

## **BOARD OF DIRECTORS MANDATE**

The Board of directors (the “Board”) of Exchange Income Corporation (the “Company”) will carry out the procedures, responsibilities and duties set out below. In doing so, the Board shall oversee the management of the Company’s business and affairs in the interests of the shareholders of the Company, while continually monitoring the integrity of the Company, its subsidiaries, its officers and employees.

## **BOARD COMPOSITION**

1. The Board should consist of a cross-section of highly professional and competent members with the necessary knowledge and abilities to facilitate the Company meeting its legal, financial, operational and societal objectives.
2. The election of directors occurs at the annual general meeting of the Company and is for a term of one year.
3. A majority of the members of the Board shall be independent pursuant to applicable legislation and regulations.

## **MEETINGS**

4. The Chair of the Board shall solicit from the members of the Board recommendations as to matters to be brought before the Board, which matters shall receive a fair hearing at the Board meetings. The Board will meet at least five times per year. A quorum for meetings is a majority of directors.
5. A meeting agenda and background material on agenda items will be provided prior to each meeting so that Board members have an opportunity for advance review of relevant materials. Senior management will be made accessible to Board members at Board meetings and meetings of committees (each a “Committee”) of the Company and at such other times as the Board members may request.
6. All directors are encouraged to attend meetings of the Board and/or Committees in person. However, when this is not possible, a director may participate in a meeting of the Board or of a Committee by means of telephone or other communications facilities which permit all persons participating in the meeting to hear each other, and a director participating by such means is deemed to be present at the meeting.

## **REMUNERATION**

7. Remuneration of the Board will be established upon the recommendation of the Compensation Committee and shall be generally in line with that paid by other Canadian controlled public companies of a similar size and type.

## **DUTIES AND RESPONSIBILITIES OF THE BOARD**

8. The Board is responsible for the supervision of the management of the Company's business and affairs. The Board has the statutory authority and obligation to oversee the maintenance and protection of the assets of the Company in the interest of all of the shareholders of the Company.

9. Although directors may be elected by the shareholders of the Company to bring a special expertise or point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Company must be paramount at all times.

10. The involvement and commitment of directors is evidenced by regular Board and Committee attendance, preparation and active participation in setting goals, and requiring performance for the benefit of shareholders of the Company.

11. While the Board is called upon to "manage" the business, this is done through delegation to the Chief Executive Officer who is charged with the day-to-day management of the Company. The Board approves the goals of the business, the objectives and policies within which it is managed, and then steps back and evaluates management performance. Reciprocally, management keeps the Board fully informed of the progress of the Company towards the achievement of its established goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.

12. The Board operates by delegating certain of its responsibilities and authority, including spending authorization, to management and reserving certain powers to itself.

### **Management Selection, Retention, Succession and Remuneration**

13. Subject to the Articles and By-laws of the Company, the Board manages its own affairs, including planning its composition, selecting its Chairperson, nominating candidates for election to the Board, appointing Committees, establishing the charters and duties of the Board and its Committees, and determining Board compensation.

14. The Board has responsibility for the appointment and replacement of the Chief Executive Officer, for monitoring the performance of the Chief Executive Officer, and for determining the compensation of the Chief Executive Officer.

15. The Board has responsibility for approving the appointment and remuneration of all corporate officers, acting upon the advice of the Chief Executive Officer, and for overseeing the implementation of adequate management succession mechanisms.

16. The Board must satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the Company.

## Strategy Determination

17. The Board has the responsibility of participating directly or through its Committees in developing and approving the mission of the Company, its objectives and goals, and the strategy for the achievement of such objectives and goals.

18. The Board is responsible for promoting congruence between the expectations of shareholders of the Company, Company goals and objectives and management performance.

## Monitoring And Acting

19. The Board is responsible for monitoring the Company's progress towards its goals, and to revise and alter its direction in light of changing circumstances.

20. The Board is responsible for providing advice and counsel to the Chief Executive Officer and for taking appropriate action when performance of the Company falls short of its goals or other special circumstances warrant such action.

## Policies And Procedures

21. The Board is responsible for approving and monitoring compliance with all significant policies and procedures by which the Company operates.

22. The Board is responsible for monitoring the Company's operations to ensure that such operations comply with applicable laws and regulations and ethical and moral standards at all times.

## Reporting To Shareholders

23. The Board is responsible for monitoring the performance of the Company and providing regular, adequate and timely reporting of such performance to shareholders of the Company, other security holders and regulators.

24. The Board is responsible for overseeing the report of audited annual financial statements in accordance with generally accepted accounting standards, and for reviewing the Company's quarterly financial statements before publication.

25. The Board is responsible for the timely reporting of any developments that have a significant and material impact on the value of the Company or its publicly traded securities.

## General Legal Obligations

26. The directors of the Company generally have the following legal obligations:

- (i) To manage the business and affairs of the Company.
- (ii) To act honestly and in good faith with a view to the best interests of the Company.
- (iii) To exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- (iv) To act in accordance with their obligations under the Canada Business Corporations Act, securities, environmental, and other relevant legislation, and the Company's articles and by-laws.
- (v) To consider as the full Board and not delegate to a Committee:
  - a. any submission to the shareholders of the Company of a question or matter requiring the approval of the shareholders of the Company;
  - b. the filling of a vacancy among the directors or the Company's auditor;
  - c. the manner and the terms of the issuance of securities;
  - d. the declaration of dividends by the Company;
  - e. the purchase, redemption or any other form of acquisition of shares issued by the Company;
  - f. the payment of a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Company from the Company or from any other person, or procuring or agreeing to procure purchasers for any such shares;
  - g. the approval of a management proxy circular;
  - h. the approval of annual and interim financial statements;
  - i. the approval of any take-over bid circular, directors' circular or comparable circular; and
  - j. the adoption, amendment or repeal of the By-laws of the Company and proposed amendments to the Articles of the Company to be submitted to shareholders of the Company for approval.

## **BOARD COMMITTEES**

### **Purpose**

27. The Board may establish, seek the advice of and delegate responsibilities to Committees of the Board.

28. Committees undertake detailed examination of specific aspects of the Company as outlined in their charters. The Committees provide a smaller, more intimate forum than full Board meetings and are designed to be more conducive to exhaustive and forthright discussion.

29. Committees analyze in depth policies and strategies which are developed by management. They examine alternatives and, where appropriate, make recommendations to the full Board.

30. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so. The Board reserves the right to oversee, review and approve Committee activity.

### **Membership**

31. Subject to the Articles of the Company and the By-laws of the Company, the Chairs and members of the Committees are recommended by the Chair of the Board, in consultation with the Chair of the Governance Committee, and appointed by the Board.

32. Committees should be made up of not less than three and not more than seven directors.

33. The Chair of the Board shall be an ex-officio member of each Committee.

### **Procedures**

34. The Chair of each Committee shall preside at Committee meetings; in that person's absence, an alternate may be elected by the Committee.

35. A majority of the members of a Committee constitutes a quorum.

36. Each Committee shall meet at the call of its Chair at least once in the fiscal year, or in accordance with the applicable Charter.

37. Upon advising the Board Chair, a Committee may from time to time request the assistance of external advisors to research, investigate and report on matters within that Committee's Charter.

38. The Corporate Secretary, or a person delegated by the Corporate Secretary, will be the secretary to a Committee. All minutes of the Committees will be forwarded by the Secretary to each member of the Board in a timely manner.

39. The proceedings of Committees shall be conducted in accordance with the By-laws of the Company and the Articles of the Company and the applicable Committee charter.

40. Each Committee Chair shall report or cause a report to be made to the Board at each Board meeting following a Committee meeting.

## **STANDING COMMITTEES**

41. The Board has established the following standing Committees:

- (i) the Audit Committee;
- (ii) the Governance Committee;
- (iii) the Compensation Committee;
- (iv) the Aerospace & Aviation Sector Committee;
- (v) the Manufacturing Sector Committee; and
- (vi) the Disclosure and Competition Committee.

## **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND INSURANCE**

42. The following summarizes the arrangements relating to the indemnification and insurance of directors and officers of the Company, its subsidiaries and other entities it may direct.

## **STATUTORY FRAMEWORK**

43. The Canada Business Corporations Act provides that a corporation may indemnify (and the Company does indemnify) a director or officer against all costs, charges and expenses (including an amount paid to settle an action or satisfy a judgment) reasonably incurred in respect of any civil, criminal or administrative action or proceeding if the person has acted honestly and in good faith with a view to the best interests of the corporation and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that the conduct complained of was lawful. In the case of an action brought by or on behalf of the corporation, the corporation may indemnify the directors and officers only with the approval of the court and in any case the indemnity would cover only the costs, charges, and expenses reasonably incurred by the individual in connection with the action.

## **TERMS OF REFERENCE FOR INDIVIDUAL DIRECTORS**

The Board exercises its powers and responsibilities as a group. No individual director has the power to act on his or her own. As a member of the Board, each director will fulfill the legal requirements and obligations of a director, which include the responsibilities:

- (i) to act honestly and in good faith with a view towards the best interests of the Company; and
- (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

## **GENERAL**

44. Members of the Board shall:

- (i) Maintain a solid understanding of the role, responsibilities and legal duties of a director.
- (ii) Demonstrate an understanding of the difference between governing and managing, and not encroach on management's area of responsibility.
- (iii) Maintain confidentiality of all information that is acquired as a director.
- (iv) Understand conflict of interest issues and declare real or perceived conflicts and disclose contracts or arrangements in which the director has an interest.
- (v) Demonstrate support for the values and ethics of the Company and a high standard of personal values and ethics.
- (vi) Participate actively as a member or Chair of one or more Committees and become knowledgeable with the mandates of those Committees.

## **SKILLS AND EXPERIENCE**

45. Members of the Board shall:

- (i) Demonstrate skills and experience that are complementary to the directors and supportive of the Company's current activities and strategic direction.
- (ii) Utilize external relationships and resources in making a contribution and adding value to the Company.
- (iii) Effectively apply his or her knowledge, experience and expertise to issues confronting the Company.
- (iv) Serve as a helpful resource to the Board and to management where necessary and appropriate.

## **STRATEGIES AND PLANS**

46. Members of the Board shall:

- (i) Maintain and demonstrate a comprehensive understanding of the Company's strategic direction and annual plans; including an understanding of the Company's principal risks.
- (ii) Contribute and add value to discussions regarding the Company's strategic direction.
- (iii) Participate in monitoring and evaluating the Chief Executive Officer's and management's success in achieving established goals set out in the Company's strategic and annual plans.

## **PREPARATION, ATTENDANCE AND AVAILABILITY**

47. Members of the Board shall:

- (i) Maintain an excellent Board and Committee meeting attendance record.
- (ii) Attend entire Board or Committee meetings, not just parts of meetings.
- (iii) Attend meetings well prepared, having completed and understood the necessary background reading and having consulted other directors and/or management, if required, to evaluate and add value to agenda items presented.
- (iv) Where appropriate, demonstrate broader preparation than just the distributed material.
- (v) Be available when needed and be accessible and approachable.
- (vi) Have the necessary time and commitment to fulfill responsibilities as a director and, if applicable, as a member of one or more Committees.

## **COMMUNICATION AND INTERACTION**

48. Members of the Board shall:

- (i) Interact appropriately with the leadership and management of the Company.
- (ii) Participate fully and openly in Board deliberations and discussions.
- (iii) Be a team player – work effectively with fellow directors and be a positive and constructive force within the Board.
- (iv) Communicate persuasively and logically, voice concerns, listen and raise questions in a manner that encourages open discussion.
- (v) Be willing to take a stand or express a view, even if it runs contrary to prevailing wisdom or the direction of the discussion; exercise independent judgment.
- (vi) Advise the Chief Executive Officer and/or the Chair of the Board when introducing significant and/or previously unknown information or material at a Board meeting.

## **BUSINESS, COMPANY AND INDUSTRY KNOWLEDGE**

49. Members of the Board shall:

- (i) Maintain and demonstrate a strong understanding of the business, services/products, markets and operations of the Company and its affiliates.
- (ii) Maintain and demonstrate knowledge of important industry trends and the competitive environment.
- (iii) Where appropriate, use contacts to increase understanding of the various issues with which the Board is concerned.
- (iv) Be familiar with and have access to the Company's senior management team and other high potential senior employees.
- (v) Remain knowledgeable about the Company's operations and visit them when appropriate.