
Mandate of the Board of Directors

Approved by the Board of Directors
on April 28, 2020

LOBLAW COMPANIES LIMITED

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1. ROLE

The role of the Board is to provide governance and stewardship to the Company which consists of reviewing corporate strategy, assigning responsibility to management for achievement of that strategy, establishing limitations on the authority delegated to management and overseeing performance against approved objectives. In fulfilling this role, the Board regularly reviews management's strategic plans so that they continue to be responsive to the changing business environment in which the Company operates. The Board oversees the Company's approach to corporate governance, succession planning, capital structure and finance matters, risk management activities, compliance and ethics matters, internal control over financial reporting, disclosure controls and procedures, and information systems. Through its oversight, the Board ensures that the Company accurately and fairly reports financial and other information to shareholders, other stakeholders and the public. The Board is required to appoint corporate officers. The Board satisfies itself as to the integrity of senior management, that the Company engages in ethical and legal conduct and that senior management maintains a culture of integrity throughout the Company.

2. RESPONSIBILITIES

To ensure that it fulfills its role, the Board, or any Committee so delegated by the Board, will oversee the following:

(a) Strategic Goals, Corporate Performance, Performance Objectives and Operational Policies

The Board will review and, if advisable, approve broad strategic objectives and values against which corporate performance will be measured. In this regard, the Board will:

- Determine, from time to time, the appropriate criteria against which to evaluate performance, and set corporate strategic goals and objectives within this context.
- Evaluate performance against both corporate strategic goals and objectives.
- Approve long-term strategies.
- Review and approve management's strategic and operational plans so that they are consistent with long-term goals.
- Approve strategic and operational policies within which management will operate.
- Approve significant acquisitions, sales of assets or shares, and material financing arrangements.
- Review and approve the Company's dividend policy and approve the payment of dividends.
- Approve targets and budgets against which to measure corporate and executive performance.

(b) Finance and Capital Matters

- Review with management and receive periodic reports on the Company's target capital structure.
- Review with management and receive periodic reports on the Company's consolidated balance sheet, including cash, investment assets and debt position.
- Receive periodic reports from rating agencies and updates on any material discussions or communications with rating agencies.

(c) Executive Compensation and Succession Planning

- Satisfy itself of the appropriateness of all executive and colleague compensation matters and that a portion of executive compensation is linked appropriately to corporate performance.
- Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management.

(d) Delegation of Management Authority to the Executive Chairman

- Delegate to the Executive Chairman the authority to manage and supervise the business of the Company, including making any decisions regarding the Company's ordinary course of business and operations that are not specifically reserved to the Board under the terms of that delegation of authority.
- Determine what, if any, executive limitations may be required in the exercise of the authority delegated to management.

(e) Financial Disclosure

- Oversee the Company's financial reporting and disclosure obligations in accordance with applicable law.
- Approve the Company's financial statements, management's discussion and analysis and related releases.
- Oversee the Company's compliance with applicable audit, accounting and reporting requirements, including in the areas of internal control over financial reporting and disclosure controls and procedures.

(f) Enterprise Risk Management Program

- Overseeing the Company's enterprise risk management program, including its design and structure and assessment of its effectiveness.
- Approve the Company's enterprise risk management policy, the risk appetite statement, and management's approach to enterprise risk management and its mitigation practices, including the identification, assessment and mitigation of the principal risks. Satisfy itself as to the effective oversight of risk management of individual risks by the Board or by the Risk and Compliance Committee, through the receipt of periodic reports from the Committee Chair or management, as appropriate.

- Delegate, as appropriate, the oversight of enterprise risk management design and structure, assessment of its effectiveness and the oversight of the principal risks to the Risk and Compliance Committee.

(g) Related Party Transactions

- Approve all proposed material related party transactions and any related party transactions that are not dealt with by a “special committee” of independent directors pursuant to applicable securities legislation.

(h) External Communications

- Satisfy itself that there is effective communication between the Board and the Company’s shareholders, other stakeholders and the public.
- At least annually, with the assistance of the Audit Committee, review and approve any material changes to the Company’s disclosure policy.

(i) Corporate Governance

- Develop, and review compliance with, a set of corporate governance principles and guidelines.
- Appoint a lead director who is independent to provide leadership to the Board and the independent directors, including presiding over meetings or sessions of the non-management directors and consulting with the Executive Chairman on any matters arising out of such sessions.
- Ensure that independent directors hold regular meetings without the attendance of management or non-independent directors.
- On the recommendation of the Governance, Employee Development, Nominating and Compensation Committee, approve the appointment of directors or recommend the election of director nominees to the Board at the annual general meeting of shareholders.
- Review the Board’s mandate on an annual basis and make appropriate revisions.
- Develop, adopt and regularly review position descriptions for the Executive Chairman, the lead director and the chair of each committee of the Board.
- Assess the effectiveness and performance of the Board and its committees as well as their individual members.
- Oversee significant compensation decisions for the directors and for senior executive management.

(j) Corporate Social Responsibility, Integrity and Ethics

- Oversee actions taken by management to ensure that senior executives maintain a culture of integrity throughout the Company.
- Adopt a written code of conduct which is applicable to employees, officers and directors of the Company, and oversee compliance with the code.
- Receive and review periodic reports on policies and practices related to corporate social responsibility.
- Receive periodic reports on the Company’s compliance and ethics matters.

3. COMPOSITION

The Board shall be comprised of a majority of independent directors. For this purpose, a director is independent if he or she would be independent within the meaning of the applicable Canadian securities laws, as the same may be amended from time to time.

4. COMMITTEES

The Board may establish committees of the Board where required or prudent. The Board may delegate to such committees of the Board matters for which the Board is responsible, including the approval of Board and management compensation, the conduct of performance evaluations and oversight of internal controls, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities. The Board has established the following committees:

- the Audit Committee (comprised entirely of independent directors);
- the Governance, Employee Development, Nominating and Compensation Committee (comprised entirely of independent directors);
- the Risk and Compliance Committee (no more than one member of the Committee shall be a management director); and
- the Pension Committee (a majority of whom shall be non-management directors).

The Board shall provide a forum for discussion and reporting of all matters considered by the committees. Circumstances may warrant the establishment of new committees, the disbanding of current committees or the reassignment of authority and responsibilities amongst committees. The authority and responsibilities of each committee are set out in a written mandate, as approved by the Board. At least annually, each mandate shall be reviewed by the respective committee and submitted to the Board for approval with such amendments as the committee proposes. Each Committee Chair shall provide a report to the Board on material matters considered by the Committee at the next regular Board meeting following such Committee's meeting.

5. ORIENTATION AND CONTINUING EDUCATION

With the Governance, Employee Development, Nominating and Compensation Committee, the Board shall ensure that all directors receive a comprehensive orientation program and continuing education in connection with their role, responsibilities, the business of the Company, and the skills they must use in their roles as directors.

6. EQUITY OWNERSHIP BY DIRECTORS

The Board shall oversee directors' compliance with the Company's Share Ownership Policy.

7. RETENTION OF EXPERTS

The Board may engage any professional advisors including legal, accounting or other experts, at the expense of the Company, as it considers necessary to perform its duties.