



**ALTUS GROUP LIMITED**  
(the “Corporation”)

***CORPORATE GOVERNANCE GUIDELINES***

**INTRODUCTION**

The board of directors (the “**Board**”) is committed to fulfilling its statutory mandate to supervise the management of the business and affairs of the Corporation with the highest standards of ethical conduct and in the best interests of the Corporation and its shareholders (the “**Shareholders**”). The Board, acting on the recommendation of its Governance and Nominating Committee, has adopted these corporate governance guidelines to promote the effective functioning of the Board and its committees, to promote the interests of Shareholders, and to establish a common set of expectations as to how the Board, its various committees, individual directors and senior management should perform their functions.

**GUIDELINES**

**Board Responsibilities**

The business and affairs of the Corporation are managed by or under the supervision of the Board in accordance with applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators. The responsibility of the Board is to provide direction and oversight. The Board approves the strategic direction of the Corporation and oversees the performance of the Corporation’s business and senior management. The senior management of the Corporation is responsible for presenting strategic plans to the Board for review and approval and for implementing the Corporation’s strategic direction.

In performing their duties, the primary responsibility of the directors is to exercise their business judgment in what they reasonably believe to be the best interests of the Corporation. In discharging that obligation, directors should be entitled to rely on the honesty and the integrity of the Corporation’s senior management and outside advisors and auditors. The directors also should be entitled to have the Corporation purchase reasonable directors’ and officers’ liability insurance on their behalf, and to enjoy the benefits of indemnification to the fullest extent permitted by applicable law and to exculpation as provided by applicable law.

In fulfilling its statutory mandate and discharging its duty of stewardship of the Corporation, the Board assumes responsibility for those matters set forth in its Mandate, a copy of which is attached as Schedule 1.

## **Board Size**

It is the current view of the Board that the Board should consist of no more than nine members to facilitate its effective functioning.

## **Chair of the Board**

The Board believes that so long as the roles of Chairman and Chief Executive Officer are held by the same individual, there should be a “lead director” appointed by the Board from among its independent members, who should also serve as chair of the Governance and Nominating Committee. The Lead Director and the Chief Executive Officer should carry out their responsibilities in accordance with their written position descriptions.

## **Selection of Directors**

As provided in the Governance and Nominating Committee’s Charter, the Governance and Nominating Committee will be responsible for identifying and recommending to the Board individuals qualified to become members of the Board, based primarily on the following criteria:

- judgment, character, expertise, skills and knowledge useful to the oversight of the Corporation’s business;
- diversity of viewpoints, backgrounds, experiences and other demographics;
- business or other relevant experience; and
- the extent to which the interplay of the individual’s expertise, skills, knowledge and experience with that of other members of the Board will build a board that is effective, collegial and responsive to the needs of the Corporation.

The Governance and Nominating Committee will also be responsible for initially assessing whether a candidate would be independent (and in that process applying the Categorical Standards for Determining Independence of Directors (that are appended to the Board Mandate) and advising the Board of that assessment.

The Board, taking into consideration the recommendations of the Governance and Nominating Committee, will be responsible for appointing directors to fill vacancies, and determining whether a nominee or appointee is independent.

## **Election of Directors**

Each director should be elected by the vote of a majority of the shares represented in person or proxy at any meeting for the election of directors. If any nominee for election as director who is an incumbent director receives, from the shares voted at the meeting in person or by proxy, a greater number of votes “withheld” than votes “for” his or her election, the director will be expected to promptly tender his or her resignation to the Lead Director following the meeting, to take effect upon acceptance by the Board. The Governance and Nominating Committee will expeditiously consider the director’s offer to resign and recommend to the Board whether to accept or reject that offer. Within 90 days of the meeting of Shareholders, the Board will make a final decision concerning the acceptance of the director’s resignation and will announce that

decision by way of a news release. Any director who tenders his or her resignation will not participate in the deliberations of the Board or any of its committees pertaining to his or her resignation. If such incumbent director's resignation is not accepted by the Board, such director will continue to serve until the next annual meeting and until his or her succession is duly elected, or his or her earlier resignation or removal. If any director fails to tender his or her resignation as contemplated in this paragraph, the Board will not re-nominate that director. Subject to any corporate law restrictions, where the Board accepts the offer of resignation of a director and that director resigns, the Board may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of Shareholders, fill the vacancy through the appointment of a new director whom the Board, upon recommendation of the Governance and Nominating Committee, considers to merit the confidence of the Shareholders, or call a special meeting of Shareholders to elect a new nominee to fill the vacant position. This process applies only in circumstances involving an "uncontested" election of directors – where the number of director nominees does not exceed the number of directors to be elected and where no proxy materials are circulated in support of one or more nominees who are not part of the slate supported by the Board for election at the meeting.

### **Continuation as a Director**

When a director's principal occupation or business association changes substantially from the position he or she held when originally invited to join the Board (determined by reference to factors such as country of principal residence, industry affiliation, etc.), that director should tender a letter of proposed resignation to the Chair of the Governance and Nominating Committee. The Governance and Nominating Committee will review that director's continuation on the Board and recommend to the Board whether, in light of all the circumstances, the Board should accept the proposed resignation or request that the director continue to serve on the Board.

### **Committee Membership**

Each of the Audit Committee, the Human Resource and Compensation Committee, the Governance and Nominating Committee will be composed of no fewer than three members, each of whom will satisfy the membership criteria set out in the relevant committee charter. Members of committees will be appointed by the Board upon the recommendation of the Governance and Nominating Committee. A director may serve on more than one committee and committee membership may be rotated periodically as necessary or advisable. The Board, taking into account the recommendation of the Governance and Nominating Committee, generally will designate one member of each committee as chair of that committee. As set out above, at such times as there is a Lead Director, he or she shall serve as the chairperson on the Governance and Nominating Committee. Committee chairs shall carry out their responsibilities in accordance with their respective written position descriptions. Committee chairs may be rotated periodically.

### **Evaluating Board and Committee Performance**

The Board and each committee will conduct an annual self-evaluation, as provided in its respective charter.

## **Board and Committee Meetings**

The Board and each committee should meet as provided in its respective charter.

An agenda for each meeting of the Board and each committee meeting will be provided to each director and each member of the relevant committee. Any director or member of a committee may suggest the inclusion of subjects on the agenda of meetings of the Board or a committee. Each director and each member of a committee is free to raise, at a meeting of the Board or a committee, respectively, subjects that are not on the agenda for that meeting.

Materials provided to the directors for meetings of the Board and committee meetings should provide the information needed for the directors and members of the committee, respectively, to make informed judgments or engage in informed discussions.

To ensure free and open discussion and communication among directors, the independent directors will meet in executive session (with no members of senior management or non-independent directors present) at every regularly scheduled meeting of the Board and otherwise as those directors determine. The Chair of the Governance and Nominating Committee will preside at these executive sessions, unless the directors present at such meetings determine otherwise. Any interested party may communicate directly with the Chair, who may invite such person to address an executive session.

Unless the Chair of a committee otherwise determines, the agenda, materials and minutes for each committee meeting will be available on request to all directors, and all directors will be free to attend any committee meeting. All meetings of a committee will have a session in which the members of the committee will meet with no non-committee members present and, at any time in a meeting of a committee, directors who are not members may be asked to leave the meeting to ensure free and open discussion and communication among members of the committee. Directors who are not members of a committee will not be compensated for attending meetings of that committee.

## **Director Compensation**

As provided for in the Human Resource and Compensation Committee's Charter, the form and amount of director compensation will be determined by the Board upon the recommendation of Human Resource and Compensation Committee.

## **Share Ownership Guidelines**

Each director is required to acquire common shares of the Corporation having an initial acquisition value equal to three times his or her annual Board of Directors retainer (being \$150,000 in 2012). Directors are expected to achieve this level of ownership within five years from the date they become directors. Directors may apply the deferred share units that they receive as payment for all or part of their annual retainer towards this minimum equity ownership requirement. If the annual retainer is increased, all directors are required to achieve the increased minimum equity ownership level within two years of the effective date of the increase in the annual retainer. For greater certainty, the determination as to whether a director has met this minimum equity ownership level will be made with reference to the value of the common shares (or deferred share units) at the time of their acquisition, and not the then current market price.

## **Expectations of Directors**

The Board has developed a number of specific expectations of directors to promote the discharge by the directors of their responsibilities and to promote the efficient conduct of the Board.

***Commitment and Attendance.*** All directors should strive to attend all meetings of the Board and the committees of which they are members. Attendance by telephone or video conference may be used when necessary to facilitate a director's attendance.

***Participation in Meetings.*** Each director should be sufficiently familiar with the business of the Corporation, including its financial statements and capital structure, and the risks and the competition it faces, to ensure active and effective participation in the deliberations of the Board and of each committee on which he or she serves.

***Loyalty and Ethics.*** In their roles as directors, all directors owe a duty of loyalty to the Corporation. This duty of loyalty mandates that the best interests of the Corporation take precedence over any other interest. Directors should conduct themselves in accordance with the Corporation's Code of Business Conduct and Ethics.

***Interlocking Directorships.*** Without the approval of the Governance and Nominating Committee, no director should serve on more than one other public Corporation Board on which another director of the Corporation serves.

***Contact with Senior Management and Employees.*** All directors should be free to contact the Chief Executive Officer and other members of the Corporation's senior management at any time to discuss any aspect of the Corporation's business. The Board expects that there will be frequent opportunities for directors to meet with the Chief Executive Officer and other members of senior management in meetings of the Board and committees, or in other formal or informal settings.

***Confidentiality.*** The proceedings and deliberations of the Board and its committees are confidential. Each director will maintain the confidentiality of information received in connection with his or her service as a director.

## **Orientation and Continuing Education**

Senior management, working with the Board, will provide appropriate orientation and education for new directors to familiarize them with the Corporation and its business, as well as the expected contribution of individual directors. All new directors will participate in this program orientation and education, which should be completed within four months of a director first joining the Board. In addition, senior management will schedule periodic presentations for the Board to ensure they are aware of major business trends and industry practices as and when required. The Corporation will also provide funding for directors to attend external forums, conferences and educational programs in order to enhance their knowledge of the industries in which the Corporation carries on business as well as to learn about emerging trends and requirements in corporate governance and other topical areas of interest, thereby contributing to their continuing development as stewards of the Corporation.

### **Measures for Receiving Shareholder Feedback**

All publicly disseminated materials of the Corporation shall provide for a mechanism for feedback of Shareholders. Persons designated to receive such information shall be required to provide a summary of the feedback to the directors on a semi-annual basis or at such other more frequent intervals as they see fit.

## **Schedule I**

### **ALTUS GROUP LIMITED (the “Corporation”)**

#### ***MANDATE OF THE BOARD OF DIRECTORS***

##### **PURPOSE**

The Board is elected by the Corporation’s shareholders to supervise the management of the business and affairs of the Corporation, in the best interests of the Corporation. The Board shall:

- Review and approve the strategic plan and business objectives of the Corporation that are submitted by senior management and monitor the implementation by senior management of the strategic plan. During at least one meeting each year, the Board will review the Corporation’s long term strategic plans and the principal issues that the Corporation expects to face.
- Review the principal strategic, operational, reporting and compliance risks for the Corporation and oversee, with the assistance of the Audit Committee, the implementation and monitoring of appropriate risk management systems and the monitoring of risks.
- Ensure, with the assistance of the Governance and Nominating Committee, the effective functioning of the Board and its committees in compliance with the corporate governance requirements of applicable legislation, and that such compliance is reviewed periodically by the Governance and Nominating Committee.
- Ensure internal controls and management information systems for the Corporation are in place and are evaluated and reviewed periodically on the initiative of the Audit Committee.
- Assess the performance of the Corporation’s senior management, including monitoring the establishment of appropriate systems for succession planning (including the development of policies and principles for Chief Executive Officer selection and performance review and policies regarding succession in an emergency or upon retirement of the Chief Executive Officer) and for periodically monitoring the compensation levels of such senior management based on determinations and recommendations made by the Human Resource and Compensation Committee.
- Ensure that the Corporation has in place a policy for effective communication with shareholders, other stakeholders and the public generally.
- Review and, where appropriate, approve the recommendations made by the various committees of the Board, including, without limitation, to: select nominees for election to the Board; appoint directors to fill vacancies on the Board; appoint members of the various committees of the Board; and, establish the form and amount of director compensation.

## **COMPOSITION**

The Board collectively should possess a broad range of skills, expertise, industry and other knowledge, and business and other experience useful to the effective oversight of the Corporation's business. The Board should be comprised of that number of individuals which will permit the Board's effective functioning. The appointment and removal of directors shall occur in accordance with the Corporation's by-laws. A majority of the Board should meet the independence requirements of applicable legislation, regulatory requirements and policies of the Canadian Securities Administrators. The Board has adopted a set of categorical standards for determining whether directors satisfy those requirements for independence. A copy of those standards is attached as Appendix A.

A majority of the Board shall be "resident Canadians", as contemplated by applicable corporate law.

## **MEETINGS**

The Board will meet not less than four times per year (three meetings to review quarterly results and one following the annual general meeting) and more frequently as circumstances require. All members of the Board should strive to be at all meetings. The quorum for the transaction of business at any meeting of the Board shall consist of a majority of the number of directors then holding office and, notwithstanding any vacancy among the number of directors, a quorum of directors may exercise all of the powers of the directors; provided that a majority of the directors comprising such quorum shall be Canadian Residents. The Board may meet separately, periodically, without senior management, and may request any member of senior management or the Corporation's outside counsel or independent auditors to attend meetings of the Board or with advisors thereto.

## **COMMITTEES**

The Board may delegate authority to individual directors and committees where the Board determines it is appropriate to do so. The Board expects to accomplish a substantial amount of its work through committees and shall form at least the following three committees: the Audit Committee, the Human Resource and Compensation Committee, and the Governance and Nominating Committee. The Board may, from time to time, establish or maintain additional standing or special committees as it determines to be necessary or appropriate. Each committee should have a written charter and should report regularly to the Board, summarizing the committee's actions and any significant issues considered by the committee.

## **INDEPENDENT ADVICE**

In discharging its mandate, the Board shall have the authority to retain (and authorize the payment by the Corporation of) and receive advice from special legal, accounting or other advisors as the Board determines to be necessary to permit it to carry out its duties.

## **ANNUAL EVALUATION**

Annually, or more frequently at the request of the General Counsel as a result of legislative or regulatory changes, the Board through the Governance and Nominating Committee shall, in a manner it determines to be appropriate:

- Conduct a review and evaluation of the performance of the Board and its members and committees, including the compliance of the Board with this Mandate. This evaluation will focus on the contribution of the Board to the Corporation and specifically focus on areas in which the directors and senior management believe that the contribution of the Board could be improved.
- Review and assess the adequacy of this Mandate and the position description for the Lead Director and make any changes the Board determines to be appropriate, except for minor technical amendments to this Mandate, authority for which is delegated to the General Counsel, who will report any such amendments to the Board at its next regular meeting.

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**Appendix A**

***CATEGORICAL STANDARDS FOR DETERMINING  
INDEPENDENCE OF DIRECTORS***

For a director to be considered independent under the policies of the Canadian Securities Administrators, he or she must have *no direct or indirect material relationship with the Corporation*, being a relationship that could, in the view of the board of directors (the “**Board**”), reasonably interfere with the exercise of a director’s independent judgement.

The Board, upon the recommendation of the Governance and Nominating Committee, has considered the types of relationships that could reasonably be expected to be relevant to the independence of a director of the Corporation. The Board has determined that:

1. A director’s interests and relationships arising solely from his or her (or any immediate family members<sup>1</sup>) holdings in the Corporation are not, in and of themselves, a bar to independence.
2. Unless a specific determination to the contrary is made by the Governance and Nominating Committee as a result of there being another direct or indirect material relationship with the Corporation, a director will be independent unless currently, or at any time within the past three years, he or she or any immediate family member:
  - Employment: Is (or has been) an officer or employee (or, in the case of an immediate family member, an executive officer) or (in the case of the director only) an affiliate<sup>2</sup> of the Corporation or any of its subsidiaries or affiliates (collectively, the “**Corporation Group**”) or is actively involved in the day-to-day management of the Corporation;
  - Direct Compensation: Receives (or has received) direct compensation during any twelve-month period from the Corporation Group (other than director fees and committee fees and pension or other forms of deferred compensation for prior service, provided it is not contingent on continued service)<sup>3</sup> ;
  - Auditor Relationship. Is (or has been) a partner or employee of a firm that is the Corporation’s internal or independent auditor (provided that in the case of an immediate family member, he or she participates in its audit, assurance or tax

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<sup>1</sup> A (i) spouse, parent, child, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, or (ii) any person (other than domestic employees) who shares that director’s home.

<sup>2</sup> A company is a subsidiary of another company if it is controlled, directly or indirectly, by that other company (through one or more intermediaries or otherwise). An “Affiliate” of a person is a person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.

<sup>3</sup> Employment as an interim chair or an interim Chief Executive Officer need not preclude a director from being considered independent following the end of that employment. Receipt of compensation by an immediate family member need not preclude a director from being independent if that family member is a non-executive employee.

compliance (but not tax planning practice)) and if during that time, he or she or an immediate family member was a partner or employee of that firm but no longer is such, he or she or the immediate family member personally worked on the Corporation's audit;

- Material Commercial Relationship. Has (or has had), or is an executive officer, employee or significant shareholder of a person that has (or has had), a significant commercial relationship with the Corporation Group;
- Cross-Compensation Committee Link. Is employed as an executive officer of another entity whose compensation committee (or similar body) during that period of employment included a current executive officer of the Corporation.
- Material Personal Association. Has (or has had) a close commercial association with an executive officer of the Corporation.

Notwithstanding the foregoing, no director will be considered independent if applicable securities legislation, rules or regulations expressly prohibit such person from being considered independent.