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## Board Mandate

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**Approved by the Board of Trustees on September 17, 2015**

## **AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST**

### **MANDATE OF THE BOARD OF TRUSTEES**

The purpose of this mandate is to describe the principal duties and responsibilities of the Board of Trustees (the “**Board**”) of Automotive Properties Real Estate Investment Trust (the “**Trust**”).

#### **1. ROLE**

The role of the Board is to provide governance and stewardship to the Trust. Its role is to review strategy, assign responsibility to management for achievement of that strategy, establish limitations on the authority delegated to management and monitor 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 Trust operates. The Board oversees the Trust’s approach to governance, succession planning, risk management activities, internal control over financial reporting, disclosure controls and procedures, information systems and conflicts of interest. Through its oversight, the Board ensures that the Trust accurately reports financial and other information to unitholders, other stakeholders and the public. The Board is required to appoint officers. The Board satisfies itself as to the integrity of senior management, that the Trust engages in ethical and legal conduct and that executives maintain a culture of integrity throughout the Trust.

#### **2. RESPONSIBILITIES**

To ensure that it fulfills its role, the Board will:

##### **(a) Ensure Compliance with the Declaration of Trust**

- Exercise its powers and take whatever actions as may be necessary or desirable in order to carry out the provisions of the Trust’s declaration of trust (the “**Declaration of Trust**”).
- Ensure that the exercise of such powers or the taking of such actions is consistent with the provisions of the Declaration of Trust.

##### **(b) Define Unitholder Expectations and Monitor Performance**

- Determine, from time to time, the appropriate criteria against which to evaluate performance, and set strategic goals and objectives within this context.
- Monitor performance against both strategic goals and objectives of the Trust.

##### **(c) Approve Strategic Goals, Performance Objectives and Operational Policies**

The Board will review and approve strategic objectives and values against which the performance of the Trust will be measured. In this regard, the Board will:

- Approve long-term strategies and goals.
- Review and approve management’s strategic and operational plans so that they are consistent with long-term strategies and goals.
- Review and approve annual budgets.
- Approve strategic and operational policies within which management will operate.

- Approve acquisitions, sales of assets or units, and material financing arrangements.
- Review and approve the Trust's distribution policy and approve the timing and payment of distributions.
- Set targets and budgets against which to measure executive performance and the performance of the Trust.
- Satisfy itself of the appropriateness of all executive and employee compensation matters and, to the extent feasible, that a portion of executive compensation is linked appropriately to the performance of the Trust.
- Approve, directly or through a committee delegated by the Board, the compensation of any executives of the Trust that are employees of the Trust or a subsidiary of the Trust.
- Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management and approve an overall succession plan for the Trust's executives.
- Approve the compensation to be paid to the trustees.

**(d) Delegate Management Authority to the President and Chief Executive Officer**

- Delegate to the President and Chief Executive Officer the authority to manage and supervise the business of the Trust, including making any decisions regarding the Trust'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) Monitor Financial Disclosure**

- Oversee the Trust's financial reporting and disclosure obligations in accordance with applicable law.
- Approve the Trust's financial statements, management's discussion and analysis and related releases.
- Oversee the Trust'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) Monitor Enterprise Risk Management**

- Approve management's approach to enterprise risk management, including the identification and assessment of the principal risks with a view to the long-term viability of the Trust and achieving a proper balance between the risks incurred and the potential return for unitholders.
- Satisfy itself as to the effective oversight of risk management of individual risks by the Board or by a committee delegated by the Board, through the receipt of periodic reports from the committee chairs or senior management, as appropriate.

**(g) Approve Related Party Transactions**

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

**(h) Oversee Effective External Communications**

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

**(i) Monitor Governance of the Trust**

- Develop, and monitor compliance with, a set of governance principles and guidelines, including overseeing and appropriately managing, directly or through one or more committees established by it, potential conflicts of interests between the Trust, its executive officers and 893353 Alberta Inc. and its affiliates (“**Dilawri**”), including overseeing the administration agreement between, among others, the Trust and 893353 Alberta Inc. and the duties of the President and Chief Executive Officer of the Trust to ensure the appropriate supervision and management of any potential conflicts of interest between the President and Chief Executive Officer, the Trust and Dilawri.
- If at any time the Chair of the Board is not independent, appoint a Lead Independent Trustee who is an independent trustee to provide leadership to the Board and the independent trustees, including presiding over meetings or sessions of the independent trustees and consulting with the Chair of the Board on any matters arising out of such sessions.
- Ensure that independent trustees hold regular meetings without the attendance of management or non-independent trustees.
- Review the Board’s mandate on at least an annual basis and make appropriate revisions.
- Develop, adopt and regularly review position descriptions for the Chair of the Board, the Lead Independent Trustee (if any), the chair of each committee of the Board and the President and Chief Executive Officer.
- Assess the effectiveness and performance of the Board and its committees as well as their individual members.

**(j) Monitor Social Responsibility, Integrity and Ethics of the Trust**

- Take all reasonable steps to ensure that the Trust’s executives act with integrity and that the Trust’s executives maintain a culture of integrity throughout the Trust.
- Adopt a written code of conduct which is applicable to employees, officers and trustees, and monitor compliance with the code.
- Monitor and receive periodic reports on policies and practices related to social responsibility of the Trust.

### **3. COMPOSITION**

The Board shall be comprised of a majority of independent trustees and a majority of trustees who are residents of Canada (within the meaning of the *Income Tax Act* (Canada)). For this purpose, a trustee is independent if he or she would be Independent within the meaning of National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, as the same may be amended or replaced from time to time. The Board will review the independence of all trustees at least annually. All meetings of the Board will be held in Canada. The Board is responsible for the composition and organization of the Board, including: the number, qualifications and remuneration of trustees; quorum requirements (which shall be no less than a majority of trustees then in office); and meeting procedures. The Board shall ensure that due notice of meetings is provided as required by applicable law and the Declaration of Trust, subject to any exemptions or relief that may be granted from such requirements. Meetings of the Board will be held at least quarterly. After each meeting of the Board, the independent trustees will meet without management and without non-independent trustees. In addition, separate, regularly scheduled meetings of the independent trustees may be held. The Chair shall not have a casting vote.

The Governance, Compensation and Nominating Committee is responsible for establishing the competencies, skills and personal qualities that the Board considers necessary for the Board, as a whole, to possess, including existing trustees and new candidates to be elected or appointed by unitholders.

The Board believes that the Trust is best served by a board of trustees that functions independently of management and is informed and engaged. Trustees must have sufficient time to carry out their duties and not assume responsibilities which would materially interfere with, or be incompatible with, Board membership. Before accepting an appointment to the board or a committee of any publicly-traded entity, a trustee must advise the Chair (or, if the Chair, the Lead Independent Trustee if one has been appointed, or the chair of the Governance, Nominating and Compensation Committee) and the Board must approve such appointment.

### **4. COMMITTEES**

The Board may establish committees of the Board where required or prudent. The Board may delegate to such committees 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 trustees and a majority of trustees who are residents of Canada); and
- the Governance, Compensation and Nominating Committee (comprised of not less than a majority of independent trustees and a majority of trustees who are residents of Canada).

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 approved by the Board. At least annually, each mandate shall be reviewed and, on the recommendation of the Governance, Compensation and Nominating Committee, any changes to any such mandate shall be approved by the Board. 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, Compensation and Nominating Committee, the Board shall ensure that all trustees receive a comprehensive orientation program and continuing education in connection with their role, responsibilities, the business of the Trust, and the skills they must use in their roles as trustees.

**6. EQUITY OWNERSHIP GUIDELINES**

The Board shall oversee trustees' and executive officers' compliance with unit ownership guidelines that may from time to time be established by the Board.

**7. ACCESS**

The Board has complete access to members of management and the Trust's auditors and outside counsel. The Board may retain an outside advisor at the expense of the Trust at any time. Individual trustees may retain an outside advisor at the expense of the Trust with the approval of the Board or a committee of the Board.

**8. POLICIES**

The Board will adopt policies and procedures designed to ensure that the Trust, its trustees, officers and employees comply with all applicable laws, rules and regulations and conduct the Trust's business ethically and with honesty and integrity. The following policies have been approved:

- Code of Conduct
- Disclosure Policy
- Whistleblower Policy
- Insider Trading Policy
- Majority Voting Policy
- External Auditor Policy

**9. REVIEW**

The Board will review this mandate and the Trust's formal policies at least annually, with the assistance of the Governance, Compensation and Nominating Committee and, if appropriate, approve changes thereto. This Mandate shall be posted on the Trust's website.