

# MANAGEMENT INFORMATION CIRCULAR

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# Voting Information

This management information circular is furnished in connection with the solicitation by management of Exco Technologies Limited of proxies to be used at the annual meeting of shareholders to be held on Wednesday, January 25, 2023, at 4:30 p.m. and at all adjournments thereof, for the purposes stated in the accompanying Notice of Meeting. We are holding the meeting as a completely virtual meeting, where all shareholders regardless of geographic location will have an opportunity to participate. Given this format, all shareholders are strongly advised to carefully read the voting instructions below that are applicable to them.

## In this document

- **we, us, our** and **Exco** mean Exco Technologies Limited
- **you, your** and **shareholders** mean owners of Exco common shares
- **shares** means Exco common shares
- **circular** means this management information circular
- **meeting and virtual meeting** means our 2022 virtual annual meeting of shareholders, to be held on Wednesday, January 25, 2023 and adjournments thereof
- **board** means the Exco board of directors

Our **record date** is December 6, 2022. All information in this circular is as of December 6, 2022 and in Canadian dollars, unless noted otherwise.

## Our head office

Exco Technologies Limited  
130 Spy Court, 2nd Floor  
Markham, Ontario  
L3R 5H6

## How to vote at our 2022 annual meeting

### Wednesday, January 25, 2023

4:30 p.m. (Toronto time)

You can vote your Exco common shares if you owned them at the close of business on December 6, 2022.

### Exco Technologies Limited

Virtual only meeting via live webcast online at  
<https://virtual-meetings.tsxtrust.com/1410>  
Password: exco2023 (case sensitive).

### Two ways to vote

- 1) At our virtual meeting
- 2) By proxy, using your proxy or voting instruction form

## Who can vote

You can vote your Exco common shares if you owned them at the close of business on the December 6, 2022. Only registered shareholders or duly appointed proxyholders can vote at the virtual meeting.

## How many votes you have

You have one vote for every share you held on December 6, 2022. On December 6, 2022, there were 38,912,464 shares outstanding and eligible to vote.

## What you're voting on

We need a simple majority of votes (50% plus one vote) cast for each item to be approved.

The board recommends you vote FOR these items

Where to read about it

|                               |        |
|-------------------------------|--------|
| <b>appointing</b> our auditor | page 5 |
| <b>electing</b> our directors | page 5 |

## When To Vote

We encourage you to submit your vote in advance by going to [www.voteproxyonline.com](http://www.voteproxyonline.com) and enter your 12- digit control number on your proxy, by, facsimile to 416-595-9593, or by mail to TSX Trust Company 301-100 Adelaide Street West, Toronto, ON M5H 4H1 Attention: Proxy Department.

## When can I join the annual meeting online?

You may begin to log into the meeting platform beginning at 4:15 p.m. Toronto time on Wednesday, January 25, 2023. The meeting will begin promptly at 4:30 p.m. Toronto time on Wednesday, January 25, 2023.

## Voting Shares and Principal Holders

As of December 6, 2022, our directors and officers were not aware of any person or company, or combination of people or companies acting together, who beneficially owned (directly or indirectly) or exercised control or direction over more than 10% of our common shares other than the following:

| Shareholder  | # of common shares | % of ownership |
|--|--------------------|----------------|
| <b>Brian A. Robbins</b> (including spouse, children and related corporations)          | 9,939,428          | 25.54          |
| <b>Kernwood Limited</b> (private investment company 50% owned by Edward H. Kernaghan.) | 9,794,400          | 25.17          |

## Counting the votes

Our transfer agent, TSX Trust Company, counts and tabulates the proxies.

## Your vote is private

Your vote is kept confidential among TSX Trust Company and Exco and will only be used to meet legal requirements.

## Questions?

Contact our transfer agent, TSX Trust Company:  
Tel (416) 361 0930 (Toronto area)  
Tel 1-866-600-5869 (North America)  
Fax (416) 595-9593  
Email [tsxtis@tmx.com](mailto:tsxtis@tmx.com)

### How to vote if you're a registered shareholder

You're registered shareholder if you hold your shares directly with Exco.

## How to vote at our virtual meeting if you're a registered shareholder

1. Log in at <https://virtual-meetings.tsxtrust.com/1410> at least 15 minutes before the meeting starts
2. Click on "I have a control number/meeting access number"
3. Enter your 12-digit control number (on your proxy form)
4. Enter the case sensitive password: **exco2023**
5. Once polls are open, shareholders would click on the voting icon on the left side of their screen – if you have previously voted and do not wish to change your vote, your vote has already been counted and no further action is required

You have to be connected to the internet at all times to be able to vote – it's your responsibility to make sure you stay connected for the entire meeting.

## Two ways to vote

- 1) At our virtual meeting
- 2) By proxy, using the proxy form we sent you

## How to vote by proxy

Voting by proxy means appointing someone (your proxyholder) to attend the meeting and vote according to instructions you've provided.

### 1. Appoint someone to be your proxyholder

Brian A. Robbins, Executive chair of the board, and, in his absence, Paul E. Riganelli, director, will be your proxyholders unless you appoint someone else.

If you want to appoint someone else to be your proxyholder, cross out the executive chair and director names, and write in the name of the person you're appointing. Your proxyholder doesn't have to be an Exco shareholder, but he or she attends the virtual meeting and votes your shares for you.

**TSX Trust  
Company**

100 Adelaide Street  
West, Suite 301  
Toronto, Ontario  
M5H 4H1  
Fax (416) 595 9593

The person you appoint will need to fill out the 'Request for a Control Number' form at <https://tsxtrust.com/resource/en/75>. Then email this form to TSX Trust at [tsxtrustproxyvoting@tmx.com](mailto:tsxtrustproxyvoting@tmx.com) to receive their meeting access number needed to login to the platform. It is the responsibility of the Exco shareholder to advise their proxy (the person they appoint) to contact TSX Trust to request a control number. Without the control number, proxyholders will not be able to participate at the meeting.

## **2. Provide your voting instructions**

Use the forms to specify how you want to vote on each item. Your proxyholder has to follow these instructions.

If you don't specify how you want your shares to be voted, your proxyholder can vote your shares as he or she sees fit. In this situation, Brian A Robbins and, in his absence, Paul E Riganelli will vote your shares:

- for each director
- for our auditor

If there are amendments to the items or other items are properly brought before the meeting, your proxyholder can vote as he or she sees fit. As of the date of this circular, management was not aware of any proposed amendments or other matters to be presented at the meeting.

## **3. Send in your proxy form**

Sign and date the form, and mail it to our transfer agent by **4:30 p.m. (Toronto time) on January 23, 2023**. You can send it to TSX Trust Company by mail, voting online or fax.

### **How to change your vote**

You can also change your vote by sending in another properly completed and signed proxy form with a later date, as long as it is received by 4:30 pm (Toronto time) on January 23, 2023 or the second last business day prior to the date the meeting is reconvened if it is adjourned.

### **How to vote if you're a beneficial shareholder**

You're a beneficial shareholder if you hold your shares through an intermediary (a bank, securities broker, trust company, clearing agency or other financial institution).

Your intermediary will vote your shares, but you have the right to tell it how to vote.

### **How to vote at our virtual meeting if you're a beneficial shareholder**

1. Appoint yourself as proxyholder by writing your name in the space provided on the form of proxy or voting instruction form. Do not fill out your voting instructions
2. Sign and send it to your intermediary, following the voting deadline and submission instructions on the voting instruction form
3. Fill out the "Request for a Control Number" form at <https://tsxtrust.com/resource/en/75> by 4:30p.m. (Toronto Time) on January 23, 2023. Then email this form to TSX Trust at [tsxtrustproxyvoting@tmx.com](mailto:tsxtrustproxyvoting@tmx.com) to receive the meeting access number needed to login to the platform
4. Log in at <https://virtual-meetings.tsxtrust.com/1410> at least 15 minutes before the meeting starts
5. Click on "I have a control number/meeting access number"
6. Enter your control number/meeting access number provided by [TSXtrustproxyvoting@tmx.com](mailto:TSXtrustproxyvoting@tmx.com)
7. Enter the case sensitive password: **exco2023**
8. Once polls are open, shareholders would click on the voting icon on the left side of their screen

You have to be connected to the internet at all times to be able to vote – it's your responsibility to make sure you stay connected for the entire meeting. We also suggest that shareholders and guests do not use Internet Explorer, and to use the latest versions of their browsers.

### **How to vote by proxy**

Voting by proxy means appointing someone (your proxyholder) to attend the meeting and vote according to instructions you've provided.

#### **1. Appoint someone to be your proxyholder**

Brian A. Robbins, Executive chair of the board, and, in his absence, Paul E. Riganelli, director, will be your proxyholders unless you appoint someone else.

## Two ways to vote

- 1) At our virtual meeting
- 2) By proxy, using the proxy or voting instruction form your intermediary sent you

If you want to appoint someone else to be your proxyholder, cross out the executive chair and director names, and write in the name of the person you're appointing. Your proxyholder doesn't have to be an Exco shareholder, but he or she goes to the meeting and votes your shares for you.

2. Sign the form and follow instructions provided on the voting information form with respect to the voting deadline and submission of your voting instruction form. You would also have to tell the appointed proxy holder that they should attend the meeting virtually. Such proxy holder would also have to follow the additional steps: of contacting [tsxtrustproxyvoting@tmx.com](mailto:tsxtrustproxyvoting@tmx.com) and providing them with the "Request for a Control Number" form located at <https://tsxtrust.com/resource/er/75>

3. If you change your mind and want to vote at the meeting, follow the instructions on your voting information form to see if this is possible and what steps you need to take.

## How to change your vote

If you have provided voting instructions to your intermediary and change your mind about how you want to vote, or you decide to virtually attend the meeting and vote. Contact your intermediary to find out what to do.

## About your voting materials

Your intermediary sent you this circular and a proxy or voting instruction form unless you told them not to send you voting information. If we sent you these materials directly, your intermediary gave us your name, address and information about your shareholdings in accordance with securities regulatory requirements. By choosing to send these materials to you directly, we have assumed responsibility for delivering them to you and for following your voting instructions.

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## NOTICE AND ACCESS

We have elected to use the notice-and-access provisions under National Instrument 54-101. This mechanism allows Exco to deliver proxy-related materials to all shareholders by posting the materials on our transfer agent's website rather than delivering the materials by mail. The use of the notice-and-access provisions reduces paper use and mailing costs. Shareholders can access proxy-related material from the transfer agent's website at <https://docs.tsxtrust.com/2086> and under Exco's SEDAR profile at [www.sedar.com](http://www.sedar.com). A paper copy can also be obtained from Exco.

We will not use procedures known as "stratification" in relation to the use of Notice-and-Access provisions. Stratification occurs when a reporting issuer using the Notice-and-Access provisions provides a paper copy of the information circular to some shareholders with the notice package. In relation to the meeting, all shareholders will receive the required documentation under the Notice-and-Access provisions, which will not include a paper copy of the circular.

The Notice of Meeting provides basic information about the meeting and the matters to be voted on, explains how a shareholder can obtain a paper copy of this information circular and any related financial statements and management discussion & analysis, and explains the Notice-and-Access process. The Notice of Meeting has been delivered to shareholders by us, along with the form of proxy or voting information form.

We will be delivering proxy-related materials to non-objecting beneficial shareholders directly. Exco will pay for delivery of materials to objecting beneficial shareholders and as a result they will receive the meeting materials.

Any shareholder who wishes to receive a paper copy of this circular must contact our transfer agent, TSX Trust Company, Proxy Department, 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1, fax number (416) 595 – 9593. Shareholders may call 1 – 866 – 600 – 5869 or email at [tsxtis@tmx.com](mailto:tsxtis@tmx.com). In order to ensure that a paper copy of this circular can be delivered to a requesting shareholder in time for such shareholder to review the circular and return a proxy or voter instruction form prior to the proxy deadline, it is strongly suggested that shareholders ensure that its request is received by no later than January 16, 2023.

# What the meeting will cover

## 1. Receive Exco's 2022 financial statements

Management, on behalf of the board, will submit to the shareholders at the meeting our audited consolidated financial statements for the fiscal year ended September 30, 2022 and the report of the Auditors thereon. Copies of all these documents are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## 2. Elect directors

You'll elect directors to serve on our board until the next annual meeting or until they resign from the board. You can read about the nominated directors below.

According to our articles of amalgamation, the board can include from three to 15 directors. This year the board approved 6 nominees for election to the board.

The size of the board has historically been 7 directors, however, on August 31, 2022 Ms. Anne Marie Turnbull resigned as director of our board and the vacancy will not be filled before the meeting.

We believe this group has the right mix of skills and experience to guide the strategies and business operations of Exco. All of the nominees are currently on the board. Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion.

**The board recommends you vote FOR the election of each nominated director.**

## 3. Appoint the auditor

You'll vote on re-appointing our independent auditor, Ernst & Young LLP until the next annual meeting and authorize the board to set the auditor's pay.

The auditor reports directly to the board's audit committee. The committee is responsible for reviewing and recommending the auditor's compensation to the board, and making sure the auditor carries out its duties effectively and independently. It does this by, among other things:

- regularly reviewing the auditor's terms of engagement, accountability, experience, qualifications and performance.
- confirming the independence of the auditor at least once a year and pre-approving any non-audit services they provide.

Ernst & Young LLP has been our auditor since 1992. The table below shows the services Ernst & Young LLP provided in 2021 and 2022, and the fees they were paid.

| Category of External Auditor Service Fee | 2022        | 2021      |
|--|-------------|-----------|
| Audit fees                               | \$999,000   | \$608,000 |
| Tax Fees                                 | 20,000      | 18,000    |
| Total                                    | \$1,019,000 | \$626,000 |

**2021 vote: 99.5% FOR appointing Ernst & Young LLP as our auditor.**  
**2020 vote: 99.6% FOR appointing Ernst & Young LLP as our auditor.**

**The board recommends you vote FOR appointing Ernst & Young LLP as our auditor until the next annual meeting.**



**Toronto, Ontario**

**Age: 51**

## Key Areas of Expertise:

- Board Governance
- Finance/M&A
- Capital Allocation
- Risk Assessment

Mr. Kernaghan has over twenty years experience in the financial services industry. Initially as a Senior Investment Advisor at Kernaghan Securities until 2015 and thereafter as Senior Investment Advisor at Kernaghan & Partners Ltd. - a brokerage firm in Ontario. He is also President of Principia Research Inc., a research and investment company and President of Kernwood Ltd. - an investment holding company. Mr. Kernaghan holds a Masters of Science degree from the University of Toronto 1999 and has, over the course of the last fifteen years, has been a director of PFB Corp., Collicutt Energy Services Ltd., Peak Energy Services Ltd. and Boralex Inc. as well as the public company boards he currently is a director of as listed below.

## Board and Committee Members in 2022

## Attendance in 2022

|   |        |      |
|---|--------|------|
| Board                                       | 6 of 6 | 100% |
| Audit committee                             | 4 of 4 | 100% |
| Governance and Nominating committee (Chair) | 1 of 1 | 100% |
| Human Resource and Compensation committee   | 3 of 3 | 100% |

## Other Public Company Boards

|                                |                                    |
|--------------------------------|------------------------------------|
| Waterloo Brewing Co. (TSX:WBR) | Obsidian Energy Limited (TSX:OBE)  |
| Velan Inc. (TSX:VLN)           | Black Diamond Group Ltd. (TSX:BDI) |

## Securities held as of December 1, 2021 and December 1, 2022

| Year | Shares    | Options | DSUs   |
|------|-----------|---------|--------|
| 2022 | 9,794,400 | 0       | 35,479 |
| 2021 | 7,850,100 | 0       | 31,918 |

## 2021 AGM Voting Results

**Votes For: 82.3%**



**Mississauga, Ontario**

**Age: 49**

## Key Areas of Expertise:

- Automotive operations
- Finance/M&A
- Capital Allocation
- Risk Assessment
- Business Management

Mr. Kirk has been President and CEO of Exco since January 2019. He joined Exco in November 2015 as Executive Vice President and was appointed to Chief Operating Officer in January 2018. Prior to joining Exco, Mr. Kirk spent 14 years with Moody's Canada Inc., where he was Vice President with lead analytical responsibility for various Canadian industrial sectors, including transportation-related industries. Before Moody's, he worked at Bank of America Securities Canada and Scotiabank. Mr. Kirk has 25 years of combined experience in the automotive and financial industries. He has an MBA degree from the Ivey Business School at Western University and is a CFA charterholder.

## Board and Committee Members in 2022

## Attendance in 2022

|       |        |      |
|-------|--------|------|
| Board | 6 of 6 | 100% |
|-------|--------|------|

## Other Public Company Boards

None

## Securities held as of December 1, 2021 and December 1, 2022

| Year | Shares | Options | DSUs |
|------|--------|---------|------|
| 2022 | 49,904 | 305,000 | 0    |
| 2021 | 29,904 | 275,000 | 0    |

## 2021 AGM Voting Results

**Votes For: 99.4%**




**Caledon, Ontario**
**Age: 68**
**Key Areas of Expertise:**

- Automotive operations
- Lean manufacturing
- Business management
- Safety, health & environment

Mr. Magee has been the lead director of Exco Technologies Limited since January 2019 and director since 2010. Mr. Magee is currently the Chairperson of the Woodbridge Group - an international automotive parts manufacturer where he held the CEO position for 15 years. Mr. Magee has over 40 years of experience leading, growing, and acquiring businesses while driving innovation, technology and lean manufacturing. Bob is also a director of Pro Caissons Ltd., WB family foundation and was vice chair of Canada's Next Generation Manufacturing Superclusters. Bob is presently a member of Conestoga College Board of Governor's and Canada's Automotive Partnership Council. He received a Bachelor of Science degree in Chemical Engineering from University of Waterloo and subsequently completed business programs at both Queens University and University of Toronto.

**Board and Committee Members in 2022**
**Attendance in 2022**

|   |        |      |
|---|--------|------|
| Board                                     | 6 of 6 | 100% |
| Audit committee                           | 4 of 4 | 100% |
| Governance and Nominating committee       | 1 of 1 | 100% |
| Human Resource and Compensation committee | 3 of 3 | 100% |

**Other Public Company Boards**

None

**Securities held as of December 1, 2021 and December 1, 2022**

| Year | Shares | Options | DSUs   |
|------|--------|---------|--------|
| 2022 | 30,450 | 0       | 40,574 |
| 2021 | 25,450 | 0       | 34,837 |

**2021 AGM Voting Results**
**Votes For: 99.4%**

**Oakville, Ontario**
**Age: 66**
**Key Areas of Expertise:**

- Board Governance
- Financial Literacy
- Analytical Decision-Making
- Risk and Internal Control Assessment
- Business Management
- Strategic Thinking/ Managing

Ms. McMorow is an experienced corporate and not-for-profit director and certified public accountant. From 1978 to 2016 she was a senior client assurance partner with Ernst & Young LLP, a global professional services firm. She has more than 35 years' experience in advising audit committees and senior management of public and private global companies. From 2009 to 2016, Ms. McMorow was the National Director in Canada of EY's signature Entrepreneur of the Year Awards program and the firm's Growth Markets Leader (high-growth entrepreneurial companies). In 2015 she was recognized in the Women's Executive Network's Top 100 Most Powerful Women.

**Board and Committee Members in 2022**
**Attendance in 2022**

|  |        |      |
|--|--------|------|
| Board                                      | 6 of 6 | 100% |
| Audit committee (Chair)                    | 4 of 4 | 100% |
| Governance and Nominating committee        | 1 of 1 | 100% |
| Human Resource and Compensation committee* | 1 of 1 | 100% |

**Other Public Company Boards**

Ether Capital Corporation (NEO:ETHC)  
West Fraser Timber Co. Ltd. (TSX, NYSE:WFG)

**Securities held as of December 1, 2021 and December 1, 2022**

| Year | Shares | Options | DSUs   |
|------|--------|---------|--------|
| 2022 | 10,000 | 0       | 15,877 |
| 2021 | 10,000 | 0       | 11,049 |

**2021 AGM Voting Results**
**Votes For: 99.3%**

\*effective September 9, 2022





**Niagara, Ontario**

**Age: 64**

**Key Areas of Expertise:**

- Automotive operations
- Finance/M&A
- Legal/Compliance
- Regional Knowledge (Mexico, South America, Morocco)

In January 2019 Mr. Riganelli was a director of ALC Bulgaria EOOD when it filed for voluntary insolvency.

Mr. Riganelli has been Executive Vice President of Exco since January 2018. He served Exco before that as VP Finance and Chief Financial Officer from 2004 to 2013 and then as Chief Operating Officer through to the end of 2017. Before his time at Exco, Mr. Riganelli was an executive with Linamar Corporation and Tecsyn International Inc., a North American automotive interior trim manufacturer which Exco purchased in 2000. He is currently Executive VP at Exco providing legal, administrative and advisory services as required. Mr. Riganelli has over 25 years of experience in global automotive operations, global government/legal compliance and global corporate development/ acquisitions. He received his law degree in Ontario in 1984 and his Master of Business Administration in 2000. He has been a director of the Automotive Parts Manufacturers' Association of Canada since 2018.

#### Board and Committee Members in 2022

#### Attendance in 2022

|       |        |      |
|-------|--------|------|
| Board | 6 of 6 | 100% |
|-------|--------|------|

#### Other Public Company Boards

None

#### Securities held as of December 1, 2021 and December 1, 2022

| Year | Shares  | Options | DSUs   |
|------|---------|---------|--------|
| 2022 | 235,837 | 0       | 16,502 |
| 2021 | 235,837 | 0       | 9,142  |

#### 2021 AGM Voting Results

**Votes For: 91.8%**



**Aurora, Ontario**

**Age: 75**

**Key Areas of Expertise:**

- Automotive operations
- Manufacturing
- M&A/Finance
- Strategic Thinking

Mr. Robbins has been Executive Chairman of Exco since January 2019. He joined Exco in 1972 at a time when Exco was a private family owned company. In 1975 Mr. Robbins, upon the passing of his father Harry Robbins, became President and CEO of Exco – a position he held through to his retirement from day to day management in January 2019. In 1986, Mr. Robbins led Exco's transition to a public company and in 2000 led its transformation into the automotive component business with the acquisition of Tecsyn International Inc. Over the years, he has been on numerous Canadian public company boards in addition to those he is currently on (listed below) including Dofasco Inc., Ontario Power Generation and Noma Industries. Mr. Robbins graduated with a Bachelor of Applied Science degree in Mechanical Engineering in 1970 from the University of Waterloo and a professional engineering designation from the APEO.

#### Board and Committee Members in 2022

#### Attendance in 2022

|               |        |      |
|---------------|--------|------|
| Board (Chair) | 6 of 6 | 100% |
|---------------|--------|------|

#### Other Public Company Boards

Heroux-Devtek Inc. (TSX:HRX)

#### Securities held as of December 1, 2021 and December 1, 2022

| Year | Shares    | Options | DSUs |
|------|-----------|---------|------|
| 2022 | 9,939,428 | 0       | 0    |
| 2021 | 9,939,428 | 0       | 0    |

#### 2021 AGM Voting Results

**Votes For: 91.8%**

## Compensation of Directors

In fiscal 2022, each director who was not a full-time employee of Exco (an “Eligible Director”) was paid for services as a director the amounts below:

|  |   |
|--|---|
| Annual board Retainer                          | \$60,000 and \$20,000 DSU <sup>(1)</sup> allocation |
| Lead director Retainer                         | \$30,000 DSU allocation                             |
| Annual Audit Chair Retainer                    | \$15,000  |
| Annual Governance & Nominating committee Chair | \$5,000   |
| Annual HRC Chair                               | \$5,000   |

<sup>(1)</sup> Deferred Share Units (“DSU”)

### Director Compensation Table

| Name                  | Fees earned<br>(\$) | Share based awards*<br>(\$) | Other<br>Compensation | Total<br>(\$) |
|-----------------------|---------------------|-----------------------------|-----------------------|---------------|
| Edward H. Kernaghan   | 51,250              | 31,250                      | -                     | 82,500        |
| Robert B. Magee       | 57,500              | 50,000                      | -                     | 107,500       |
| Colleen M. McMorrow   | 48,750              | 42,500                      | -                     | 91,250        |
| Paul E. Riganelli     | 12,500              | 65,000                      | -                     | 77,500        |
| Anne Marie Turnbull** | 62,500              | 15,000                      | -                     | 77,500        |

\*The value noted is the value on the grant date.

\*\*Ceased to be a director August 31, 2022.

Note: None of the above directors receive option- based awards, non-equity incentive plan compensation, pension benefits, RRSP contributions or other compensation as defined by NI Form 51-102F6 and accordingly, the columns have been deleted for presentation purposes.

### Director Incentive Plan Awards

On November 18, 2005 the board adopted a Deferred Share Unit Plan (“DSU Plan”) for Eligible Directors. The deferred share units will be redeemed by Exco in cash after the Eligible Director departs from the board. Eligible Directors are not granted stock options under the SOP.

**Independent  
directors not  
eligible for stock  
option awards.**

| Name                 | Option-based Awards  | Share-based Awards*   |  |   |
|----------------------|--|---|--|---|
|                      | Number of<br>securities underlying<br>unexercised options<br>(#) | Number of shares or<br>units of shares that<br>have not vested<br>(#) | Market or payout<br>value of share-based<br>award that have not<br>vested (\$) | Market or payout value of<br>vested share-based<br>awards not paid out or<br>distributed (\$) |
| Edward H. Kernaghan  | -  | -   | -  | 274,208   |
| Robert B. Magee      | -  | -   | -  | 313,585   |
| Colleen M. McMorrow  | -  | -   | -  | 122,712   |
| Paul E. Riganelli    | -  | -   | -  | 127,545   |
| Anne Marie Turnbull* | -  | -   | -  | 66,181  |

DSUs vest on the grant date but are not redeemable until the recipient ceases to be a director.

Note: None of the directors receive option awards and accordingly, the columns for option exercise price, option expiry date and value of unexercised in-the-money options have been deleted for presentation purposes.

\*Ceased to be a director August 31, 2022.

## Incentive Plan Award - Value Vested or Earned During the Year

| Name                  | Option-based awards<br>Value vested during<br>the year<br>(\$) | Share-based award<br>Value vested during<br>the year*<br>(\$) | Non-equity incentive plan<br>compensation<br>Value earned during<br>the year (\$) |
|-----------------------|--|---|---|
| Edward H. Kernaghan   | -  | 31,250  | -   |
| Robert B. Magee       | -  | 50,000  | -   |
| Colleen M. McMorrow   | -  | 42,500  | -   |
| Paul E. Riganelli     | -  | 65,000  | -   |
| Anne Marie Turnbull** | -  | 15,000  | -   |

\*As DSUs vest immediately, their values are as of the grant date.

\*\*Ceased to be a director August 31, 2022.

## Director Attendance and Conflicts

During the 2022 fiscal year, **six board meetings** were held as follows:

- four regular quarter-end meetings
- one budget and strategy meeting
- one acquisition meeting

All directors attended all board meetings throughout the year – either in person or via video conferencing.

Eligible Directors convene in camera sessions at the end of each regular quarter-end board meeting where Mr. Robbins, Mr. Kirk and Mr. Riganelli and other members of management are not in attendance.

Numerous directors are directors of other public companies; however, no conflicts exist. The director descriptions above disclose these other directorships.

**All directors  
attended all  
board meetings  
in 2022**

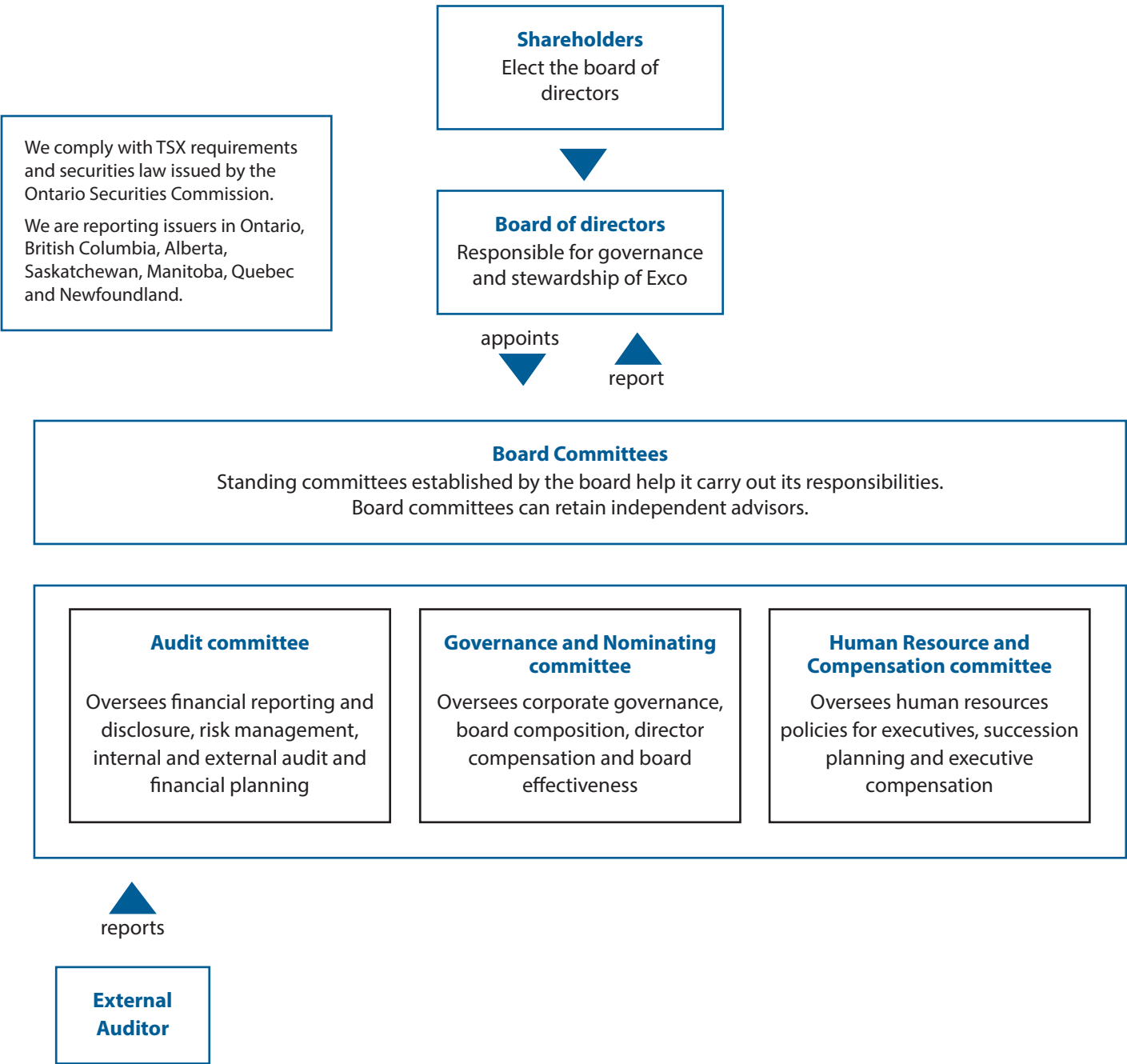
# Report on Corporate Governance

This section of our circular tells you about governance at Exco.

We believe that adopting and maintaining appropriate governance practices is fundamental to a well-run company, to the execution of our chosen strategies and our successful business and financial performance. You can find an overview of our corporate governance practices on our website, [www.excocorp.com](http://www.excocorp.com) under the Investor Relations tab.

Our corporate governance practices are aligned with National Instrument 58-101- Disclosure of Corporate Governance Practices. National Policy 58-201 – Corporate Governance Guidelines

## Our governance structure



## Nominating directors to the board

Exco needs directors with focused qualifications in certain fields and yet, when taken together as a board, provide Exco with a wide range of skills, balanced by gender, age and tenure. Directors need to appreciate the complexity of our niche businesses and the diversity and global nature of the industries we operate in and have the skills and experience to make an effective contribution to the board in their primary areas of expertise. The right composition is critical for constructive discussion and effective decision-making. All nominees to the board are currently serving directors. Their backgrounds and qualifications are listed in this table and at the director descriptions above.

| Rating Scale:<br>GOLD "G" - Worked directly or had individuals directly reporting to you in specific area.<br>SILVER "S" - Have general experience in specific area<br>BRONZE "B" - Limited Experience or expertise in specific area<br>BLACK "BL" - No Experience or expertise in specific area. | Edward H. Kernaghan | Darren M. Kirk | Robert B. Magee | Colleen M. McMorro | Paul E. Riganelli | Brian A. Robbins |
|---|---------------------|----------------|-----------------|--------------------|-------------------|------------------|
| Experience leading or managing large, multinational, and complex organizations.   | BL                  | G              | G               | S                  | G                 | G                |
| Experience in leading major organizational change.  | B                   | G              | G               | S                  | B                 | G                |
| Senior leadership and/or managerial experience in the industrial sector.  | BL                  | G              | G               | B                  | G                 | G                |
| Board or management experience in talent management and executive compensation.   | G                   | S              | G               | S                  | B                 | G                |
| Experience in international businesses including cultural, regulatory, and business environments.   | S                   | S              | G               | S                  | G                 | G                |
| Wide-ranging financial skills, experience and knowledge in senior management, risk management and internal control.   | S                   | G              | G               | G                  | S                 | G                |
| Management or executive responsibility for creating value and/or business development.  | G                   | G              | G               | S                  | S                 | G                |
| Experience and insights with use of technology to support value creation.   | S                   | S              | G               | S                  | S                 | G                |
| High level experience in corporate governance gained as senior executive, board member of public companies, major accounting firm.  | G                   | G              | G               | G                  | G                 | G                |
| Board audit/risk management experience in financial accounting and reporting, corporate finance, internal financial controls or the provision of legal services to large business enterprises.  | G                   | G              | G               | G                  | G                 | G                |
| Experience in evaluating key business risks including legal and regulatory compliance and security risk management.   | S                   | S              | G               | G                  | G                 | G                |
| Understanding and experience of corporate, securities, regulatory regimes where the Company operates.   | G                   | S              | S               | G                  | G                 | G                |
| Demonstrated experience in the development of strategy.   | S                   | G              | G               | S                  | B                 | G                |
| An understanding of the importance of the role of capital allocation and risk in value creation.  | G                   | G              | G               | S                  | S                 | G                |
| Experience in the regulatory arena and government relations.  | S                   | S              | G               | G                  | B                 | G                |
| Understanding social media, public policy processes and the political process.  | S                   | S              | G               | S                  | S                 | G                |
| Experience leading or managing automotive component manufacturing enterprises.  | BL                  | G              | G               | BL                 | G                 | G                |

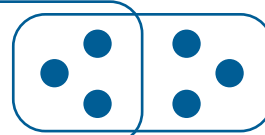
- **Director Independence** - those directors who are not independent are set out in the director descriptions above. With the departure of Anne Marie Turnbull on August 31, 2022 the board is currently evenly balanced with three independent directors and three management directors. The Governance and Nominating Committee is currently studying the optimal size of the board and upon conclusion of that process the identification of appropriate director candidates will take place.

A director is independent if he or she falls within the meaning of:

- o Section 1.4 of National Instrument 52-110 – Audit Committees
- o National Policy 58-201 – Corporate Governance Guidelines

- **Lead director** – Since the executive chair is not independent a lead director is appointed. Mr. Magee is independent and lead director of the board. His mandate is set out in written terms of reference at Schedule B. As lead director he;
  - o chairs *in camera* sessions of independent directors after board meetings
  - o where necessary calls meetings of independent directors
  - o is a member of all board committees

50% of the  
director nominees  
are independent



- **Board responsibilities** are spelled out in various documents. The **board has a written charter**, the text of which is set forth in Schedule A. In addition to the general supervision of management, the board charter specifically tasks the board with:
  - o Strategic planning
  - o Risk assessment
  - o Financial oversight and reporting
  - o Maintaining integrity
  - o Board effectiveness
  - o Human resources oversight
  - o Succession

The board has met these responsibilities by implementing:

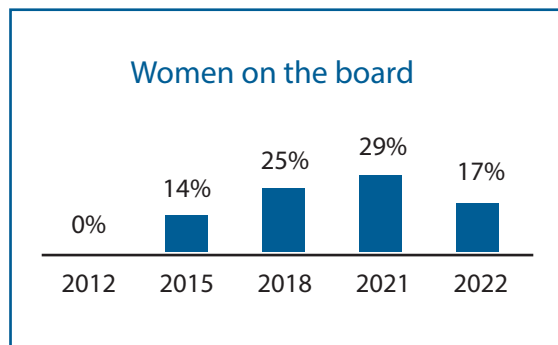
- o **Charters for each of its committees.** The chair of each committee understands his/her responsibility for taking the lead role in ensuring that such committee is operating effectively in accordance with its charter.
- o **Role descriptions** for the board chair and the President/Chief Executive Officer which are also set forth in Schedule B
- o **Policies** for code of conduct, conflict of interest, public disclosures and blackout periods

Furthermore the chair of each committee is responsible for preparing/approving the agenda for the meetings of his or her committee, managing the affairs of the committee, monitoring whether the committee is receiving timely information and providing a link between the committee and the board.

The board also conducts an **annual strategy meeting** – either as a stand-alone meeting or in conjunction with its annual budget meeting. The board has also implemented a **majority voting** program requiring directors who do not have majority support of shareholder votes at an annual meeting to submit their resignation.

The board charter was updated during the 2022 fiscal year – allowing the board more flexibility with respect to both director term and age limits.

- **Board gender diversity** – much progress has been made with Exco achieving 29% women representation on the board in 2021. However, these efforts suffered a setback in 2022 with the resignation of Ms. Anne Marie Turnbull on August 31, 2022. Further improvement in board diversity will take place pursuant to the Board Diversity & Renewal Policy which was adopted in order to further improve gender and ethnic diversity on the Exco board.
- **Ethnic diversity** – since Exco's formation in 1952 by the Robbins family it has embraced ethnic diversity at all levels of the organization. This deep pool of diverse cultural talent has been key to Exco's ability to embrace global markets and expand its geographic footprint throughout central and south America as well as north Africa and Asia. In the year ahead Exco intends to formalize a methodology to quantify this. More detail with respect to Exco's diversity can be found in [Exco's 2022 Sustainability Report](#).



- **Orientation** of new directors is accomplished by:
  - o ensuring new directors attend various Exco plants and meet local management.
  - o local management attending board meetings and presenting their budgets and financial results to the board
  - o providing opportunities to question both senior executives and local business unit managers
  - o Given that Exco's directors are accomplished business executives, certified accountants or otherwise highly educated and are generally engaged in the broader business community Exco does not have a formal continuous education policy.
- Last year we adopted a **director equity ownership** requirement to better align director financial interests with those of our shareholders. We require all directors to spend on the purchase of our common shares an amount equal to two times the annual board cash retainer (2 X \$60,000) within four years from the later of: a) the introduction of this requirement (July 29, 2020) or b) the election of the director. At the present time five directors have achieved this ownership requirement. Ms. McMorrow has until July 29, 2024 to fulfill her requirements.

**Director  
equity ownership  
requirement  
introduced**



## Board committees

The board has established three standing committees to help it carry out its responsibilities. Directors typically attend meetings of committees they don't sit on.

### Audit committee

#### Chair

Colleen M. McMorrow

#### Members

Edward H. Kernaghan  
Robert B. Magee

#### 2022 Meetings

4  
100% attendance

#### Independence – 100%

(according to National Instrument 52-110 – Audit Committees)

#### Financially Literate – 100%

(as defined by the board, but at a minimum means that the director can read and understand a set of financial statements that are comparable in scope and complexity to our financial statements, which is consistent with the meaning set out in National Instrument 52-110 - Audit Committee)

#### Oversees

- Financial reporting and disclosure
- Internal controls and whistleblower hotline complaints
- External audit
- Internal audit and assurance
- Risk management
- Financial planning, investment opportunities, treasury activities and capital plan
- Deferred Profit-Sharing Pension Plan

#### Recent areas of focus

- Recommended the annual and interim financial statements and related management's discussion and analysis and media releases to the board for approval
- Reviewed significant judgements relating to:
  - Fair value of financial instruments
  - Goodwill impairment
  - Adoption of new accounting standards
- Reviewed disclosure controls and procedures and internal control over financial reporting
- Reviewed and approved the annual internal audit plan and monitored its execution
- Reviewed enterprise risk management activities and findings
- Reviewed independence and performance of our external auditor and approved the audit plan
- Reviewed updates on cyber security
- Revised committee annual workplan

### Human resource & compensation committee (HRC committee)

#### Chair

Anne Marie Turnbull/Robert B. Magee\*

#### Members

Edward H. Kernaghan  
Robert B. Magee  
Colleen M. McMorrow\*\*

#### 2022 Meetings

3  
100% attendance

#### Independence – 100%

(according to National Policy 58-201 – Corporate Governance Guidelines)

\*Ms. Turnbull ceased to be a director on August 31, 2022. Thereafter Mr. Robert B. Magee became chair.

\*\*Ms. McMorrow became a member of this committee on September 9, 2022.

#### Oversees

- Executive appointment and compensation
- Succession planning monitoring for CEO and other senior executives
- Human resources policies for executives
- Administration of compensation and benefits plans

#### Recent areas of focus

- Transition of Mr. Robbins from CEO to executive chair
- Engaged Mercers to conduct a peer group and compensation benchmarking study in 2022
- Developed and implemented for fiscal 2023 a long term incentive plan
- Developed and implemented a Restricted Share Unit plan and a Performance Share Unit plan
- Reviewed annual performance of senior management and approved their compensation
- Reviewed the compensation discussion and analysis and recommended it to the board for approval
- Approved the 2022 compensation design and executive bonuses
- Reviewed succession plans for each business unit
- Reviewed employment contracts for renewal of one divisional general manager
- Reviewed the allocation of stock option grants to employees
- Reviewed cash allocation to employees under our deferred profit-sharing plan
- Reviewed and updated HRC committee annual workplan

### Governance and nominating committee

#### Chair

Edward H. Kernaghan

#### Members

Robert B. Magee

Colleen M. McMorrow

#### 2022 Meetings

1

100% attendance

#### Independence – 100%

(according to National Policy 58-201

– Corporate Governance Guidelines

#### Oversees

- Board Stewardship
- Board size and composition
- Director selection and orientation
- Board compensation
- Director independence
- Annual board effectiveness assessment
- Maintains appropriate code of conduct policies and procedures

#### Recent areas of focus

- Reviewed the board charter and recommended amendments to it regarding director term and age limits
- Completed the evaluation and assessment of the board and self-assessment of directors
- Recommended the renomination of current directors to stand for election at the annual meeting of shareholders
- Commenced search for director candidates
- Received regular updates on key governance and regulatory developments
- Reviewed the functioning of lead director position
- Reviewed operation of director equity ownership program introduced in 2020
- Reviewed and recommended virtual annual meeting this year
- Reviewed operation of *Code of Conduct* which was introduced last year

This committee is responsible for recommending candidates for nomination to the board. Each board member is encouraged to recommend potential candidates and such recommendations are then reviewed by the committee. The committee may also consider candidates recommended by significant shareholders. It considers the competencies and skills necessary for the board as a collective and the competencies and skills of the candidates. In reviewing the qualifications of potential candidates, the committee assesses, among other things, industry experience, financial literacy, functional expertise in such areas as accounting, corporate finance, human resources/compensation and previous experience as a director. Subject to the Board Diversity & Renewal Policy which this committee drafted and the board adopted this year, the committee does not set specific, minimum qualifications that nominees must meet to be recommended to the board. Pursuant to the Board Diversity & Renewal Policy, the gender and ethnicity of board nominees will be considered in addition to the [diversity](#) of background and experience of a nominee in the context of the overall composition of the board at that time, such as diversity of knowledge, skills, experience and age. Candidates believed to be suitable are then discussed with the executive chair and the lead director. To facilitate renewal of the board [term limits](#) of fifteen years and 70 years of age have been imposed on independent directors.

However, this year the committee recommended that director term limits not apply to directors representing shareholders owning more than 20% of Exco's issued and outstanding shares. The committee also recommended that the board retain a broad discretion to retain directors attaining or exceeding the 70 year age limit.

This section is designed to explain the significant principles which underlie Exco's policies and procedures for the compensation of its executive officers. Included in this section is a discussion of each element of compensation, why we have chosen to recognize each element, how we calculate the amount for each element and how each compensation element fits into our overall compensation strategy.

Our executive [compensation philosophy](#) is to:

- (a) Provide a competitive level of base compensation and benefits that will attract and retain talented and committed senior management; and
- (b) Reward executives by use of cash bonus and stock options for the achievement of consistent higher than average profitability and the advancement of our long term strategic objectives.

In order to attract and retain a high level of senior management talent, the HRC committee has historically targeted total executive compensation levels in the median range to above-mid range of automotive manufacturing and industrial companies, whose operational, corporate finance and other activities are considered comparable to those of Exco. This is not a rigid requirement and discretion exists to take into account trends and/or challenges in the automotive industry. The HRC committee has established this range because the global automotive power train and component sector is extremely complex, constantly challenged, and exceptionally competitive. We run a very lean operation which requires highly motivated high energy superior talent in order to accomplish Exco's strategic objectives.

Periodically, the HRC committee compares executive compensation levels with other Canadian small cap public companies in the automotive industry. This testing of compensation levels is done with respect to base salary and annual bonus and long term incentives. This process is undertaken every four years. The last one was undertaken in 2018 with the assistance of outside advisors – [Mercers Canada](#). and accordingly in 2022 Mercers was once again engaged to carry out such a study. The process involves the selection of a peer group of fifteen predominantly small cap public companies in the automotive and industrial sector based on annual sales, assets and market capitalization as of July 22, 2022 ("[Peer Group](#)"). The Peer Group consists primarily of Canadian public companies but includes US public companies as well. Eleven of the Peer Group companies were within .5 to 2 times Exco's level of annual sales, assets and market capitalization and three more were within .33 to 3 times Exco's annual sales, assets and market capitalization. This provided guidance to the HRC committee on executive compensation and allowed the HRC committee to evaluate market compensation information and ensure that the HRC committee's approach is appropriate and is generally consistent with compensation trends in the marketplace. Mercers was paid \$30,000 for its services in this regard. In addition, the Executive Chair and members of the HRC committee are either directors or officers of Canadian automotive and other industrial manufacturing companies and are therefore intimately familiar with compensation levels and trends in both southern Ontario and globally.

For fiscal 2022 the HRC committee quantified and reviewed all elements of the compensation of Exco's named executive officers listed in the Summary Compensation Table, below ("NEOs"). The HRC committee also quantified and reviewed the projected payouts to the NEOs and awards under our share option plan and other payouts. The HRC committee reviewed this information in preliminary form on July 28, 2022 and then at meetings held on September 9, October 4 and November 29, 2022 when the audited financial results for the fiscal year were known. This ensured that the HRC committee had a complete understanding of each element of the compensation arrangements in effect for the NEO's, including an understanding of the "total" current executive compensation including future commitments.

The HRC committee believes that the total compensation packages of Exco's executive officers are appropriate considering the overall financial performance this year. However, the Mercers report did reveal that long term incentives as currently administered with grants under Exco's stock option plan did not adequately align with the Peer Group. Accordingly, a [Restricted Share Unit \("RSU"\)](#) and [Performance Share Unit \("PSU"\)](#) Plan was approved for use in fiscal 2023. The HRC committee also reviewed the five-year cumulative total shareholder return chart (set out below) and gave due weight to Exco's underperformance of both the Auto & Components index and the S&P/TSX Small Cap index over the last 5 years. Therefore, in 2022, the CEO and the Executive Chair received materially lower total compensation than in 2021. The CFO and the other two business unit managers received materially similar total compensation as in 2021. In this regard the HRC Committee gave due weight to the fact that these executives shouldered the post-pandemic period featuring supply chain disruptions and semiconductor chip shortages which caused constrained automotive production while also making an extrusion die acquisition in Europe. The HRC Committee also took into account that earnings in 2022 were impacted by input cost inflation largely beyond our management's control as well as due diligence and integration costs related to the said acquisition.

## Elements of Executive Compensation

Executive compensation for 2022 included four basic elements, along with a package of benefit plans designed to complement the compensation components described below. The following summarizes our reasons for each element of compensation:

### 1. Base Salaries

Base salaries provide fixed compensation to executives. Exco pays base salaries that the HRC committee believes are competitive with salaries paid for similar positions and are based on the executive's level of responsibility and ability to influence Exco's performance and take into account that [we do not offer executives a pension plan or retirement benefits of any kind](#). The general philosophy is to offer median range base salaries while extending to NEOs the possibility of higher than average cash bonuses and stock option awards based on Exco's consolidated financial performance or its individual business units. These salaries are reviewed by management and the HRC committee annually.

### 2. Cash Bonus Program

The cash bonus program is a variable component of compensation and is designed to compensate business unit managers for the short term financial performance of the operations for which they are responsible.

The cash bonus program of the Executive Chair and CEO is calculated as a percentage of Exco's adjusted consolidated pre-tax profit. The adjustment to consolidated pre-tax profit is a capital charge deduction. The capital charge deduction is obtained by multiplying Exco's percentage cost of borrowing by the prior year-end shareholders' equity. The CEO and Executive Chair each receive 1.5% of the adjusted consolidated pre-tax profit in cash or, in the discretion of the board, in cash and grants of stock options. The cash bonus for each of the Executive Chair and CEO is capped at the lower of \$1.0 million or 1.5% of Fiscal Year Pre-Tax Profit – Hurdle Amount. For future years commencing Fiscal 2023 the HRC committee has revised the CEO's cash bonus cap from \$1.0 million to \$0.5 million as a consequence of the introduction of changes to the CEOs long term incentive program. See 'CEO Long Term Incentive Program for Fiscal Year 2023' below. The CFO receives a discretionary cash bonus capped at \$90,000. In the case of the CFO it is deemed inappropriate to link the CFO's bonus to profitability.

The cash bonus payable to business unit managers is between 30% and 50% of that business' bonus pool (subject to a cap as discussed below). The bonus pool is calculated by applying the following formula to each business unit or business group, as the case may be:

$$(\text{Fiscal Year Pre-Tax Profit} - \text{Hurdle Amount}) \times \sim 15\% = \text{Bonus Pool}$$

Fiscal Year Pre-Tax Profit is subject to numerous adjustments. The Hurdle Rate is 10% of the net investment (less cash, debt and intercompany charges) used in the business or business group. The factor of ~15% strikes a reasonable balance between the addition of incremental sales and profitability. In all cases, the business unit manager's bonus is capped at a maximum of no more than 125% of base salary. The cash bonus program varies in detail between segments and divisions to suit the unique characteristics of each business but is uniform in basic philosophy and design. The bonus is paid in cash but may be paid in cash and grants of stock options in cases where the bonus for any individual exceeds \$50,000. See 'Stock Option Long Term Incentive Program' below.

The board retains discretion to award cash bonuses in addition to the requirements of the cash bonus program in keeping with its philosophy of ultimate control over executive compensation and the need, from time to time, to deal with exceptional circumstances.

### 3. Stock Option Long Term Incentive Program

Long term incentives for NEO's consist of share options which are also a variable component of compensation. Where the cash bonus payable to business unit managers or the CEO exceeds \$50,000, the entitled individual may be required to accept, in lieu of cash, stock options equal to up to one quarter of the cash bonus entitlement exceeding \$50,000. These options are 10-year stock options granted at the market price at the time of grant. We also retain the right to grant discretionary options with 5 year duration to any NEO. This discretion is used from time to time to provide additional long-term incentives to management to recognize exceptional circumstances. In future years commencing Fiscal 2023, as part of the changes to the CEO's long term incentives, the CEO will no longer receive share options. See 'CEO Long Term Incentive Program for Fiscal Year 2023' below.

These share options vest at the rate of 20% per year and act as an inducement for the recipients to remain in Exco's employment

and make business decisions that will contribute to our long-term share price appreciation. However, recent changes in the taxation of these share options and prevailing best practices biased toward performance-based options caused the HRC Committee and management to review new long-term incentives which are performance based and better align management's long term motivation. The Board, on the recommendation of the HRC Committee, has approved a RSU and PSU Plan for use in future years. See "Executive Compensation Discussion and Analysis" above. Once fully implemented this would reduce or possibly replace the grant of share options to NEOs and senior managers.

#### **4. Personal Benefits**

We maintain competitive group benefit plans for all NEOs including provision of life insurance, accidental death and dismemberment insurance, short term disability income, long term disability income and health and dental coverage. Benefits under these plans do not materially differ from those extended to other management employees of Exco. Group benefits cease on the NEO's retirement or termination and, with respect to certain group benefits, upon obtaining the age of 65 and 70 (depending on the benefit). From time to time Exco provides other forms of compensation that are common in the automotive industry such as providing company cars/car allowances and club memberships to NEOs.

Each of the compensation elements above are generally designed to accomplish one or both of our two goals: 1) attraction and retention of key talent, and 2) alignment of compensation with Exco's performance, which includes achievement of consistent higher than average profitability.

##### **1. Attraction and Retention of Key Talent**

The compensation package meets the goal of attracting and retaining key talent in a highly competitive automotive manufacturing environment through the following elements:

- A competitive total compensation program, including base salary, cash bonus, stock options that are competitive with similar opportunities offered in the marketplace for executive talent; and
- Ten-year share option grants with five-year vesting encourage long tenure with us.
- Introduction of RSU and PSU plan.

##### **2. Alignment of Compensation with Our Performance**

The compensation package aligns individual compensation with our operating and financial performance because:

- The base compensation and personal benefits are sufficient to retain competent executive management, and
- The cash bonus and share option awards for business unit managers incent and motivate them to improve Exco's operating and financial position, namely, increase pre-tax profit and limit capital expenditures to those increasing pre-tax profit by more than 10%. As these parameters improve our net investment declines and gross margin, EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization), cash flow and ultimately the share price should rise. In the case of the Executive Chair and CEO as consolidated pre-tax profit above the cost of borrowing charge rises so should Exco's overall earnings, EPS and ultimately share price. The Executive Chair is in a position to impact pre-tax profit because, as the founder of Exco's Casting and Extrusion Group businesses, he continues to play an influential role in the operation of and capital spending on those businesses as well as the many technical issues arising on a day to day basis.

As noted above, the HRC committee targets total compensation at the mid-range to above-mid range of comparable market practices. Various elements of total compensation are managed so that the total package provides the potential to add up to the approximate midpoint of the equivalent position range at target performance levels. Within total compensation, in 2022, the HRC committee sought to balance the various components with a view to recognize the burden of navigating the post-pandemic period featuring supply chain disruptions and semiconductor ship shortages which caused constrained automotive production. Furthermore, management executed our long term objectives and built two new plants (Morocco and Mexico), established a new state of the art heat treat facility in Canada and made an extrusion die acquisition in Europe. Besides base salary and personal benefits all other compensation is at-risk, which means that all the cash bonus and stock option are at-risk and tied to Exco's performance for all NEOs.

##### **A. Base Salaries**

In setting NEO salaries, the HRC committee reviewed automotive and general industry benchmark. Based on the foregoing review, as well as consideration of the 2022 Mercers Canada report referenced above in "Compensation Discussion & Analysis", individual performance, tenure and experience, Exco's overall performance, any retention concerns, the individual's historical



compensation and input from other board members, the HRC committee sets the base salaries for the NEOs. The salaries that the HRC committee approved for the NEO for 2022 are shown in the salary column of the Summary Compensation Table. In 2022 there were no changes to the base salaries of NEOs except for the CFO and Nick Gnatyuk. These base pay increases reflect their expanded role with the addition of Halex in Europe. The decrease for Mr. Schroers is a function of US/CND exchange rates as his base pay remains at US\$360,000.

## **B. Cash Bonus Awards**

In 2022 all NEOs, with the exception of the CFO whose discretionary bonus remained similar to 2021, earned a cash bonus in accordance with the formulae described above in amounts set forth in the Summary Compensation Table set out below. These formulae are driven by Exco's earnings and not its stock price. Therefore, the 2022 cash bonus awards to NEOs are consistent with and positively correlated with Exco's financial performance over 2021 with respect to the CEO and the Executive Chair and in the case of Mr. Gnatyuk and Mr. Schroers with respect to their divisional financial performance.

## **C. Stock Option Long Term Incentive**

All NEOs earned cash bonuses more than \$50,000 in 2022. The board exercised its discretion and granted no 10 year stock options. In 2022 the board exercised its discretion and awarded 5 year options to Darren Kirk, Matthew Posno and Nick Gnatyuk (see Summary Compensation Table for detail). The award of share options to Messers Kirk and Posno recognizes their leadership position at the corporate level and reinforces their interest in improving our long-term financial performance. The award of 5 year share options to Mr. Gnatyuk reinforces his long term commitment to the extrusion tooling group and recognizes his role in expanding the extrusion tooling business into Europe with the acquisition of Halex in April 2022. Mr. Robbins is nearing retirement and Mr. Schroers has announced his retirement from fulltime employment in 2023 and it was felt that, in this circumstance, options were not satisfactory long-term motivators. Historic share option information for grants to NEOs are shown in the table "Outstanding Option-Based Awards".

## **CEO Long Term Incentive Compensation for Fiscal Year 2023**

The HRC committee approved modifications to the long-term incentive plan for our President & Chief Executive Officer, Darren Kirk, effective for fiscal year 2023. Going forward, the new long term incentive structure replaces stock options with a combination of RSUs and PSUs for all awards after October 1, 2022. The move away from stock options toward a mix of RSUs and PSUs reflects current developments in executive long term compensation design and also better aligns our CEO's long-term incentive plan with those of our peers. Also, to increase the alignment of our CEO's interests with those of our shareholders, Mr. Kirk's new long-term incentive plan places more emphasis on PSUs (weighted 70%) than on RSUs (weighted 30%). Both PSUs and RSUs vest after three years and are settled in cash. PSU award levels (0% to 200%) are based on achieving specified threshold, target and maximum EBITDA targets over a three-year performance period beginning in fiscal year 2023 and ending in fiscal year 2025. Any cash realized from RSU and PSU awards will be used by Mr. Kirk to purchase Exco shares on the open market until he purchases three times his base salary - \$1.5 million at Mr. Kirk's current salary of \$500,000.

## **Managing Compensation Related Risk**

In 2022, the HRC committee considered the implications of the risks associated with its compensation policies and procedures. The HRC committee is actively involved in the risk oversight of its compensation policies and practices. Managing compensation risk within the context of a decentralized management structure such as Exco's is a critical component of our overall risk mitigation process.

We use the following practices to discourage or mitigate excessive risk-taking:

- The board reviews and approves each business unit's annual plan and budgets before the start of each fiscal year. These annual plans and budgets include the determination of bonus pools although the allocation to individuals does not take place. Each quarter the annual plans and budgets (included bonus pools) are monitored and updated quarterly by corporate management, if business conditions require it, and reported to the board.
- We have employment contracts for all NEOs except the Executive Chair. These employment contracts are approved by the HRC committee and incorporate in detail all the terms of compensation. The CEO's bonus is documented, determined by formula and, combined with the bonus of the Executive Chair, is capped as previously discussed herein (see "Elements of Executive Compensation" above).

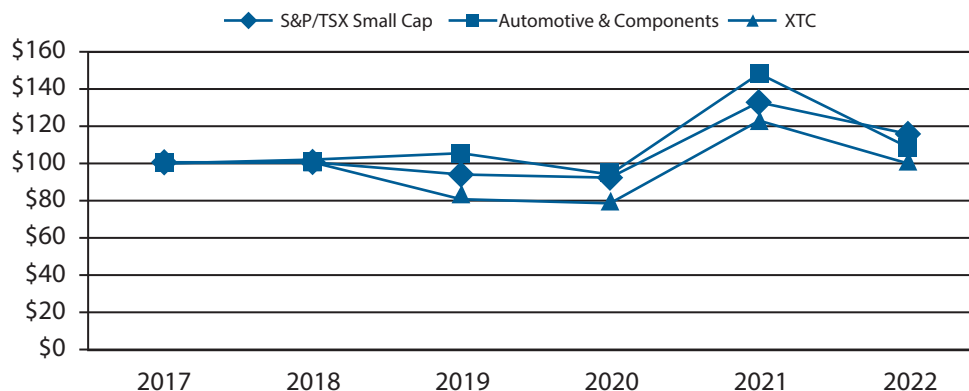


- Bonuses for NEOs other than the Executive Chair are set out in the employment contracts as a specific percentage of the fiscal year's pre-tax profits and the size of each business unit's bonus pool is capped. Also, as the individual NEO level bonuses are capped at up to 125% of base pay; the negotiated percentages do not fluctuate, although the amount of bonus will fluctuate as profits and net investment fluctuate. The underlying objective of such bonus structure (including of executive officers, and for divisional general managers) is to encourage entrepreneurial management behavior and to link an officer's compensation to the profitability of the operations over which he or she is responsible. As profitability of the division or plant increases or decreases, so will such person's bonus.
- All equity-based awards (for executives and non-executives) are approved by the HRC committee and the board; where not included in an employment contract, equity compensation is based on performance and is discretionary (as described above).
- The HRC committee has delegated employment contract negotiations for its vice-presidents and general managers to the Executive Chair and CEO, using the same principles as utilized by the HRC committee and all base salary and bonus awards and employment contracts are approved by the HRC committee.
- In 2022, all those executive contracts that required renewal, were updated and reviewed by the HRC committee. Exco does not have firm share ownership requirements for its NEOs who are not directors; however, historically NEO share ownership is relatively high given share based compensation awards to NEOs over the years. Exco has explicitly prohibited hedging of Exco shares and share based compensation awards.
- Our long term incentive program includes options which vest over time (or a significant portion of which vest over time). This ensures that executives remain exposed to the risks of their decisions and vesting periods align with risk realization periods. The trading of common shares, whether obtained through option exercise or otherwise, is subject to specified black-out periods.
- The audit committee and board are responsible for assessing and monitoring Exco's financial and enterprise risks. Accordingly, the audit committee has one member who is a former partner with a national accounting firm with extensive and detailed knowledge of financial reporting and recent trends in both IFRS and accounting for the hedging of risk.
- The HRC committee and the board retain, in appropriate circumstances, the discretion to adjust annual incentive payments to take into account unique situations where it is determined to be in the best interests of Exco to recognize individual performance contributions despite a profit shortfall.

As a result of the HRC committee's review of its compensation plans, it has concluded that there are no identified risks arising from its compensation programs which are reasonably likely to have a material adverse effect on Exco.

## Performance Graph

The following graph illustrates the five-year cumulative total shareholder return (assuming reinvestment of dividends) of a \$100 investment in shares on September 30, 2016 to September 30, 2021 compared with the return on the S&P/TSX Small Cap Index and the Automotive & Components index.



| As of September 30      | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|------|------|------|------|------|------|
| S&P/TSX Small Cap       | 100  | 100  | 93   | 91   | 131  | 113  |
| Automotive & Components | 100  | 101  | 104  | 93   | 148  | 106  |
| XTC                     | 100  | 101  | 82   | 78   | 121  | 99   |

### Summary Compensation Table

The following table provides a summary of compensation earned during the last fiscal year by the CEO, CFO and the 3 most highly compensated executive officers who served as our executive officers at the end of the fiscal year ended September 30, 2022 (the "NEOs").

| Name and Principal Position   | Year        | Salary (\$)    | Option Based Awards (\$) <sup>(2)</sup> | Annual Incentive Plan (\$) | All Other Compensation (\$) <sup>(1)</sup> | Total Compensation (\$) |
|---|-------------|----------------|---|----------------------------|--|-------------------------|
| Darren M. Kirk<br>President & Chief Executive Officer                               | 2020        | 450,000        | 154,600                                 | 157,487                    | -  | 762,087                 |
|   | 2021        | 500,000        | 146,421                                 | 493,833                    | -  | 1,140,254               |
|   | <b>2022</b> | <b>500,000</b> | <b>132,056</b>                          | <b>123,692</b>             | -  | <b>755,748</b>          |
| Matthew Posno<br>VP Finance & Chief Financial Officer                               | 2020        | 250,000        | 77,300                                  | 75,000                     | -  | 402,300                 |
|   | 2021        | 275,000        | 73,211                                  | 75,000                     | -  | 423,211                 |
|   | <b>2022</b> | <b>290,000</b> | <b>66,028</b>                           | <b>70,000</b>              | -  | <b>426,028</b>          |
| Brian A. Robbins<br>Executive Chairman  | 2020        | 500,000        | -                                       | 314,973                    | 70,375                                     | 885,348                 |
|   | 2021        | 500,000        | -                                       | 493,833                    | 70,159                                     | 1,063,992               |
|   | <b>2022</b> | <b>500,000</b> | -                                       | <b>123,692</b>             | <b>74,093</b>                              | <b>697,785</b>          |
| William Schroers<br>President and CEO,<br>Automotive Solutions Group <sup>(3)</sup> | 2020        | 476,640        | -                                       | 496,500                    | -  | 973,140                 |
|   | 2021        | 480,240        | -                                       | 600,300                    | -  | 1,080,540               |
|   | <b>2022</b> | <b>458,640</b> | -                                       | <b>573,300</b>             | -  | <b>1,031,940</b>        |
| Nick Gnatyuk<br>Vice President, General Manager,<br>Extrusion Group                 | 2020        | 325,000        | 30,920                                  | 190,000                    | -  | 545,920                 |
|   | 2021        | 325,000        | 29,284                                  | 375,000                    | -  | 729,284                 |
|   | <b>2022</b> | <b>375,000</b> | <b>35,215</b>                           | <b>375,000</b>             | -  | <b>785,215</b>          |

(1) The value of annual perquisites and benefits for each of the Named Executive Officers is shown only when the value exceeds the lesser of \$50,000 and 10% of the total annual salary and bonus.

(2) Fair value of the awards earned in fiscal 2021 on the grant date calculated based on Black-Scholes option pricing model with the following assumptions:

|  |           |
|--|-----------|
| Risk-free rate                                     | 1.28%     |
| Expected dividend yield                            | 4.09%     |
| Expected volatility                                | 30.48%    |
| Expected time until exercise                       | 5.5 years |
| Weighted average fair value of the options granted | \$1.76    |

(3) Mr. Schroers' Salary, Annual Incentive Plan and All Other Compensation is paid in \$USD. The exchange rate is the rate at the beginning of the fiscal year - \$1.274.

Note: None of the Named Executive Officers are covered by a pension plan or received any share based awards or long-term incentive plan awards as defined in National Instrument Form 51-102F6 and accordingly, the columns have been deleted for presentation purposes.

## Incentive Plan Awards

### Outstanding Option-Based Awards

| Name             | Number of Securities Underlying Unexercised Options (#) | Option Price (\$) | Option Expiration Date | Value of Unexercised in-the-money Options as at September 30, 2022 <sup>(1)</sup> (\$) | Option-based awards - Value vested during the year (\$) |
|------------------|---|-------------------|------------------------|--|---|
| Darren M. Kirk   | 25,000  | 10.15             | 29-May-2023            | -  | -   |
|                  | 25,000  | 9.87              | 24-May-2024            | -  | -   |
|                  | 100,000   | 8.56              | 27-May-2025            | -  | -   |
|                  | 100,000   | 8.29              | 28-May-2026            | -  | -   |
|                  | 75,000  | 9.78              | 16-Jun-2027            | -  | -   |
|                  | <b>305,000</b>  | -                 | -                      | -  | -   |
| Matthew Posno    | 50,000  | 8.56              | 27-May-2025            | -  | -   |
|                  | 50,000  | 8.29              | 27-May-2026            | -  | -   |
|                  | 37,500  | 9.78              | 16-Jun-2027            | -  | -   |
|                  | <b>137,500</b>  | -                 | -                      | -  | -   |
| Brian A. Robbins | -   | -                 | -                      | -  | -   |
| William Schroers | -   | -                 | -                      | -  | -   |
| Nick Gnatyuk     | 20,000  | 10.15             | 29-May-2023            | -  | -   |
|                  | 20,000  | 9.87              | 24-May-2024            | -  | -   |
|                  | 20,000  | 8.56              | 27-May-2025            | -  | -   |
|                  | 20,000  | 8.29              | 27-May-2026            | -  | -   |
|                  | 20,000  | 9.78              | 16-Jun-2027            | -  | -   |
|                  | <b>100,000</b>  | -                 | -                      | -  | -   |

(1) Difference between the market value of the securities underlying the instruments at the end of the year, and the exercise or base price of the option.

### Incentive Plan Awards – Value Vested or Earned During the Year

| Name             | Option-Based Awards - Value Vested during the Year (\$) | Non-Equity Incentive Plan Compensation - Value Earned during the Year (\$) |
|------------------|---|--|
| Brian A. Robbins | -   | 697,785  |
| Matthew Posno    | -   | 360,000  |
| Darren M. Kirk   | -   | 623,692  |
| William Schroers | -   | 1,031,940  |
| Nick Gnatyuk     | -   | 750,000  |

Note: None of the Named Executive Officers has received any share-based awards as defined in NI Form 51-102F6 and accordingly, the column has been deleted for presentation purposes.

## Executive Contracts

Mr. Kirk, Mr. Posno, Mr. Gnatyuk and Mr. Schroers are the Named Executive Officers with written employment contracts.

Mr. Kirk's employment contract provides for a base salary of \$500,000 plus a bonus of 1.5% of the adjusted consolidated pre-tax profit as described further in "Elements of Compensation, 1. Cash Bonus Program" above. The bonus is subject to a cap of \$1.0 million per year. Effective fiscal 2023 this cap will be lowered to \$500,000 as a result of the changes to his long term incentive compensation for 2023 – for more detail see "CEO Long Term Incentive Compensation for Fiscal Year 2023" above. The employment contract has no fixed term, however, provides for notice, or payment in lieu of notice, in the event of termination without cause in the amount of twelve-month base pay. As of the date of the circular this amount would be approximately \$500,000. There is no change of control provision; however, it is expected that one will be introduced in 2023.

Mr. Posno's employment contract provides for a base salary of \$290,000 plus a discretionary bonus of up to a maximum of \$90,000 per year. The employment contract has no fixed term, however, provides for notice, or payment in lieu of notice, in the event of termination without cause in the amount of six-month base pay if terminated within four years of his start of employment date (May 6, 2019). If terminated after four years of service the contract provides for notice, or payment in lieu of notice, in the event of termination without cause in the amount of one month of base pay for every year of service up to a maximum of fifteen months but, in any event, no less than six months. As of the date of the circular this amount would be approximately \$145,000. No change of control provision exists.

Exco has entered into a contract with WS Enterprises Inc. and William Schroers for management services relating to the management of the Automotive Solutions segment. The contract has no fixed term but is terminable at any time by either party on twenty-four months prior written notice and a payment of US\$500,000. In April, 2021 WS Enterprises Inc. and William Schroers have given notice of such termination and accordingly in April 2023 payment of US\$500,000 will be made. Both WS Enterprises Inc and William Schroers are domiciled in the State of Michigan, USA. The contract is expected to be renewed upon its expiry for another period of no fixed term at a base salary of US\$216,000. This future contract can be terminated by either party upon twelve months prior written notice and no payment to William Schroers or WS Enterprises Inc. will be required upon such future termination. There is no change of control provision.

Mr. Gnatyuk's contract provides for a base salary of \$375,000 plus a discretionary bonus which is capped at 100% of base salary. The employment contract has no fixed term, however, provides for notice, or payment in lieu of notice, in the event of termination without cause in the amount of eighteen months base pay. As of the date of the circular this amount would be approximately \$562,500. There is no change of control clause.

## DESCRIPTION OF EQUITY COMPENSATION PLANS

### Securities Authorized for Issuance under Equity Compensation Plans

| Plan Category   | Number of Securities<br>to be Issued Upon Exercise of<br>Outstanding Options (#) | Weighted-Average Exercise<br>Price of Outstanding<br>Options (\$) | Number of Securities<br>Remaining Available for Future<br>Issuance Under Equity Compensation<br>Plans (excluding securities<br>reflected in column (#) |
|---|--|---|--|
| Equity compensation plan<br>approved by security holders<br>(stock option plan) | 1,046,500  | 9.16  | 1,000,338  |
| Equity compensation plans<br>not approved by security holder                    | -  | -   | -  |
| <b>Total</b>  | <b>1,046,500</b>   | <b>9.16</b>   | <b>1,000,338</b>   |

### Stock Option Plan ("SOP")

Pursuant to our SOP, the board is authorized to issue options to officers and employees to acquire common shares at such prices as the board may determine, provided the price is more than the minimum price permitted by the Toronto Stock Exchange. Independent directors are not eligible to receive stock options under the SOP. The SOP and the TSX require the price to be no less than the weighted average price of our common shares on the last 5 trading days after the latter of: a) the day of the grant by the board, or b) the release of the press release if material information was also considered by the board at the meeting where the options were granted.

Options granted under the SOP must expire no later than 10 years after the date of grant and are not transferable or assignable other than by will or other testamentary instrument or the laws of succession. Options vest at the rate of 20% per annum. If a participant under the SOP is dismissed for cause, all unexercised options of the participant immediately terminate. If a participant under the SOP ceases to be a director, officer or employee of Exco or its subsidiaries, each option held by such participant will cease to be exercisable 30 days thereafter. If a participant under the SOP dies, the legal representative of the participant may exercise the participant's options for a period of 6 months following the date of the participant's death, but only up to the original option expiry date. The board retains discretion to extend these time limits but has never done so.

The SOP provides that the number of common shares reserved for issuance to any one person under the SOP may not exceed 5% of the outstanding common shares at the relevant time.

At fiscal year-end, we had options outstanding under the SOP to purchase 1,046,500 common shares at exercise prices ranging from \$8.29 to \$10.15 per share, representing 2.7% of Exco's outstanding common shares. 1,000,338 common shares (representing 2.7% of outstanding common shares) are available for future grants under the SOP as set out in the table below:

| <b>Common Shares</b>   |                  |
|--|------------------|
| common shares currently reserved                                 | 6,348,227        |
| common shares previously issued on exercise of options           | (4,301,389)      |
| common shares reserved for issue pursuant to outstanding options | (1,046,500)      |
| <b>common shares available for future options</b>                | <b>1,000,338</b> |

## **NORMAL COURSE ISSUER BID**

On May 5, 2005 the Toronto Stock Exchange approved our request to implement a normal course issuer bid. The complete issuer bid share purchase history for each fiscal year since inception is as follows:

| <b>Fiscal Year</b> | <b>Shares Purchased</b> | <b>\$ Per Share</b> | <b>\$ Paid</b>      |
|--------------------|-------------------------|---------------------|---------------------|
| 2005               | 8,800                   | \$4.00              | \$35,200            |
| 2006               | 183,400                 | \$3.79              | \$695,086           |
| 2007               | 156,700                 | \$3.86              | \$604,862           |
| 2008               | 530,200                 | \$3.45              | \$1,829,190         |
| 2009               | 282,100                 | \$1.88              | \$530,348           |
| 2010               | 11,600                  | \$2.08              | \$24,128            |
| 2011               | -                       | -                   | -                   |
| 2012               | 777,180                 | \$3.53              | \$2,743,445         |
| 2013               | -                       | -                   | -                   |
| 2014               | -                       | -                   | -                   |
| 2015               | -                       | -                   | -                   |
| 2016               | -                       | -                   | -                   |
| 2017               | 151,100                 | \$9.66              | \$1,459,867         |
| 2018               | 696,400                 | \$9.56              | \$6,656,058         |
| 2019               | 1,416,018               | \$8.69              | \$12,301,354        |
| 2020               | 1,258,666               | \$7.31              | \$9,203,263         |
| 2021               | -                       | -                   | -                   |
| 2022               | 385,033                 | \$8.88              | \$3,420,984         |
| <b>Total</b>       | <b>5,857,197</b>        | <b>6.74</b>         | <b>\$39,503,785</b> |

During the 2022 fiscal year 385,033 common shares were purchased pursuant to the normal course issuer bid. Since inception of the normal course issuer bid an average price of \$6.74 per share was paid to repurchase Exco shares. All shares were cancelled. The current normal course issuer bid expires on February 17, 2023 at which time it may be renewed.

## **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

We hold directors' and officers' liability insurance in the aggregate amount of \$15,000,000 for annual premiums of approximately \$67,805. Exco will pay the first \$100,000 of any claim made under the policy.

## **GENERAL**

Information contained herein is given as of December 6, 2022. Exco management knows of no matter to come before the meeting of shareholders other than the matters referred to in the Notice of Meeting. The contents and the sending of this management information circular have been approved by the board.

Additional financial information is provided in our comparative financial statements and management discussion & analysis for fiscal 2022. Further information relating to Exco is available on SEDAR at 'www.sedar.com'. Shareholders may request copies of our financial statements and management discussion and analysis for fiscal 2022 by contacting us at our corporate office at

130 Spy Court, 2nd Floor  
Markham, Ontario, L3R 5H6  
Phone: 905-477-3065  
Fax 905-477-2449



## Board of Directors Charter

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(Approved by the Board September 9, 2022)

### 1. Role of the Board

The Board of Directors of Exco Technologies Ltd. (the “Company”) is elected by the Company’s shareholders to supervise directly and through its committees, the management of the business and affairs of the Company, which are conducted by its officers and employees under the direction of the President and Chief Executive Officer (“CEO”).

The primary stewardship responsibility of the Board of the Company is to ensure that Management conducts the business and affairs of the Company with the main objectives to enhance shareholder value in a manner that recognizes the concerns of other stakeholders in the Company, including its employees, suppliers, customers and the communities in which it operates, to continuously improve the Company’s performance and quality of its products and services, and to ensure its continuous growth and development.

### 2. Duties and Responsibilities of the Board

The Board shall meet regularly to review reports by management on the performance of the Company. In addition to the general supervision of Management, the Board performs the following functions:

- a) **strategic planning** – overseeing the strategic planning process within the Company and reviewing, approving and monitoring the Company’s strategic plan, including fundamental financial and business strategies and objectives, taking into account, among other things, the opportunities and risks of the business, market and product global trends, and growth potential;
- b) **risk assessment** – monitoring and assessing the principal risks of the Company’s business and ensuring the implementation of appropriate systems to manage these risks;
- c) **integrity of CEO and other executive officers** – to the extent feasible, satisfying itself as to the integrity of the CEO and other executive officers and satisfying itself that the CEO and other executive officers create a culture of integrity throughout the organization.
- d) **senior management** – overseeing the selection, evaluation and compensation of the CEO and senior management and monitoring succession planning;
- e) **maintaining integrity** – reviewing and monitoring the controls and procedures within the Company to maintain the integrity and accuracy of its financial reporting, internal controls, disclosure controls, management information systems, compliance with its Conflict of Interest Policy and Code of Conduct.
- f) **expectations** – ensuring that its expectations of Management are understood, that the appropriate matters come before the Board and that the Board is kept informed of shareholder feedback.
- g) **CEO** – reviewing and approving, upon the recommendation of the Human Resource and Compensation Committee (‘HRC Committee’), the appointment, compensation, and performance of the CEO and the succession plan for him and senior managers;
- h) **Selection of Board nominees** – selecting, upon the recommendation of the Governance and Nominating Committee nominees for election as directors;
- i) **Compensation of non-management directors** – reviewing and approving upon the recommendation of the Governance and Nominating Committee (“GN Committee”), the compensation of non-management directors, and ensuring that their compensation adequately reflects the risks and responsibilities, and time commitment involved in being an effective director;
- j) **Independent functioning** – ensuring that appropriate structures and procedures are in place so that the Board and its committees can function independently of Management.
- k) **Approval of key policies** – reviewing and approving the key policy statements developed by Management for issues such as conflicts of interest, compliance, communications, environment, health and safety, and public disclosure;
- l) **Approval of disclosure documents** – reviewing and approving the contents of the annual information form, annual and quarterly management’s discussion and analysis, news releases in connection with quarterly and annual financial results and the corresponding financial statements, and the management proxy circular;

m) **Approval of financial activities** – reviewing and approving significant capital expenditures, raising of capital, significant loans and other major financial activities;

n) **Approval of significant operations** – reviewing and approving significant reorganizations, restructuring, acquisitions, and divestitures; and

o) **Corporate governance monitoring** – developing and monitoring, through the Governance and Nominating Committee, the systems of corporate governance of the Company.

### 3. Composition and Procedures

a) **Size of Board and selection process** – The size of the Board must be sufficient in number to ensure diversity of skills and perspectives and to provide useful experience to the Board supervising the management of the Company as well as to staff on the various Board committees, while allowing the Board to function efficiently and effectively. The Board reviews and approves the choice of candidates for nomination and election by the shareholders. Between annual meetings, the Board may appoint directors to service until the next annual meeting.

b) **Qualifications** – Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of the shareholders of the Company. They should possess skills and competencies in areas that are relevant to the Company's activities, solid business experience, good judgment, integrity, financial literacy and the ability to allocate the necessary time and effort to perform Board and committees duties. A majority of the Board shall be composed of independent directors within the meaning of section 1.4 of Multilateral Instrument 52-110 Audit Committee.

In recognition of the importance of alignment of financial interests of Directors with those of shareholders, the Company requires Directors (executive and non-executive) to achieve an equity investment of two times the value of the annual Board cash retainer (excluding any cash retainer for committee chairs and regardless of whether the Director actually receives the said cash retainer) within a four year period from the later of the adoption date of this requirement or the Directors date of appointment to the Board. Compliance with the equity investment requirement shall be monitored by the Governance and Nominating Committee and once the said equity investment requirement is made the Director's obligation under this section is met regardless of the subsequent market value of the underlying Company shares.

c) **Majority Voting** – Forms of proxy for the vote by shareholders on the election of directors will list each nominee for director separately so as to enable shareholders to vote in favour of, or to withhold from voting for, each nominee, individually. The Board will promptly cause the outcome of each vote for the election of directors to be publicly disclosed by means of a news release or in such other manner as may be required by the Toronto Stock Exchange. If, with respect to any nominee, the number of votes withheld exceeds the number of votes in favour of the nominee, then such nominee ("Designated Nominee") is required forthwith to submit to the Board his or her resignation, to take effect upon acceptance by the Board. The Board will promptly, and in any event within 90 days, absent exceptional circumstances, accept the resignation and in making this decision, the board may request and rely on a recommendation from the Governance and Nominating Committee. That Committee and the Board, may each consider any factors or other information that they consider appropriate and relevant in making their decision. A Designated Nominee will not participate in the deliberations of any committee or the Board with respect to his or her resignation. The Company shall issue a news release in a timely manner upon a decision being made by the Board as to the acceptance or rejection of the resignation by the Designated Nominee, and if the Designated Nominee is retained the news release will disclose the reasons for retaining the Designated Nominee. A copy of the news release must be provided to the TSX. Subject to any applicable law, if the resignation of the Designated Nominee is accepted, the Board may leave the resultant vacancy unfilled until the next annual meeting of shareholders, or the board may fill the vacancy through the appointment of a new director. This majority voting policy does not apply to any nominee for election as a director of the Company for 'contested' elections; that is, where, the total number of persons nominated for election exceeds the total number of vacancies to be filled at such election of directors, as determined by the Board.

d) **Term Limits** – Those directors of the Board who are independent (as defined in Section 1.4 of NI 52-110) and hold less than 20% of the Company's voting shares ("Term Limited Directors") shall be subject to term limits of fifteen years commencing from the date of first appointment to the Board and ending on the first annual shareholder meeting held after the fifteen-year anniversary of appointment. Term Limited Directors will also be required to resign from the Board upon attaining the age of seventy. Such resignation shall be effective as of the first annual shareholder meeting held after such director attains the age of seventy. The Board shall have a discretion to retain any Term Limited Director beyond the term and age limits set out in this clause if the Board deems it to be in the best interests of the Company.

e) **Chairman of the Board** – The Board shall appoint a director to be Chairman of the Board. At all times the same person may not occupy the position of Chairman of the Board and of President and/or CEO.

f) **Director orientation** – Management is responsible for providing an orientation and education program for new directors with a view to ascertaining that all new directors fully understand the role of the Board and its committees, as well as the contribution

individual directors are expected to make (including, in particular, the commitment of time and energy that the Company expects from its directors), and the nature and operation of the Company's business.

g) **Meetings** – The Board has at least five scheduled meetings a year. Additional meetings may be held when required. The Board is responsible for its agenda. Materials for each meeting will be distributed to the directors in advance of the meetings. At each of the five scheduled meetings, the final agenda item is an “in-camera” session which excludes management and non independent directors.

h) **Committees** – The Board has established three standing committees to assist the Board in discharging its responsibilities: the HRC Committee, the GN Committee and the Audit Committee. Special committees may be established from time to time to assist the Board in connection with specific matters. The chair of each committee reports to the Board following meetings of the committee.

i) **Evaluation** – The GN Committee bears the responsibility to assess the Board's performance as a whole as well as that of individual directors, the committees of the Board and the contributions of individual directors.

j) **Compensation** – The GN Committee recommends to the Board the compensation for non-management directors. In reviewing the adequacy and form of compensation, the committee seeks to ensure that the compensation reflects the responsibilities and risks involved in being a director of the Company and aligns the interests of the directors with the best interests of the shareholders.

k) **Access or independent advisors** – the Board, any committee and/or any director may at any time retain outside financial or legal advisors at the expense of the Company. The retention and the terms and conditions of the retention of external advisors shall receive prior approval by the HRC Committee.

## Schedule B

### Chairman's Terms of Reference

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The principal role of the Chairman of the Board of Directors ("Board") of Exco Technologies Limited (the "Corporation") is to provide leadership to the Board. The Chairman is responsible for effectively managing the affairs of the Board and ensuring that the Board is properly organized and that it functions efficiently and, in cases where the Chairman is an independent director, independent of management. Where the role of Chairman and President and Chief Executive Officer is not combined, the Chairman also advises the President and Chief Executive Officer in all matters concerning the interests of the Corporation, the Board and the relationships between management and the Board.

More specifically, the Chairman shall:

#### A. Strategy

1. Provide leadership to enable the Board to act effectively in carrying out its duties and responsibilities as described in the Mandate of the Board and as otherwise may be appropriate.
2. Work with the Board, the President and Chief Executive Officer and other management to monitor progress on the Corporation's business plans, annual budgets, policy implementation and succession planning.
3. Assist the President and Chief Executive Officer in presenting the corporate vision and strategies to the Board, large shareholders, partners and the outside world.

#### B. Advisor to President and Chief Executive Officer

4. In the case where the roles of the Chairman and President and Chief Executive Office is not combined:
  - a. Provide advice, counsel and mentorship to the incumbent President and Chief Executive Officer; and
  - b. In consultation with the President and Chief Executive Officer, ensure that there is an effective relationship between management personnel and the members of the Board.

#### C. Board Structure and Management

5. Preside over Board meetings and annual and special meetings of shareholders.
6. Provide advice, counsel and mentorship to fellow members of the Board.
7. Execute the responsibilities of a company director according to the lawful and ethical standards and in accordance with the Corporation's policies.
8. Take a leading role, together with the Governance and Nominating Committee, in determining the composition of the Board and its committees to achieve maximum effectiveness.
9. In consultation with the President and Chief Executive Officer, the Corporate Secretary and the chairs of the Board committees, as appropriate, determine the frequency, dates and locations of meetings of the Board, of Board committees and of the shareholders.
10. In consultation with the President and Chief Executive Officer and Corporate Secretary, review the annual work plan and the meeting agendas to ensure all required business is brought before the Board to enable it to efficiently carry out its duties and responsibilities.
11. Ensure the proper flow of information to the Board and review, with the President and Chief Executive Officer and Corporate Secretary, the adequacy and timing of materials in support of management personnel's proposals.

#### D. Compensation Matters and Succession Planning

The Chairman shall, in conjunction with the Human Resources Committee:

12. Recommend compensation awards for President and Chief Executive Officer and be

available to advise the Board on general compensation matters.

13. Advise the Board on performance of the President and Chief Executive Officer and succession planning of the President and Chief Executive Officer.
14. Together with the President and Chief Executive Officer, develop executive succession planning options to support the Corporation's strategies and to capitalize on opportunities for growth and/or acquisition.

If the Chairman is not independent, a Lead Director shall in conjunction with the Human Resources Committee:

15. Recommend compensation awards for Executive Chairman/President/CEO and be available to advise the Board on general compensation matters.
16. Advise the Board on performance of the Executive Chairman/President/CEO and succession planning of the Executive Chairman/President/CEO.
17. Together with the Executive Chairman/President/CEO, develop executive succession planning options to support the Corporation's strategies and to capitalize on opportunities for growth and/or acquisition.

## Lead Director's Terms of Reference

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The principal role of the Lead Director of the Board of Directors ("**Board**") of Exco Technologies Limited (the "**Corporation**") is to facilitate the functioning of the Board independent of management and the Executive Chairman of the Board/President/CEO ("**Management**") and serve as an independent leadership contact for the directors and senior executives.

The Lead Director is appointed annually from among the independent directors, and may be removed, by a majority of the independent directors if Management is not independent. The Lead Director shall be recommended by the Governance and Nominating Committee.

In addition to the duties of all directors, in fulfilling his or her responsibilities, the Lead Director will:

### Meetings

1. Preside over *in camera* independent director sessions, including overseeing the distribution of information to independent directors for the purposes of such sessions.
2. Call, where necessary, the holding of special meetings of the Board or independent directors, with appropriate notice, and establish the agenda for such meetings in consultation with the other independent directors, as applicable.
3. Preside over Board meetings in the absence of the Chairman or in circumstances where Management is (or may be perceived to be) in conflict.

### Evaluations

4. In consultation with the Chair of the Governance and Nominating Committee, provide Management with an annual performance evaluation.

### Communication with the Chairman and Management

5. Act as a liason between Management and the independent directors.
6. Debrief Management on decisions reached and suggestions made at meetings of independent directors or during *in camera* sessions.
7. Work with Management to ensure that the appropriate committee structure is in place and assist the Governance and Nominating Committee in making recommendations for appointments to such committees.
8. Consult and meet with any or all of the independent directors, at the discretion of either party, and represent such director in discussions with Management of the Corporation on corporate governance issues and other matters.

## Other

9. Have the authority to retain independent advisors on behalf of the Board as the Board or independent directors may deem necessary or appropriate.
10. Have such authority as the independent directors may designate from time to time.

## Role of the President and CEO

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The President and CEO of Exco Technologies Limited (the “Company”) provides leadership of the Company and, subject to approved policies and direction by the Board of Directors (the “Board”), manages the business and affairs of the Company and oversees the execution of its strategic plan. In addition, to managing the business and affairs of the Company, the CEO performs the following functions:

1. presents to the Board for approval a strategic plan for the Company including the strategies to achieve that plan, the risks and alternatives to these strategies and specific steps and performance indicators, which will enable the Board to evaluate progress on implementing such strategies;
2. proposes to the Board for approval annual capital and operating plans to implement the Company’s strategies together with key financial and other performance goals for the Company’s activities and reports regularly to the Board on the progress against these goals;
3. acts as primary spokesperson for the Company and all its stakeholders;
4. assesses the senior management of the Company and provides for the orderly succession of senior management including the recruitment, training and development required;
5. recommends to the Board the appointment or termination of any officer of the Company other than the Chair;
6. together with the Company’s CFO, establishes and maintains disclosure controls and procedures, and internal controls and procedures for financial reporting appropriate to ensure the accuracy and integrity of the Company’s financial reporting and public disclosures; and
7. ensures that the Company is in full compliance with applicable laws and regulations and with its own policies.