

# NEWFOUNDLAND CAPITAL CORPORATION LIMITED

## MANDATE OF THE BOARD OF DIRECTORS

---

### 1. STATEMENT OF POLICY

The mandate of the board of directors ("**Board**") of Newfoundland Capital Corporation Limited ("**Company**") is to oversee, monitor and evaluate the management of the business and affairs of the Company. The Board shall review, discuss and approve various matters related to the strategic direction, business, operations and organizational structure of the Company with a view to the best interests of the Company and shareholders generally. The Board shall approve certain transactions whose value exceeds management's authority limits. The types of transactions requiring prior Board approval include: acquisitions or divestitures of subsidiaries, divisions or assets, assumption of significant liabilities other than in the ordinary course of business, and transactions which would materially change the Company's consolidated revenue or net assets. The Board shall approve banking relationships and key borrowing and financing decisions, appoint the officers of the Company, determine the Directors' compensation and declare dividends.

Responsibilities of the Board are performed by the Board as a whole and the Board establishes committees ("**Committees**") of the Board to assist the Board in discharging its responsibilities.

### 2. COMPOSITION AND ORGANIZATION OF THE BOARD

#### *Selection of Members*

The Audit and Governance Committee ("**Committee**"), which has audit, nominating, compensation and corporate governance responsibilities, reviews and recommends to the Board the candidates for nomination as Directors. The Board approves the final choice of candidates for nomination and election by the shareholders.

#### *Number of Directors*

The number of Directors shall be not less than three or greater than fifteen.

#### *Membership Criteria*

The composition of the Board, including the qualifications of its members, shall comply with the applicable requirements of the *Canada Business Corporations Act*, the stock exchanges on which the Company lists its securities and the rules and policies of securities regulatory authorities, as adopted, in force or amended from time to time.

Directors must have an appropriate mix of skills, knowledge and experience in business and a history of achievements. Directors selected should be able to commit the requisite time for all the Board's business and shall demonstrate integrity, accountability and informed judgment.

#### *Independent Directors*

A majority of the Board shall be composed of independent Directors who are not part of the management of the Company and who are independent in accordance with the criteria set out in securities legislation and guidelines.

Securities legislation and guidelines on independence:

- (a) sets out the test that the Board should use to determine whether a Director is independent;
- (b) identifies the criteria that the Board should use to assess whether a Director is independent; and
- (c) describes the disclosure that the Board should provide to shareholders of the Company with respect to its determination of the independence of Directors.

A majority of the nominees proposed to the shareholders of the Company by its management from time to time for election as Directors at annual general meetings of shareholders will be independent Directors; and the Board shall use its efforts to maintain such a majority of independent Directors.

### ***Chairperson***

The Board shall appoint its chairperson of the Board (the "**Chairperson**") from among the Company's Directors.

### ***Term of Directors***

The Directors are elected by the shareholders at every annual meeting. A Director ceases to hold office upon death, resignation, removal or disqualification under the *Canada Business Corporations Act*.

### ***Resignation of Directors***

The resignation of a Director becomes effective at the time a written resignation is sent to the Company, or at the time specified in the resignation, whichever is later.

## **3. RESPONSIBILITIES**

The Board is responsible for overseeing the management of the business and affairs of the Company.

In discharging their responsibilities, the Directors owe the following fiduciary duty and duty of care to the Company:

- fiduciary duty:* they must act honestly and in good faith with a view to the best interests of the Company and be loyal to the Company; and
- duty of care:* they must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In discharging their responsibilities, the Directors are entitled to rely on the honesty and integrity of the senior management of the Company and the auditors and other professional advisors of the Company, and should establish and follow processes that enable them to effectively fulfill their overseeing responsibilities.

In discharging their responsibilities, the Directors are also entitled to directors and officers' liability insurance purchased by the Company and indemnification from the Company to the fullest extent permitted by law and the constating documents of the Company.

In addition to its statutory responsibilities, the Board has the responsibilities to oversee the following specific matters:

### ***Company's Strategy***

- approving a strategic planning process which takes into account, among other things, the opportunities and risks of the business; and
- approving the annual business plan and corporate objectives of the Company and of the chief executive officer ("CEO"), participating in the preparation of the five-year strategic plan and reviewing performance against these plans at various times throughout the year but at least on an annual basis.

### ***Culture of Integrity***

- satisfying itself, to the extent feasible, as to the integrity of the CEO and other senior management and that the CEO and other senior management create a culture of integrity throughout the Company.

### ***Succession Planning for Senior Management***

- choosing the CEO, appointing senior management and approving annually CEO compensation and senior management's compensation policies;
- ensuring that an appropriate portion of CEO and senior management's compensation is tied to both the short and longer-term performance of the Company; and
- taking all reasonable steps to ensure that processes are in place for the recruitment, training, development, retention and succession of executives.

### ***Financial Matters, Internal Controls and Risk Assessment***

- approving an annual operating and capital budget for the Company and its subsidiaries on a consolidated basis;
- approving financings, acquisitions, divestitures, investments and other transactions not in the ordinary course of business and/or in excess of the limits prescribed in the Company's annual budget;
- approving the annual audited consolidated financial statements of the Company and, as required in accordance with applicable laws, approving quarterly unaudited consolidated financial statements of the Company;
- advocating the preserving of the integrity of information and the maintaining a culture of integrity in accordance with policies approved by the Board;
- overseeing the establishment by management of an adequate system of internal controls and management information systems;
- overseeing the identification by management of the principal risks of the Company and setting policies for a risk assessment process to identify, assess and manage the risks of the Company's business; and
- in the event of a take-over bid, reviewing alternate strategies in response to such take-over bid in order to maximize value for shareholders.

### ***Securities and Dividends***

- approving prospectuses, proxy circulars and proxy statements sent to shareholders of the Company and reviewing of Annual Reports, Management's Discussion and Analysis of Financial Condition and Results of Operations Reports, Annual Information Forms, Press Releases and other material disclosure documents as determined by the Board from time to time;
- declaring dividends on shares of the Company or approving the purchase, redemption or other acquisition of shares issued by the Company as required in accordance with applicable laws; and
- authorizing the issuance of securities of the Company as required in accordance with applicable laws.

### ***Submission of Matters or Questions Requiring the Approval of Shareholders***

- submitting to the shareholders for approval matters or questions requiring their approval; and
- approving the submission to the shareholders of any amendment to the articles of the Company or the approval of any adoption, amendment or repeal of any by-laws of the Company.

### ***Compliance with Laws and Ethical Standards***

- overseeing the maintenance by management of practices and processes to assure compliance with applicable laws and appropriate ethical standards, including the adoption by management of corporate policies and procedures and the Code of Business Conduct and Ethics.

### ***Disclosure and Communication***

- adopting communications policies and monitoring the Company's investor relations programs and the Company's communication policies, including how the Company interacts with analysts, investors, other key stakeholders, customers, governments and the general public;
- adopting measures for the Company to comply with its continuous and timely disclosure obligations and to avoid selective disclosure; and
- reviewing disclosure and communications policies.

To assist the Directors in discharging their responsibilities, the Board expects management of the Company to:

- (i) review and update annually (or more frequently if appropriate) the strategic plan and report regularly to the Board on the implementation of the strategic plan in light of evolving conditions;
- (ii) prepare and present to the Board annually (or more frequently if appropriate) a business plan and budget and report regularly to the Board on the Company's performance against the business plan and budget; and
- (iii) report regularly to the Board on the Company's business and affairs and on any matters of material consequence for the Company and its shareholders.

Additional expectations are developed and communicated during the annual strategic planning and budgeting process and also during regular Board and Board committee meetings.

The Board considers that generally management should speak for the Company in its communications with shareholders and the public. The Company's investor relations personnel are required to respond to inquiries from shareholders and the public after review and discussion, as appropriate, by senior management and the Board. The Company's investor relations personnel are available to shareholders by telephone, fax and e-mail. The Company maintains an investor relations section on its website. Presentations at investor conferences are available on request. The Board reviews the Company's major communications with shareholders and the public.

Directors are expected to attend Board meetings, meetings of Board committees of which they are members and the annual meeting of the shareholders of the Company. Directors are also expected to spend the time needed, and to meet as frequently as necessary, to discharge their responsibilities.

Directors must comply with the Code of Business Conduct and Ethics of the Company.

#### **4. AUTHORITY**

- (1) The Board is authorized to carry out its responsibilities as set out in this Charter.
- (2) The Board is authorized to retain, and to set and pay the compensation of, independent legal counsel and other advisors if it considers this appropriate.
- (3) The Board is authorized to invite officers and employees of the Company and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings if it considers this appropriate.
- (4) The Directors have unrestricted access to the officers and employees of the Company. The Directors will use their judgment to ensure that any such contact is not disruptive to the operations of the Company and will, to the extent not inappropriate, advise the Chair and the CEO of the Company of any direct communications between them and the officers and employees of the Company.
- (5) The Board and the Directors have unrestricted access to the advice and services of the Corporate Secretary.
- (6) The Board may delegate certain of its functions to Board committees, each of which will have its own charter.

#### **5. MEETINGS AND PROCEEDINGS**

- (1) The Board shall meet as frequently as is determined to be necessary but not less than four times each year.
- (2) The Chairperson shall normally call meetings of the Board. The President and Chief Executive Officer or any two Directors may also call a meeting of the Board.
- (3) The Chair is responsible for the agenda of each meeting of the Board, including input from other Directors and management of the Company as appropriate. Meetings will include presentations by management or professional advisors and consultants when appropriate and allow sufficient time to permit a full and open discussion of agenda items. Information and materials that are important to the Board's understanding of the agenda items and related topics should be distributed reasonably in advance.

- (4) Unless waived by all Directors, a notice of each meeting of the Board confirming the date, time, place and agenda of the meeting, together with any supporting materials, shall be forwarded to each Director at least three days before the date of the meeting. Meetings may be held in person or by means of telephone, electronic or other communication facilities.
- (5) The quorum for each meeting of the Board is a majority of the Directors. Any matter to be voted upon shall be decided by a majority of the votes cast for a resolution. In the absence of the Chair, the other Members may appoint one of their number as chair of a meeting. The chair of a meeting shall not have a second or casting vote.
- (6) Any Director who has a conflict of interest in accordance with the Company's Code of Business Conduct and Ethics, which is applicable to any such Director, shall:
  - (a) disclose such conflict in a timely manner to the Board;
  - (b) not be counted for purposes of determining a quorum for the meeting;
  - (c) leave any meeting when the subject matter of the conflict is to be considered; and
  - (d) not vote on such subject matter.
- (7) The Corporate Secretary shall keep minutes of all meetings of the Board, including all resolutions passed by the Board. Minutes of meetings shall be distributed to the Directors after preliminary approval thereof by the Chair.
- (8) An individual who is not a Director may be invited to attend a meeting of the Board for all or part of the meeting.
- (9) The outside and independent Directors shall regularly meet without inside and non-independent Directors and management present, as and when they wish to do so, to ensure free and open discussion and communication among the outside and independent Directors.

## **6. ASSESSMENT OF THE COMMITTEE AND CHARTER REVIEW**

- (1) The Board shall regularly assess its effectiveness with a view to having the Board perform in accordance with best practices that are reasonably applicable to the Company.
- (2) The Board shall annually review and update this mandate as required.