



BOARD CHARTER

BOARD OF DIRECTORS OF CHESSWOOD GROUP LIMITED

1. **Date of Adoption**

This Board Charter (this “**Charter**”) has been adopted by the board of directors (the “**Board**”) of Chesswood Group Limited (the “**Corporation**”) as of March 24, 2017.

2. **Background**

The Corporation is a corporation incorporated under the laws of the Province of Ontario and has succeeded to the various ownership interests of Chesswood Income Fund as a result of the conversion of such fund into a corporate structure through a plan of arrangement.

The Corporation has ownership interests in various operating entities (the Corporation’s direct and indirect subsidiary entities referred to herein as the “**Corporation Entities**”).

3. **Purpose**

Generally

The directors of the Corporation (the “**Directors**”) are responsible for the general supervision of the activities and management of the affairs of the Corporation and for acting in the best interests of the Corporation. The Directors must discharge their responsibilities in respect of the Corporation directly and through their committees, currently consisting of an Audit and Governance Committee and a Compensation Committee.

Ultimately, the Board should appoint such committees from time to time as it considers appropriate. If such committees are intended as permanent committees, they should have a charter that defines their responsibilities in relation to the subject board and the extent of delegated powers to the committee.

The Directors will primarily fulfill their responsibilities by carrying out the activities enumerated in Part V of this Charter.

Legislation and Policies

The Corporation is a “reporting issuer” (or the equivalent) in each of the provinces and territories of Canada. The shares of the Corporation are listed for trading on the Toronto Stock Exchange (the “**TSX**”). Securities legislation and policies in Canada, and TSX policies, require that the affairs of the Corporation be conducted and overseen in a manner consistent with appropriate governance.

National Instrument 58-101 (titled “Disclosure of Corporate Governance Practices”) requires that the Corporation’s information circular sent to the shareholders of the Corporation (the “**Shareholders**”) in

connection with meetings at which Directors are to be elected must include disclosure as to the corporate governance of the Corporation. Required disclosure items include board composition, board mandate, chair and chief executive officer position descriptions, orientation and continuing education, new candidate identification process, compensation and assessment of board effectiveness.

National Policy 58-201 (titled “Corporate Governance Guidelines”) provides the following guidelines (they are guidelines, not requirements):

- the majority of the members of a board and the chair of the board, should be independent (the meaning of which is set out in National Instrument 58-101, and which is described in more detail in Part IV below),
- the independent board members should hold regularly scheduled meetings at which non-independent board members (and management) are not present,
- a written mandate should be adopted for the board,
- clear position descriptions should be developed for the chair of the board, each board committee and for the chief executive officer,
- all new board members should receive a comprehensive orientation and all board members should be provided with continuing education opportunities,
- the board should adopt and monitor compliance with a written code of business conduct and ethics,
- the board should appoint a nominating committee composed entirely of independent members, and establish a written charter for the committee,
- the board should appoint a compensation committee composed entirely of independent members, and establish a written charter for such committee, and
- the board, its committees and each individual member should regularly be assessed regarding his, her or its effectiveness and contribution.

National Instrument 52-110 (titled “Audit Committees”) requires that all TSX listed issuers have an audit committee composed of a minimum of three members, each of whom must be an independent member and is financially literate (meaning that he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable of the breadth and complexity of the issues that can reasonably be expected and be raised by the issuer’s financial statements). Such Instrument also requires that the audit committee have the authority to engage independent legal and other advisors, to set the compensation for such advisors and to communicate directly with the issuer’s internal and external auditors.

4. **Composition**

The Board will consist of eight Directors, or such other numbers as the Directors may determine from time to time as being appropriate, a majority of whom are to be Independent (as defined below) and at least 25% of whom must be residents of Canada (within the meaning of the *Business Corporations Act* (Ontario)). In accordance with National Instrument 58-101, a Director is considered “**Independent**” to the Corporation if he or she has no direct or indirect “material relationship” with any of the Corporation Entities that could, in the view of the Directors, reasonably interfere with the exercise of his or her independent judgment. Notwithstanding the foregoing, a Director will be deemed to have a “material relationship” with the Corporation (and therefore be considered as not “independent”) if he or she falls in one of the categories listed in Appendix “A” attached hereto.

The Directors are to meet as frequently as circumstances require, but at least quarterly. The Independent Directors should also hold regularly scheduled meetings at which the other Directors are not in attendance.

Reference should be made to the *Business Corporations Act* (Ontario) and the Corporation’s by-laws for details relating to the calling and notice of meetings, the place of meetings, meetings by telephone, the quorum for the transaction of business and the adjournment of meetings.

5. **Responsibilities and Duties**

The mandate of the Board is the stewardship of the Corporation and oversight over the management and operations of the Corporation and its responsibilities include, without limitation to its general mandate, the following specific responsibilities:

- (a) Review, assess and update this Charter and the charters of each board committee at least annually, as conditions dictate.
- (b) Assign to the various committees of the Board the general responsibility for developing the approach to: (i) the nomination of the Directors; (ii) the enhancement of governance; (iii) matters relating to compensation of the Directors and management of the Corporation; and (iv) matters relating to financial reporting and internal controls.
- (c) Receive periodic reports from board committees following committee meetings and, at least annually, a report from each committee as to its work and its recommendations, if any for change with respect of its composition or responsibilities.
- (d) Satisfy themselves, to the extent feasible:
 - (i) as to the integrity of the Chief Executive Officer and other members of the management of the Corporation; and
 - (ii) that the Chief Executive Officer and other members of the management of the Corporation create a culture of integrity throughout the Corporation Entities.
- (e) With the assistance of the Audit and Governance Committee and the Compensation Committee (as applicable):

- (i) review the composition of the Board and ensure it respects the independence criteria;
 - (ii) assess, at least annually, the effectiveness of the Board as a group, the respective committees of the Board and the contribution of individual Directors, including, consideration of the appropriate numbers of Directors;
 - (iii) consider their resources, including the adequacy of the information provided to them with respect to the oversight of management;
 - (iv) ensure that an appropriate review and selection process for new nominees as Directors is in place;
 - (v) ensure that an appropriate orientation and education program for new Directors is in place;
 - (vi) adopt disclosure and securities compliance policies, including, without limiting the foregoing, communications policies for the Corporation;
 - (vii) ensure the integrity of internal controls and management information systems;
 - (viii) ensure ethical behaviour and compliance with laws and regulations, audit and accounting principles and the governing documents of the Corporation;
 - (ix) identify the principal risks of the Corporation's businesses and ensure that appropriate systems are in place to manage these risks; and
 - (x) review and approve significant operational and financial matters and provide direction to management on these matters.
- (f) Adopt a strategic planning process and approve, on at least an annual basis, a strategic plan which takes into account, among other things, the business opportunities and business risks and monitor the performance of the Corporation Entities against the strategic plan.
 - (g) Review and approve the Corporation's annual information form, annual report (and related financial statements) and annual management discussion and analysis disclosure.
 - (h) Review and approve interim financial statements and related disclosure (unless delegated to the Audit and Governance Committee).
 - (i) Monitor and review feedback provided by the Corporation's various stakeholders and review the means by which Shareholders can communicate with the Corporation (including at annual meetings, communication interfaces through the Corporation's website) and the adequacy of resources available within the Corporation to respond to Shareholders.
 - (j) Establish dividend policies from time to time and declare dividends payable to the Shareholders on a monthly basis.

- (k) Review major decisions which require the approval of the Directors and approve such decisions as they arise (including material transactions or agreements out of the ordinary course of business and any proposed fundamental changes in business).
- (l) Assign to the Compensation Committee (a) the power and authority to approve the compensation policies determining the compensation (including long term income plan, options or other compensation awards) of the Directors and chief management of the Corporation and other Corporation Entities; and (b) the power and authority to approve any changes from time to time to such compensation policies.
- (m) Approve the annual budget, including a business plan.
- (n) Identify the principal business risks of the Corporation Entities and seek implementation of appropriate systems to manage these risks.
- (o) Monitor the discharge by the management of its responsibilities.
- (p) Review the periodic financial reporting provided by management of the Corporation.
- (q) Remove and replace members of, and fill vacancies in, the management of the Corporation and add members to such management.
- (r) Develop, together with the Chief Executive Officer, a clear position description for the Chief Executive Officer.
- (s) Develop and approve the goals and objectives that the Chief Executive Officer is responsible for meeting.
- (t) Perform such other functions as prescribed by law or assigned to the Directors in the constating documents of the Corporation.
- (u) Develop and review goals for succession planning, including the appointment, training and monitoring of chief management.

6. **Resources and Reports**

The Board and its committees must have adequate resources to discharge their responsibilities. The Board or committee chair must also be empowered to engage advisers where appropriate (subject to the approval of the chair of the Audit Committee).

Board and committee members must have the right, for the purposes of discharging their powers and responsibilities, to inspect relevant records of the Corporation Entities.

7. **Expectations**

It is expected that Board and committee members will, wherever possible, attend (or participate through conferencing facilities) all meetings and will review in advance the materials provided for the meeting.

Appendix “A”

Meaning of “material relationship”

A “material relationship” is a relationship that could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment. The following individuals are considered to have a material relationship with the issuer:

- A. an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
- B. an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
- C. an individual who: (i) is a partner of a firm that is the issuer’s internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
- D. an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual: (i) is a partner of a firm that is the issuer’s internal or external auditor; (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
- E. an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and
- F. an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.

An individual will not be considered to have a material relationship with the issuer solely because (a) he or she had a relationship identified above if that relationship ended before March 30, 2004; or (b) he or she had a relationship identified above by virtue of such relationship being with a subsidiary entity or a parent of that issuer, if that relationship ended before June 30, 2005.

An individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member (a) has previously acted as an interim chief executive officer of the issuer, or (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

For the purposes of “C” and “D” above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external

auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purposes of “F” above, direct compensation does not include: (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

Despite any determination made whether an individual has a material relationship with an issuer, an individual who (a) accepts directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or (b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer. The indirect acceptance by an individual of any such consulting, advisory or other compensatory fee includes acceptance of a fee by (a) an individual’s spouse, minor child or stepchild, or a child or stepchild who shares the individual’s home; or (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer. Compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

“**company**” - any corporation, incorporated association, incorporated syndicate or other incorporated organization;

“**control**” - the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise;

“**executive officer**” of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity;

“**issuer**” includes a subsidiary entity of the issuer and a parent of the issuer;

“person” - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative; and

“subsidiary entity” - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.