibility to oversee the development and approval of the mission of the Corporation, its goals and objectives, and the strategy by which these objectives will be reached. In guiding the strategic choices of the Corporation, the Board must understand the inherent prospects and risks of such strategic choices.
- (b) While the leadership for the strategic planning process comes from the management of the Corporation, the Board shall bring objectivity and a breadth of judgment to the strategic planning process and will ultimately approve the strategy developed by management as it evolves.

- (c) The Board is responsible for monitoring management's success in implementing the strategy and monitoring the Corporation's progress to achieving its goals; revising and altering direction in light of changing circumstances.
- (d) The Board has the responsibility to ensure congruence between the strategic plan and management's performance.
- (e) The Board must hold minimum of four meetings of the Board per year.

3. Management of Risk

The Board shall understand the principal risks of all aspects of the business in which the Corporation is engaged, recognizing that business decisions require the incurrence of risk. The Board is responsible for providing a balance between risks incurred and the potential returns to shareholders of the Corporation. This requires that the Board ensure that systems are in place to effectively monitor and manage risks with a view to the long-term viability of the Corporation and its assets, and conduct an annual review of the associated risks.

4. Approach to Corporate Governance

The Corporation is committed to effective practices in corporate governance. The Corporation consistently assesses and adopts corporate governance measures. The Corporate Governance and Nominating Committee shall be responsible for disclosing the Corporation's approach to corporate governance in public disclosure documents.

5. Oversight of Management

As the Board functions, the Board must ensure the execution of plans and operations are of the highest caliber. The key to the effective discharge of this responsibility is the approval of the appointment of the senior officers of the Corporation and the assessment of each senior officer's contribution to the achievement of the Corporation's strategy. In this respect, performance against objectives established by the Board is important, as is a formal process for determining the senior officers' compensation, in part, by using established criteria and objectives for measuring performance. To the extent feasible, the Board should also satisfy itself as to the integrity of the chief executive officer and other executive officers, and that such officers create a culture of integrity throughout the Corporation.

"**Executive officer**" has the meaning set out in National Instrument 51-102 *Continuous Disclosure Obligations*.

6. Succession Planning

On a regular basis, the Board shall review a succession plan, developed by management, addressing the policies and principles for selecting a successor to the Chief Executive Officer ("**CEO**") and other key senior management positions, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills, training and planned career paths for possible successors to the CEO currently in the Corporation's senior management.

7. Expectations and Responsibilities of Board Members

- (a) *Commitment and Attendance.* All members of the Board should make every effort to attend all meetings of the Board and meetings of committees of which they are members, if any. Although attendance in person is encouraged, members may attend by telephone to mitigate schedule conflicts.
- (b) *Participation in Meetings.* Each member of the Board should be sufficiently familiar with the business of the Corporation, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves.
- (c) *Financial Knowledge.* One of the most important roles of the Board is to monitor financial performance. Each member of the Board must know how to read financial statements, and should understand the use of financial ratios and other indices for evaluating financial performance.
- (d) *Other Directorships.* The Corporation values the experiences Board members bring from other boards on which they serve, but recognizes that those boards may also present demands on a member's time and availability, and may also present conflicts of interest or other legal issues. Members of the Board should advise the Chair of the Corporate Governance and Nominating Committee before accepting any new membership on other boards of directors or any other significant commitment involving an affiliation with other related businesses or governmental units.
- (e) *Contact with Management.* All members of the Board are invited to contact the CEO at any time to discuss any aspect of the Corporation's business. While respecting organizational relationships and lines of communication, members of the Board have complete access to other members of management. There shall be afforded frequent opportunities for members of the Board to meet with the CEO, chief financial officer and other members of management in Board and committee meetings and in other formal or informal settings.
- (f) *Confidentiality.* The proceedings and deliberations of the Board and its committees are confidential. Each member of the Board shall maintain the confidentiality of information received in connection with his or her services.
- (g) *Preparation for Meetings.* All members of the Board should make every effort to review all meeting materials prior to meetings of the Board and meetings of committees of which they are members.

8. Shareholder Communications and Disclosure

- (a) The Board is responsible to ensure that the Corporation has policies in place to ensure effective and timely communication and disclosure to the shareholders of the Corporation, other stakeholders and the public in general. This communication and disclosure policy must effectively and fairly present the operations of the Corporation to shareholders and should accommodate feedback from stakeholders, which should be considered into future business decisions.

- (b) The Board has the responsibility for ensuring that the financial performance of the Corporation is reported to shareholders on a timely and regular basis and for ensuring that such financing results are reported fairly, in accordance with generally accepted accounting principles.
- (c) The Board has the responsibility for ensuring that procedures are in place to effect the timely reporting of any developments that have a significant and material impact on the value of shareholder assets.
- (d) The Board has the responsibility for reporting annually to shareholders on its stewardship for the preceding year.

9. Integrity of Corporate Control and Management Information Systems

- (a) To effectively discharge its duties, the Board shall ensure that the Corporation has in place effective control and information systems so that it can track those criteria needed to monitor the implementation of the Corporation's strategy.
- (b) Similarly, in reviewing and approving financial information, the Board shall ensure that the Corporation has an audit system, which can inform the Board of the integrity of the data and compliance of the financial information with generally accepted accounting principles.
- (c) The Board's management of the important areas of corporate conduct, such as the commitment of the Corporation's assets to different businesses or material acquisitions, shall also be supported by effective control and information systems.

10. Legal Requirements

The Board is responsible for ensuring that routine legal requirements, documents, and records have been properly prepared, approved and maintained by the Corporation.

11. Board Delegation to Committees

The Board may delegate specific responsibilities to committees of the Board in order to effectively manage the affairs of the Corporation.

12. Limitation

The foregoing is (i) subject to and without limitation of the requirement that in exercising their powers and discharging their duties, the members of the Board act honestly and in good faith with a view to the best interests of the Corporation; and (ii) subject to, and not in expansion of the requirement, that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

13. Assessments

- (a) The members of the Board will collectively assess the performance of the Board as a whole, the committees of the Board and all directors with reference to their respective mandates, charters or terms of reference. Individual directors will be

assessed with reference to any applicable position descriptions, as well as the competencies and skills that each director is expected to bring to the Board.

- (b) Such assessment will occur informally and on an annual basis, with an emphasis on the overall effectiveness and contributions made by the Board as a whole, the committees of the Board and all directors individually.