



## **K-BRO LINEN INC.**

### ***MANDATE OF THE BOARD OF DIRECTORS***

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The purpose of this Mandate is to set out the mandate and responsibilities of the board of directors (the “**Board**”) of K-Bro Linen Inc. (the “**Corporation**”), as well as some of the policies and procedures that apply to the Board in discharging its duties and responsibilities, subject to the provisions of applicable statutes.

#### **1. Composition**

The Board shall be constituted with a majority of individuals who qualify as “independent” as such term is defined in National Policy 58-201 – *Corporate Governance Guidelines* (“NP 58-201”).

The Chair of the Board will be a duly elected member of the Board and will be “independent” as such term is defined in NP 58-201. The Chair will be appointed by the Board each year for a one (1) year term, with such appointment taking place at the first meeting of the Board following the annual general meeting of the shareholders of the Corporation. If at any time the Chair is not an independent director, the independent directors shall select an independent director to carry out the functions of a Lead Director. The Lead Director would chair regular meetings of the independent directors and assume other responsibilities that the independent directors as a whole have designated.

#### **2. Responsibilities of the Board of Directors**

The Board is responsible for the stewardship of the Corporation and in that regard shall be specifically responsible for:

- (a) adopting a strategic planning process and approving, on at least an annual basis, a budget, and evaluating and discussing a strategic plan for the upcoming year which takes into account, among other things, the opportunities and risks of the Corporation’s business and investments;
- (b) supervising the activities and managing the investments and affairs of the Corporation;
- (c) approving major decisions regarding the Corporation;
- (d) defining the roles and responsibilities of management;
- (e) reviewing and approving the business and investment objectives to be met by management;
- (f) overseeing management;
- (g) reviewing the Corporation’s debt strategy;
- (h) ensure that a system is in place to identify the principal risks to the Corporation and ensure implementation of appropriate procedures to manage these risks;
- (i) ensuring the integrity and adequacy of the Corporation’s internal controls and management information systems;
- (j) succession planning, including the appointment, training and supervision of management;

- (k) establishing committees of the Board, where required or prudent, and defining their respective mandates;
- (l) receiving and evaluating reports and recommendations from the committees of the Board from time to time;
- (m) maintaining records and providing reports to shareholders;
- (n) ensuring effective and adequate communication with shareholders, other stakeholders and the public;
- (o) determining the amount and timing of dividends or distributions to shareholders;
- (p) establish guidelines for the expectations and responsibilities of directors with respect to attendance at Board meetings and advance review of meeting materials;
- (q) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and senior officers of K-Bro Linen Systems Inc. (“**K-Bro**”) and that the Chief Executive Officer and other senior officers create a culture of integrity throughout the organization;
- (r) adopting a communications policy which enables the Corporation to communicate effectively and addresses how the Corporation interacts with all of its stakeholders, including analysts and the public, contains measures for the Corporation to avoid selective disclosure and is reviewed at such intervals or times as the Board deems appropriate; and
- (s) developing the Corporation’s approach to governance, including developing a set of governance principles and guidelines that are specifically applicable to the Corporation and designed to ensure that the Corporation, its directors, officers and employees comply with all applicable laws, rules and regulations and conduct their business ethically and with honesty and integrity.

It is recognized that every director in exercising powers and discharging duties must act honestly and in good faith with a view to the best interest of the Corporation. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In this regard, they will comply with their duties of honesty, loyalty, care, diligence, skill and prudence.

In addition, directors are expected to carry out their duties in accordance with policies adopted by the Board from time to time.

It is expected that management will co-operate in all ways to facilitate compliance by the Board with its legal duties by causing the Corporation and any subsidiaries of the Corporation to take such actions as may be necessary in that regard and by promptly reporting any data or information to the Board that may affect such compliance.

### **3. Meetings**

The Board will meet not less than four (4) times per year: at least three (3) meetings to review quarterly results, and once (1) prior to the issuance of the annual financial results of the Corporation. The Board shall have an independent Chair and shall meet periodically without management present to ensure that the Board functions independently of management. At each Board meeting, unless otherwise determined by the Board, an *in camera* meeting of independent directors will take place. Individual directors shall be permitted to engage outside advisors at the cost of the Corporation, subject to the prior approval of the Compensation, Nominating and Corporate Governance Committee.

The Board appreciates having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations. Management attendees will be excused for any agenda items which are reserved for discussion among directors only.

#### **4. Board Meeting Agendas and Information**

The Chair, in consultation with management, will develop the agenda for each Board meeting. Agendas will be distributed to the directors before each meeting, and all Board members shall be free to suggest additions to the agenda in advance of the meeting.

Whenever practicable, information and reports pertaining to Board meeting agenda items will be circulated to the directors in advance of the meeting. Reports may be presented during the meeting by members of the Board, management and/or staff, or by invited outside advisors. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it will not be prudent or appropriate to distribute written materials in advance.

#### **5. Measures for Receiving Shareholder Feedback**

All publicly disseminated materials of the Corporation shall provide for a mechanism for feedback of shareholders.

#### **6. Telephone Board Meetings**

A director may participate in a meeting of the Board or in a committee meeting by means of telephone, electronic or such other communications facilities which permit all persons participating in the meeting to communicate with each other, and a director participating in such a meeting by such means is deemed to be present at the meeting.

While it is the intent of the Board to follow an agreed meeting schedule as closely as possible, it is felt that, from time to time, with respect to time sensitive matters, telephone Board meetings may be required to be called in order for directors to be in a position to better fulfill their legal obligations. Alternatively, management may request the Board to approve certain matters by resolutions in writing signed by all the directors.

#### **7. Expectations of Management**

Management shall be required to report to the Board at the request of the Board on the performance of the Corporation, new and proposed initiatives, the Corporation's business and investments, management concerns and any other matter the Board or its Chair may deem appropriate. In addition, the Board expects management to promptly report to the Chair any significant developments, changes, transactions or proposals respecting the Corporation or any of its subsidiaries.

#### **8. Communications Policy**

The Board approves the content of the Corporation's major communications to shareholders and the investing public including the Annual Report, Management Information Circular, the Annual Information Form and any prospectuses which may be issued. The Audit Committee shall review and recommend to the Board the approval of the quarterly and annual financial statements (including the Management Discussion & Analysis) and press releases relating to financial matters. The Board also has responsibility for monitoring all of the Corporation's external communications. However, the Board believes that it is the function of management to speak for the Corporation in

its communications with the investment community, the media, customers, suppliers, employees, governments and the general public.

The Board shall have responsibility for reviewing the Corporation's policies and practices with respect to disclosure of financial and other information including insider reporting and trading. The Board shall approve and monitor the disclosure policies designed to assist the Corporation in meeting its objective of providing timely, consistent and credible dissemination of information, consistent with disclosure requirements under applicable securities law and the rules and regulations of the stock exchanges upon which the Corporation's securities are listed. The Board shall review the Corporation's policies relating to communications and disclosure on an annual basis.

Generally, communications from shareholders and the investment community will be directed to the Chief Executive Officer, who will coordinate an appropriate response depending on the nature of the communication. It is expected, if communications from stakeholders are made to the Chair or to other individual directors, management will be informed and consulted to determine any appropriate response.

#### **9. Internal Control and Management Information Systems**

The Board has responsibility for the integrity of the Corporation's internal control and management information systems, and all material matters relating to the Corporation and its business. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Corporation's business.

The Audit Committee has responsibility for ensuring internal controls are appropriately designed, implemented and monitored and for ensuring that management and financial reporting is complete and accurate, even though management may be charged with developing and implementing the necessary procedures.

#### **10. Review of the Mandate**

The Board will review and assess the adequacy of this Mandate on an annual basis.

#### **11. Changes to the Mandate**

The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability on the part of the Corporation or its directors to shareholders, investors, customers, suppliers, competitors, employees or other persons, or to any other liability whatsoever on their part. The provisions of this Mandate may be amended at any time.

**APPROVED** by the Board of Directors of K-Bro Linen Inc. on the 10th day of November, 2015.