

# TEN PEAKS COFFEE COMPANY INC.

## BOARD OF DIRECTORS TERMS OF REFERENCE (Revised and Approved by the Board: March 16, 2016)

### 1. Introduction

The Board of Directors (the “Board”) is responsible for the overall corporate governance of Ten Peaks Coffee Company Inc. (the “Company”). It oversees and directs the management of the Company’s business and affairs. In doing so, it must act honestly, in good faith, and in the best interests of the Company. The Board guides the Company’s strategic direction, evaluates the performance of the Company’s senior management, monitors the Company’s financial results, and is ultimately accountable to the Company’s shareholders, employees, customers, suppliers, and regulators. The Directors are kept informed of the Company’s operations at meetings of the Board and its committees, and through reports and analyses by, and discussions with, management. The Board manages the delegation of decision making authority to management through board resolutions under which management is given authority to transact business, but only within specific limits and restrictions.

### 2. Organization and Procedure

The Board has responsibility for managing its own affairs including (i) determining its composition and size; (ii) selecting its Chair; (iii) appointing committees; (v) determining director compensation; and (vi) assessing the effectiveness of the Board, committees and Directors in fulfilling their responsibilities.

Subject to applicable law, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

#### Number and Independence of Directors

The number of Directors under the Company’s constating documents shall be a minimum of one and a maximum of ten. The Directors are elected annually at the Company’s annual meeting of shareholders and must meet the requirements of applicable corporate and securities laws and related rules and regulations, including those of applicable stock exchanges on which the Company’s shares are listed (“Applicable Laws”).

The Board will be constituted with a majority of independent directors, as defined by Applicable Laws. The Board shall establish processes and guidelines to avoid and address potential for conflicts of interest, including the separation of the role of Chair from that of the Chief Executive Officer.

The Board must be able to function independently of management of the Company and shall meet regularly without management present.

#### Meetings

The Board will meet at least four times per year. Directors will receive meeting materials on a timely basis in advance of meetings. Presentations on specific subjects at Board meetings will only briefly summarize the material sent to Directors so that discussion can be focused on issues relevant to the material. A majority of Directors constitutes a quorum. The Chair will not

have a second or casting vote. The Chair is encouraged to invite individuals with insight into issues under discussion to participate in Board meetings.

A majority of Board of Directors meetings will be held in Canada. If a Director participates in a meeting of the Board by means of telephonic, electronic or other communication facilities, that member shall be considered to be present at the meeting and at the place of the meeting.

Not less than 48 hours' advance notice must be given of each meeting of the Board. If all members consent, and proper notice has been given or waived, a member or members of the Board may participate in a meeting of the Board by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at that meeting.

### Retirement of Directors

Directors who retire from or otherwise change any concurrent position responsibilities do not necessarily need to retire from the Board. However, the Board should, through the Compensation and Corporate Governance Committee, review the appropriateness of continued Board membership.

## **3. Duties and Responsibilities**

### Policies, Procedures and Compliance

The Board has the responsibility to:

- (a) (i) manage the business and affairs of the Company; (ii) act honestly and in good faith with a view to the best interests of the Company; (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and (iv) act in accordance with its obligations contained in all applicable legislation and regulations, including Applicable Laws;
- (b) ensure that legal requirements applicable to the Company have been met and documents and records have been properly prepared, approved and maintained;
- (c) ensure that the Company operates at all times within applicable legislation and to the highest ethical and moral standards; and
- (d) approve and monitor compliance with significant policies and procedures by which the Company is operated.

### Reporting and Communication

The Board has the responsibility to:

- (a) adopt a communication or disclosure policy for the Company and ensure that the Company has in place effective communication processes with shareholders and other stakeholders (including measures to enable stakeholders to communicate with the independent Directors of the Board) and with financial, regulatory and other institutions and agencies;

- (b) approve the content of the Company's major communications to shareholders and the investing public, including the Annual Report, the Management Information Circular, the Annual Information Form, any prospectuses that may be issued, and any significant information respecting the Company contained in any documents incorporated by reference in any such prospectuses;
- (c) to ensure that the financial performance of the Company is adequately reported to shareholders, other security holders and regulators on a timely and regular basis in accordance with Applicable Laws;
- (d) to ensure that the financial results are reported fairly and in accordance with International Financial Reporting Standards;
- (e) to ensure the timely reporting of any other developments that have a significant and material impact on the value of the Company; and
- (f) to report annually to shareholders on its stewardship of the affairs of the Company for the preceding year.

#### Management and Human Resources.

The Board has the responsibility to:

- (a) appoint the Chief Executive Officer and provide advice and counsel to the Chief Executive Officer in the execution of the Chief Executive Officer's duties;
- (b) evaluate the Chief Executive Officer's performance at least annually against agreed upon objectives and determine and approve the Chief Executive Officer's compensation level based on this evaluation, taking into account the views and recommendations of the Compensation and Corporate Governance Committee;
- (c) satisfy itself as to the integrity of the Chief Executive Officer and other senior officers and satisfy itself that the Chief Executive Officer and other senior officers are creating a culture of integrity throughout the Company;
- (d) approve or review certain decisions relating to senior management, including the:
  - (i) appointment and discharge of senior officers;
  - (ii) compensation and benefits for senior officers;
  - (iii) acceptance by the Chief Executive Officer of any outside directorships on public companies (other than non-profit organizations) or any significant public service commitments; and
  - (iv) employment, consulting, retirement and severance agreements, and other special arrangements proposed for senior officers;
- (e) ensure that appropriate succession planning and management development programs are in place, including:
  - (i) approving the succession plan for the Chief Executive Officer;

(ii) in the case of other senior officers, ensuring that plans are in place for management succession and development; and

(iii) ensuring that criteria and processes for recognition, promotion, training, development, and appointment of senior management are consistent with the future leadership requirements of the Company;

- (f) create opportunities to become acquainted with employees within the Company who have the potential to become members of senior management, including presentations to the Board by these employees, visits to their workplace, or interaction with them at social occasions; and
- (g) approve certain matters relating to all employees, including incentive policies/programs for employees, new benefit programs or changes to existing programs and material changes to retirement programs.

#### Strategy and Plans.

The Board has the responsibility to:

- (a) at least annually, participate with management, in the development of, and ultimately approve, long-term strategic objectives of the Company, taking into account, among other things, the opportunities and risks of the Company's business and approve the plan to achieve those objectives;
- (b) approve annual capital and operating budgets that support the Company's ability to meet its strategic objectives;
- (c) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company;
- (d) approve financial and operating objectives used in determining compensation if they are different from the strategic, capital or operating plans referred to above;
- (e) approve material divestitures and acquisitions;
- (f) monitor the Company's progress towards its strategic objectives, and revise and alter its direction through management in light of changing circumstances;
- (g) conduct periodic reviews of human, technological and capital resources required to implement the Company's strategy and the regulatory, cultural or governmental constraints on the business;
- (h) review recent developments that may affect the Company's strategy, and advise management on emerging trends and issues; and
- (i) evaluate management's analysis of the strategies of competitors or quasi-competitors.

#### Financial and Corporate Issues.

The Board has the responsibility to:

- (a) take reasonable steps to ensure the integrity and effectiveness of the Company's internal control and management information systems, including the evaluation and assessment of information provided by management and others about the integrity and effectiveness of the Company's internal control and management information systems;
- (b) review operating and financial performance relative to budgets and objectives;
- (c) approve the annual financial statements and notes;
- (d) declare dividends;
- (e) approve financings, changes in authorized capital, issue and repurchase of shares, and issue of debt securities;
- (f) approve banking resolutions and significant changes in banking relationships;
- (g) approve significant contracts, transactions, and other arrangements or commitments that may be expected to have a material impact on the Company; and
- (h) approve the commencement or settlement of litigation that may be expected to have a material impact on the Company.

#### Business and Risk Management

The Board has the responsibility to:

- (a) ensure that management identifies the principal risks of the Company's business and implements appropriate systems to manage these risks;
- (b) review coverage, deductibles and key issues regarding corporate insurance policies;
- (c) receive reports from management on matters relating to, among others, ethical conduct, environmental management, and employee health and safety; and
- (d) understand the principal risks associated with the Company's business and review whether the Company achieves a proper balance between risk and returns.

#### Statutory Requirements

The Board is responsible for approving all other matters which require Board approval as prescribed by Applicable Laws, such as payment of dividends and issuances of shares. Management of the Company ensures that such matters are brought to the attention of the Board as they arise.

#### **4. Principal Responsibilities of Individual Directors**

- (a) Each Director shall represent the best interests of the Company and its shareholders, assist in the maximization of shareholder value, and work towards the long-term success of the Company.
- (b) Each Director shall fulfill the legal requirements and obligations of a Director and shall develop a comprehensive understanding of the statutory and fiduciary roles of a Director.

- (c) Each Director shall participate in the review and approval of the Company's objectives, policies and strategy and in monitoring their implementation.
- (d) Each Director shall exercise good judgment and act with integrity.
- (e) Each Director will use his/her abilities, experience and influence constructively.
- (f) Each Director will identify real or perceived potential conflicts of interest and ensure that they are properly reviewed and addressed.
- (g) Each Director shall maintain independence and objectivity; but it is acknowledged that the CEO is not "independent", as defined by Applicable Laws.
- (h) Each Director will respect confidentiality.
- (i) Each Director shall prepare for Board and committee meetings by reading reports, minutes and background materials prepared for each meeting and shall acquire adequate information necessary for informed decision making.
- (j) Each Director shall strive to maintain 100% attendance in Board and committee meetings.

#### Communication

- (a) Each Director shall participate fully and frankly in the deliberations and discussions of the Board.
- (b) Each Director shall communicate with the Chair and other Directors between meetings when appropriate.
- (c) Each Director shall help foster an atmosphere of free and open discussion of the Company's affairs by the Board and its members.
- (d) Each Director shall maintain an inquisitive attitude and strive to raise questions in an appropriate manner and at proper times.
- (e) Each Director shall think, speak and act in a reasoned, independent manner.

#### Committee Work

- (a) Each Director shall participate on committees where appropriate and become knowledgeable about the purpose and goals of such committees.
- (b) Each Director shall understand the process of committee work, and the role of management and staff supporting the committee.

### Business and Industry Knowledge

- (a) Each Director shall strive to become generally knowledgeable of the Company and its business, products and industry.
- (b) Each Director shall develop an understanding of the role of the Company within its various communities and its obligations to various stakeholder groups.
- (c) Each Director shall maintain an understanding of the regulatory, legislative, business, social and political environments within which the Company operates.
- (d) Each Director shall become acquainted with the officers and key management of the Company.

### **5. Outside Consultants or Advisors**

At the Company's expense, the Board may retain, when it considers it necessary or desirable, outside consultants or advisors to advise the Board independently on any matter. The Board shall have the sole authority to retain and terminate any such consultants or advisors, including sole authority to review a consultant's or advisor's fees and other retention terms.

### **6. Evaluation**

The Board will evaluate its performance and the performance of the committees annually.

### **7. Terms of Reference and Calendar**

The Board has developed a calendar of the activities to be undertaken by the Board for each meeting. These terms of reference and the calendar of activities will be reviewed annually.

**TEN PEAKS COFFEE COMPANY INC.**

**BOARD OF DIRECTORS CALENDAR OF ACTIVITIES**

Description of Activity	Feb	March	May	Sept	Nov
Business to be conducted at each meeting: <ul style="list-style-type: none"> <li>• Minutes of previous meeting</li> <li>• Action items list</li> <li>• Business Review:                             <ul style="list-style-type: none"> <li>○ Financial results</li> <li>○ Operations Review</li> <li>○ Challenges/Opportunities (customer updates, competitor updates, NY'C)</li> <li>○ Safety and Environment</li> <li>○ Risk Management</li> <li>○ Forecast for remainder of the year</li> <li>○ Progress against Strategic Plan</li> </ul> </li> <li>• Committee Reports, as necessary</li> </ul>	X	X	X	X	X
Approval of Annual audited financial statements, Management Discussion and Analysis, earnings press release		X			
Delegation of authority to Audit Committee to approve interim unaudited financial statements, management discussion and analysis and earnings press release		X			
Approve Annual Information Form		X			
Assess performance of CEO, including succession planning and management training programs		X			
Approval of compensation for CEO and review of compensation for senior officers		X			
Approval of LTIP payments		X			
Confirm nominees for Directors for AGM		X			
Approve committee members, subject to election of Directors at the AGM		X			
Approve dates for AGM: record date and meeting date		X			
Approve Management Proxy Circular			X		

<b>Description of Activity</b>	<b>Feb</b>	<b>March</b>	<b>May</b>	<b>Sept</b>	<b>Nov</b>
Set dates for ensuing year's Board meetings			X		
Appointment of officers ( <i>or by resolution following AGM</i> )			X		
Review of Terms of Reference and Calendar				X	
Strategic planning session	X				
Review of risk management and internal controls	X				
Approval of capital and operating budgets for forthcoming year					X
Declare dividends		X	X	X	X