

# Mandate for the Board of Directors of AutoCanada Inc.

The term “ACI” or the “**Company**” refers to AutoCanada Inc., the term “**Board**” refers to the board of directors of ACI and the term “**Governance Agreements**” refers to the corporate bylaws of ACI.

The Board is elected by the shareholders and is responsible for the stewardship of the affairs of the Company. The Board seeks to discharge such responsibility by reviewing and discussing the strategies and plans of management (“Management”) of the Company and its subsidiaries and supervising Management, monitoring the performance of the Company.

The Board is responsible for establishing and maintaining a culture of integrity in the conduct of the affairs of the Company and by overseeing and monitoring Management to ensure a culture of integrity is maintained. The Board seeks to discharge this responsibility by satisfying itself as to the integrity of the senior management of the Company, and by overseeing and monitoring Management to ensure a culture of integrity is maintained.

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

## **DUTIES OF DIRECTORS**

The Board discharges its responsibilities directly and through its committees, the Audit Committee and the Governance and Compensation Committee. In addition to these regular committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature. In addition to the Board’s primary role of overseeing the affairs of the Company, principal duties include, but are not limited to the following categories:

### **Oversight Responsibility**

1. The Board has the responsibility for approving the appointment of the Chief Executive Officer and any other officers of the Company (collectively, the “Officers”), and approving the compensation of the Chair of the Board, Chief Executive Officer and other officers and employees of the Company following a review of the recommendations of the Governance and Compensation Committee.
2. The Board has delegated authority to the Chief Executive Officer for the overall management and operations of the Company, to ensure the long term success of the Company. The Chief Executive Officer will work in conjunction with the Chair or Lead Director on strategy related issues to ensure the long term success of the Company. This delegation is subject to the General Authority Guidelines in Schedule “A” that require either prior authorization by the Board or periodic review by the Board in respect of specified matters.
3. The Board may from time to time delegate authority to the Officers, subject to specified limits. Matters that are outside the scope of the authority delegated to the Officers and material transactions are reviewed by and subject to the prior approval of the Board.

### **Monitoring of Financial Performance and Other Financial Reporting Matters**

4. The Board has oversight responsibility for reviewing and questioning the strategies and plans of the Company.
5. The Board has oversight responsibility for reviewing systems for managing the principal risks of the Company’s business including insurance coverage, conduct of material litigation and the effectiveness of internal controls.
6. The Board is responsible for considering appropriate measures it may take if the performance of the Company falls short of their goals or other special circumstances warrant.
7. The Board shall be responsible for approving the unaudited and audited financial statements and the notes of the Company, and shall be responsible to review the consolidated financial statements of the Company and shall provide its recommendation for approval of such consolidated financial statements to the Audit Committee.
8. The Board is responsible for reviewing and approving material transactions involving the Company, including the payment of dividends, acquisitions and dispositions of material assets by the Company and material expenditures by the Company.

9. The Board is responsible for reviewing and directing how the Company will exercise its voting and managerial rights in respect of matters relating to the Company.
10. The Board has responsibility for effectively monitoring the principal risks of the Company.

### **Board Organization**

11. The Board will respond to recommendations received from its committees but retains the responsibility for managing its own affairs by giving approval for its composition, the selection of the Chair of the Board, candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation.
12. The Board may delegate to Board committees matters it is responsible for, including the approval of compensation of the Board and Management, the approval of interim financial results, the conduct of performance evaluations and oversight of internal control systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

### **Policies and Procedures**

13. The Board is responsible for:
  - a. approving and monitoring compliance with all significant policies and procedures by which the Company is operated;
  - b. approving policies and procedures designed to ensure that the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
  - c. Re-enforcing obligations of the directors respecting confidential treatment of the Company's proprietary information and Board deliberations.
14. The Board has approved a Joint Disclosure Policy respecting communications to the public.

### **Communications and Reporting**

15. The Board is responsible for:
  - a. overseeing the accurate reporting of the financial performance of the Company to its shareholders, on a timely and regular basis;
  - b. overseeing that the financial results of the Company are reported fairly and in accordance with generally accepted accounting standards;
  - c. ensuring the integrity of the internal control and management information systems of the Company; and
  - d. taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Company and comply with its timely disclosure obligations.

**SCHEDULE A to APPENDIX B  
(MANDATE FOR THE BOARD OF DIRECTORS OF AUTOCANADA INC.)**

**AUTOCANADA INC.  
GENERAL AUTHORITY GUIDELINE**

**AUTHORITY OF THE MANAGEMENT**

The Company may have a Chair/Lead Director and may have a Chief Executive Officer.

The Chief Executive Officer is responsible for overall management and operations of the Company. The Chief Executive Officer will work in conjunction with the Chair/Lead Director on strategy related issues to ensure the long term success of the Company.

This responsibility is subject to the provisions of applicable law, the articles and by-laws of the Company and any particular direction or resolution of the Board of Directors, except for the following matters that require the specific authorization of the Board or a Board committee. In addition, certain matters identified below will be subject to periodic review by the Board or a Board committee.

The delegation contemplated by these guidelines shall include the authority to establish areas of responsibility and limits of authority for members of management of the Company and its subsidiaries.

**MATTERS REQUIRING DIRECTORS OR COMMITTEE OF DIRECTORS APPROVAL OR REVIEW**

**I. Organizational Changes and Policy**

1. Subject to the discretionary limits set out in paragraphs 6, 7 and 8, approve major changes to the organization of the Company, or their respective subsidiaries, such as the creation or divestiture of investments or acquisitions.
2. Approve the adoption of or changes to Company policies with application to the conduct of directors, including the Joint Disclosure Policy of the Company.
3. Review of adherence to the policies of the Company.
4. Approve any proposed changes to the Company's articles or by-laws.

**II. Budgets, Plans and Commitments**

5. Review and approve the annual budget of the Company.
6. Approve any capital commitments in any year not contained in the approved budget of the Company over \$300,000 in aggregate.
7. Approve any single capital commitment for an acquisition or acquisitions exceeding \$2,000,000 (inclusive of related store development costs), in aggregate.
8. Approve any single divestiture of more than \$2,000,000.
9. Approve long range business planning in accordance with the policies of the Company.
10. Approve major agreements or long-term leases outside the ordinary course of business of the Company, including, without limitation, approving all related party agreements and or related party leases.

**III. Financial and Corporate**

11. Approve the annual audited financial statements of the Company.
12. Approve the interim financial statements of the Company.
13. Approve the dividend policy of the Company, including approving declaration of dividends.
14. Approve changes in authorized capital, issuance or repurchase of shares, debt securities and related prospectuses or trust indentures, if any.
15. Generally review operating and financial performance relative to budgets and objectives.
16. Review significant changes in accounting practices or policies.
17. Approve all borrowing, hedging, credit agreements, amendments to credit agreements, and the granting of guarantees

and/or letters of credit outside the ordinary course of business or pursuant to related party agreements and/or leases.

18. Review significant changes in accounting practices or policies.

#### **IV. External Auditors of the Company**

19. Approve appointment of external auditors, establishment of their fees and annual audit plan.
20. Review independence of external auditors.
21. Review findings of external audit review and Management's response.
22. Review the Company's risk management and insurance coverage.
23. Review the Company's conduct of litigation that could materially affect the financial condition of the Company.
24. Review the findings of internal audit and the effectiveness of internal control procedures.

#### **V. Management and Human Resources**

22. Approve appointment or removal of the Chief Executive Officer or the Chief Financial Officer ("**Senior Executives**");
23. Confirm appointments of other officers.
24. Evaluate performance of the Chief Executive Officer.
25. Approve compensation for the Chief Executive Officer.
26. Approve contracts with Senior Executives including special termination provisions or payments.
27. Approve adoption of share purchase or other share based compensation arrangements, if any.
28. Approve short-term and long-term incentive plan criteria, targets and awards, if any, in so far as such plans are a direct activity of the Company.
29. Review Senior Executive succession plans.