



## BOARD OF DIRECTORS TERMS OF REFERENCE

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### **Part I: Overview**

Cervus' governance structure is based on the principle that the management team manages the day to day operations of the company while the Board of Directors supervise the management of Cervus' business and affairs.

The Board is responsible for the selection and evaluation of the management team and overseeing:

- development of the strategic direction;
- Cervus' policy framework which underpin the operations and behaviours of the company;
- standards of conduct;
- compliance with applicable laws;
- standards for financial practices and reporting;
- standards to assess the operations of the business; as well as,
- other standards for the conduct of the business as it deems necessary and in the best interests of Cervus.

As such, the Board ensures policies and processes are in place and are properly functioning with respect to:

- strategic planning;
- asset safeguards and asset allocation;
- risk identification and management;
- the quality and continuity of Executive Management;
- effective stakeholder relationships and communication;
- the integrity of internal controls; and,
- management information systems.

These responsibilities, and others, are further addressed in this document.

The Board delegates specific responsibilities to Committees of the Board. These responsibilities of the Committees, which are defined in written mandates, empower the Committees to advise and formulate recommendations to the Board; but, generally, do not allow the Committees the authority to approve matters on behalf of the Board. The mandates also set out the scope of operations and key roles and responsibilities of the Committees.



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Certain regulations and legislation require the Board to consider specific matters that can't be delegated to Committees. These include:

- shareholder proposals that require approval of the shareholders;
- appointment of Directors to fill a vacancy;
- appointment of additional Directors;
- appointment of external auditors;
- issuance of securities;
- purchase, acquisition or redemption of Cervus' shares;
- declaration of dividends;
- approval of the audited annual or unaudited quarterly financial statements, as well as, related Management Discussion and Analysis and press releases;
- approval of Cervus' core public disclosure documents as required by securities regulations, including: Annual Information Forms, Annual Reports and Management Proxy Circulars;
- approval of any prospectus or other similar public offering document;
- approval of any take-over bid circular, issuer bid circular, directors' circular or rights offering circular; and,
- the adoption, amendment or repeal of bylaws.

Position descriptions for the chair of each of the Committees and the Chair of the Board define the framework of accountability for key governance roles.

The Board explicitly defines the responsibilities delegated to the Chief Executive Officer, as well as, those reserved for the Board. While the Board has plenary power and may modify delegated responsibilities at its discretion, the CEO's delegated responsibilities enable leadership and day-to-day management of Cervus. The Board, in conjunction with the CEO, determines the policies and processes required to manage key operations and behaviours of the company. The CEO develops and presents these policies and processes to the Board for approval, along with proposed actions as may be required.

The Board stewards Cervus' performance by approving and monitoring strategies, plans and goals, as well as, monitoring other key policies and processes fundamental to the operations and behaviours of the business. The CEO is guided by the strategies, plans and goals and keeps the Board informed as to the progress against these objectives. The Board continually evaluates Executive Management's performance relative to these objectives.

## **Part II: Board Guidelines**

The Board exercises governance based on the following guidelines:

1. The Terms of Reference for the Board and the Committee mandates define Cervus' governance process and are reviewed annually and updated as appropriate. These documents are supplemented by position descriptions for the Board Chair and Committee Chairs.



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2. While the CEO is responsible for leading the development of long-term strategies, the Board and Committees contribute to strategy discussions and ultimately approve the strategy. On an annual basis or more frequently if required, the Board:
    - reviews and approves Cervus' strategic plans taking into account opportunities and risks related to the business as well as other factors; and
    - reviews operating and financial performance relative to the strategy, plans and goals.
  3. The Board believes that the appropriate size for the Board is between five and seven members.
  4. Directors stand for re-election annually.
  5. Individual or groups of Directors may retain outside advisors at the expense of Cervus, subject to the written approval of any of the Board Chair, the Chair of the Committee proposing to retain outside advisors, or the Nominating and Governance Committee. The authorizing entity will establish reasonable monetary limits and other controls as appropriate.
  6. The Board should be comprised of a majority of independent Directors. The Board has adopted the definition of independent director as specified by the Canadian Securities Administrators. Annually, the Board will confirm the independence of individual Directors based on this criteria.
  7. A Director may not stand for election or re-election if he or she is 75 years of age or older on or before the date of the annual meeting. Regardless of age, the Board expects high standards of performance of all Directors, and may replace Directors who do not meet these standards.
  8. The membership of the CEO on the Board is valuable and conducive to effective decision-making.
  9. The Board will evaluate the performance of the CEO at least annually. The assessment will consider:
    - the performance of the business;
    - the qualitative and quantitative accomplishments of the CEO relative to objectives established at the beginning of each fiscal year; as well as,
    - the creation and fostering of a culture of integrity within Cervus.
  10. The Board will evaluate the performance of the Board at least annually with the objective of holding the Board accountable for the fulfillment of its roles and responsibilities.
  11. The Board Chair will work with the CEO, CFO and Secretary to establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda.
  12. Whenever feasible, important issues should be dealt with over the course of two meetings. The first meeting should allow for a thorough briefing of the Board, and the second would allow for final discussion and a decision.



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13. The Board will hold at least five Board meetings per year, one of which shall be principally devoted to strategy. If necessary, an additional Board meeting shall be scheduled for approval of the Management Proxy Circular, Annual Information Form and other annual disclosure documents.
  14. Whenever feasible, the Board will receive materials at least one full week in advance of Board and Committee meetings. During the meetings, discussions should focus on questions and answers; therefore presentations should briefly summarize the more substantive materials sent to Directors in advance of the meeting. Directors are expected to have reviewed these materials in advance of the meetings and be prepared to provide considered, constructive and thoughtful feedback and commentary at the meetings.
  15. Board meeting dates will be established sufficiently in advance to minimize conflict with Directors' other commitments. Directors are expected to make every reasonable effort to attend all meetings of the Board and its Committees, if not in person then by telephone.
  16. While the Board does not restrict the number of public company boards that a Director may serve on, each Director should ensure that he or she is able to devote sufficient time and energy to carrying out his or her duties effectively.
  17. The Board encourages the CEO to bring other Executives into Board meetings in order to provide additional insights based on the Executives' familiarity with the agenda items. Exposure to these Executives assists the Board in its succession planning and career development discussions.
  18. The Board is responsible for nominating Directors for shareholder approval, assessing the performance of individual Directors, as well as, assessing the effectiveness of Board Committees and the Board as a whole. The Nominating and Governance Committee is delegated responsibility for screening and identifying Director candidates. The Nominating and Governance Committee and Board consider the following selection criteria:
    - the competencies and skills the Board, as a whole, should possess and related skill gaps;
    - the competencies and skills each new nominee will bring to the Board; as well as,
    - the nominee's ability to devote sufficient time and attention to fulfilling the role of Director.
  19. The Board supports the principle that its membership should reflect a diverse mix of knowledge, experience, skills and backgrounds, including an appropriate number of women directors.
  20. Succession and management development plans will be reviewed by the Human Resources and Compensation Committee, and reported on annually to the Board.
  21. At any time during a Board meeting, a member of the Board may request an "in camera" meeting which excludes Management.



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### **Part III: Committee Guidelines**

Committees exercise governance based on the following guidelines:

1. The Board has three standing committees: The Audit Committee, the Nominating and Governance Committee and the Human Resources and Compensation Committee. The Board may create ad hoc Committees to examine specific issues on behalf of the Board. Each Committee maintains a written mandate and reviews that mandate annually. Any recommendations to amend Committee mandates are reviewed by the Nominating and Governance Committee for recommendation to the Board.
2. The Nominating and Governance Committee, with input from the Board Chair, plans Committee appointments (including the designation of a Committee Chair) for recommendation to, and appointment by, the Board. Committee memberships are considered annually on or about the time of the annual general meeting with the intent to alternate committee participation to allow Directors to gain cross-Committee experience.
3. A majority of the members of a Committee shall constitute a quorum for meetings of Committees unless otherwise determined by the Board.
4. Each Committee shall be comprised of a minimum of three and a maximum of five Directors. The chair of each Committee, in consultation with the secretary of the Committee, if any, shall determine the agenda for each Committee meeting.
5. Each Committee shall have the power to determine its own rules of procedure unless otherwise specified in this document.
6. Unless otherwise exempted from these requirements under applicable Canadian securities legislation:
  - the Audit Committee will consist entirely of independent Directors; and,
  - all members of the Audit Committee must be, in the judgment of the Board, financially literate.
7. The Human Resources and Compensation Committee will consist entirely of independent Directors.
8. The Nominating and Governance Committee will consist entirely of independent Directors.
9. The Board Chair is an ex-officio of all Committees of which he or she is not a listed member.
10. At any time during a Committee meeting, a member of the Committee may request an "in camera" meeting which excludes Management. The Committee Chair shall chair such "in camera" meetings.



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## **Part IV: Mandate of the Board**

### **Objectives and Responsibilities**

The Board's fundamental objectives are to: enhance and preserve long-term shareholder value, ensure Cervus meets its obligations on an ongoing basis; and ensure Cervus operates in a reliable and safe manner.

To achieve these objectives, the Board ensures policies and processes are in place and are properly functioning to oversee the operations and behaviours of the company with respect to:

- strategic planning;
- asset safeguards and asset allocation;
- risk identification and management;
- the quality and continuity of Executive Management;
- effective stakeholder relationships and communication;
- the integrity of internal controls; and,
- management information systems.

Additional responsibilities include the following:

- Make certain decisions that are not delegable, such as the declaration of dividends; and,
- Provide leadership and direction for Cervus in establishing and maintaining a high standard of corporate ethics and integrity.

### **Major Duties**

The major duties of the Board are to:

1. Foster the long-term success of Cervus by:
  - representing and safeguarding the interests of all shareholders taking into account the interests of employees, customers, suppliers, and the general public; and,
  - monitoring and improving shareholder return and security of investments, as well as, the prospects of enhanced shareholder value.
2. Supervise the management of Cervus' business and affairs by:
  - overseeing Cervus' fundamental policies and processes as identified above;
  - determining Cervus' mission, strategies, objectives and scope of operations; and, monitoring attainment of these objectives and taking corrective action as required;
  - reviewing and approving budgets and operating plans;
  - approving major capital investments;
  - monitoring operating and financial performance;
  - declaring dividends;
  - approving mergers and significant acquisitions;
  - approving the issuance or retirement of debt and equity securities; and,



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- considering and approving other specific actions that are likely to have a substantial effect on Cervus or that the Board is legally required to take.
3. Ensure the continuity and quality of Executive Management by:
    - assessing the performance of the CEO and ensuring the CEO is properly assessing other Executives;
    - ensuring succession and development plans are adequate for the CEO and other Executives; and,
    - ensuring a quality Executive Management team is in place by approving appointments and taking corrective action as required.
  4. Ensure that the CEO is managing organizational capability to deliver financial results for current and future success, including the following capabilities:
    - management competence, depth of talent and effective organization structure;
    - processes, technology and assets to support the business;
    - marketing, promoting customer loyalty, market knowledge and strong Original Equipment Manufacture relationships;
    - work force and employee relations;
    - financial resources, including relations with the financial community; and,
    - reputation.
  5. Oversee corporate financial operations, including:
    - capital structure management, maintaining reasonable financial flexibility and safety while achieving an appropriate return on equity;
    - financial results reporting;
    - allocation of assets;
    - maintaining access to suitable sources of new capital;
    - pension funds, if any, and other major employee benefit programs;
    - dividend payout policy and action; and,
    - insurance.
  6. Identify both current and emerging risks of Cervus' business and ensure policies and processes are in place to effectively manage these risks.
  7. Ensure that policies and processes are in place to monitor and maintain the integrity of Cervus internal control and management information systems.
  8. Ensure appropriate environmental, health and safety policies and processes are in place to monitor and respond to concerns, having regard to legal, industry and community standards.
  9. Ensure policies and processes are in place to promote relationships and communication with stakeholder groups; and, respond to their feedback. Stakeholders include, but are not limited to:



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Shareholders and the investing public; governments; employees; the financial community; and, the communities in which Cervus operates.

10. Collectively and individually respond constructively to requests for advice and assistance from the CEO.
11. Ensure Management is establishing and maintaining a high standard of legal and ethical conduct by:
  - taking reasonable steps to ensure that Cervus complies with applicable laws and regulations and operates to high ethical and moral standards;
  - being on the alert for, and sensitive to, situations that could be considered illegal, unethical or improper, and taking corrective steps;
  - ensuring proper policies and processes are in place and are functioning properly to monitor performance in this area; and,
  - ensuring all employees act honestly and in the best interests of Cervus by exercising care and diligence.
12. Manage Board operations, including the following:
  - fix the size of the Board, review its composition, identify new nominees to the Board as required and obtain shareholder approval;
  - elect a Board Chair, Committees members and Committee Chairs;
  - define the duties of the Board Chair, the Committees and the Committee Chairs;
  - determine when and where the Board meets;
  - influence the structure of agendas and how meeting time is spent;
  - meet legal requirements with respect to corporate administration;
  - evaluate the performance of the Board at least annually with the objective of holding the Board accountable for fulfilling its roles and responsibilities;
  - periodically, and not less than annually, review the Terms of Reference for the Board and make changes when necessary; and,
  - develop and approve an annual work plan for the Board.

### **Standards of Liability**

Nothing contained in this mandate, or in the Terms of Reference for the Board generally, is intended to expand applicable standards of liability under statutory, regulatory, common law or any other legal requirements for the Board or its members. The purposes and responsibilities outlined in this mandate, and the information, guidelines and other statements contained in the Terms of Reference for the Board generally, are meant to serve as guidelines rather than inflexible rules and the Board may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.





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**Part V: Document Control Information**

Approved by Board of Directors: Yes

Originally dated: October 22, 2009

Last amended: August 8, 2018

Last reviewed: August 8, 2018



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## **Appendix A to the Terms of Reference:**

### **Financial Literacy**

For the purpose of making appointments to the Audit Committee, and in addition to the independence requirements, all Directors nominated to the Audit Committee must meet the test of Financial Literacy as determined in the judgment of the Board.

Financial Literacy can be generally defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be encountered in Cervus' financial statements. In assessing a potential appointee's level of Financial Literacy the Board must evaluate the totality of the individual's education and experience including, but not limited to:

- the level of the person's accounting or financial education and experience, including whether the person has earned an advanced degree in finance or accounting;
- the person's past or current membership on one or more audit committees of companies such that he or she gained experience related to filings required by securities laws;
- the person's level of competency in understanding and interpreting financial statements of public companies; and,
- other relevant qualifications or experience that would assist him or her in understanding and evaluating Cervus' financial statements and other financial information, and make informed inquiries as to whether:
  - the financial statements fairly present the financial condition, results of operations and cash flows of Cervus in accordance with International Financial Reporting Standards; and,
  - the financial statements and other financial information, taken together, fairly present the financial condition, results of operations and cash flows of Cervus.