

DANIER LEATHER INC.

**MANDATE
BOARD OF DIRECTORS**

(As Adopted on June 12, 2006 and Amended and Restated on January 25, 2012)

I. PURPOSE

The board of directors (the "Board") of Danier Leather Inc. (the "Corporation") is responsible for the stewardship of the Corporation and supervising the management of the business and affairs of the Corporation.

II. MEMBERS

(a) Number of Directors

The number of members on the Board may vary. There shall be at least a majority of "independent" directors (as defined under applicable Canadian securities legislation) (the "Independent Directors") on the Board and, if at any time less than a majority of directors are Independent Directors, the Board shall consider possible steps and processes to facilitate its exercise of independent judgment in carrying out its responsibilities.

At least annually, the Board shall, with the assistance of the governance, compensation, human resources and nominating committee of the Board (the "Governance Committee"), determine:

- (i) the independence of each director based on the definition of independence contained in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as amended, supplemented or replaced from time to time;
- (ii) the independence of each member of the audit committee of the Board (the "Audit Committee") based on the definition of independence contained in National Instrument 52-110 – *Audit Committees*, as amended, supplemented or replaced from time to time ("NI 52-110"); and
- (iii) the "financial literacy" of each Audit Committee member, as such term is defined in NI 52-110.

The Board may also consist of directors who are officers or employees of the Corporation, as well as directors who are not officers or employees of the Corporation but who are also not Independent Directors.

(b) Election of Directors and Nomination of New Directors

Directors are elected and re-elected for a one-year term at the annual meeting of shareholders of the Corporation.

New directors are identified, selected and nominated by the Governance Committee and are approved by the Board.

Once candidates have been identified by the Governance Committee, the Board shall confirm that the candidates meet all of the qualifications for director nominees set forth under applicable laws and this Mandate. The Board shall also discuss and evaluate the competencies and skills that the Board considers to be necessary for the Board as a whole to possess; the competencies and skills that the Board considers each existing director possesses; and the competencies and skills each new nominee possesses. There shall be no difference in the manner by which the Board evaluates director candidates, whether proposed by a shareholder or otherwise.

Based on the results of the evaluation process, the Board shall select the nominees for election to the Board.

(c) Qualifications of Directors

In addition to the minimum qualifications prescribed by applicable law, the Corporation requires its directors to possess certain minimum qualifications, including, among other things:

- (i) substantial or significant business or professional experience relevant to the business of the Corporation;
- (ii) being free from any relationship that, in the opinion of the Board, would interfere with, or have the appearance of interfering with, the exercise of his or her independent judgment as a member of the Board or a committee thereof, including any conflicts of interest stemming from his or her institutional or other affiliations;
- (iii) a demonstrated ability to exercise sound business judgment;
- (iv) integrity and high moral and ethical character;
- (v) the capacity and desire to represent the best interests of shareholders of the Corporation as a whole;
- (vi) dedication to the success of the Corporation and a commitment to the responsibilities of being a director; and
- (vii) such other criteria as the Governance Committee or the Board shall determine to be relevant.

(d) Vacancies

The Board may appoint a member to fill a vacancy which occurs in the Board between annual elections of directors, to the extent permitted by the *Business Corporations Act* (Ontario), as amended, supplemented or replaced from time to time (the "OBCA") and the Corporation's by-laws.

(e) Chairman of the Board

The chairman of the Board shall be an Independent Director and, if at any time the chairman of the Board is not an Independent Director, the Board shall appoint an Independent Director as a lead director and consider other possible steps and processes to ensure that independent leadership is provided for the Board.

The Board shall appoint the chairman of the Board annually at the first meeting of the Board after the annual meeting of shareholders of the Corporation at which the directors are elected. If the Board does not so appoint a chairman of the Board, the director who is then serving as chairman of the Board shall continue as chairman until his or her successor is appointed.

Having regard to the recommendations of the Governance Committee, the Board shall adopt a position description for the Chairman of the Board.

(f) Compensation of Directors

Members of the Board, the chairman of the Board and the chairman of each committee of the Board shall receive such remuneration for their service on the Board as the Board may determine from time to time, in consultation with the Governance Committee.

(g) Retaining and Compensating Advisors and Access to Personnel

Each director shall have the authority to retain outside counsel and any other external advisors from time to time, at the expense of the Corporation, as appropriate with the approval of the chairman of the Board. Such counsel or other external advisors may be from a source independent of management of the Corporation.

Each director shall have free and unrestricted access at all times, either directly or through a duly appointed representative of the Board, to officers and employees of the Corporation and to the relevant books, records and systems of the Corporation as considered appropriate.

(h) Retirement Policy

The Board does not believe that a uniform, fixed mandatory retirement age best serves the effective functioning of the Board. Instead, the Governance Committee

takes each director's age, together with numerous other factors, into account in making its nominee recommendations to the full Board.

(i) Term Limits

There will be no specific term limits for directors, given the normal process of annual elections of Board members by the shareholders of the Corporation and annual evaluations. Directors who have served on the Board for an extended period of time are in a unique position to provide valuable insight into the operations and future of the Corporation based on their experience with and perspective on the Corporation's history, performance and objectives.

III. MEETINGS

(a) Time and Place of Meetings

The Board shall meet not less frequently than quarterly. Meetings of the Board may be held in person, telephonically or by video conference and shall be called and held in the manner and at the location contemplated by the Corporation's by-laws. The Board recognizes that additional meetings may need to be scheduled on short notice when participation by all directors may not be possible.

The chairman of the Board shall preside at all meetings of the Board at which he or she is present and shall develop the agenda for each Board meeting.

(b) Attendance at Meetings

The Board recognizes that directors may not be able to attend meetings from time to time for medical reasons or due to other unusual circumstances. The Governance Committee shall review the attendance of directors each year. Any director who, in two consecutive years, attends less than 75% of the regularly scheduled meetings of the Board and the committees of the Board to which he or she is assigned, must tender a written offer to resign to the chairman of the Governance Committee who, in consultation with the Governance Committee, will make a recommendation for acceptance or rejection by the Board.

(c) Secretary

The Chairman of the Board shall designate from time to time a person who may, but need not, be a director, to be Secretary of any meeting of the Board. Minutes shall be kept of all meetings of the Board.

(d) Invitees

The Board may invite any of the Corporation's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

(e) ***In Camera Sessions***

Prior to each quarterly meeting of the Board, the Independent Directors shall meet without any members of management or non-independent directors being present.

IV. BOARD COMMITTEES

(a) **Number of Committees**

The Board maintains the Audit Committee and the Governance Committee. Each committee is composed entirely of Independent Directors. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate. The Board may delegate to committees of the Board any duties and responsibilities of the Board which the Board is not prohibited by law from delegating. However, no committee of the Board shall have the authority to make decisions which bind the Corporation, except to the extent that such authority has been specifically delegated to such committee by the Board.

The Board retains responsibility for oversight of any matters delegated to any committee of the Board.

(b) **Committee Assignments and Chairs**

Membership on the committees is reviewed each year by the Board, following the annual meeting of shareholders of the Corporation at which directors are elected. The Board may also appoint a director to a committee to fill a vacancy on the committee from time to time. There is no committee rotation policy. Committee assignments and the designation of committee chairs are made based on committee needs, director experience, interest and availability, the factors set forth in the applicable committee's charter and evolving legal and regulatory considerations.

(c) **Committee Charters**

Each committee of the Board shall have its own charter. The charters set forth the purposes, goals and responsibilities of the committees. On an annual basis, the Board will review the recommendations of the Governance Committee with respect to the charters of each committee of the Board and the Board will approve those changes to the charters that it determines are necessary or appropriate.

V. RESPONSIBILITIES AND DUTIES

The Board shall, either directly or through its committees, be responsible for performing the duties set out in this Mandate and shall perform such other duties as may be necessary or appropriate under applicable laws or the rules of the Toronto Stock Exchange, or in order for it to fulfill its stewardship responsibilities. In carrying out its duties, the Board shall take into account the recommendations of its committees, as applicable.

(a) Culture of Integrity

The Board is responsible for promoting a culture of integrity within the Corporation and in fulfilling this responsibility shall:

- (i) to the extent feasible, satisfy itself:
 - (A) as to the integrity of the chief executive officer of the Corporation (the "CEO") and other executive officers of the Corporation; and
 - (B) that the CEO and other executive officers of the Corporation create a culture of integrity throughout the Corporation;
- (ii) adopt a code of business conduct and ethics (the "Code") which, at a minimum, shall (A) comply with all applicable legal and regulatory requirements and recommendations of relevant securities regulatory authorities as the Board may consider appropriate; (B) address conflicts of interest, full and fair disclosure and compliance with laws; (C) encourage the reporting of any illegal or unethical behaviour and expressly prohibit retaliation of any kind for such reports or complaints made in good faith in accordance with the Corporation's policies and procedures; (D) provide clear and objective standards for compliance with the Code and a fair process to determine violations thereof; and (E) contain an enforcement mechanism;
- (iii) be responsible for monitoring compliance with the Code by establishing procedures for (A) the receipt, retention and treatment of complaints received by the Corporation regarding violations of or non-compliance with the Code, (B) the confidential and anonymous submission by employees of the Corporation of complaints regarding any such violations or non-compliance; and (C) the submission to the Audit Committee of any such complaints regarding accounting, internal accounting controls or auditing matters; and
- (iv) be responsible for granting waivers from the Code for the benefit of the Corporation's directors or executive officers, in its sole discretion, and preparing any continuous disclosure and reports required in connection with any waivers so granted.

(b) Duties

In exercising his or her powers and discharging his or her responsibilities, each director shall, in addition to complying with the duties and obligations outlined elsewhere in this Mandate:

- (i) act in accordance with all applicable corporate and securities laws and regulations, the rules of the Toronto Stock Exchange and all policies and

procedures of the Corporation applicable to members of the Board including, without limitation, the Code;

- (ii) act in accordance with the Corporation's constating documents and by-laws; and
- (iii) review and participate in the work of the Board necessary in order for the Board to discharge the duties and responsibilities set out in this Mandate.

(c) Strategic Planning and Budgets

The Board is responsible for overseeing the Corporation's strategic planning and in fulfilling this responsibility shall:

- (i) adopt and approve the Corporation's strategic planning process and annually approve a strategic plan and vision and operating, capital expenditure and financial budget which take into account, among other things, the strategic opportunities and risks of the Corporation's business; and
- (ii) monitor the implementation and effectiveness of the Corporation's approved strategic and operating plan, vision and budget.

(d) Identification and Management of Risks

Risk management is a significant aspect of the management of the Corporation's business and affairs. The objective of the Corporation's risk management activities is to gain reasonable assurance that the strategic, operational, financial, legal and reporting risks of the Corporation's business are identified in a timely manner and are effectively and appropriately assessed, monitored, managed and responded to. Although it is management's duty to assess and manage the Corporation's exposure to risk, the Board shall have overall responsibility for the Corporation's enterprise risk management system, including assessing the principal risks facing the Corporation and ensuring the implementation of the appropriate strategies and systems to identify, monitor and manage such risks with a view to the long-term viability of the Corporation and achieving a proper balance between the risks incurred and the potential return to the Corporation's shareholders.

Taking into account the periodic reports of management, the Audit Committee and such other persons as the Board may consider appropriate, the Board is responsible for:

- (i) ensuring that appropriate processes are in place to identify, monitor, manage and respond to the principal risks inherent in the Corporation's business and operations;

- (ii) monitoring the Corporation's systems and controls for assessing, managing and monitoring principal risks and management's reports relating to the operation and effectiveness of these systems and controls; and
- (iii) conducting, at least annually, an assessment of the Corporation's principal risks, including any material developments or changes to the Corporation's principal risks;

(e) Internal Controls and Disclosure Controls

The Board has responsibility for the integrity of the Corporation's internal control and disclosure control systems. Taking into account the periodic reports of management, the external auditors and the Audit Committee, the Board is responsible for:

- (i) overseeing the financial reporting and disclosure obligations imposed on the Board, the Corporation and management by applicable laws, regulations, rules, policies and other applicable requirements;
- (ii) overseeing the integrity of the Corporation's management information systems and the effectiveness of the Corporation's internal control and disclosure control systems and procedures; and
- (iii) overseeing the preparation of and processes relating to management's reports on the Corporation's internal control and disclosure control procedures.

(f) Succession Planning and Evaluation of Management Performance

The Board is responsible for overseeing succession planning and the evaluation of senior executives and in fulfilling this responsibility shall:

- (i) approve the Corporation's succession planning process, including the appointment, training, monitoring and development of senior executives;
- (ii) review and approve, as appropriate, the annual performance expectations, corporate goals and objectives that the CEO is responsible for meeting and monitor progress against those expectations, goals and objectives;
- (iii) provide advice, counsel and mentorship to the CEO;
- (iv) appoint and determine the compensation of the CEO and approve the appointment and compensation of all senior executives of the Corporation, having regard to the recommendations of the Governance Committee; and
- (v) receive recommendations of the Governance Committee and make such determinations as it considers appropriate with respect to any long-term incentive or equity compensation plans of the Corporation.

(g) Oversight of Communications and Public Disclosure

The Board is responsible for overseeing communication and public disclosure and in fulfilling this responsibility shall:

- (i) adopt and approve, with reference to the requirements of applicable securities laws and the rules of the Toronto Stock Exchange, the Corporation's communication and disclosure policy for communicating with shareholders, the investment community, the media, governments and their agencies, employees and the general public; and
- (ii) establish a process pursuant to which the Board can monitor feedback received by the Corporation from shareholders of the Corporation.

(h) Governance Practices and Principles

The Board is responsible for overseeing the Corporation's corporate governance policies and practices and in fulfilling this responsibility shall, having regard to any recommendations of the Governance Committee:

- (i) develop and review and, if appropriate, adopt changes to, the Corporation's approach to corporate governance, including maintaining a set of corporate governance principles and guidelines that are specifically appropriate to the Corporation;
- (ii) if the Corporation's governance practices differ from those recommended by Canadian securities regulators or the Toronto Stock Exchange, consider these differences and why the Board considers them to be appropriate having regard to the recommendations of the Governance Committee;
- (iii) review the Corporation's disclosure and trading policy at least annually to ensure that the standards set for trading in securities of the Corporation by insiders continues to comply with all applicable laws, and approve any changes thereto;
- (iv) review, having regard to the recommendations of the Governance Committee and the Audit Committee, as applicable, the Corporation's Code and its whistleblower protection policy at least annually to ensure that the standards and procedures set out therein continue to be effective and comply with all applicable laws and remain responsive to the needs of the Corporation, and approve any changes thereto;
- (v) if the Corporation puts in place any pension plans, receive and review reports from management and from the Governance Committee covering administration, investment performance, funding, financial impact, actuarial reports and other pension plan related matters;

- (vi) approve selection criteria for identifying director candidates taking into account the competencies and skills the Board as a whole should possess;
- (vii) nominate directors taking into account the competencies and skills each existing director possesses and the selection criteria approved by the Board;
- (viii) approve the process for the orientation and continuing education of new directors;
- (ix) establish committees of the Board and define their mandates or charters to assist the Board in carrying out its duties and responsibilities;
- (x) adopt a process for assessing the performance and effectiveness of the Board as a whole, its committees and the contributions of individual directors on an annual basis;
- (xi) annually consider the appropriate size and composition of the Board and its committees with a view to facilitating effective decision-making;
- (xii) develop and approve position descriptions for the chairman of the Board, the chairman of each committee of the Board and, together with the CEO, a position description for the CEO; and
- (xiii) review and assess the adequacy of this Mandate annually and at such other times as it considers appropriate and recommend such changes as it considers necessary or appropriate.

(i) Financial Statements

The Board shall receive regular reports from the Audit Committee with respect to the integrity of the Corporation's financial reporting system and its compliance with all regulatory requirements relating to financial reporting.

The Board shall review the recommendation of the Audit Committee with respect to the annual financial statements of the Corporation to be delivered to shareholders of the Corporation. If appropriate, the Board shall approve such financial statements.

(j) Delegation to Management and Reliance

Subject to the Corporation's articles and by-laws, the Board may designate the offices of the Corporation, appoint officers, specify their duties and delegate to them powers to manage the business and affairs of the Corporation, except to the extent that such delegation is prohibited under the OBCA. The Board retains responsibility for oversight of any matters delegated to management.

The Board is entitled to rely in good faith on the information and advice provided to it by the Corporation's management, external advisors, consultants and such other persons as the Board considers appropriate.

(k) Significant Decisions

The Board shall require management to obtain its approval for all significant decisions, including major financings, acquisitions, dispositions, budgets and capital expenditures in excess of \$1 million.

(l) Director Expectations and Responsibilities

Each director must act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The duties and responsibilities set out below are a framework to guide directors in their participation on the Board and committees of the Board, thereby enabling the Board as a whole to fulfill its duties and responsibilities. Principal duties and responsibilities include:

- (i) assuming, with the other directors, the stewardship role of supervising the management of the business and affairs of the Corporation;
- (ii) understanding the Corporation's vision, strategies and objectives;
- (iii) becoming knowledgeable about the Corporation's business;
- (iv) understanding this Mandate and the charters of the committees of the Board on which the director serves;
- (v) preparing thoroughly for each Board and committee of the Board meeting;
- (vi) to the extent practicable, attending all Board and committee meetings in person, unless the meeting is scheduled to be held telephonically or by video conference;
- (vii) preventing personal interests from conflicting with, or appearing to conflict with, the interests of the Corporation and disclosing details of any such conflicting interests should they arise;
- (viii) voting on all matters requiring a decision of the Board or its committees except where a conflict of interest may exist;
- (ix) maintaining the confidentiality of the Corporation's information and Board deliberations in accordance with the Corporation's disclosure and trading policy;

- (x) acting independently of management of the Corporation (for directors who are not members of management of the Corporation);
- (xi) complying with all policies of the Corporation applicable to directors, as approved by the Board; and
- (xii) participating from time to time in any orientation and continuing education programs developed by the Corporation for the directors.

(m) Executive Compensation

The Board shall receive the recommendations of the Governance Committee and make such determinations as it considers appropriate with respect to, among other things:

- (i) the CEO's compensation;
- (ii) non-CEO executive compensation;
- (iii) director compensation;
- (iv) incentive-compensation plans; and
- (v) equity-based plans.

(n) Review and Assessment

Each year, the Board shall receive the report of the Governance Committee concerning the results of its review and assessment of the performance of the Board, each committee thereof, and each individual director and any recommendations relating thereto. The Board shall, based on the results of that review and having regard to the recommendations of the Governance Committee, consider and, if appropriate, approve any changes to the size or composition of the Board and its committees or the policies and procedures applicable to Board members, to ensure their continued effectiveness and appropriateness.

VI. INTERPRETATION

This Mandate is subject to and shall be interpreted in a manner consistent with the Corporation's articles, by-laws, the OBCA and any other applicable legislation.

VII. MISCELLANEOUS

Nothing contained in this Mandate is intended to expand the applicable standards of liability under statutory or regulatory requirements for the directors of the Corporation. The purposes and responsibilities outlined in this Mandate are meant to serve as guidelines rather than as inflexible rules, and the Board may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

COMMUNICATION WITH DIRECTORS

Shareholders of Danier Leather Inc. (the "Corporation") may communicate directly with directors of the Corporation through the chairman of the board of directors of the Corporation by writing to:

Chairman of the Board of Directors
Danier Leather Inc.
2650 St. Clair Avenue West
Toronto, Ontario
M6N 1M2