

# **AG GROWTH INTERNATIONAL INC.**

## **BOARD OF DIRECTORS TERMS OF REFERENCE**

### **1. Introduction**

The Board of Directors (the "**Board**") of Ag Growth International Inc. (the "**Corporation**") is responsible for managing or supervising the management of the business and affairs of the Corporation. Management is responsible for the day-to-day conduct of the business and affairs of the Corporation within the strategic direction approved by the Board. The Board's fundamental objective is to enhance and preserve long-term shareholder value. The Board also considers the legitimate interests of the Corporation's other stakeholders such as employees, customers and communities.

### **2. Underlying Principles**

The following are the principles underlying the corporate governance policies established by the Board:

- (a) Representation – The Board represents the Corporation and its shareholders, whose best interests must be paramount at all times.
- (b) Diversity – Directors are elected by the shareholders to bring special expertise and diverse points of view to Board deliberations.
- (c) Independence – In order to promote objectivity, the Board will be constituted with a majority of independent directors, as defined by applicable securities laws, rules and regulations and the rules of applicable stock exchanges. The Board will establish processes and guidelines to address the potential for conflicts of interest, including the separation of the role of Chair from that of the Chief Executive Officer.
- (d) Alignment of Interests – The Board will adopt policies that promote equity ownership by Board members. Currently, independent directors participate in the Corporation's Director's Deferred Compensation Plan whereby a minimum of 20% of their remuneration is payable in Common Shares of the Corporation.

### **3. Organization and Procedure**

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

The Board operates by delegating certain of its authority to management and by reserving certain powers to itself. Subject to the Corporation's articles and by-laws and applicable

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

(a) **Number of Directors**

The Board has determined the appropriate size for the Board to be between 3 and 10 members.

(b) **Retirement**

Directors must retire by age 70 except where otherwise agreed by the Board. Directors who retire from or otherwise change their concurrent position responsibilities do not necessarily need to retire from the Board. However, the Board should, through the Corporate Governance and Compensation Committee, review the appropriateness of continued Board membership.

(c) **Independence from Management**

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

(d) **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. The Chair is encouraged to invite individuals with insight into issues under discussion to participate in Board meetings.

#### **4. Specific Duties**

The Board's principal duties and responsibilities fall into a number of categories that are outlined below.

#### **Policies, Procedures and Compliance**

The Board has the responsibility to:

- (a) (i) supervise management of the business and affairs of the Corporation; (ii) act honestly and in good faith with a view to the best interests of the Corporation; (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 the articles and by-laws of the Corporation the *Canada Business Corporations Act*;

- (b) oversee management in ensuring that legal requirements applicable to the Corporation are met and documents and records are properly prepared, approved and maintained;
- (c) oversee management in ensuring that the Corporation operates at all times within applicable laws and regulations and to acceptable ethical standards; and
- (d) approve and monitor compliance with significant policies and procedures by which the Corporation operates.

### **Monitoring and Acting**

The Board has the responsibility to:

- (a) review the Corporation's objectives and goals and the strategies by which the Corporation proposes to achieve such goals;
- (b) review progress made towards the achievement of objectives and goals established in strategic plans;
- (c) monitor the Corporation's progress towards its goals and objectives and to revise and alter their direction in response to changing circumstances;
- (d) take action when performance falls short of its goals and objectives or when other special circumstances warrant;
- (e) oversee management in ensuring that the Corporation has implemented adequate internal control and management information systems;
- (f) approve payment of dividends by the Corporation, if any; and
- (g) identify material risks faced by the Corporation and take all reasonable steps to ensure that appropriate systems are implemented to manage those risks.

### **Reporting and Communication**

The Board has the responsibility to:

- (a) adopt a communication or disclosure policy for the Corporation and ensure that the Corporation 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 Corporation's major communications to shareholders and the investing public, including the Annual Report, the Management Proxy Circular, the Annual Information Form, any prospectuses that may be issued, and any significant information respecting the Corporation contained in any documents incorporated by reference in any such prospectuses;
- (c) oversee management in ensuring that the financial results of the Corporation are properly reported to shareholders, other security holders and regulators in accordance with applicable requirements;

- (e) oversee management in ensuring the reporting in accordance with applicable requirements of any other material developments in respect of the Corporation; and
- (f) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year in accordance with applicable requirements.

### **Strategy and Plans.**

The Board has the responsibility to:

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

### **Financial and Corporate Issues.**

The Board has the responsibility to:

- (a) take reasonable steps to ensure the integrity and effectiveness of the Corporation'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 Corporation's internal control and management information systems;
- (b) review operating and financial performance relative to budgets and objectives;

- (c) approve the financial statements and notes;
- (d) declare dividends, if any;
- (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 Corporation; and
- (h) approve the commencement or settlement of litigation that may be expected to have a material impact on the Corporation.

### **Business and Risk Management.**

The Board has the responsibility to:

- (a) oversee management in identifying the principal risks of the Corporation's businesses and implementing 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 Corporation's businesses and consider the balance between risk and returns.

### **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 written 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 Corporate Governance and Compensation Committee;
- (c) approve a comprehensive statement of compensation philosophy, strategy, and principles for the Corporation's senior management;
- (d) 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 Corporation;

- (e) approve 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;
- (f) 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 Corporation;
- (g) create opportunities to become acquainted with employees within the Corporation 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
- (h) approve certain matters relating to all employees, including incentive policies/programs for employees.

## **5. 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 will 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. Standards of Liability**

Nothing contained in these terms of reference is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board. The purposes and responsibilities outlined in these terms of reference are meant to serve as

guidelines rather than inflexible rules and, subject to applicable law and the articles and by-laws of the Corporation, the Board may adopt such additional procedures and standards, as it deems necessary from time to time to fulfill its responsibilities.

**7. Review of Board Terms of Reference**

The Board will assess the adequacy of these terms of reference and its calendar annually and will make any changes deemed necessary or appropriate.

Dated: March 2010

**AG GROWTH INTERNATIONAL INC.**  
**BOARD OF DIRECTORS**  
**CALENDAR OF PRINCIPAL ACTIVITIES**

<b><u>Description of Activity</u></b>	<b><u>January</u></b>	<b><u>March</u></b>	<b><u>May</u></b>	<b><u>August</u></b>	<b><u>November</u></b>
Business to be Conducted at Each Meeting:		X	X	X	X
(a) Minutes of Previous Meeting					
(b) President's report					
(c) Operational report					
(d) Financial Results for Year to Date					
(e) Approval of Audit Committee report, approval of interim/annual report and press release					
(f) Consider declaration of dividends					
(g) Review of capital expenditures					
(h) Review of financial covenants					
(i) Review of strategic initiatives					
(j) EHS report					
(k) Committee Report					
(l) Investor Relations Report					
(m) In-camera discussion without management					



Annual Meeting requirements, including confirmation of record date and nominees for directors		X			
Approval of Management Proxy Circular		X			
Assess performance of CEO, including succession planning and management training programs		X			
Approval of remuneration for CEO and senior officers		X			
Approval of Annual Information Form		X			
Appointment of Committees, Committee Chairs, Board Chair and Officers			X		
Strategic planning session				X	
Review of Terms of Reference and Calendar of Activities				X	
Review of risk management and internal controls					X
Set dates for ensuing year's Board meetings					X
Approval of capital and operating budgets for forthcoming year	X				