



## CORPORATE GOVERNANCE GUIDELINES

### **INTRODUCTION**

These Corporate Governance Guidelines provide a framework of authority and accountability to enable the Board of Directors and management to make timely and effective decisions that promote shareholder value while complying with applicable law and the Company's commitment to ethical conduct, integrity and transparency.

The Board and management are committed to implementing these Guidelines and to making good governance integral to the culture of the Company.

### **1. THE RESPONSIBILITIES OF THE BOARD AND OF MANAGEMENT**

#### **A. The Role of the Board of Directors**

- i) The Board's primary responsibility 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.
- ii) The Board has plenary power. Any responsibility not delegated to a committee of the Board or to management remains with the Board. To elaborate on the role of the Board beyond the scope of these Guidelines, the Board shall issue a Charter for the Board.
- iii) The Board may delegate its responsibilities under these Guidelines to appropriate committees of the Board.

#### **B. The Role of the Chair of the Board**

- i) The Chair's primary responsibility is to oversee the efficient operation of the Board and its committees and to set the tone for the Board and its members so as to foster ethical and responsible decision-making, appropriate oversight of management and best practices in corporate governance.
- ii) The Chair of the Board shall be appointed annually by the Board from among those directors who are independent in accordance with these Guidelines and under any laws and regulations applicable to the Company and under any governance guidelines or listing standards of any stock or securities exchange upon which the securities of the Company are from time to time listed.
- iii) To elaborate on the role of the Chair of the Board beyond the scope of these Guidelines, the Board shall issue a position description for the Chair of the Board.

### **C. The Role of Individual Directors**

- i) Each director is responsible for providing constructive counsel to and oversight of management, consistent with a director's statutory and fiduciary obligations to the Company. Each director shall advance the interests of the Company and the effectiveness of the Board by bringing his or her knowledge and experience to bear on the strategic and operational issues facing the Company, by preparing for and participating in meetings of the Board and its committees and by enhancing his or her familiarity with the Company and its business, people and competitive environment.
- ii) Each director shall comply with the Company's Code of Business and Workplace Ethics. If the Board determines that a director has violated the Code, the Board may sanction the director, including requesting the director's resignation; in the event of such request, the director shall be expected to tender his or her resignation.
- iii) Each director shall attend all meetings of the Board and meetings of committees of the Board of which each director is a member in person or by means of telephone or other telecommunication device that permits all persons participating in the meeting to communicate with each other. The attendance record of each director shall be disclosed annually in appropriate public documents.

### **D. The Board-Management Relationship**

- i) While the Board oversees the management of the business, the President and Chief Executive Officer is responsible for the executive leadership and operational management of the Company.
- ii) The President and Chief Executive Officer's primary responsibility is to lead the Company. The President and Chief Executive Officer formulates the Company's proposed goals, strategies and objectives, and presents them to the Board for approval. The Board approves the goals, strategies and objectives within which the Company is managed and oversees senior managements' performance and compensation. The President and Chief Executive Officer keeps the Board informed of the Company's progress towards its goals and of all material deviations from the goals, strategies and objectives approved by the Board.
- iii) To elaborate on the role of the President and Chief Executive Officer beyond the scope of these Guidelines, the Board shall issue a position description for the President and Chief Executive Officer.

### **E. Corporate Strategy**

Management is responsible for the development of an overall corporate strategy to be presented annually to the Board. The Board participates in the strategic planning process and reviews in depth and approves the strategy, including the human, technological and capital resources on its implementation. The Board then monitors management's execution of the strategy and its achievement of objectives.

### **F. Business Risks**

The Board maintains a continuing understanding of the principal risks associated with the Company's business. It is the responsibility of management to ensure that the Board and its committees are kept well-informed of changing risks.

#### **G. Limits of Management Authority**

From time to time, the Board establishes limits on management's authority depending on the nature and size of proposed transactions. These limits permit some flexibility within approved budgets but otherwise must not be exceeded without Board approval.

#### **H. Financial Integrity and Reporting**

- i) The Board shall take reasonable steps to ensure that the integrity and effectiveness of the Company's internal control and management information systems are maintained and to ensure that the financial performance of the Company is fairly, accurately, timely and regularly reported to shareholders and appropriate government agencies.
- ii) The Board approves the content of the Company's major communications to shareholders and the investing public including, the quarterly reports, the Annual Report, the Management Report, Management Proxy Circular, Annual Information Form and any prospectuses that may be issued.

#### **I. Evaluation of the President and Chief Executive Officer**

The Board shall conduct an annual performance evaluation of the President and Chief Executive Officer taking into account the views and recommendations of the Human Resources and Compensation Committee.

#### **J. Management Succession Planning**

- i) The Board considers succession planning and management development to be an ongoing process. The Board is responsible for: (a) approving the succession plan for the President and Chief Executive Officer; (b) in the case of other senior managers, ensuring that plans are in place for management succession and development; and (c) ensuring that criteria and processes for recognition, promotion, development and appointment of senior management are consistent with the future leadership requirements of the Company.
- ii) The President and Chief Executive Officer periodically discusses with the Human Resources and Compensation Committee views as to a successor in the event of the President and Chief Executive Officer's unexpected incapacity.
- iii) The Board creates opportunities to become acquainted with employees within the Company who have the potential to become members of senior management. Such opportunities may include presentations to the Board by these employees or any form of interaction with them.

#### **K. Management Evaluation and Compensation**

- i) The Board ensures that senior executives are fairly and competitively compensated and that a large portion of their compensation is performance based.
- ii) Through the Human Resources and Compensation Committee, the Board strives to link management compensation to meaningful and measurable performance targets. The granting of options or performance units shall be limited and shall have vesting periods designed to achieve long-term remuneration goals.

- iii) Senior executives shall be encouraged to own shares of the Company so as to align their interests with those of the shareholders. For these purposes, Performance Units, as defined in the Performance Units Program for designated employees of Uni-Select Inc. and its affiliates, shall be considered to be shares of the Company.

#### **L. Corporate Disclosure**

- i) The Board shall set for the Company the goal of attaining continuous and conspicuous disclosure of all significant facts, policies and procedures to all shareholders simultaneously. The achievement of this goal shall include the following:
  - (a) reporting in the appropriate public documents, in as meaningful a manner as possible, compliance with governance requirements of regulators, stock exchanges and professional authorities in all jurisdictions where the Company's securities trade, and explaining any non-compliance.
  - (b) reporting, on an annual basis, the Company's governance philosophy, practices and monitoring processes where these standards incorporate or exceed regulatory requirements; and
  - (c) reporting substantive issues, changes and developments in corporate governance practices at the Company that could affect shareholder interests.
- ii) Although the Board approves the content of the Company's principal public communications, it is the function of management to communicate on behalf of the Company with the investment community, the media, customers, suppliers, employees, governments and the general public.

## **2. THE COMPOSITION AND INDEPENDENCE OF THE BOARD**

### **A. Board Size and Composition**

The Board is committed to a Board size of between 9 and 12 members, which the Board considers to be an appropriate number for the size of the Company and sufficient to provide an appropriate mix of experience and skills for the stewardship of the Company.

### **B. Independence Standards**

A majority of the Board shall qualify as independent directors. A director is an independent director if the Board has affirmatively determined that the director has no direct or indirect material relationship with the Company (indirectly, through family relationships, or as a partner, shareholder, or officer of an organization that has a relationship with the Company). The Board's determination is based on the consideration of all relevant circumstances including, but not limited to, the following:

- i) a director who is an employee or an executive officer, or whose immediate family member is an executive officer, of the Company is not independent until three years after the end of such employment relationship;
- ii) a director who receives, or whose immediate family member who is employed as an executive officer of the Company receives, more than \$75,000 per year in direct compensation from the Company during any 12-month period within the last three years,

other than director or committee fees and compensation under a retirement plan, is not independent until three years after he or she ceases to receive more than \$75,000 per year in such compensation;

- iii) a director who is a partner with or employed by the internal or external auditor of the Company and personally worked on the Company's audit, is not independent until three years after the end of the partnership, employment or auditing relationship;
- iv) a director whose spouse, minor or stepchild, or child or stepchild who shares a home with the director, is a partner or an employee of the Company's internal or external auditor, and personally participated in its audit, assurance or tax compliance (but not tax planning) practice, is not independent until three years after the end of the partnership, employment or auditing relationship;
- v) a director who is, or whose immediate family member is, an executive officer of another company on whose compensation committee any of the Company's present executive officers serve, is not independent until three years after the end of such service.

For purposes of determining the independence of a director, an "immediate family member" includes a director's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law and anyone (other than an employee of either the director or the director's immediate family member) who shares the director's home.

#### **C. Independence of Directors**

- i) At least annually and at the time of each Annual General Meeting of the shareholders of the Company, the Board shall consider and determine whether a director or nominee to be a director would, upon election, be an independent director.
- ii) At the request of the Secretary, persons who are being considered for nomination or re-nomination to the Board shall provide the Secretary with complete and accurate information regarding the interests and relationships that might bear on the determination of whether the person would be an independent director.
- iii) Directors shall promptly advise the Secretary of any changes in their relationships or interests that might bear on their independence, as defined by law or these Guidelines.
- iv) The Company shall disclose the determinations regarding the independence of its directors or director nominees in its Annual Information Form. Any waiver of the foregoing standards for independence that the Board grants with respect to a director or director nominee shall be explained in the Annual Information Form.

#### **D. Limitations on the Number and Role of Non-Independent Directors**

- i) The Board prefers that the President and Chief Executive Officer be the only member of management on the Board, although there may be times when it is appropriate to have an additional management member on the Board.
- ii) The Chair of the Board shall be an independent director.
- iii) Only independent directors shall serve on the Audit Committee and a majority of independent directors shall be appointed to all other committees of the Board.

- iv) To enhance the independence of members of the Audit Committee in particular, no member of the Audit Committee shall (a) receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries; (b) receive any compensation for acting as a member of the Committee, other than director fees, as well as all of the other regular benefits that the directors receive, or (c) have a relationship with the Company that would be considered material under applicable laws or regulatory standards including, without limitation, serving as a partner of, a member of, an executive officer of or another officer (such as a managing director) occupying a comparable position in an entity that provides accounting, consulting, legal, investment banking or financial advisory services to the Company.

**E. Meetings of Independent Directors**

At any time, any director may request that a meeting of the Board or any Board committee be held without management or non-independent directors present or that all or some representatives of management or non-independent directors absent themselves from any particular portion of any meeting of the Board or any Board committee. The agenda for each Board meeting shall provide for a period of discussion between Board members in the absence of any members of management or non-independent directors.

**F. Communications to Independent Directors and Audit Committee**

Interested parties may contact the Audit Committee by sending by regular mail (or other means of delivery) to the corporate headquarters address of the Company a sealed envelope marked "Private and Strictly Confidential – Attention: Chair of the Audit Committee of Uni-Select Inc." Any such envelope shall be delivered unopened to the Chair of the Audit Committee. In addition, access to the Audit Committee for the communication of complaints about the Company's accounting, internal accounting controls or auditing matters shall be provided in accordance with the Company's "Audit Committee Whistleblower Procedures" displayed on the Company's web site.

**3. THE QUALIFICATIONS, NOMINATION AND TENURE OF DIRECTORS**

**A. Qualifications of Directors**

The Company's directors shall have the following characteristics and competencies:

- i) demonstrated integrity, high ethical standards and an established reputation for honesty and ethical conduct;
- ii) career experience, business knowledge and sound judgment relevant to the Company's business purpose, financial responsibilities and risk profile;
- iii) understanding of fiduciary duty;
- iv) experience and abilities that complement those of other Board members so as to enhance the Board's effectiveness and performance; and
- v) willingness to devote sufficient time and resources to the work of the Board and its committees.

## **B. Director Succession Planning**

The Board, through the Corporate Governance Committee, shall develop and annually update a plan for the composition of the Board that takes into consideration the opportunities, risks and strategic direction of the Company and the consequent ideal mix of directors' qualifications.

## **C. Nomination of Directors**

- i) The Board, through the Corporate Governance Committee, is responsible for identifying suitable candidates to be nominated for election to the Board by the shareholders. Nominees shall be presented individually, rather than as a slate, for shareholder vote.
- ii) The Board is responsible for appointing nominees to the Board of Directors of its subsidiaries.
- iii) The Corporate Governance Committee is responsible for compiling names of potential nominees, screening their qualifications against the skill and experience needs of the Board, taking into account long-term succession plans, and making recommendations to the Board.
- iv) The Corporate Governance Committee shall review and consider all candidates identified by shareholders as potential nominees for the Board of Directors.
- v) All directors are encouraged to identify potential nominees.
- vi) The Chair of the Board shall provide additional direct input into the process.
- vii) An invitation by the Board to an individual to stand as a nominee for election to the Board should be made through the Chair of the Board.

## **D. Tenure of Directors**

Each director is elected annually by the shareholders.

## **4. DIRECTOR CONFLICTS OF INTEREST**

### **A. Avoidance of Conflicts of Interest**

Every director shall comply with the conflicts of interest provisions of the Company's "*Conflict of Interest*" policy.

### **B. Disclosure of Conflicts of Interest**

- i) Prior to the beginning of his or her service on the Board, and thereafter upon the request of the Chair of the Board, every director shall disclose to the Chair of the Board or to the Chair of the Human Resources and Compensation Committee all potential conflicts of interest so that a course of action can be determined to resolve any such conflicts before any interest of the Company is jeopardized. If a director undertakes any new interests or relationships not previously disclosed, the director shall immediately inform the Chair of the Board or the Chair of the Human Resources and Compensation Committee of this change in potential conflicts of interest.

- ii) If the Board, or a committee of the Board, is deliberating on a matter that may affect a director's interests or relationships outside the Company, the director shall disclose such interests or relationships to the Chair of the Board prior to discussion or vote on the matter, so that consideration can be given in the director's absence from discussion and voting or other recusal.

## **5. MEETINGS OF THE BOARD**

### **A. Frequency of Meetings**

The Board shall meet a minimum of four (4) times per year.

### **B. Agendas and Information for Meetings**

The Chair of the Board, in consultation with the other directors and the Secretary, shall develop and set the agenda for each Board meeting. The Chief Financial Officer and the Secretary shall be responsible for the quality of materials sent to directors. Under normal circumstances, the agenda and pertinent informational materials shall be distributed to directors at least four days before the meeting. All directors are free to suggest to the Chair of the Board revisions to the agenda.

## **6. COMMITTEES OF THE BOARD**

### **A. Establishment of Committees**

The Board shall establish committees to fulfill the responsibilities stated in their respective Charters, which shall be issued by the Board. The current committee structure includes the:

- i) Executive Committee;
- ii) Audit Committee;
- iii) Corporate Governance Committee; and
- iv) Human Resources and Compensation Committee.

The committee structure is subject to change, from time to time, as the Board considers which of its responsibilities can best be fulfilled through more detailed review of matters in a committee.

### **B. Appointment of Committee Chairs**

The Board shall annually appoint the chair of each committee. To elaborate on the role of the committee chairs beyond the scope of these Guidelines, the Board shall issue position descriptions for the committee chairs.

## **7. BOARD ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS**

### **A. Board Access to Management**

All of the directors shall have open access to the Company's management for consultation. It is expected that directors will exercise judgment to ensure that their contacts will not distract unduly from the Company's business operations.

The Board also encourages individual directors to make themselves available for consultation with management at times other than Board meetings, in order to provide advice on subjects as to which such directors have special knowledge and experience and in order to expand the director's understanding of the Company's business.

### **B. Board Access to Independent Consultants or Advisors**

Occasionally, the Board or Board committees may wish to engage the services of a consultant or advisor not employed by the Company to assist on legal, accounting or other matters within their respective responsibilities. The Board, the Chair of the Board or any of the committees of the Board may, on their own initiative, engage an independent consultant or advisor at the Company's expense. Individual directors may engage the services of an outside advisor at the expense of the Company if he or she first obtains authorization of the Chair.

## **8. BOARD EDUCATION AND SELF-ASSESSMENT**

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

- i) New directors shall be provided with an orientation that includes: (i) written information about the duties and obligations of directors and the business and operations of the Company; (ii) documents from recent Board meetings; and (iii) opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director shall be tailored to that director's individual needs and areas of interest.
- ii) The Company shall conduct, or provide access to, continuing education programs for current directors.

### **B. Assessing the Board's Performance**

- i) The Board, with the assistance of the Corporate Governance Committee, shall make an annual assessment of the overall effectiveness of the Board and its committees, the Board Chair and of the contributions of the individual directors.
- ii) The objective of this assessment is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. These assessments are expected to identify any areas in which the directors and management believe that the Board, its committees, the Chair of the Board or individual directors could make a better contribution to overseeing the affairs of the Company so as to enhance shareholder value and fulfill these Guidelines.

## **9. DIRECTOR COMPENSATION AND SHARE OWNERSHIP**

### **A. Compensation of Directors**

The Human Resources and Compensation Committee shall review the compensation of the directors each year. The Committees shall make recommendations to the Board for consideration when they believe changes in compensation are warranted. In its review, the Committees may consider surveys of comparable companies and the duties, responsibilities and time commitments required of directors.

### **B. Ownership of Stock**

Each director must be a shareholder of the Company to ensure that his/her interests align with those of the shareholders.

### **C. Reporting of Director Compensation**

The Company shall disclose annually the compensation of the directors. The Company shall also disclose annually any changes in each director's share ownership.

## **10. REVIEW, MODIFICATION AND WAIVER OF CORPORATE GOVERNANCE GUIDELINES**

The Corporate Governance Committee shall review these Guidelines periodically and submit any recommended changes to the Board for approval. The Corporate Governance Committee shall take into consideration the emerging best practices at leading and comparable companies. These Guidelines may be materially amended or modified only by the Board and may be waived only by the Board or the Corporate Governance Committee, subject to the disclosure and other provisions of applicable laws and regulatory requirements.