

## GOVERNANCE GUIDELINES

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### 1. INTRODUCTION

- A. The board of directors (the "Board") of Morguard Corporation (the "Corporation") believes that the principal objective of the Corporation is to generate economic returns to its owners. The Board believes that good corporate governance practices provide an important framework for a timely response by the Board to situations that may directly affect shareholder value.
- B. The Board desires to emphasize that the substance of good corporate governance is more important than its form; adoption of a set of guidelines or principles or any particular practice or policy is not a substitute for, and does not itself assure, good corporate governance.

### 2. BOARD ADMINISTRATIVE GUIDELINES

The terms of reference for the Board define the role of the Board. The following outlines the key guidelines governing how the Board will operate to carry out its duties of stewardship and accountability.

#### The Board-Management Relationship

- a) The Board is called upon to supervise the management of the business and affairs of the Corporation and management is, through the Chief Executive Officer (the "CEO") charged with the day-to-day leadership and management of the Corporation.
- b) The CEO's prime responsibility is to lead the Corporation. The CEO formulates the Corporation's policies and proposed action and presents them to the Board for approval. 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, the CEO keeps the Board fully informed of the Corporation's progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.
- c) Once the Board has approved the goals, strategies and policies, it acts in a unified and cohesive manner in supporting and guiding the CEO, subject to its duty to act in the best interests of the Corporation.

#### Terms of Reference

Terms of Reference for the Board, committees, as applicable, and the CEO are reviewed annually by the Board.

#### Corporate Strategy

Management is responsible for the development of an overall corporate strategy to be presented to the Board. The Board's role is to ensure there is a strategic planning process and then review, question, validate and ultimately approve the strategy and monitor its implementation.

### Business Risks

The Board should have a continuing understanding of the principal risks associated with the business and it is the responsibility of management of the Corporation to ensure the Board and its committees are kept well informed of changing risks. The principal mechanisms through which the Board reviews risks are:

- a) on-going reports by the CEO;
- b) the strategic planning process; and
- c) the Audit Committee and other committees.

### Succession Planning

The Board considers succession planning and management development to be an ongoing process, including annual reports to the Board by the CEO. The CEO's views as to a successor in the event of unexpected incapacity should be discussed regularly with the Compensation Committee.

### Board Communications Policy

- a) The Board approves the content of the Corporation's major communications to shareholders and the investing public, including the annual report, all quarterly reports, the management information circular, the annual information form, as applicable, and any prospectuses or similar disclosure documents that may be issued and distributed.
- b) However, the Board believes that it is the function of management to speak for the Corporation in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that the Board Chair or other individual directors may, from time to time, be requested by management to assist with such communications.
- c) It is expected that when communications from stakeholders are made to the Board Chair or to other individual directors, management will be informed and consulted to determine any appropriate response to be made by the Board Chair or management, as the case may be.

### Evaluation of the Chief Executive Officer

The Board is committed to an annual performance evaluation of the CEO, against agreed upon written objectives.

### Board Size and Composition

- a) The Board is committed to a Board size of between 6-15 members, which the Board considers to be an appropriate number for the size of the Corporation and sufficient to provide an appropriate mix of backgrounds and skills for the stewardship of the Corporation. In general, the Board believes smaller boards are more cohesive and work more effectively than larger Boards.
- b) A majority of directors comprising the Board will be independent directors within the meaning of Multilateral Instrument 52-110 (as the same may be amended or replaced from time to time). Specifically, a director will be considered independent if he or she is free from any relationship that, in the view of the Board, could reasonably interfere with the exercise of his or her independent judgment as a member of the Board.

- c) Any director who is an independent and whose circumstances change such that he or she might be considered to no longer be independent shall promptly advise the Board of the change in circumstances.
- d) The Board Chair shall be a Lead Director who shall be separate from the CEO; or alternatively, where the Board Chair is not separate from the CEO, an independent director shall be appointed as Lead Director.
- e) At its meeting to approve the management information circular for the annual general meeting of the shareholders of the Corporation, the Board shall consider and determine whether a director or nominee to be a director, is an independent director and an inside director (a director who is a member of management) or an outside director (a director who is not a member of management),
- f) The Board prefers to have the CEO as the only management member on the Board although there may be times when it is appropriate to have an additional management member on the Board.

#### Criteria for Board Membership

- a) The Corporate Governance and Nominating Committee will review each year the general and specific criteria applicable to candidates to be considered for nomination to the Board.
- b) The objective of this review will be to maintain the composition of the Board in a way that provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of the Corporation.
- c) This review will take into account the desirability of maintaining a reasonable diversity of background skills and experience and personal characteristics among the directors, along with the key common characteristics required for effective Board participation.

#### Selection of New Directors

- a) The Board is responsible for identifying suitable candidates to be recommended for election to the Board by the shareholders.
- b) The Corporate Governance and Nominating Committee has the responsibility of gathering the names of potential nominees, screening their qualifications against the current skill and experience needs of the Board and making recommendations to the full Board.
- c) All directors are encouraged to identify potential candidates.
- d) The Board Chair and the CEO provide additional direct input to the process.
- e) An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the Board Chair.

#### Directors Who Change Their Present Job Responsibility

- a) A director, including the CEO if he/she is serving on the Board, who has a major change in principal occupation, shall offer his or her resignation to the Board for consideration. It is not intended that directors who retire or whose professional positions change should necessarily leave the Board.
- b) The sense of the Board is that there should be an opportunity for the Board to review, through the Corporate Governance/ Nominating Committee, the continued appropriateness of Board membership under such circumstances.

### Director Terms

Each director is elected annually by the shareholders.

### Director Retirement Age

The Board does not believe that arbitrary term limits are appropriate, nor does it believe that Directors should expect to be re-nominated annually until they reach mandatory retirement age. On an ongoing basis a balance must be struck between ensuring that there are fresh ideas and viewpoints available to the Board while not losing the insight and experience contributed by longer serving Directors.

### Board Independence

- a) At any time any director may request that a meeting of the Board or any committee thereof be held without representatives of management of the Corporation present or that all or some representatives of management absent themselves from any particular portion of any meeting of the Board or any committee thereof. When requested by a director that all or a portion of a meeting be held without management, the Board Chair or the applicable committee chair in question, shall consider and discuss with other independent directors whether or not such action shall be taken. If no such action is to be taken, the Chair shall report back to the director requesting the action, advising the director as to the reasons why such action has not been taken.
- b) The Board will allow time at the end of each Board meeting to meet without the CEO and any other inside directors. This provides an opportunity for directors to raise any issues independently of management and scheduling this session on a regular basis ensures that such meetings are a matter of course for an independent Board and do not indicate any kind of crisis or emergency.

### Board Meetings and Agendas

- a) The Board meets a minimum of four times per year, usually every quarter.
- b) The Board Chair in consultation with the Corporate Secretary, develops the agenda for each Board meeting. Under normal circumstances, the agenda and the material will be distributed to directors not less than two business days before the meeting. All directors are free to suggest additions to the agenda.

### Board Information

- a) Material distributed to the directors in advance of Board meetings, shall be concise, yet complete and prepared in a way that focuses attention on critical issues to be considered.
- b) Reports may be presented during Board meetings by directors, management or staff, or by invited outside advisors. Presentations on specific subjects at Board meetings shall briefly summarize the material sent to directors, so as to maximize the time available for discussion on questions regarding the material.
- c) It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance.

### Non-Directors at Board Meetings

- a) The Board appreciates the value of having certain members of senior management of the Corporation attend each Board meeting to provide information and opinion to assist the directors in their deliberations.
- b) The Board Chair will determine who shall attend Board meetings and for which agenda item.

### Committees

- a) Committees analyze in depth, policies and strategies developed by management, which are consistent with their terms of reference. They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.
- b) Each committee operates according to a set of Board approved Terms of Reference which set out its duties and responsibilities.
- c) The committee structure may be subject to change as the Board considers from time-to-time which of its responsibilities can best be fulfilled through more detailed review of matters in committee.
- d) The current committee structure includes:
  - i. Audit Committee;
  - ii. Corporate Governance and Nominating Committee;
  - iii. Human Resources, Compensation and Pension Committee; and
  - iv. Investment Committee
- e) The Board favours a periodic rotation in committee leadership and membership in a way that recognizes and balances the needs for new ideas, continuity and maintenance of functional expertise.
- f) The Corporate Governance and Nominating Committee is responsible to the Board for proposing the leadership and membership of each committee on an annual basis. In preparing their recommendations, the Corporate Governance/Nominating Committee will consult with the Board Chair and with the CEO and take into account the preferences of the individual directors.

### Board Contact with Senior Management

- a) All of the directors have open access to the senior management of the Corporation. It is expected that directors will exercise judgement to ensure that their contacts will not distract from the Corporation's business operations.
- b) Written communications from directors to members of management will be copied to the CEO and to the Board Chair.
- c) The Board also encourages individual directors to make themselves available for consultation with management outside Board meetings in order to provide specific advice and counsel on subjects where such directors have special knowledge and experience.

### **New Director Orientation**

New directors will be provided with an orientation and education program which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management of the Corporation and other directors. The details of the orientation of each new director will be tailored to that director's individual needs and areas of interest.

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

- a) The Board will annually perform a self-assessment of the overall performance of the Board and its committees and each individual director. Annual assessments of individual directors should include assessments of the applicable position descriptions and the competencies and skills each individual director is expected to bring to the Board.
- b) The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. It is expected that the results of such reviews will be to identify any areas where the directors and/or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation in such a way as to increase shareholder value.

### **Director Compensation**

The Human Resources, Compensation and Pension Committee will review the compensation of the directors each year. The Committee will make recommendations to the Board for consideration when it believes changes in compensation are warranted.

### **Share Ownership by Directors**

- a) During their tenure, ownership of the Corporation's shares is expected from directors as an incentive to align their interests with those of the shareholders.
- b) Directors are expected to maintain share ownership in the Corporation within one year of their first election to the Board. This may be satisfied through stock options and/or stock appreciation rights.

### **Limits to Management Authority**

From time to time the Board may establish limits on management's authority depending on the nature and size of proposed transactions.

### **Outside Advisors for Individual Directors**

Occasionally individual directors may need the services of an advisor to assist on matters involving their responsibilities as a

Board member. The Board has determined that any director who wishes to engage an outside advisor at the expense of the Corporation, must obtain the authorization of the Board Chair or the Corporate Governance/Nominating Committee.

### **Board Guideline Review**

The Board shall review these Guidelines annually.

## SCHEDULE "A" – BOARD QUESTIONNAIRE – RESPONSE SUMMARY

### ROLE OF THE BOARD

<p><i>To what degree do you perceive the Board is able to fulfill its accountabilities in each of the following areas:</i></p>	<p><b>Good</b></p>	<p><b>Average</b></p>	<p><b>Poor</b></p>	<p><b>Priority</b> H= High M = Med. L= Low</p>	<p><b>Change from last year</b> B = Better S = Same W = Worse</p>
<p><b>Planning</b></p> <ul style="list-style-type: none"> <li>• Strategic Planning Operational</li> <li>• Planning Budget and</li> <li>• Financial Planning Management</li> <li>• Succession</li> <li>• Risk Management</li> </ul>					
<p><b>Management of Board Affairs:</b></p> <ul style="list-style-type: none"> <li>• Structure of Board Committees</li> <li>• Monitoring the activities of board committees</li> <li>• Continuing education for board members</li> <li>• Awareness of shareholder issues</li> </ul>					
<p><b>General Management:</b></p> <ul style="list-style-type: none"> <li>• Monitoring</li> <li>• Company activities</li> <li>• Monitoring participation and effectiveness of: <ul style="list-style-type: none"> <li>- Chairman</li> <li>- Other board members</li> </ul> </li> </ul>					

<b>BOARD ADMINISTRATION</b>					
<ul style="list-style-type: none"> <li>• Distribution of general company information</li> <li>• Distribution of specific meeting material</li> <li>• Response to director queries</li> <li>• Advance meeting notice</li> <li>• Expense fee reimbursement</li> <li>• Quarterly fee payments</li> <li>• Form of compensation</li> <li>• Amount of compensation</li> </ul>					
<p><i>To what degree do you perceive the Board is able to fulfill its accountabilities in each of the following areas:</i></p>	<b>Good</b>	<b>Average</b>	<b>Poor</b>	<b>Priority</b> H= High M = Med. L= Low	<b>Change from last year</b> B = Better S = Same W = Worse
<p><i>Are you adequately briefed, from time to time, on insider trading issues and trading blackout periods?</i></p>					
<p><i>Are you adequately informed on potential liability areas, including:</i></p> <ul style="list-style-type: none"> <li>• Human relations issues</li> <li>• Environmental controls</li> <li>• Securities regulations</li> <li>• Other (please comment)</li> </ul>					
<p><i>Do you have an adequate understanding of the company's communication's policy?</i></p>					
<p><i>Should the company be providing you with suggested answers or comments on sensitive issues as part of its communications policy?</i></p>					

**INTERACTION BETWEEN MANAGEMENT & THE BOARD**

	Yes	No	Comments	Priority	Change
<i>Do you feel you have a good understanding of your accountabilities and responsibilities as a board member?</i>					
<i>Do you feel you know enough about the way the company is being managed?</i>					
<i>Is too much time spent at the meetings on matters of little concern to board members?</i>					
<i>Does the board have the necessary information to resolve issues promptly and confidently</i>					
<i>Are all appropriate issues being presented to the board?</i>					
<i>Are they presented in a timely fashion?</i>					
<i>Are there clear lines of responsibility between the board and management?</i>					
<i>If there are, are they adhered to?</i>					
<i>Do the issues presented by management represent the current priorities of the board?</i>					
<i>Are you satisfied with your general level of knowledge of the company and its activities?</i>					

	Yes	No	Comments	Priority	Change
<i>Are you confident that you are appraised sufficiently of significant issues, changes and/or problems that affect company operations?</i>					
<i>Do board meetings allow sufficient time for interaction with management?</i>					
<i>Is management operating to a well defined and approved business plan?</i>					
<i>Are there areas for improvement or other comments which you would like to make?</i>					
<i>Board meetings should be:</i> More frequent Less frequent Shorter Same					

<b>DIRECTOR DEVELOPMENT</b>					
<p><i>Please indicate programs/ activities which you would find helpful:</i></p> <ul style="list-style-type: none"> <li>• Additional company presentations following a Board Meeting</li> <li>• Special educational meetings held on a periodic basis. If so, how frequently?</li> <li>• Off-site educational meetings (retreats)</li> <li>• Director Manual (with By- Laws, key Agreements, reference material, contacts and addresses)</li> <li>• Detailed strategic planning sessions</li> </ul>					
<p><i>Should a formal orientation be established for new directors?</i></p>					
<p><i>How many members should the Board have?</i></p>					
<p><i>Does the Board composition reflect the needs of the company over the next two years?</i></p>					
<p><i>If the board composition needs to be changed, please indicate what the characteristics are of persons to be added.</i></p>					

**COMMITTEES OF THE BOARD**

	Yes	No	Comments	Priority	Change
<i>Does the current committee structure provide an appropriate mechanism for directors to meet their responsibilities for corporate governance?</i>					
<p><i>Regarding the Committees on which you serve:</i></p> <ul style="list-style-type: none"> <li>• Is the role of the committee clearly defined?</li> <li>• Do you have any written copy of its mandate?</li> <li>• Does participation on this committee meet personal expectations?</li> <li>• Do results from this committee meet the expectations of the board?</li> <li>• Is there adequate opportunity for active participation by all members?</li> <li>• Is sufficient time given at meetings for complete discussion of all agenda items?</li> <li>• Are minutes kept? Does it have a Chair?</li> </ul>					
<p><i>Do you find that the information provided to you for a committee meeting is:</i></p> <ul style="list-style-type: none"> <li>• Clear and concise?</li> <li>• Appropriate for decision making?</li> <li>• Received in sufficient time prior to the committee meeting?</li> </ul>					
<i>Should the Audit Committee have a role in the annual budgetary process</i>					

	Yes	No	Comments	Priority	Change
<p><i>Given the increased strictures now being placed on Audit Committees, do you think the meetings of this Committee should be:</i></p> <ul style="list-style-type: none"> <li>• More frequent</li> <li>• Same</li> <li>• Longer/ more detailed?</li> <li>• Always with Auditors present?</li> </ul>					
<p><i>The meeting of the Human Resources Compensation and Pension Committee should be:</i></p> <ul style="list-style-type: none"> <li>• More Frequent</li> <li>• Same</li> <li>• Longer/ more detailed?</li> <li>• Backed up with industry surveys?</li> </ul>					
<p><i>If not serving thereon, are you adequately apprised of decisions and actions taken the following committees:</i></p> <ul style="list-style-type: none"> <li>• Audit</li> <li>• Compensation</li> <li>• Corporate Governance</li> </ul>					
<p><i>Should the Board constitute a standing Nominations Committee to deal with size and membership issues?</i></p>					
<p><i>Are there any other committees that you would like to see added to the current roster or deleted?</i></p>					

**FUTURE ISSUES**

<p>Rank the following issues in order (1 to 12) of importance to the company in the next three years:</p> <ul style="list-style-type: none"> <li>• Strategic positioning</li> <li>• Industry competition</li> <li>• Government relations</li> <li>• Financial results</li> <li>• Raising of capital</li> <li>• Management succession</li> <li>• Organizational structure</li> <li>• Executive compensation</li> <li>• Cost containment</li> <li>• Scientific progress</li> <li>• Regulatory</li> <li>• Other (specify)</li> </ul>	<p>Rating</p>	<p>Comments</p>
<p><i>As an anti-takeover measure, are you in favour of fixed terms for directors, with election by rotation?</i></p>		
<p><i>Do you feel that you should individually be able to retain advisors, at the company's expense, to assist you in discharging your duties as a director?</i></p>		
<p><i>Do you believe that the company should have a formal process to evaluate the competency and/or performance of board members If so, should this be done annually?</i></p>		
<p><i>Are there other issues that you would like to identify?</i></p>		