



## BOARD OF DIRECTORS TERMS OF REFERENCE

As of March 13, 2014

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The board of directors (the “**Board**”) of CES Energy Solutions Corp. (the “**Corporation**”) is responsible for overseeing the conduct of the business of the Corporation and the activities of management of the Corporation.

### 1. **Composition and Operation**

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains responsibility for managing its own affairs, including selecting its chair, planning its composition and size, nominating candidates for election to the Board, constituting committees of the Board, determining director compensation, and assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities. Subject to the articles and by-laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of, and delegate powers, duties and responsibilities to, committees of the Board.

### 2. **Responsibilities**

The Board’s primary responsibility is for the stewardship of the business of the Corporation and the Board’s fundamental objectives are to enhance and preserve long-term value of the common shares (“**Common Shares**”) and maintain the dividends thereon and to ensure that the Corporation meets its obligations on an on-going basis and operates in a reliable and safe manner. In performing its duties, the Board may also consider the legitimate interests other stakeholders, such as employees, customers and communities, may have in the Corporation. In broad terms, the stewardship of the business of the Corporation involves the Board in strategic planning, risk management and mitigation, senior management determination, performance assessment and succession planning, communication planning, and internal control integrity.

### 3. Specific Duties

The Board's specific duties, obligations and responsibilities fall into the categories outlined below.

(a) *Legal Requirements*

- (i) The Board has oversight responsibility for the Corporation's satisfaction of its legal obligations and for properly preparing, approving and maintaining the Corporation's documents and records.
- (ii) The Board has the obligation to:
  - A. manage, or supervise the management of, the business and affairs of the Corporation;
  - B. act honestly and in good faith with a view to the best interests of the Corporation;
  - C. exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances; and
  - D. act in accordance with its obligations contained in the Canada Business Corporations Act and the regulations thereunder, the Corporation's articles and by-laws, as amended from time to time, and other relevant legislation and regulations.
- (iii) The Board has the obligation to ensure the implementation and enforcement of an appropriate system of corporate governance, including appropriate policies and procedures.
- (iv) The Board has the obligation to consider as a board of directors, and may not delegate to management or to a committee of directors, the following matters:
  - A. submission to the holders of the Common Shares and other classes of shares of the Corporation of any question or matter requiring the approval of the shareholders;
  - B. filling a vacancy among the directors or in the office of auditor;
  - C. appointing additional directors;
  - D. issuing securities except in the manner and on the terms authorized by the Board;
  - E. declaring dividends;
  - F. purchasing, redeeming or otherwise acquiring shares issued by the Corporation, except in the manner and on the terms authorized by the Board;

- G. paying a commission to any person in consideration of the person's purchasing or agreeing to purchase securities of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for securities of the Corporation;
- H. approving any management proxy circular relating to a solicitation of proxies by or on behalf of the management of the Corporation;
- I. approving any take-over bid circular or directors' circular;
- J. approving any annual or interim financial statements of the Corporation; and
- K. adopting, amending or repealing by-laws.

(b) *Independence*

The Board is responsible for implementing appropriate structures and procedures to permit the Board to function independently of management.

(c) *Strategy Determination*

The Board is responsible for ensuring that there are long-term goals and a strategic planning process in place for the Corporation and participating with management directly or through its committees in approving the business plan by which the Corporation proposes to achieve its goals including:

- (i) considering strategic planning processes and, at least annually, reviewing and approving strategic plans and visions which take into account, among other things, the opportunities and risks of the business of the Corporation on a long-term and short-term basis;
- (ii) reviewing and approving management's business plan to ensure it is consistent with the Corporation's vision; and
- (iii) monitoring performance against both short-term and long-term strategic plans and annual performance objectives.

(d) *Managing Risk*

The Board is responsible for understanding the principal risks of the business in which the Corporation is engaged, and reviewing whether the Corporation achieves a proper balance between risks incurred and the potential return to shareholders, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

(e) *Appointment and Assessment of Senior Management*

The Board, upon the recommendation of the Compensation Committee, is responsible for:

- (i) appointing the chief executive officer of the Corporation (the "CEO") and providing advice and counsel to the CEO in the execution of the CEO's duties;
- (ii) approving or developing the corporate objectives that the CEO is responsible for meeting and assessing the CEO against those objectives;
- (iii) approving the appointment and remuneration of all officers of the Corporation, upon the recommendation of the Compensation Committee; and
- (iv) confirming that adequate provision has been made for the training and development of management and for the orderly succession of management.

(f) *Corporate Social Responsibility, Ethics and Integrity*

The Board is responsible for:

- (i) taking all reasonable steps to satisfy itself of the integrity of the CEO and management and satisfying itself that the CEO and management create a culture of integrity throughout the organization;
- (ii) approving the Corporation's Code of Business Conduct; and
- (iii) monitoring compliance with the Corporation's Code of Business Conduct.

(g) *Reporting and Communication*

The Board is responsible for:

- (i) verifying that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with shareholders of the Corporation, other stakeholders and the public generally;
- (ii) verifying that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (iii) after consultation with the Audit Committee, verifying that the Corporation's financial results are reported fairly and in accordance with generally accepted accounting principles;
- (iv) verifying the timely reporting of any other developments that have a significant and material effect on the value of the Corporation;
- (v) reporting annually to shareholders on the Board's stewardship of the affairs of the Corporation for the preceding year; and

- (vi) adopting measures for receiving feedback from stakeholders and ensuring appropriate disclosures of the measures are made.

(h) *Financial Reporting and Management*

The Board will after consultation with and upon recommendation of the Audit Committee:

- (i) approve financial statements and review and oversee compliance with applicable audit, accounting and financial reporting requirements;
- (ii) approve annual operating and capital budgets;
- (iii) approve and revise from time to time a Schedule of Authorities which delegates certain expenditure commitments and signing authorities from the Board to management;
- (iv) satisfying itself that management has an appropriate system in place to ensure the integrity of internal control and management information systems,
- (v) confirming that the Corporation has a system in place for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- (vi) reviewing operating and financial performance results relative to established strategy, budgets and objectives and revising and altering its direction through management in response to changing circumstances; and
- (vii) approving significant changes in accounting practices or policies.

(i) *Monitoring and Acting*

The Board is responsible for:

- (i) verifying that the Corporation operates at all times within applicable laws and regulations to high ethical and moral standards;
- (ii) approving and monitoring compliance with the significant policies and procedures by which the Corporation is operated;
- (iii) verifying that the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation;
- (iv) verifying that the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace;
- (v) reviewing and considering for approval all material amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy; and

- (vi) taking action when the Corporation's performance falls short of its goals and objectives or when other special circumstances warrant.

#### **4. Outside Consultants or Advisors**

At the Corporation'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.

#### **5. Review of the Board Terms of Reference**

The Board shall assess the adequacy of these Terms of Reference annually and shall make any changes deemed necessary or appropriate.

#### **6. Other**

The Board may perform any other activities consistent with these terms of reference, the Corporation's articles and by-laws, and any other governing laws, as the Board deems necessary or appropriate.