

# MANDATE OF THE BOARD OF DIRECTORS

**Reviewed and re-approved September 10, 2014**

The purpose of this mandate is to set out the mandate and responsibilities of the board of directors of Student Transportation Inc. (“**STI**”). The board of directors of STI is committed to fulfilling its statutory mandate to supervise the management of the business and affairs of STI with the highest standards of ethical conduct and in the best interests of the shareholders of STI.

## **1. Composition**

The board of directors shall be composed of between 3 and 20 individuals, a majority of whom will be Canadian residents. The board of directors also shall be constituted with a majority of individuals who qualify as “independent directors” as defined in National Instrument 58-101 - Disclosure of Corporate Governance Practices.

## **2. Responsibilities of the Board of Directors**

The board of directors is responsible for the stewardship of STI and in that regard shall be specifically responsible for:

- (a) supervising the activities of STI, including acting for, voting on behalf of and representing the Issuer as a holder of common shares in Student Transportation of America Holdings, Inc. (“**STA Holdings**”);
- (b) adopting a strategic planning process and evaluating and approving a strategic plan for the upcoming year that takes into account, among other things, the opportunities and risks of STI’s business;
- (c) reviewing, on at least an annual basis, a budget for STI;
- (d) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of STI, and that such officers create a culture of integrity throughout the organization, as well as satisfying itself, to the extent feasible, that the Chief Executive Officer is assessing the integrity of the senior officers of STI and its subsidiaries;
- (e) the identification of the principal risks of STI’s business and ensuring the implementation of appropriate systems to manage these risks;
- (f) ensuring that STI has adopted processes, procedures and controls that are designed to ensure compliance with applicable legal requirements;
- (g) succession planning (including meeting with, and discussing with, the Chief Executive Officer key matters pertaining to the appointing, training, and monitoring of senior management);
- (h) adopting a communication policy that enables STI to communicate effectively and addresses how STI interacts with all of its stakeholders, including analysts and the public, contains measures for STI to avoid selective disclosure and is reviewed at such intervals or times as the board of directors deems appropriate;
- (i) monitoring STI’s internal control and management information systems;
- (j) establishing and maintaining a standing audit committee of the board of directors (the “**Audit Committee**”);
- (k) reviewing and reassessing the adequacy of the terms of reference of the Audit Committee at such intervals or times as the board of directors deems appropriate;
- (l) receiving recommendations of the Audit Committee respecting, and reviewing and approving, the annual, interim and any other publicly announced financial information of STI;
- (m) developing STI’s approach to governance, including developing a set of governance principles and guidelines that are specifically applicable to STI;

- (n) implementing a process for assessing the effectiveness of the board of directors as a whole, the committees of the board of directors and the contribution of individual directors;
- (o) implementing a process for examining the size of the board of directors and undertaking, where appropriate, a program to establish a board size that facilitates effective decision-making;
- (p) implementing a process for reviewing the adequacy and form of compensation of directors and ensuring that compensation realistically reflects the responsibilities and risk involved in being a director;
- (q) meeting regularly with management to receive reports respecting the performance of STI, new and proposed initiatives, STI's business and investments, management concerns and any areas of concern involving STI; and
- (r) meeting regularly without management and non-independent directors.

The board of directors is responsible for the review of, with the CEO and senior management, STI's ongoing strategic planning process, and approving the goals of the business and the strategies and policies with which it is managed.

The board of directors will also strive to implement a predictable and regular annual budgeting process with regard to its own costs, with the Chairman and each Committee Chair estimating for management the annual meeting requirements at the start of each year, together with the related costs thereof, then endeavouring to work within the budgets arrived at.

It is recognized that every director in exercising powers and discharging duties must act honestly and in good faith with a view to the best interests of STI. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In this regard, they will comply with their duties of honesty, loyalty, care, diligence, skill and prudence.

In addition, directors are expected to carry out their duties in accordance with policies adopted by the board of directors from time to time, the current policy being annexed hereto as Appendix A.

### **3. Lead Independent Director of the Board**

The board of directors believes that so long as the roles of Chairman and Chief Executive Officer are held by the same individual, there should be a "lead independent director" appointed by the board of directors from its independent members. The "Lead" referred to herein shall be the Lead Independent Director.

The Lead shall assume the role and responsibilities set out below:

- (a) the Lead shall be expected to attend and monitor the content and conduct of meetings of the board of directors of STI and Chair the annual meeting of the securityholders of STI;
- (b) the Lead shall not be expected to and shall not perform policy-making functions other than in his or her capacity as a director of STI. The Lead shall not have the right or entitlement to bind STI in his or her capacity as Lead;
- (c) the Lead shall provide input with respect to the dates and frequencies of meetings of the board of directors and related committee meetings; and the Lead shall liaise with the Chief Executive Officer on the setting of board meeting agendas, by reviewing and commenting on the agenda for directors' meetings before circulation;
- (d) the Lead shall ensure that the board of directors understands the boundaries between board and management responsibilities; and
- (e) the Lead shall ensure that the board of directors carries out its responsibilities effectively, which will include acting as a liaison between the independent directors and management, leading independent sessions of the independent directors on a regular basis without management present, and may include assigning responsibility for administering the board of directors' relationship with management to a committee of the board of directors.

#### **4. Responsibilities of Audit Committee Chair**

The responsibilities of the Audit Committee chair include:

- (a) acting as a liaison between the Audit Committee and the board of directors of STI;
- (b) acting as a liaison between the Audit Committee and senior management of STI;
- (c) acting as a liaison between the Audit Committee and STI's internal and external auditors;
- (d) reporting to the board of directors on the activities of the Audit Committee;
- (e) recommending procedures to enhance the effectiveness of the Audit Committee; and
- (f) chairing meetings of the Audit Committee.

#### **5. Responsibilities of the Chairman and Chief Executive Officer**

The Chairman and Chief Executive Officer of STI will:

- (a) be expected to attend, and chair, the meetings of the board of directors of STI and securityholders of STI (other than the annual meeting of securityholders);
- (b) provide initial direction with respect to the dates and frequencies of meetings of the board of directors and related committee meetings and shall prepare, and liaise with the Lead, on the setting of board meeting agendas before circulation;
- (c) manage and supervise the affairs of STI, and initiate and co-ordinate the strategic planning process for STI and recommend to the board of directors goals for the business of the STI and, when approved by the board of directors, implement the corresponding strategic, operational and profit plans;
- (d) report to, and meet regularly and as required with, the board of directors and all formally appointed committees of the board of directors to review the board of directors' and committee issues and provide the board of directors or the relevant committee with all information and access to management necessary to permit the board of directors or the relevant committee to fulfil its statutory and other legal obligations on a timely basis;
- (e) assist in the development of policies of the board of directors regarding the public disclosures of STI;
- (f) develop, and advise the board of directors' in regard to, plans for management development and succession in all key positions;
- (g) review, with the assistance of the Chief Financial Officer, the financial reporting and public disclosure of STI, satisfy himself or herself concerning the processes followed in their preparation and provide the certifications required under applicable securities laws concerning such reporting and disclosure; and
- (h) assume such other appropriate responsibilities as are delegated to him or her by the board of directors.

#### **6. Decisions Requiring Prior Approval of the Board of Directors**

Approval of the board of directors shall be required for:

- (a) dividends;
- (b) acquisitions/dispositions over such size threshold as the directors should determine from time to time;
- (c) related party transactions;

- (d) the public dissemination of STI's financial results;
- (e) the issuance or repurchase of securities of STI;
- (f) the terms of reference of committees of the board of directors; and
- (g) any other matter that would give rise to a "material change" to STI.

The foregoing list is intended to provide guidance on particular matters requiring board approval, but is not intended to be an exhaustive list.

## **7. Measures for Receiving Shareholder Feedback**

All publicly disseminated materials of STI shall provide for a mechanism for feedback of securityholders. Persons designated to receive such information shall be required to provide a summary of the feedback to the directors on a regular basis.

## **8. Meetings**

The board of directors will meet not less than four times per year: three meetings to review quarterly results; and one meeting prior to the issuance of the annual financial results of STI. A quorum for the meetings shall be a majority of the directors then holding office.

## **9. Meeting Guidelines**

Directors will be expected to have read and considered the materials sent to them in advance of each meeting, and to be prepared to discuss the matters contained in such materials at the meeting. The notice of meeting will highlight significant matters to be dealt with at each meeting so that directors can focus on reviewing the related materials.

## **10. Remuneration**

Remuneration shall be at a level that will attract and motivate competent members.

## **11. Telephone Board Meetings**

- (a) A director may participate in a meeting of the board of directors or in a committee meeting by means of telephone, electronic or such other communications facilities as permit all persons participating in the meeting to communicate with each other and a director participating in such a meeting by such means is deemed to be present at the meeting.
- (b) While it is the intent of the board of directors to follow an agreed meeting schedule as closely as possible, it is felt that, from time to time, with respect to time sensitive matters telephone board meetings may be required to be called in order for directors to be in a position to better fulfill their legal obligations.

## **12. Expectations of Management**

The CEO and other senior officers shall be required to report to the board of directors regarding the performance of STI, new and proposed initiatives, management's concerns and any other matter the board or its Lead may deem appropriate. In addition, the board expects the CEO and other senior officers to promptly report to the Lead and any applicable committee chair any developments, changes, transactions or proposals which in any of those cases would have a significant impact on the business or prospects of STI.

### **13. Orientation and Continuing Education**

Management, working with the board of directors, will provide an orientation and education program for new directors to familiarize them with STI and its business. All new directors will participate in this program, which should be completed within four months of a director first joining the board of directors. In addition, management will schedule periodic presentations for the board of directors to ensure they are aware of major business trends and industry practices as and when required.

**APPENDIX A**  
**POLICY OF PRACTICES FOR DIRECTORS**

**1. Attendance at Meetings**

Each director is expected to have a very high record of attendance at meetings of the board of directors, and at meetings of each committee on which the director sits. A director is expected to:

- (a) advise the Chairman as to planned attendance at board and committee meetings shortly after meeting schedules have been distributed;
- (b) advise the Chairman as soon as possible after becoming aware that he or she will not be able to attend a meeting; and
- (c) attend a meeting by conference telephone if unable to attend in person.

**2. Preparation for Meetings**

Directors are expected to carefully review and consider the materials distributed in advance of a meeting of the board of directors or a committee of the board of directors. Directors are also encouraged to contact the lead director and/or the Chief Executive Officer of STI and any other appropriate officers to ask questions and discuss agenda items prior to meetings.

**3. Conduct at Meetings**

Directors are expected to ask questions and participate in discussions at meetings, and to contribute relevant insights and experience. In discussions at meetings, a director should:

- (a) be candid and forthright;
- (b) not be reluctant to express views contrary to those of the majority;
- (c) be concise and, in most circumstances, respect the time constraints of a meeting; and
- (d) be courteous to and respectful of other directors and guests in attendance.

**4. Personal Conduct**

Directors are expected to:

- (a) exhibit high standards of personal integrity, honesty and loyalty to STI;
- (b) project a positive image of STI to news media, the financial community, governments and their agencies, securityholders and employees;
- (c) be willing to contribute extra efforts, from time to time as may be necessary including, among other things, being willing to serve on committees of the board; and
- (d) disclose any potential conflict of interest that may arise with the business or affairs of STI and, generally, avoid entering into situations where such conflicts could arise or could reasonably be perceived to arise.

**5. Independent Advice**

In discharging its mandate the board of directors shall have the authority to retain (and authorize the payment by STI of) and receive advice from, special legal, accounting or other advisors and outside consultants if appropriate.

**APPENDIX B**  
**CORPORATE GOVERNANCE AND NOMINATING RESPONSIBILITIES**

The board of directors of the Issuer has a compensation, nominating and corporate governance committee that has a charter that complies in all material respects with the guidelines set out in National Policy 58-201 – Corporate Governance Guidelines.

**1. Governance Responsibilities of Compensation, Nominating and Corporate Governance Committee:**

- (a) To assess the independence and qualifications of the various members of the board of directors.
- (b) To ensure that programs relating to succession planning and performance evaluation are effectively integrated with STI's strategy.
- (c) To review the composition of the committees of the board of directors.
- (d) To monitor the quality of the relationship between management and the board of directors.
- (e) To review and respond to requests by individual directors to engage outside advisors.
- (f) To review, and if acceptable, direct the implementation of the recommendations of the compensation committee of STA Holdings.
- (g) To assess the need, and to coordinate a program, for continuing education for members of the board of directors.
- (h) To assess the effectiveness of the board of directors and their committees and the contribution of each director.
- (i) To report on governance as required by public disclosure requirements.
- (j) To review and ensure compliance of STI with its internal governance guidelines.
- (k) To review from time to time the governance practices of STI and its committees to determine compliance with rules and policies of regulatory authorities governing STI.
- (l) At least annually, to review the adequacy of the corporate governance guidelines of STI and its subsidiaries.
- (m) To determine and monitor STI's standards for director independence.
- (n) At least annually, to review the practices of the board of directors (including separate meetings of non-management directors) to ensure compliance with the governance guidelines of STI.
- (o) At least annually, to review the powers, mandates and performance, and the membership of the various committees of the board of directors.
- (p) To undertake such other initiatives as are needed to help the board of directors deliver exemplary governance.

**2. Nominating Responsibilities of Compensation, Nominating and Corporate Governance Committee:**

- (a) To review every other year the competencies, skills and personal qualities required of members of the board of directors in light of relevant factors, including: the objective of adding value to STI in light of the opportunities and risks facing STI and STI's proposed strategies; the need to ensure, to the greatest extent possible, that a majority of the board of directors is comprised of individuals who meet the independence requirements of the applicable stock exchange rules, legislation or other guidelines; and the

policies of the board of directors with respect to board member tenure, retirement and succession and board member commitments.

- (b) To establish and oversee an appropriate orientation and education program for new board members in order to familiarize them with STI and the nature and operation of STI's business (including STI's reporting structure, strategic plans, significant financial, accounting and risk issues, compliance programs and policies, management and the external auditors), the role of the board of directors and its committees, as well as the contribution individual directors are expected to make.
- (c) To actively seek individuals qualified (in context of STI's needs and any formal criteria established by the board of directors) to become members of the board of directors.
- (d) To review the membership and allocation of board members to the various committees of the board of directors.
- (e) (To establish procedures for the receipt of comments from all board members to be included in an annual assessment of the board of directors' performance, including individual contributions.
- (f) To appoint and, if appropriate, terminate any search firm to be used to identify board candidates.