

# ANDREW PELLER

— LIMITED —

## CHARTER OF THE BOARD OF DIRECTORS

This Charter sets out:

1. The duties and responsibilities of the Board of Directors
2. The position description for the Directors
3. The position description of the Chairman of the Board of Directors.
4. The position description of the Vice Chairman of the Board of Directors.
5. The position description of the Independent Lead Director of the Board of Directors.
6. The position description for Chairs of Board Committees.
7. The corporate governance practices and policies that apply to the Board of Directors.

### **Mission**

To be a strategic asset of Andrew Peller Limited (the “Corporation”) measured by the effective execution of the Board of Directors’ (the “Board”) overall stewardship role and the contribution the Directors make, both individually and collectively, to the long-term success of the enterprise.

### **Membership**

Each Director shall possess the attributes set out in the Position Description for Directors. In addition, a majority of the Directors must meet the independence requirement set out in the Director Independence Policy.

### **Structure and Operations**

A schedule of regular Board and Board Committee meetings will be circulated to the Directors prior to the commencement of a calendar year. Confirmation of the date, time and place of regular meetings will be sent to the Directors approximately three weeks in advance of regularly scheduled meetings. Special meetings may be called with 24 hours notice.

A quorum at any meeting of the Board shall be a simple majority of Directors and meetings must be constituted so that at least 25% of Directors present are resident Canadians. At each regularly scheduled meeting of the Board, the independent Directors will meet privately.

On an annual basis, the Board will review this Charter and the Forward Agenda for the Board and approve changes as necessary. The Board will review its effectiveness on an annual basis.

## **1. Duties and Responsibilities of the Board Directors**

The Board is responsible for supervising the management of the business and affairs of the Corporation. The Board performs the following overall stewardship responsibilities either directly or through the Committees of the Board. The Board has clearly outlined matters that require Board approval and those that have been delegated to management.

### **Board**

- Planning Board size and composition, establishing Committees of the Board, determining Director compensation and evaluating and selecting candidates for election at each annual meeting.
- Maintaining a formal orientation program for new Directors and ongoing education programs for all Directors.
- Establishing corporate governance practices and policies.
- Assessing its effectiveness, the effectiveness of the Committees of the Board, the effectiveness of the Chairman of the Board and the effectiveness of individual Directors on an annual basis.

### **Senior Management**

- Selecting, evaluating and, if necessary, replacing the President and Chief Executive Officer and other members of senior management.
- Delegating to management powers to manage the corporation.
- Overseeing succession planning for senior management positions.
- Approving the compensation of senior management.
- Advising and counseling the President and Chief Executive Officer.

### **Ethics and Integrity**

- Setting an ethical tone for the Corporation.
- Satisfying itself that senior management is sustaining a culture of integrity throughout the organization.
- Approving amendments to the Corporation's Code of Business Conduct.

### **Strategy**

- Approving the corporation's vision and mission statements.
- Reviewing the effectiveness of the strategic planning process, approving business objectives and strategic plans on an annual basis.
- Monitoring corporate performance against these statements, objectives and plans on an ongoing basis.

### **Risk Management, Capital Management and Internal Control**

- Approving and reviewing compliance with policies and procedures for the management and control of risk, including capital management, and the internal control and management information systems that provide reasonable assurance as to the reliability of the Corporation's financial information and the safeguarding of its assets.
- Reviewing compliance with legislative and regulatory requirements.

### **Material Transactions**

- Reviewing and approving material investments and transactions.

**Financial Reporting**

- Reviewing and approving the annual and interim financial statements
- Reviewing and approving the annual and interim management's discussion and analysis and all other public disclosure documents as defined in the Corporation's Disclosure Policy.

**Communication and Disclosure**

- Reporting the financial results to shareholders and other stakeholders on a timely basis.
- Reviewing and, when appropriate, approving policies with regard to public disclosure, confidentiality of information and securities trading.
- Enabling shareholders to provide feedback to the independent Directors.

**Other**

- Engaging any special advisors it deems necessary to provide independent advice, at the expense of the Corporation.
- Performing such other functions as prescribed by law or as assigned to the Board in the corporation's governing documents.

## **2. Position Description for Directors**

The Board, as a whole, is responsible for supervising the management of the business and affairs of the corporation. Each Director participates in fulfilling the Board's stewardship role by acting honestly and in good faith with a view to the best interest of the corporation (fiduciary duty) and exercising the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (duty of care).

### **Duties and Responsibilities**

Principal duties and responsibilities of each Director include:

- Acting in the highest ethical manner and with integrity in all personal, business and professional dealings.
- Confirming compliance with the Corporation's Code of Business Conduct on an annual basis and maintaining the confidentiality of corporate information and Board deliberations.
- Understanding the Corporation's strategic objectives.
- Becoming knowledgeable of the Corporation's businesses in which it operates within a reasonable time of joining the Board.
- Understanding the corporation's current corporate governance policies and practices, the Charters of the Board and of each Committee on which he or she serves.
- Preparing thoroughly for each Board and Committee meeting by reviewing the material sent to Directors in advance of meetings.
- Attending Board and Committee meetings, and actively participating in deliberations and decisions in an objective manner that demonstrates independence from management. Informing himself or herself of significant matters dealt with at meetings not attended.
- Maintaining agreed upon levels of share ownership in the Corporation.

### **Director Attributes**

The Board believes that each Director should exhibit the following characteristics while executing his or her duties:

- Integrity
- Accountability
- Independent and informed judgment
- Commitment
- Knowledge of business issues and financial matters
- Ability to communicate openly and work effectively with fellow Directors and management

In addition to these personal characteristics, certain regulatory criteria apply to Directors related to independence and financial literacy.

The Director Independence Policy outlines the Board's approach to determining Director independence.

In the Board's judgment, a member of the Audit, Finance and Risk Committee is financially literate if, after seeking and receiving any explanations or information from senior financial management of the Corporation or the Auditors of the corporation that the member requires, the member is able to read and understand the consolidated financial statements of the Corporation to the extent sufficient to be able to intelligently discuss, and evaluate the answers to, probing questions about the material aspects of those financial statements.

### **3. Position Description for the Chairman of the Board**

The independent Directors will select from among their number a Director immediately following each annual meeting, who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The Chairman of the Board (“Chairman”) also manages the affairs of the Board so as to assist the Directors in carrying out their responsibilities and enhance the effectiveness and cohesion of the Board as a whole. The Chairman is to be a regular attendee at meetings of all Board Committees.

#### **Duties and Responsibilities**

Principal duties and responsibilities of the Chairman include:

- Ensuring that the respective responsibilities of the Board and management are well understood, and that these boundaries are respected.
- Communicating the expectations of the independent directors to management.
- In connection with the Governance and Human Resources Committee, determining the director competencies, skills and qualities required or best suited to complement the current Board composition, and identifying prospective Board candidates. The Chairman is responsible for approaching and interviewing prospective candidates, and for recommending prospective directors to the Governance and Human Resources Committee for its review and subsequent recommendation to the Board.
- Reviewing, with the Chairman of the Governance and Human Resources Committee, the membership of each Board Committee and the selection and rotation of the Committee chairmen and making recommendations to the Governance and Human Resources Committee for its review and recommendation to the Board.
- In conjunction with the Chairman of the Governance and Human Resource Committee, regularly evaluating, and in appropriate circumstances proposing enhancements to, the governance structure and procedures.
- Assessing the sufficiency of the resources available to the Board and its Committees, including the scope, timeliness and relevance of available information. The Chairman is responsible, in consultation with the other members of the Governance and Human Resources Committee, for ensuring that the independent directors are appropriately compensated in their capacity as directors of the Corporation.
- In connection with the President, the Chairman sets the Board agenda, chairs the Board meetings and ensures that there is adequate time at Board meetings for discussion of relevant issues.
- In conjunction with the Chairman of the Governance and Human Resources, setting the Governance and Human Resources Committee agenda. The Chairman also reviews all other Committee agendas in advance of regular meetings.
- In connection with the President, the Chairman sets the agenda for the annual meeting and any special meetings of shareholders or policyholders and acts as the chair of those meetings.
- Overseeing the orientation and training program for new directors and the ongoing program for education of all directors.
- Communicating from time to time with representatives of the corporation’s regulators and rating agencies, and with corporate governance-focused councils, coalitions and similar bodies, to discuss general Board and company governance-related matters. If requested by institutional shareholders to do so, the Chairman may from time to time communicate with institutional shareholders about general Board and company governance-related matter. The Chairman will report on all such communications to the Board at the next regular meeting of the Board unless timelier reporting is advisable.

#### **4. Position Description for the Vice Chairman of the Board**

The Vice Chairman of the Board (“Vice Chair”) assists the Chairman with managing the affairs of the Board and in carrying out their responsibilities. The Vice Chairman also acts as the Chairman of the Board, either in the absence of the Chairman or as requested by the Chairman, and to carry out additional leadership duties relating to the functioning, responsibilities and effectiveness of the Board. The Vice Chairman is to be a regular attendee at meetings of all Board Committees.

#### **Duties and Responsibilities**

Principal duties and responsibilities of the Vice Chairman include:

- Assisting the Chairman, as appropriate, in fulfilling all responsibilities and specific duties described within the Chairman of the Board Position Description.
- Reporting to, advising and providing counsel to the Chairman.
- Acting as an additional key point of contact with management in the Chairman’s absence or incapacity and performing the responsibilities of the Chairman when the Chairman is unavailable.
- Collaborating with the Chairman to develop and implement processes and practices that support the deliberations of the Board in order that the Board may diligently fulfill its duties and conduct its work and affairs effectively and efficiently.
- In exceptional circumstances, where it is inappropriate for the Chairman and Chief Executive Officer to communicate, or otherwise after prior consultation with the Chairman and Chief Executive Officer, it may be necessary for the Independent Lead Director to communicate with the media about the affairs of the corporation. These circumstances would normally be limited to Board matters or matters relating to the Chairman and Chief Executive Officer (for example compensation or succession).

## **5. Position Description for the Independent Lead Director of the Board**

The Independent Lead Director of the Board is responsible for ensuring the independence of the Board. On matters where the Chairman may be perceived to be conflicted, the Independent Lead Director will become the effective leader of the Board and oversee that the Board discharges its responsibilities.

### **Duties and Responsibilities**

Principal duties and responsibilities of the Independent Lead Director of the Board include:

- Organizing and presiding over in-camera or other meetings of the independent directors; shall take the lead in establishing the agenda for such meetings to ensure that the independent directors have adequate opportunities to meet outside the presence of management to discuss issues relevant to the performance of their various functions and duties.
- In connection with the Governance and Human Resources Committee, conducting a formal survey of the independent directors on a regular basis to assess the effectiveness of the Board and its Committees.
- In connection with the Governance and Human Resources Committee, evaluating the performance of individual independent directors as part of an annual peer review process. The Independent Lead Director meets individually with each independent director at least annually to discuss individual performance.
- With the Chairman of the Governance and Human Resources Committee, annually evaluate the performance of the President and Chief Executive Officer and report on the evaluations to the independent directors. The Independent Lead Director is also responsible for ensuring, in connection with the Chairman and Chief Executive Officer that appropriate human resource management practices (including succession, development and compensation plans) are in place for senior management.
- Engaging, at the expense of the Corporation, outside advisors for the independent directors, the Board or Board Committees, as required.
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## **6. Position Description for Chairs of Board Committees**

The Chair of a Committee of the Board is responsible for providing leadership to enhance effective and independent functioning of the Committee in order that the Committee may fulfill its duties and responsibilities as outlined in the Committee Charter.

### **Duties and Responsibilities**

Principal duties and responsibilities of each Committee Chair include:

- Reviewing and approving the agenda for each meeting of the Committee. The Committee Chair may consult or meet with the Chairman of the Board, members of management or other advisors as part of the agenda and meeting preparation process.
- Chairing Committee meetings, ensuring that there is adequate time at Committee meetings for discussion of relevant issues and for the Committee members to meet privately.
- Reporting to the Board on the Committee's activities following each meeting and presenting recommendations to the Board on matters that require Board approval.
- Leading an annual review of the adequacy of the Committee Charter.
- Leading an annual evaluation of the effectiveness of the Committee.

The Chair of the Audit, Finance and Risk Committee is consulted in advance in connection with the appointment, reassignment, replacement and dismissal of the Auditor of the Corporation.

The Chair of the Audit, Finance and Risk Committee is consulted in advance in connection with the appointment, reassignment, replacement and dismissal of the President, Chief Executive Officer or Chief Financial Officer.



## **7. Corporate Governance Policies and Practices**

### **Election of Directors and Term of Office**

The Board has adopted term limits for the independent directors. Each term is three years and there is a maximum of three such terms for a total of nine years of service on the Board. At its discretion, the Board may extend the limit beyond the maximum if circumstances warrant. The Governance and Human Resources Committee reviews the candidacy of each nominee on an annual basis and confirms to the Board that each of the nominees meets expectations outlined in the Position Description for Directors and satisfies the criteria for Board membership. In addition, the Governance and Human Resources Committee will report on the independence status of each Director as defined in the Director Independence Policy.

### **Majority Voting**

In elections where only the nominees recommended by the Board stand for election, a Director who receives more “withheld” votes than “for” votes for his or her election must tender a written offer to resign to the Chairman of the Governance and Human Resources Committee. Within 90 days of the annual meeting the Board will decide whether to accept or reject the Director’s offer to resign and promptly disclose by way of news release the outcome of its deliberations. Any Director who tenders his or her resignation will not participate in the consideration by the Board of the resignation offer.

### **Director Retirement**

The retirement date is the date of the annual meeting based on term completion as determined by the Board of the Corporation (irrespective of age).

### **Access to Management**

Each Director shall have access to management, as necessary to carry out his or her responsibilities.

### **Attendance at Board and Committee Meetings**

The Governance and Human Resources Committee reviews the attendance of Directors each year as part of the nomination process for Director elections. Any Director who does not, in two consecutive years attend at least 75% of the regularly scheduled meetings of the Board and the Board Committees to which he or she is assigned, must tender a written offer to resign to the Chairman of the Governance and Human Resources Committee for acceptance or rejection by the Board.

### **Change of Occupation**

Directors whose principal employment changes materially from that which they held when elected to the Board (including retirement from their principal employment) must notify the Chairman of the Governance and Human Resources Committee in accordance with the Director Independence Policy and tender a written offer to resign for acceptance or rejection by the Board. The Board is not of the view that Directors in such circumstances must always leave the Board, however an opportunity should be given to the Board to review the continued appropriateness of Board membership under the revised circumstances.

### **Directors’ Remuneration and Share Ownership**

The remuneration of Directors is reviewed on an Annual basis to ensure that Directors are adequately and competitively compensated.

It is the policy of the Board that each Independent Director will own or have invested an amount equivalent to a value of not less than \$50,000 in common shares of the Corporation. Until such time that the Director accumulates such value, they will not sell any shares of the Corporation without prior consent of the Board Chairman and Chief Executive Officer and the President.

#### **Orientation of New Directors**

The Corporation provides an orientation program for new members of the Board. This orientation begins with a strategic overview session with the President and Chief Executive Officer, followed by meetings or briefing sessions with selected company executives, which will include a review of the financial statements of the Corporation. A new Director will be provided with a range of written materials including those that outline the organization of the Board and its Committees, the powers and duties of Directors, the required standards of performance for Directors, Code of Business Conduct, and this Charter.

Management will arrange site visits as well as private meetings with members of management, as requested by the Director.

#### **Continuing Education for Directors**

The Corporation provides ongoing business and director education sessions for members of the Board. Individual Directors may participate in outside professional development programs approved by the Chairman, at the expense of the Corporation.

#### **Interaction with the Media**

The Board believes that it is the responsibility of management, rather than members of the Board, to speak on behalf of the corporation. From time to time, Directors may be requested by the media, or by institutional investors, shareholders, customers or policyholders, to discuss certain issues on behalf of the Corporation. Any Director to whom such a request is made should review the request with the Chairman and the Chief Executive Officer before responding.