



# Board Manual – How We Govern

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Updated: October 25, 2017



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## **BOARD GUIDELINES**

While the Board Mandate defines the specific roles and responsibilities of the Board, the following provides an outline of the key guidelines governing how the Board will operate to carry out its duties of stewardship and accountability.

### 1. The Board-Management Relationship

Although the Board is called upon to "manage" the business by law, this is done by proxy through the Chairman and Chief Executive Officer ("**Chair & CEO**"), who is charged with the day-to-day leadership and management of Mullen Group.

The Chair & CEO's primary responsibility is to lead Mullen Group, formulate the company's policies and proposed actions and to present 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 the performance of Mullen Group. Reciprocally, the Chair & CEO keeps the Board fully informed of Mullen Group'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.

In conjunction with good corporate governance practices and to ensure that the business of Mullen Group is managed effectively with consideration to ensuring that the Company maintains a CEO succession plan, the Board has approved the establishment of an Executive Committee. In the event that the Chair & CEO is unable to fulfill his duties the Board shall appoint an interim CEO until a successor is appointed by the Board.

Once the Board has approved the goals, strategies and policies it acts in a unified and cohesive manner in supporting and guiding the Chair & CEO.

### 2. Mandates and Terms of Reference

On an annual basis, the Compensation, Nomination and Governance Committee ("**CNG Committee**") reviews the Board Mandate, the CNG Committee Mandate, the Audit Committee Mandate, and the Terms of Reference for the Chairman & CEO. The CNG Committee proposes material changes to the Board for approval.

### 3. 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 in place, and then review, question, validate, and ultimately endorse the strategy and monitor its implementation.

### 4. Principal Risks

The Board will have a continuing understanding of the principal risks associated with the business of Mullen Group. It is the responsibility of management to ensure the Board and its committees are kept informed of changing and developing risks. The principle mechanisms through which the Board reviews risks are:

- annual, comprehensive Business Risk Assessment Reports;
- ongoing reports by the Executive Committee;
- the strategic planning process; and
- the Audit Committee.



## 5. Succession Planning and Management Development

The Board considers succession planning and management development to be an ongoing process that includes annual reports to the Board by the Chair & CEO. In the event of unexpected incapacity of the CEO, the Board shall appoint an interim CEO until a successor is appointed by the Board. The CNG Committee considers succession issues and planning annually.

## 6. The Chairman of the Board

The position of Chairman of the Board is currently held by a member of the Board who is not considered to be an independent director within the meaning of National Instrument 52-110. However, the CNG Committee's Mandate duly appoints the CNG Committee's Chairman as the Lead Director of the Board and sets forth the responsibilities associated with such role. As all members of the CNG Committee must be independent, the appointment of the Lead Director is one of several mechanisms within Mullen Group's governance structure that enables the Board to function independently of management when necessary.

## 7. Committees

The Board delegates certain duties and responsibilities to specialized committees from time to time. Committees review strategies and monitor policies developed by management that relate to their specific mandates. 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.

Each committee operates according to a Board-approved mandate outlining its duties and responsibilities. The current committee structure includes:

- the Audit Committee; and
- the CNG Committee.

This structure is subject to change from time to time as the Board considers which of its responsibilities will best be fulfilled through a more detailed review of matters at the committee level.

## 8. Committee Chairs and Committee Members

The CNG Committee is responsible for annually proposing the leadership and membership of each committee. In preparing recommendations the CNG Committee will consult with the Chair & CEO and take into account director's independence (as defined under NI 52-110), preferences, skills and experience of each director. Committee Chairs and members are appointed by the Board at the first Board meeting after the annual shareholders' meeting, or as needed to fill vacancies during the year.

**The Audit Committee and the CNG Committee will be comprised entirely of independent directors.**

## 9. Committee Meetings

Each committee's meeting schedule will be determined by its Chair and members based on the committee's work plan and mandate. The committee Chair will develop the agenda for each committee meeting. Each committee will report in a timely manner to the Board on the results of its meetings.

## 10. Board Meetings and Agendas

The Board meets a minimum of five times per year. Typically, this includes an annual budget meeting and a meeting each quarter.

The Chair & CEO develops the agenda for each Board meeting. Under normal circumstances, the agenda and the material will be distributed to directors the week prior to the meeting. All directors are free to suggest additions to the agenda.



## 11. Information for Board Meetings

Material distributed to the directors in advance of Board meetings should be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered. Reports may be presented during Board meetings by directors, management or staff, or by invited outside advisors. Presentations on specific subjects at Board meetings should briefly summarize the material sent to directors, so as to maximize the time available for discussion or questions regarding the material.

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. In these situations hard copies of written material will be provided to directors at the appropriate board or committee meeting.

## 12. Non-Directors at Board Meetings

The Board appreciates the value of having members of the management team attend Board meetings to provide information and opinions to assist the directors in their deliberations. The Board, through the Chair & CEO, will determine management attendees at Board meetings.

## 13. In-Camera Meetings

The independent Directors meet "in-camera" at the end of each regularly scheduled Board meeting without management present. Additional meetings of the independent Directors may be held from time to time if the independent Directors deem necessary. This is another mechanism that facilitates the Board's ability to act independently of management when necessary.

## 14. Size of the Board

The size of the Board will be considered on an annual basis with a view to ensuring the Board is large enough to provide a diversity of expertise and opinion, yet small enough to allow for efficient operation and decision-making. The CNG Committee will review the number of directors annually and make recommendations to the Board as required.

## 15. Board Composition

It is the objective of the Board to be comprised of a majority of independent directors. The CNG Committee reviews this issue annually and makes recommendations to the Board for its approval.

A second objective of the Board is to maintain a composition that provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of Mullen Group. To achieve this objective, the CNG Committee, in consultation with the Chair & CEO, annually reviews the general and specific criteria on which candidates are to be considered for nomination to the Board. To assist in this review process, the Board refers to a skills matrix that identifies those areas of expertise that add value to Mullen Group's business functions and those personal attributes associated with effective boardroom dynamics and decision making processes.

## 16. Board Commitment

It is important for Mullen Group to assure itself that directors have sufficient time and resources to commit to their duties and responsibilities as a member of the Board. Through the annual assessment process, Directors are asked to confirm that they have adequate time and resources to commit to Mullen Group. Individual directors who change the responsibility they held when they were elected to the Board must notify the Chairman of the Board, who will review each notification and make a recommendation to the Board regarding the director's continuing Board membership.

## 17. New Director Orientation

The CNG Committee ensures, primarily through management, that the orientation program for each new director is tailored to the director's needs and areas of interest. Management ensures new directors are provided with resource materials that include, among other things, the Board Manual; company By-Laws,



corporate policies, past meeting minutes, current budget materials and the Strategic Plan. New and continuing directors may also gain insight into the nature and operation of Mullen Group's business through in-house presentations by management and Business Unit leaders, quarterly business reviews, participation in the annual budget process and periodic onsite visits to various Operating Entities.

18. Assessing the Board's Performance

The CNG Committee is responsible for conducting the annual assessment of the Board, its committees and individual directors. The review is designed to identify any areas where the directors believe the Board could make a better collective contribution to overseeing the affairs of Mullen Group and includes opportunities for both self and peer assessment.

19. Term Limits and Retirement Age for Directors

The retirement age for directors has been set at 70 years of age. The Board may, at its sole discretion, waive the retirement age for an existing director on an annual basis. The maximum length of service for directors is 15 years. However, this maximum applies only to independent directors.

20. Board Remuneration and Mandatory Shareholdings

The CNG Committee reviews director remuneration annually and recommends changes in compensation to the Board when warranted. At this time, Mullen Group does not have any mandatory share ownership guidelines for directors. However, the rationale for these guidelines will periodically be evaluated by the Board and management. Guidelines may be adopted if they become appropriate for Mullen Group.

21. Evaluation of the Senior Executive Officers

The CNG Committee evaluates the performance of the Chair & CEO in relation to his Terms of Reference on an annual basis. The evaluation will be used by the CNG Committee in its deliberations concerning the Chair & CEO's annual compensation.

22. Levels of Authority for Management and the Board

The Board has established levels of financial authority for management. These levels are set out in the section entitled "Levels of Authority". Directors have no authority to make financial commitments for Mullen Group other than as a secondary approval.

23. Outside Advisors for Committees and/or Individual Directors

Directors and committees are authorized to obtain the services of an advisor to assist with matters involving their responsibilities as needed. A director wishing to engage an outside advisor at the expense of Mullen Group must obtain the authorization of the CNG Committee. This acts as an additional mechanism to enable directors to act independently of management when necessary.

24. Shareholder Communication

The Board has delegated the responsibility to provide information to shareholders and to respond to shareholder inquiries to management. The authorized spokespersons are identified in the External Communications and Disclosure Policy.



# **BOARD OF DIRECTORS MANDATE**

## ***Introduction***

The fundamental and primary responsibility of the Board of Directors is to appoint a competent senior executive management team and to oversee the business and affairs of Mullen Group, with a view to maximizing shareholder value and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal controls to ensure the long term success of Mullen Group.

The Board of directors has the authority, fiduciary duty and obligation to protect and enhance the assets of Mullen Group. Although directors are elected by the shareholders to bring special expertise or a point of view to Board deliberations, under corporate law the best interests of Mullen Group must be paramount at all times.

The Board operates by delegating certain of its authorities (including spending authorizations to management) and by reserving certain powers to itself. Subject to Mullen Group's By-Laws, the Board retains the responsibility for managing its own affairs, including planning its composition, selecting its Chairman, nominating candidates for election to the Board, appointing committees and determining director compensation. Its principal duties fall into the following six categories.

### 1. Selection of Senior Executive Officers

The Board has the responsibility:

- a. To appoint Senior Executive Officers, monitor and evaluate their performance, and approve their compensation taking into consideration the advice of the Chairman and the CNG Committee.
- b. To provide advice and counsel to the Senior Executive Officers in the execution of their duties.
- c. To approve the appointment of all corporate officers, taking into consideration the advice of the Chairman and the recommendation of the CNG Committee.
- d. To ensure plans have been made for management succession and development on a yearly basis and to monitor the training of potential successors.

### 2. Plans and Strategies

The Board has the responsibility:

- a. To review and approve Mullen Group's objectives and goals, and the strategy by which management proposes to reach those goals, taking into account, among other things, the opportunities and risks in Mullen Group's business.
- b. To review and approve the annual operating and capital budgets.

### 3. Monitoring and Acting

The Board has the responsibility:

- a. To monitor Mullen Group's progress against its strategic plan, operating and capital budgets, and to revise and alter Mullen Group's direction through management in light of changing circumstances.
- b. To approve any payment of distributions, dividends and new financings.
- c. To monitor the principal risks of Mullen Group's business and take all reasonable steps to ensure the implementation of appropriate systems to manage these risks.
- d. With the input of the Audit Committee, to ensure that management has established and maintains disclosure controls and procedures for and internal controls over financial reporting, to effect proper



financial reporting and to approve the quality and sufficiency of information provided to the directors.

- e. To appoint an Audit and CNG committee each comprised entirely of independent directors.
- f. To appoint any other Board committees that the Board deems necessary and delegate the appropriate responsibilities and requisite powers of the Board to the committee(s) to allow for the consideration of applicable matters on a more in-depth basis.

#### 4. Policies and Procedures

The Board has the responsibility:

- a. To approve and monitor compliance with Corporate policies and procedures by which Mullen Group is operated.
- b. The Board must review and, where appropriate, grant any departures from Mullen Group's Behaviour Guide that are for the benefit of a Mullen Group director or executive.
- c. To ensure systems are in place which are designed to ensure Mullen Group operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.
- d. To oversee and participate in the Board evaluation process, and consider the results of such evaluation.

#### 5. Reporting to Shareholders

The Board has the responsibility to direct management:

- a. To ensure Mullen Group is in compliance with all continuous disclosure and public reporting requirements, which includes the approval of the Annual Information Form, Information Circular and Form of Proxy.
- b. To ensure Mullen Group has an effective reporting and communications protocol for all shareholders and stakeholders, and to apprise the Board of any major concerns expressed by either of these parties.
- c. To ensure the financial performance of Mullen Group is adequately reported to shareholders, other security holders and regulators on a timely and regular basis, including the approval of quarterly and annual financial statements and MD&A.
- d. To ensure the financial results are reported fairly and in accordance with generally accepted accounting principles.
- e. To ensure the timely reporting of any developments that have a significant and material impact on the value of Mullen Group.
- f. To report annually to shareholders on its stewardship for the preceding year. Typically, this is accomplished through the Annual Financial Review and/or Chairman's Message.

#### 6. Legal Requirements

The Board is responsible for taking all reasonable steps to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained. Canadian law identifies the following as legal requirements for the Board:

- a. To manage the business and affairs of Mullen Group.
- b. To act honestly and in good faith with a view to the best interests of Mullen Group.



- c. To exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- d. To act in accordance with its obligations contained in the *Business Corporations Act* (Alberta), the Securities Act of each province and territory of Canada, other relevant legislation and regulations and Mullen Group's By-Laws.
- e. In particular, it should be noted that the following matters must be given consideration by the Board as a whole and may not be delegated to a Committee:
  - i. Any submission to the shareholders of a question or matter requiring the approval of the shareholders.
  - ii. The filling of a vacancy among the directors or in the office of the external auditor.
  - iii. The manner and the term for the issuance of securities.
  - iv. The declaration of dividends.
  - v. The purchase, redemption or any other form of acquisition of shares issued by Mullen Group.
  - vi. The approval of Information Circulars.
  - vii. The approval of any take-over bid circular or directors' circular.
  - viii. The approval of the financial statements of Mullen Group.
  - ix. The adoption, amendment or repeal of Mullen Group's By-Laws.



# **INDIVIDUAL DIRECTOR MANDATE**

## ***Introduction***

Directors are regarded as fiduciaries of the corporation(s) to which they serve and as such, a director of Mullen Group must ensure Mullen Group's interests are paramount. It is the fiduciary duty of the director to act honestly and in good faith with a view to the best interests of Mullen Group. Outlined below are "Goals and Objectives" and "Duties and Responsibilities" of a director of Mullen Group.

### 1. Goals and Objectives

As a member of the Board, each director shall:

- a. Commit the time and resources necessary to carry out his/her duties and responsibilities.
- b. Fulfill the legal requirements and obligations of a director, which includes a comprehensive understanding of their statutory and fiduciary duties.
- c. Represent the interests of all shareholders in the governance of Mullen Group while ensuring the best interests of Mullen Group are paramount.
- d. Participate in the review, approval and monitoring of Mullen Group's significant policies and strategic plan.

### 2. Duties and Responsibilities

#### a. Board Activity

As a member of the Board, each director shall:

- i. exercise good judgment and act with integrity;
- ii. use abilities, experience and influence constructively and appropriately;
- iii. be an available resource to management and the Board;
- iv. respect and maintain confidentiality;
- v. advise the Chair & CEO beforehand when introducing significant and/or previously unknown information or material at a Board meeting;
- vi. understand the difference between governing and managing, and not encroach on management's area of responsibility;
- vii. identify potential conflict of interest areas – actual or perceived – and ensure they are immediately identified, disclosed and reviewed;
- viii. when appropriate, communicate with the Chair & CEO between meetings;
- ix. demonstrate a willingness and availability for one-on-one consultation with the Chair & CEO; and
- x. assist in maximization of shareholder value.



b. Preparation and Attendance

To enhance the effectiveness of Board and committee meetings, each director shall:

- i. prepare for Board and committee meetings by reading reports and background materials prepared and provided for each meeting;
- ii. maintain an excellent Board and committee meeting attendance record (note that in accordance with the National Instruments, Mullen Group discloses director attendance in its applicable disclosure documents); and
- iii. have acquired adequate information necessary for decision making through individual experience, expertise, research or requests for additional information from management.

c. Communication

Communication is fundamental to Board effectiveness and therefore each Board member shall:

- i. participate fully and frankly in the deliberations and discussions of the Board;
- ii. encourage free and open discussion of the affairs of Mullen Group by the Board and its members;
- iii. ask questions, in an appropriate manner and at proper times; and
- iv. focus inquiries on issues related to strategy, risk management, policy, implementation and results rather than issues relating to the day to day management of Mullen Group.

d. Independence

Recognizing that the cohesiveness of the Board is an important element in its effectiveness, each director shall:

- i. be a positive force with a demonstrated interest in the long-term success of Mullen Group;
- ii. speak and act independently; and
- iii. when appropriate, make use of consultation with the independent Lead Director, the in-camera sessions and/or retention of an external advisor to ensure the Board is able to act independently of management when necessary.

e. Board Interaction

As a member of the Board, each director shall establish an effective, independent and respected presence and a collegial relationship with other Board members.

f. Committee Work

In order to assist Board committees in being effective and productive each independent director shall:

- i. participate on committees and become knowledgeable of the purpose and goals of the committee;
- ii. understand the process of committee work, and the role of management and staff in supporting the committee; and
- iii. participate in and consider the results of the annual evaluation of Board committees.



g. Business, Company and Industry Knowledge

Recognizing that decisions can only be made by well-informed Board members, each director shall:

- i. become generally knowledgeable of Mullen Group's products, services, and industry;
- ii. maintain an understanding of the regulatory, legislative, business, social and political environments within which Mullen Group operates;
- iii. become acquainted with the officers of Mullen Group;
- iv. remain knowledgeable about Mullen Group's facilities and visit them when appropriate;  
and
- v. be an effective ambassador and representative of Mullen Group.



## **TERMS OF REFERENCE - CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

### ***Introduction***

The Board has ultimate accountability for the management of Mullen Group. The Chair & CEO, as a presiding Board member, ensures the relationships between the Board and management, shareholders, other stakeholders and the individuals on the Board are effective and efficient and further the best interests of Mullen Group.

In performing this role, the Chair & CEO, must work closely with senior management, manage the Board and, together with senior management, ensure effective relations with shareholders, other stakeholders and the public.

The Chair & CEO should at all times retain an independent perspective to best represent the interests of Mullen Group, shareholders, other stakeholders and the Board.

#### **1. Working With Management**

The Chair & CEO shall:

- a. Lead and manage Mullen Group. Ensure management strategy, plans and performance are appropriately represented to the Board, shareholders and other stakeholders as appropriate.
- b. Lead the Board in ensuring the accountability of management and the implementation of succession and development plans.
- c. Act as the principal sounding board and counselor for senior management including assisting in the recognition of problems, review strategy, maintain accountability, build relationships and ensuring management is aware of the Board's concerns.
- d. Facilitate communication between directors and management both inside and outside of Board and Committee meetings.

#### **2. Managing the Board**

The Chair & CEO shall:

- a. Ensure the Board has full governance of Mullen Group's business and affairs and is alert to its obligations to Mullen Group, shareholders, management, other stakeholders and under the law.
- b. Foster ethical and responsible decision making among the Board and its members.
- c. Provide leadership to the Board, and assist the Board in reviewing and monitoring the strategy, policies and plans of Mullen Group and the achievement of its objectives.
- d. Communicate with the Board to keep its members up to date on all major developments; including the avoidance of surprises through timely discussion of potential developments and ensuring the Board has sufficient knowledge to permit it to properly make major decisions when such decisions are required.
- e. Set the frequency of Board meetings and review such frequency from time to time as considered appropriate or as requested by the Board.
- f. Coordinate the agenda, information packages and related events for Board meetings with the Corporate Secretary.
- g. Chair Board meetings.
- h. In conjunction with the CNG Committee, recommend the committees of the Board and their composition, review the need for, and the performance and suitability of those committees, and make such adjustments as are deemed necessary from time to time.



- i. Provide advice, counsel and mentorship to fellow directors.
- j. Attend committee meetings where appropriate.
- k. Ensure that Board meetings are conducted in an efficient, effective and focused manner and that the boundaries between Board and management responsibilities are clearly understood and respected.
- l. Take reasonable steps to ensure that directors meet in separate, regularly scheduled in-camera sessions without management present.
- m. Annually review and assess director attendance, performance, compensation, and the size and composition of the Board, all in conjunction with the CNG Committee.
- n. Participate in the identification, recruitment and retention of new directors as needed.

3. Relations with Shareholders, Other Stakeholders and the Public

The Chairman shall:

- a. Chair meetings of shareholders.
- b. Ensure Mullen Group's management and, where applicable, the Board are appropriately represented at official functions and meetings with major shareholder groups, and other stakeholder groups as appropriate.
- c. Perform public service as required in connection with Mullen Group's charitable, educational and cultural activities.



## **AUDIT COMMITTEE MANDATE**

### ***Purpose***

The audit committee (the "**Audit Committee**") is a committee of the Board of Mullen Group established to assist the Board in fulfilling its oversight responsibilities in relation to the accounting, internal controls, financial reporting and regulatory processes of Mullen Group and the auditing of its financial statements. Its primary functions are to assist the Board in fulfilling its oversight responsibilities with respect to: (i) the integrity of the financial information provided to Mullen Group shareholders, regulatory bodies and other interested parties; (ii) compliance with accounting and finance based regulatory requirements; (iii) the internal financial control systems established by management; (iv) the work of the external auditors, including their qualifications and independence from Mullen Group; and (v) the audit process.

#### 1. Composition and Terms of Office

- a. The Board shall appoint from its members, on an annual basis, not less than three directors to serve on the Audit Committee. Such appointment shall typically take place at the first directors' meeting held after the date of the annual general meeting, and the appointed members shall normally hold office for a one year period.
- b. Each committee member shall qualify as an "**independent director**" and shall be "**financially literate**" for the purposes of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation.
- c. The Chairman of the Audit Committee (the "**Audit Chairman**") shall be appointed by the Board on the recommendation of the committee members. The Audit Chairman may be removed and replaced by the Board at any time.
- d. Where a vacancy occurs on the Audit Committee it may be filled by the Board. Any member may be removed or replaced at any time by the Board and shall, in any event, cease to be a member of the Audit Committee upon ceasing to be a member of the Board.

#### 2. Meetings

- a. The Audit Committee shall meet at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements and reports. Additional meetings may be held as deemed necessary by the Audit Chairman, as requested by any two members of the Audit Committee, by the outside internal control auditors (if any have been retained) or the external auditors.
- b. A quorum for a meeting shall be a majority of the Audit Committee members.
- c. If the Audit Chairman is not present at any meeting of the Audit Committee, one of the other committee members shall be chosen by the Audit Committee to preside at the meeting.
- d. A member may in any manner waive notice of a meeting. Attendance of a member at a meeting shall constitute waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.
- e. The Corporate Secretary or some other person designated by the Audit Committee shall be Secretary to the Audit Committee.
- f. Minutes of the Audit Committee meetings shall be provided to all committee members and the external auditors. The full Board shall be kept informed of the Audit Committee's activities by presentation of a report, verbal or otherwise, at the next Board meeting following each Audit Committee meeting.



### 3. Attendance at Meetings

- a. Certain members of management are expected to be available to attend meetings or portions thereof, as determined by the Audit Chairman. The Committee is authorized to request the presence, at any meeting, of a representative from the external auditors, senior management, outside internal auditors (if any have been retained), legal counsel or anyone else who could contribute substantively to the subject of the meeting.
- b. The Audit Chairman shall have the right to determine who shall and who shall not be present at any time during a meeting of the Audit Committee.
- c. Directors, who are not members of the Audit Committee, may be invited to attend Audit Committee meetings on an ad hoc basis.

### 4. Duties and Responsibilities

In carrying out its mandate, the Audit Committee is expected to:

- a. Financial Control and Reporting Systems
  - i. Discuss guidelines and policies with respect to risk assessment and risk management, including the processes management uses to assess and manage Mullen Group's risk; review reports from management outlining any significant changes in financial risks or exposures facing Mullen Group; and discuss major financial risk exposures and steps management has taken to monitor and manage such exposures.
  - ii. Review reports from management and/or the external auditors in relation to changes in accounting policies or financial reporting requirements.
  - iii. Review reports on the sufficiency of Mullen Group's internal control over financial reporting and disclosure controls and procedures from management and/or the annual report of the outside internal control auditor, if any has been retained by Mullen Group.
  - iv. Review any new appointments to executive positions with financial reporting responsibilities and review and approve Mullen Group's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.
  - v. Review and approve requests, with the consultation and input of the other Audit Committee members, the CFO and the Chair & CEO, from individual directors to retain an outside advisor at the expense of Mullen Group in appropriate circumstances.
  - vi. Satisfy itself that Mullen Group has appropriate systems of internal control for the safeguarding of assets and for financial reporting necessary to ensure compliance with legal and regulatory requirements.
  - vii. Receive and review reports from Mullen Group's Disclosure Committee.
  - viii. Meet in-camera with the outside internal control auditor, if any, on an annual basis, without management present.
  - ix. Meet in-camera with the CEO, the CFO and the external auditors on a quarterly basis. In-camera session with the external auditors shall take place in closed sessions without management present.
- b. Quarterly Financial Review
  - i. Review the external auditor's interim review findings reports, including whether any limitations were placed on the scope or nature of the audit procedures.



- ii. Review the quarterly financial statements, management's discussion and analysis and associated press release with management and the external auditors, and formally recommend their approval to the Board (such approval to include the authorization for public release).
  - iii. Review any changes in accounting policies or financial reporting requirements that may affect the current period's financial statements.
- c. Annual Financial Statements and Other Financial Information
- i. Review summaries of material transactions and other complex matters whose treatment in the annual financial statements merits advance consideration.
  - ii. Review the external auditor's annual review findings report, including whether any limitations were placed on the scope or nature of the audit procedures.
  - iii. Review the annual audited financial statements, management's discussion and analysis and associated press release with management and the external auditors, and formally recommend their approval to the Board (such approval to include the authorization for public release).
  - iv. Review the Information Circular and Annual Information Form as to financial information or other material information or content within the Audit Committee's purview with management, and formally recommend their approval to the Board.
  - v. Review any other information circular or prospectus as to financial information or other material information or content within the Audit Committee's purview with management, and formally recommend their approval to the Board.
- d. External Auditors, Audit Plan and non-Audit Services
- i. Recommend to the Board each year
    - A. the external auditor to be nominated for appointment as external auditors of Mullen Group, and
    - B. their terms of engagement and remuneration.

This recommendation will be presented to shareholders for ratification at the annual general meeting.
  - ii. Have a clear understanding with the external auditor that it must maintain an open and transparent relationship with the committee and the ultimate accountability of the external auditor is to the Audit Committee as representatives of its shareholders.
  - iii. Review the audit plan for the ensuing year with management and the external auditors, and formally recommend its approval to the Board.
  - iv. Pre-approve all non-audit services to be provided to Mullen Group by the external auditor.
  - v. Take all reasonable steps to satisfy itself that the external auditor does not provide non-audit services or otherwise operate in a way that would disqualify it as independent under section 161 of the ABCA or Rule 204 of the Canadian Institute of Chartered Professional Accountants.
  - vi. Perform an evaluation of the external auditor on an annual basis, which review considers
    - A. The output quality and cost effectiveness of the external auditor; and



- B. The relationship between the auditor and executive management to ensure an appropriate balance between independence and objectivity, while working together with management in an environment of constructive challenge.
- e. Whistleblower Policy (the "**Guide**")
  - i. The Audit Committee shall oversee Mullen Group's established facility for the anonymous submission, retention and treatment of complaints received from employees or other interested parties regarding questionable accounting matters, internal accounting controls or auditing matters in accordance with the applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation.
  - ii. The Audit Chairman will be responsible for investigating and resolving all reported complaints and allegations concerning Mullen Group's accounting practices, internal accounting controls or auditing matters. The Audit Chairman shall provide a quarterly report, verbal or otherwise, to the Audit Committee and the Board. The Audit Chairman, at his sole discretion, may delegate the investigation and resolution of complaints to the CEO or the CFO.
- f. Other Matters
  - i. The Audit Committee shall annually review:
    - A. its mandate; and
    - B. the adequacy of insurance coverage including directors' and officers' liability coverage.
  - ii. The Audit Committee is empowered to review the appropriateness and effectiveness of any activity or business practice (including related party transactions), which impacts the financial integrity of Mullen Group, and all employees shall be required to co-operate with the Audit Committee.

## 5. Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in its mandate, it is not the duty of the Audit Committee to prepare financial statements or plan and conduct audits. These are the responsibilities of management and the external Auditors, respectively. The Audit Committee's responsibility is to satisfy itself that Mullen Group's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable rules and regulations.

## 6. Delegation of Duties

The Audit Committee, upon approval by a majority of the members of such committee, may delegate authority and duties to subcommittees or individual members of the Audit Committee as it considers appropriate. The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services, bearing in mind that such services do not compromise the independence of the external auditor.

## 7. Work Plan

The Audit Committee, in consultation with the Board and management, shall develop and maintain an Audit Committee work plan setting out the scheduled business to be conducted at the Audit Committee's regular meetings throughout the fiscal year on all matters within its mandate and any other matters as may be determined to be necessary or appropriate.



## **CNG COMMITTEE MANDATE**

### ***Purpose***

The compensation, nomination and governance committee (the "**CNG Committee**") is a committee of the Board of Mullen Group. Its primary functions are to assist the Board in fulfilling certain of its oversight responsibilities by reviewing and making recommendations regarding Mullen Group's (i) compensation policies and practices; (ii) governance policies and practices; and (iii) senior executive succession plans. In addition, the CNG Committee assesses and makes recommendations regarding the Board's effectiveness and is responsible for establishing a process for identifying, recruiting and appointing directors. The Chairman of the CNG Committee (the "**CNG Chairman**") will act as the Board's "Lead Director". The CNG Committee carries out its duties and responsibilities with a view to ensuring that Mullen Group is implementing corporate governance "best practices" that are appropriate and relevant to a company of Mullen Group's size, complexity and industry group.

### 8. Composition

- a. The Board shall appoint from its members, on an annual basis, not less than three directors to serve on the CNG Committee. Such appointment shall typically take place at the first directors' meeting held after the date of the annual general meeting, and the appointed members shall normally hold office for a one year period.
- b. All committee members shall qualify as an "**independent director**" for the purposes of any applicable corporate, securities or other legislation or any rule, regulation, instrument, policy, guideline or interpretation under such legislation.
- c. The membership of the Committee should represent a diverse background of experience and skills including relevant industry experience, human resources experience at the senior management level (*i.e. dealing with executive compensation*) and financial and management experience.
- d. The CNG Chairman shall be appointed by the Board on the recommendation of the committee members. The CNG Chairman/Lead Director may be removed and replaced by the Board at any time (see paragraph 11 of this mandate for an explanation of the Lead Director's role).
- e. Where a vacancy occurs on the CNG Committee it may be filled by the Board. Any member may be removed or replaced at any time by the Board and shall, in any event, cease to be a member of the CNG Committee upon ceasing to be a member of the Board.

### 9. Meetings

- a. The CNG Committee shall meet at least four times per year. Additional meetings may be held as deemed necessary by the CNG Chairman or as requested by any two of its members. In addition, the CNG Committee shall meet in separate in-camera sessions, without management present, at each regularly scheduled meeting.
- b. A quorum for a meeting shall be a majority of the CNG Committee members.
- c. If the CNG Chairman is not present at any meeting of the CNG Committee, one of the other committee members shall be chosen by the CNG Committee to preside at the meeting.
- d. A member may in any manner waive notice of a meeting. Attendance of a member at a meeting shall constitute waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.
- e. The Corporate Secretary or some other person designated by the CNG Committee shall be Secretary to the CNG Committee.



- f. Minutes of the CNG Committee meetings shall be provided to all committee members. The full Board shall be kept informed of the CNG Committee's activities by presentation of a report, verbal or otherwise, at the next Board meeting following each CNG Committee meeting.

10. Attendance at Meetings

- a. Executive Officers are expected to be available to attend meetings or portions thereof, as determined by the CNG Chairman.
- b. The CNG Chairman shall have the right to determine who shall and who shall not be present at any time during a meeting of the CNG Committee.
- c. Directors, who are not members of the CNG Committee, may be invited to attend CNG Committee meetings on an ad hoc basis.

11. Specific Responsibilities – CNG Chairman as "**Lead Director**"

In acting as "Lead Director", the CNG Chairman is expected to:

- a. Chair all in-camera meetings of the Board, without management directors present, such in-camera meetings to be held at each regularly scheduled Board meeting.
- b. Preside over all Board meetings at which the Chairman is not present or excuses himself due to a conflict of interest.
- c. Respond, or arrange for response, to all shareholder or other stakeholder questions and comments that are directed to the independent directors as a group (with such consultation with the Chairman or other directors as the Lead Director may deem appropriate).
- d. Ensure personal availability for consultation and communication with independent directors and with the Chairman as appropriate.
- e. Review and approve requests, with the consultation and input of the other CNG Committee members and the Chair & CEO, from individual directors to retain an outside advisor at the expense of Mullen Group in appropriate circumstances.
- f. Communicate with the Chair & CEO and the entire Board, as appropriate, the results of private discussions among outside directors or the results of meetings of the independent directors.
- g. Review conflict of interest issues with respect to members of the Board and Senior Executive Officers as they arise.
- h. Review and respond to those reports of violations of Mullen Group's code of ethics and conduct that are brought to the attention of the Lead Director by the CEO of Mullen Group.

12. Specific Responsibilities – CNG Committee

In carrying out its mandate, the CNG Committee is expected to:

- a. Advise the Board
  - i. Act in an advisory capacity to the Board.
  - ii. Be a forum for addressing appropriate concerns of individual directors within the purview of the CNG Committee's mandate.
- b. Evaluation



- i. Develop and administer the annual process for assessing the effectiveness of the Board as a whole and the committees of the Board.
  - ii. Undertake an annual evaluation of the Chair & CEO.
- c. Corporate Governance
- i. Monitor and assess Mullen Group's overall approach to corporate governance practices. Review and consider any reports, corporate governance issues or principles, and where appropriate recommend such for review or action by the Board or a committee thereof.
  - ii. Establish appropriate structures and processes for the Board to ensure that it is able to function independently of management.
  - iii. Monitor Mullen Group's compliance with applicable regulatory, corporate governance and disclosure requirements. Review the annual disclosure reports required by the CSA (*as required by the National Instruments*) or other governing body, in relation to executive compensation, nomination practices, corporate governance statements and/or reports, or any other reports or information as may be required from time to time, for publication in Mullen Group's public disclosure documents.
  - iv. Identify and recommend to the Board the assignment of members to each committee, seeking the advice and input of the Chair & CEO, and taking into account the tenure, independence and expertise – with reference to the skills matrix – of individual directors and committee chairs.
  - v. Recommend the appointment/reappointment of corporate officers on an annual basis.
  - vi. Review, monitor and make recommendations regarding new director orientation.
  - vii. Annually review the Terms of Reference of the Chair & CEO.
  - viii. Annually review the Board and committee mandates, and make recommendations to the Board as required.
  - ix. Make recommendations to the Board regarding changes or revisions to the Board Manual, code of ethics and conduct and any other governance-related policy adopted by Mullen Group from time to time.
  - x. Review reports on corporate governance trends and regulatory requirements and make recommendations to the Board.
  - xi. Review outside service or Board opportunities of the Executive Officers.
  - xii. Review and approve requests by individual directors to engage outside advisors at the expense of Mullen Group in appropriate circumstances.
- d. Executive Succession and Director Nomination
- i. Review and recommend to the Board the executive succession and development plans.
  - ii. Develop and annually review a long term plan for the composition of the Board that takes into consideration the current competencies, strengths, skills and experience – with reference to the skills matrix – on the Board; the appropriate Board size for Mullen Group; and upcoming retirement dates.
  - iii. Identify and recommend to the Board the nominees for election as directors of the Board, seeking the advice and input of the Chair & CEO. This includes consideration of any nominee appropriately recommended by shareholders taking into account the nominee's



skills attributes, independence, performance, experience, financial literacy and his/her ability to devote sufficient time and resources to his/her duties as a director of Mullen Group.

e. Compensation

- i. Oversee the granting of options pursuant to the Stock Option Plan (the "**Plan**"), review the administration of the Plan and make recommendations for changes to the Plan as required.
- ii. Review comparative market data of Mullen Group's peer group of companies (as determined from time to time) and review and recommend to the Board the principles of Mullen Group's executive compensation program and the specific remuneration of Executive Officers thereunder.
- iii. Annually review and consider the alignment of the executive and director compensation programs with Mullen Group's strategic business objectives.
- iv. Review the level and form of remuneration of non-management directors in relation to their duties and responsibilities and Mullen Group's peer group of companies, and recommend to the Board the remuneration of the non-management directors.

13. Delegation of Duties

The CNG Committee, upon approval by a majority of the members of the CNG Committee, may delegate authority and duties to subcommittees or individual members of the CNG Committee as it considers appropriate.

14. Work Plan

The CNG Committee, in consultation with the Board and management, shall develop and maintain a CNG Committee work plan setting out the scheduled business to be conducted at the CNG Committee's regular meetings throughout the fiscal year on all matters within its mandate and any other matters as may be determined to be necessary or appropriate.



## LEVELS OF AUTHORITY

### 1. Introduction

In addition to those matters that must be approved by the Board under corporate law, management is required to seek Board approval for all material matters including the issuance of additional securities of Mullen Group, the entering into of material contracts and material acquisitions and dispositions. The Board has delegated to senior management the authority to enter into various types of transactions that are of an ordinary course, subject to specified limitations. This section identifies those powers and financial authority that the Board delegates to Management such that they may efficiently carry out the day to day management of Mullen Group.

### 2. Delegation of Authority

The Board delegates to the Executive Committee the power to manage the business and affairs of Mullen Group, including the power to sub-delegate certain financial responsibilities and powers to other officers of Mullen Group, subject in each case to the limits of the capital expenditure budget for the then current year, which are approved by the Board (refer to the Annual Budget Process). Commitments of Mullen Group not contemplated by the Budget are permitted but are subject to the following restrictions:

- a. The Executive Committee is authorized to commit Mullen Group to single commitments of \$10.0 million or less and total commitments for a single year of up to \$20.0 million. Any single commitment greater than \$10.0 million shall be disclosed at the next regularly scheduled Board meeting.
- b. Any commitments greater than those contemplated above will require prior Board approval.
- c. The Executive Committee shall not, without first obtaining the approval of the Board, authorize Mullen Group to:
  - i. make any material modification of its structure;
  - ii. settle any dispute or matter in litigation representing an amount in excess \$2.0 million Canadian dollars; or
  - iii. purchase or sell or otherwise dispose of shares or assets in any corporation or partnership for an amount greater than \$5.0 million dollars.



## **DIRECTOR COMPENSATION**

The Directors are entitled to compensation for their services as directors of Mullen Group.

The compensation for non-management directors is reviewed annually by the CNG Committee and recommendations are made to the Board following a review of market data from a peer group of companies (as such are identified in Mullen Group's disclosure documents). This market data is compiled from the peer group's publicly disclosed information, which disclosure refers to the prior year and, as such, is a "**look back**" rather than a "**look forward**". The Board will consider the CNG Committee's recommendation and all approvals relating to changes in non-management remuneration will be documented by way of formal resolution/motion.

The components of Mullen Group's current compensation program for its non-management directors are outlined below and are followed by a discussion of how Mullen Group discloses director compensation in its public documents.

### 1. Director Fees

Non-management directors of Mullen Group are remunerated for services rendered in their capacity as directors by way of a combination of retainer fees and meeting attendance fees. A listing of the director fee amounts payable for the current year is posted on the Board Portal.

#### a. Board Meeting Compensation:

- i. An Annual Board Retainer Fee to all directors, other than the directors who are also executive officers or employees. This Annual Retainer Fee covers short board meetings held by telephone. The annual retainer is paid semi-annually in January and May.
- ii. A Meeting Fee payable to all directors, other than the directors who are also executive officers or employees, for each meeting attended. The Meeting Fees will be paid as meetings are held throughout the year.

#### b. Committee Meeting Compensation:

- i. An Annual Committee Retainer for the Chairperson and committee members. The annual retainer will be paid semi-annually in January and May.
- ii. Each Committee Member will receive a set fee for each Committee Meeting attended. The Meeting Fees will be paid as meetings are held throughout the year.

c. Any director traveling greater than three (3) hours to attend a Board meeting or a committee meeting will be entitled to an additional meeting fee.

d. Directors or Committee Members who attend regular meetings by telephone are to be paid 75% of the prescribed Meeting Fee.

### 2. Share Options

Prior to 2008, non-management directors were entitled to receive option grants as part of their remuneration. In 2008, the Board determined that option grants would no longer form part of the non-management directors' remuneration.

Mullen Group's stance on stock-based compensation may change in the future depending on whether the nature of the compensation aligns with Mullen Group's philosophy on the role that director compensation should fulfill: that of providing appropriate incentives to directors to perform their oversight duties and responsibilities.



3. Out of Pocket Expenses

Out-of-pocket expenses related to attendance at a Board or committee meeting are paid by Mullen Group upon request.

4. Disclosure of Compensation in Public Documents

In accordance with the requirements of the CSA and the National Instruments, Mullen Group reports all fees paid to directors in its disclosure documents, including information relative to any outstanding option-based awards, share-based awards and/or incentive plan awards held by individual directors.

5. Disclosure of Director Indebtedness

The National Instruments require Mullen Group to report the indebtedness of any directors to Mullen Group. As a matter of practice, Mullen Group does not lend money to directors or otherwise allow directors to become the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Mullen Group or any of its subsidiaries.



## **ASSESSMENT PROCESS**

### ***Introduction***

The Board is responsible for monitoring its own effectiveness on an ongoing basis. The assessment process provides a unique opportunity to reflect on board, fellow director, key management and individual performance in light of the roles and responsibilities outlined in this manual. Mullen Group encourages all directors to be candid in their evaluation of the board structure, skills, processes and outputs such that the Board can continue to leverage strengths and address weaknesses. The director self-assessment process is supplemented through the completion of a self-evaluation in relation to the areas of expertise identified in the skills matrix on a periodic basis, which further enhances Mullen Group's ability to assess the strengths and weaknesses of the Board as a whole. The process is overseen by the CNG Committee in conjunction with the Chair & CEO.

Below, is a summary of information that directors should keep in mind when completing the assessments.

#### 1. Board/Director Evaluation

##### a. Introduction

- i. The Board evaluation process is designed to provide directors with an opportunity to evaluate how the Board is operating and to make suggestions for improvement.
- ii. The evaluation process is designed primarily to provide constructive input for the improvement of the Board "as a whole or as a unit".
- iii. The questionnaire analyzes the organization and performance of the Board against the description of the Board's duties and responsibilities.
- iv. The questionnaire provides an opportunity for each director to evaluate his or her own performance as well as that of his/her peers.

##### b. Process

A standard form questionnaire has been developed by the Board for use in its evaluation. Such questionnaire is periodically reviewed and updated as necessary taking into consideration the evolving role of the Board and individual directors, the National Instruments and other regulatory requirements governing Mullen Group. The assessment questionnaire may be used in the following ways:

- i. Informally by each director as a framework for evaluating the Board on an ongoing basis;  
or
- ii. More formally, through the CNG Committee, where each director completes the questionnaire annually, following which the results are summarized and reported to the Board.

#### 2. CEO Evaluation

- a. The CNG Committee undertakes the CEO's evaluation on behalf of the Board.
- b. Mullen Group believes CNG Committee members are best equipped to undertake their assessment of the CEO if they know how the CEO evaluates his own performance against the agreed upon benchmarks of the previous year and what the CEO sees as the goals and priorities for the coming year. The CEO's self-appraisal may be written and/or may be verbally discussed with the CNG Committee in advance of their ensuing evaluation of the CEO.



### 3. Evaluation of the External Auditor

#### a. Introduction

- i. The external auditor evaluation process is designed to provide Audit Committee members with the opportunity to assess how Mullen Group's external auditors are operating.
- ii. The evaluation process is designed primarily as a checklist of considerations that deal with the calibre of the firm and team assigned to Mullen Group, their audit processes, their ability to communicate with the Audit Committee and management as well as their governance and independence from Mullen Group.

#### b. Process

A standard form checklist has been adopted by the Audit Committee for use in its evaluation. Such checklist is periodically reviewed and updated as necessary taking into consideration the evolving role of the auditors, the National Instruments and other regulatory requirements governing Mullen Group. The checklist may be used in the following ways:

- i. Informally by each Audit Committee member as a framework for assessing the external auditor on an ongoing basis; and/or
- ii. More formally, through the Audit Committee where each member of the Audit committee completes the evaluation annually, following which results are discussed and a determination is made by the Audit Chair as to whether there are concerns that should be discussed with the external auditor.

