



## **BOARD OF DIRECTORS' CHARTER**

### **INTRODUCTION**

This Charter is intended to identify the specific responsibilities of the Board of Directors and thereby to enhance coordination and communication between the Board and management. The responsibilities identified here are to be carried out consistently with the principles stated in the Company's Code of Business and Workplace Ethics. This Charter complements the Charters of the four committees of the Board, as well as the respective position descriptions for the Chairman of the Board, for the committee chairs and for the President and Chief Executive Officer.

### **PART I. BOARD STRUCTURE**

#### **1. COMPOSITION OF THE BOARD**

A majority of directors comprising the Board must qualify as independent. As a general objective, the Board will ensure itself that it is composed of directors with diverse backgrounds and personal characteristics and traits as well as competencies and expertise that add value to the Company and that each director will serve the Board to best discharge its responsibilities.

#### **2. ELECTION AND APPOINTMENT OF DIRECTORS**

Nominees for directors are initially considered and recommended by the Corporate Governance Committee, approved by the entire Board and elected annually by the shareholders of the Company.

### **PART II. BOARD OPERATIONS**

#### **1. CHAIR OF THE BOARD**

The Board shall appoint annually a chair from the independent members of the Board.

The Chair of the Board is charged with the responsibility of overseeing the efficient operation of the Board and its committees and ensuring that the Board's agenda will enable it to successfully carry out its duties. The principal duties of the Chair shall be set out in the position description developed by the Board and shall include running the affairs of the Board efficiently and in accordance with corporate governance principles and properly evaluating the effectiveness of the committee structures and the quality of management's work that is presented in support of the decision-making process of the Board. The Chair may also serve as a member of a committee of the Board.

#### **2. SECRETARY OF COMMITTEE**

The Chair of the Board shall designate from time to time a person who may, but need not be, a director, to be secretary of the Board. The secretary shall keep minutes of the meetings of the Board and circulate them to the Board.

### **3. REGULAR MEETINGS**

Regularly scheduled meetings of the Board at which non-independent directors and members of management are not in attendance shall be held at such time or times as the Board or the Chairman of the Board may determine to discuss matters of interest.

### **4. SPECIAL MEETINGS**

Special meetings of the Board may be called by, or by the order of the Chairman, the President and Chief Executive Officer or any two directors.

### **5. QUORUM**

A majority of the directors present in person or by means of telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other shall constitute a quorum.

### **6. AGENDA**

The Chair shall develop and set the Board's agenda in consultation with the other directors and the secretary. The agenda and information concerning the business to be conducted at the Board meetings shall, to the extent practical, be communicated to the directors sufficiently in advance of each meeting to permit meaningful review. Each Board meeting agenda shall include a period of discussion between directors in the absence of management and non-independent directors.

### **7. DELEGATION**

The Board shall have the power to delegate certain of its responsibilities to committees of the Board, as it considers appropriate. The responsibilities of those committees will be as set forth in their Charters, as amended from time to time. In addition, the Board may appoint ad hoc committees as may be needed from time to time to address other issues. The Board shall develop a position description for the chairs of the committees.

### **8. OUTSIDE CONSULTANTS OR ADVISORS**

At the Company's expense, the Board and its committees may retain, when they consider it necessary or desirable, outside consultants or advisors to advise the Board or the committees independently on any matter. The Board and its committees shall have the sole authority to retain and terminate any such consultants or advisors, including sole authority to review a consultant's or advisor's fees and other retention terms. The Board has determined that any director who wishes to engage an outside advisor at the expense of the Company may do so if he or she first obtains authorization of the Chairman.

## **PART III. DUTIES AND RESPONSIBILITIES**

### **1. PRIMARY RESPONSIBILITY AND PLENARY AUTHORITY**

The Board is responsible for the stewardship of the Company including responsibility for satisfying itself as to the integrity of the President and Chief Executive Officer and other executive officers and that the President and Chief Executive Officer and other executive officers create a

culture of integrity throughout the Company. The primary responsibility of the Board is to supervise the management of the Company so as to foster the long-term success of the Company consistent with the Board's responsibility to the shareholders to maximize shareholder value. The Board has plenary power. Any responsibility not delegated to management or a committee of the Board remains with the Board.

## **2. OPERATIONS OF THE BOARD**

The Board operates by delegating certain of its authority, including spending authorizations, to management and by reserving certain powers to itself. The general legal obligations of the Board are described in detail in Section 12. Subject to these legal obligations and to the Articles and By-laws of the Company, the Board retains the responsibility for managing its own affairs, including:

- a) planning its composition and size;
- b) selecting its Chair;
- c) nominating candidates for election to the Board upon the recommendation of the Corporate Governance Committee;
- d) determining whether each director is an independent director;
- e) appointing committees of the Board and membership of directors thereon and approving their respective mandates and the limits of authority delegated to each committee;
- f) together with the Human Resources and Compensation Committee and the Corporate Governance Committee, determining director compensation;
- g) assessing, through the Corporate Governance Committee, the effectiveness of the Board, its committees and its directors in fulfilling their responsibilities;
- h) establishing through the Corporate Governance Committee an appropriate system of corporate governance including guidelines and practices to ensure the Board functions independently of management.

## **3. ESTABLISHMENT AND REVIEW OF BOARD MEMBER CHARACTERISTICS**

Prior to nominating or appointing individuals as directors, the Board shall:

- a) together with the Board Chair, monitor the size and composition of the Board and its committees to ensure effective decision-making;
- b) consider the appropriate skills and competencies required of the Board as a whole, taking into consideration the Board's short-term needs and long-term succession plans and assess what competencies and skills each existing director possesses; and
- c) develop, and annually update, a long-term plan for the Board's composition that takes into consideration the characteristics of independence, age, skills, experience and availability of service to the Company of its members, as well as the opportunities, risks and strategic direction of the Company.

In carrying out each of these functions, the Board should consider the advice and input of the Corporate Governance Committee.

#### **4. MANAGEMENT AND HUMAN RESOURCES**

Upon the recommendations of the Human Resources and Compensation Committee, the Board has the responsibility to:

- a) appoint the President and Chief Executive Officer, and provide advice and counsel to the President and Chief Executive Officer in the execution of his/her duties;
- b) develop the position description for the President and Chief Executive Officer and develop or approve the corporate goals and objectives he/she is responsible for meeting;
- c) evaluate the President and Chief Executive Officer's performance at least annually against agreed upon written objectives and determine and approve the President's and Chief Executive Officer's compensation level based on this evaluation;
- d) approve a comprehensive statement of compensation philosophy, strategy and principles for the Company's executives;
- e) approve certain decisions relating to senior management, including the:
  - appointment and discharge of executive officers;
  - compensation and benefits for executive officers;
  - employment, consulting, retirement and severance agreements, and other special arrangements proposed for executive officers; and
  - annual corporate and business unit performance objectives utilized in determining incentive compensation or other awards to officers;
- f) ensure that succession planning and management development programs are in place, including:
  - approving the succession plan for the President and Chief Executive Officer;
  - in the case of other senior managers, ensuring that plans are in place for management succession and development; and
  - monitoring senior management;
  - ensuring that criteria and processes for recognition, promotion, development and appointment of senior management are consistent with the future leadership requirements of the Company;
- g) create opportunities to become acquainted with employees within the Company who have the potential to become members of senior management, including presentations to the Board by these employees or any form of interaction with them; and

- h) approve certain matters relating to all employees, including:
  - the annual salary and incentive policies/programs for employees;
  - new benefit programs or material changes to existing programs;
  - material changes in the Company’s retirement plans; and
  - material benefits granted to retiring employees outside of benefits received under approved retirement and other benefit programs.

## **5. STRATEGY AND PLANS**

The Board has the responsibility to:

- a) adopt a strategic planning process and participate with management in the development of, and ultimately approve on at least an annual basis, the Company’s strategic plan which takes into account, among other things, the future trends, opportunities and risks of the business over a three to seven-year horizon;
- b) approve annual capital and operating budgets that support the Company’s ability to meet its strategic objectives and operating plans;
- c) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company;
- d) approve financial and operating objectives used in determining compensation if they are different from the strategic, capital or operating plans referred to above;
- e) approve material divestitures and acquisitions;
- f) monitor the Company’s progress towards its strategic objectives, and revise and alter its direction through management in light of changing circumstances; and
- g) review recent developments that may affect the Company’s strategy, and advise management on emerging trends and issues.

## **6. FINANCIAL AND CORPORATE ISSUES**

The Board has the responsibility to:

- a) take reasonable steps to ensure, through the Audit Committee, the integrity and effectiveness of the Company’s internal control and management information systems, including the evaluation and assessment of information provided by management and others (e.g., internal and external auditors) about the integrity and effectiveness of the Company’s internal control and management information systems;
- b) review operating and financial performance relative to budgets and objectives;
- c) approve annual financial statements and quarterly financial results and approve their release by management;
- d) declare dividends;

- e) approve financings, changes in authorized capital, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial paper and related prospectuses and trust indentures;
- f) approve appointment of external auditors and approve auditors' fees upon the recommendation of the Audit Committee;
- g) approve banking resolutions and significant changes in banking relationships;
- h) review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business;
- i) approve significant contracts, transactions and other arrangements or commitments that may be expected to have a material impact on the Company; and
- j) approve the commencement or settlement of litigation that may be expected to have a material impact on the Company.

## **7. BUSINESS AND RISK MANAGEMENT**

The Board has the responsibility to:

- a) identify the principal risks of the Company's business and ensure that management implements appropriate systems to manage these risks;
- b) review coverage, deductibles and key issues regarding corporate insurance policies;
- c) review compliance with legislative and regulatory requirements, and adopting and monitoring compliance with the Code of Business and Workplace Ethics; and
- d) understand the principal risks associated with the Company's business and review whether the Company achieves a proper balance between risk and returns.

## **8. POLICIES AND PROCEDURES**

The Board has the responsibility to:

- a) develop the Company's system of an overall approach to corporate governance. The Board may delegate to the Corporate Governance Committee responsibility to review and make recommendations to the Board regarding the content and implementation of corporate governance guidelines and other related governance matters and processes;
- b) review compliance with the significant policies and procedures by which the Company is operated and approve any waivers of the practice for officers and directors;
- c) ensure that management operates at all times within applicable laws and regulations; and
- d) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct and conflicts of interest).

## **9. DIRECTOR ORIENTATION AND EDUCATION**

New directors shall receive a comprehensive orientation. New directors shall be provided with a basic understanding of the Company's business, the role of the Board and its Committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the Company expects from its directors) in order to assist such directors in contributing effectively to the Board.

All new directors should understand the nature and operation of the Company's business and as such, management will provide new directors with a general information record on the Company, the opportunity to meet with Executive Management and operational personnel and the opportunity to visit the Company's warehouses and other facilities.

On a regular basis, management or independent consultants will give presentations on various topics to the Board of Directors and updates on governance initiatives and issues.

The Board shall undertake or arrange for such continuing director education activities and programs as it deems advisable in order to maintain or enhance their skills and abilities as directors, as well as to ensure that their knowledge and understanding of the Company's business remains current.

## **10. COMPLIANCE REPORTING AND CORPORATE COMMUNICATIONS**

The Board has the responsibility to:

- a) ensure that the Company has in place effective communication processes with shareholders and other stakeholders and with financial, regulatory and other institutions and agencies;
- b) ensure that the Company has in place effective measures for receiving feedback from security holders such as establishing a process to permit security holders to directly contact the independent directors;
- c) approve interaction with shareholders on all items requiring shareholder approval;
- d) approve the content of the Company's major communications to shareholders and the investing public, including the quarterly reports, Annual Report, Management's Report, Management Proxy Circular, Annual Information Form and any prospectuses that may be issued, and any significant information respecting the Company contained in any documents incorporated by reference in any such documents;
- e) take reasonable steps to ensure that the financial performance of the Company is accurately and fairly reported to shareholders, other security holders and regulators on a timely and regular basis, and in accordance with generally accepted accounting principles;
- f) ensure the timely reporting of any other developments that have a material impact on the Company; and
- g) report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report);
- h) Review and amend when required the Corporate Disclosure Policy of the Company.

## **11. PENSION FUNDS MATTERS**

Through the Audit Committee consider and, in accordance with regulatory requirements:

- a) monitor the Company's pension plans having to do with financial matters after consultation with the Human Resources and Compensation Committee and the Audit Committee in respect of any effect such a change may have on pension benefits;
- b) recommend changes when a financial risk is identified;
- c) recommend the appointment and termination of investment managers with respect to the Company's pension plans; and
- d) receive and review the actuarial valuation and funding requirements for the Company's pension plans.

## **12. GENERAL LEGAL OBLIGATIONS**

A. The Board has the responsibility to:

- a) ensure that management meets all legal requirements, and properly prepares, approves and maintains documents and records;
- b) approve changes in the By-laws and Articles of Incorporation, matters requiring shareholder approval and agendas for shareholder meetings; and
- c) approve the Company's legal structure, mission statement and vision statement.

B. The following are legal requirements of the Board:

- a) to manage the affairs of the Company;
- b) to act with honesty and loyalty in the interest of the Company; and
- c) to act with prudence and diligence.

## **13. EXPECTATIONS AND RESPONSIBILITIES OF DIRECTORS**

Directors oversee the management of the business and affairs of the Company.

Directors must attend all Board and relevant committee meetings; read all Board and committee materials received in advance of meetings; discuss concerns and seek appropriate information directly from management as needed; seek advice from independent advisors (at the Company's expense with the prior authorization of the Chairman) as deemed necessary, and participate actively, freely and openly in all meetings and discussions.

Directors shall avail themselves of corporate orientation programs and continuing education opportunities as the Board or the Corporate Governance Committee determine from time to time.

### Fiduciary Duty and Confidentiality

When exercising their powers and discharging their duties, directors must act with honesty and loyalty in the interest of the Company. Directors are thus fiduciaries vis-a-vis the Company and, as such, they must advance the interests of the Company in an impartial and disinterested manner. In particular, directors must not allow personal or business interests to conflict with the interests of the Company. Directors must not use their position, and information and knowledge derived from their position, for their personal gain or advantage. Directors are also subject to a duty of confidence regarding the affairs of the Company. Directors should not disclose or provide to others access to confidential information about the Company.

### Standard of Care

When exercising their powers and discharging their duties, directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. This standard requires directors to devote the necessary time and attention to the affairs of the Company and its subsidiaries, make necessary enquiries of management and others so as to make informed decisions, and make use of their education and experience.

### Position Qualifications

Each director must:

- a) be an individual of at least 18 years of age, of sound mind, and not have the status of a bankrupt. A majority of the directors must be independent;
- b) be financially literate; have relevant and practical business experience; have an understanding of the strategic planning process; have an understanding of human resource development, and have such competencies as determined by the Corporate Governance Committee from time to time;
- c) have a high degree of personal and professional integrity and operate within the ethical framework set out in the Company's Code of Business and Workplace Ethics; and
- d) have time available to adequately perform duties and responsibilities as a Board member and not be involved in activities which conflict with the Company's business.

Directors are elected annually by the shareholders. The Corporate Governance Committee has the responsibility to recommend to the Board who will stand each year for election or re-election by the shareholders.

## **14. EVALUATION OF THE BOARD**

Regularly, the Board and its members will assess the effectiveness of the Board and its committees, including the operation of the Board, the Board structure, the adequacy of information provided to directors and the effectiveness of the Chair in managing the meetings of the Board and the strategic direction of the Company. Such assessments shall consider the charter of the Board and its committees.

The Board or the Corporate Governance Committee shall also assess, on a regular basis, the performance and contribution of each director on a variety of topics including, strategic insight, participation and accountability, in order to provide them with constructive feedback to help them

improve their performance. In making its assessment, the Board or the Corporate Governance Committee shall consider the applicable position description, as well as the competencies and skills each individual director is expected to bring to the Board. The Board or the Corporate Governance Committee will share with the committees responsible for corporate behaviour and governance matters the results of this evaluation and discussion.

**15. REVIEW OF BOARD CHARTER**

The Board shall assess the adequacy of this Charter annually and shall make any changes deemed necessary or appropriate.

**16. NON-EXHAUSTIVE LIST**

The foregoing list of duties is not exhaustive, and the Board may, in addition, perform such other functions as may be necessary or appropriate in the circumstances for the performance of its responsibilities.