



## MANDATE OF THE BOARD OF DIRECTORS

### 1. Interpretation

“**Accounting or Related Experience**” means the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

“**Board**” means all of the directors.

“**Committees**” means the Audit Committee and the Corporate Governance and Human Resources Committee of the Company.

“**Company**” means, Medicago inc. and its subsidiary, Medicago Europe S.A.S.

“**Financially Literate**” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s consolidated financial statements.

“**Independent Director**” means a director who has no direct or indirect relationship with the Company or with a related entity, which could be reasonably expected to interfere with the exercise of an independent judgment regarding the best interests of the Company. Save exceptions, is not an Independent Director the person who:

- a) is or has been within the last three years, an employee or executive officer of the Company or a related entity;
- b) is a member of the immediate family of an individual who is or has been, within the last three years, an executive officer of the Company or a related entity;
- c) is or has been (or whose immediate family member is or has been), within the last three years, an executive officer, a partner or an employee of a material service provider of the Company or a related entity (including the external auditors unless their engagement has ended);
- d) is or has been (or whose immediate family member is or has been), within the last three years, an executive officer of an entity if any of the current senior management of the Company or a related entity serves or served at the same time on the entity’s Compensation Committee;

- e) has a relationship with the Company or a related entity under which he or she may directly or indirectly accept any consulting, advisory or other fees from the Company or a related entity, except for any compensation as a member of the Board of the Company or a related entity;
- f) received (or whose immediate family member received) more than \$75,000 in direct compensation from the Company or a related entity during any 12 month period within the last three years; or
- g) is a natural person who controls the Company or a related entity; or
- h) is a natural person who is both a director and an employee of the Company or a related entity.

## **2. Objectives**

The Board is the Company's final decision-making authority and, in that context, the overall supervision and stewardship of the Company's management, and in the shareholders' best interest, is the responsibility of the Board. To do so, it may delegate certain of its authority and responsibilities to committees and management and reserve certain powers to itself. Nonetheless, it will retain full effective control of the supervision of management and supervision of the Company's business.

## **3. Composition**

- 3.1 The majority of the Board shall be comprised of Unrelated Directors. The application of the definition of Unrelated Director to the circumstances of each individual director is the responsibility of the Board which will disclose on an annual basis whether it is constituted with the appropriate number of directors which are Unrelated Directors and the basis for its analysis. The Board will also disclose which directors are Unrelated Directors or not and provide a description of the business, family, direct and indirect shareholding or other relationship between each director and the Company.
- 3.2 The Board shall appoint every year the Chairman of the Board which shall be chosen among the Independent Directors, and provide him with a written mandate. The Chairman of the Board shall exercise leadership on the activities and orientations of the Board.
- 3.3 The Company expects and requires directors to be and remain free of conflicts of interests or relationships and to refrain from acting in ways which are actually or potentially harmful, conflictual or detrimental to the Company's best interests.

- 3.4 Each director and manager shall comply with the Company's formal code of ethics and business conduct regarding conflicts of interests, adopted from time to time by the Company. The Board will monitor compliance with said code and will also be responsible for the granting of any waivers from compliance with the code.
- 3.5 The Board, following advice of its Corporate Governance Committee, is responsible for evaluating its size and composition and establishing a Board comprised of members who facilitate effective decision-making. The Board has the ability to increase or decrease its size.
- 3.6 The membership of the Board will include a sufficient number of individuals who are Financially Literate and who have Accounting or Related Financial Experience to ensure that at least one member of its Audit Committee has Accounting or Related Financial Experience and that all members of such committee are Financially Literate.
- 3.7 The Board shall identify annually the additional competences and skills which would improve its effectiveness. The Corporate Governance and Human Resources Committee is responsible for identifying specific candidates who have such competencies.
- 3.8 A director who undergoes a major change in principal occupation will forthwith disclose this fact to the Board and will offer his or her resignation to the Board for consideration. It is not intended that directors who retire or whose professional positions change should necessarily leave the Board. However, there should be an opportunity for the Board to review the continued appropriateness of the Board membership under such circumstances.
- 3.9 The Board is responsible for approving new nominees to the Board. New directors will be provided with an orientation and education program which will include written information about the business and operations of the Company, its research and development projects, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other directors. The details of the orientation of each new director will be tailored to that director's individual needs and areas of interest. The prospective candidates should fully understand the role of the Board and its committees and the contribution expected from individual directors and the Board will ensure that they are provided with the appropriate information to that effect. In addition, the Board will ascertain and make available to its members, when required, continuing education as per the activities, operations and research and development projects of the Company.

#### **4. Resources**

- 4.1 The Board will implement structures and procedures to ensure that it functions independently of management.
- 4.2 The Board appreciates the value of having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations. The President and Chief Executive Officer will seek the Board' concurrence in the event of any proposed change to the management attendees at Board meetings. Management attendees will be excused for any agenda items which are reserved for discussion among directors only.
- 4.3 The meetings shall be held at least four times per year.
- 4.4 The Committee shall appoint a secretary and an assistant-secretary, as the case may be. The secretary shall attend the meetings, during which he or she shall take minutes. The minutes shall be made available to the directors for consultation and are approved by the Board before being included in the Company's registers or records.
- 4.5 The Committee, in the performance of its duties, may consult any relevant register or record of the Company.

#### **5. Responsibilities and Duties**

The principal responsibilities and duties of the Board include the following, it being understood that in carrying out their responsibilities and duties, directors may consult with management and may retain external advisors at the expense of the Company in appropriate circumstances. Any engagement of external advisors shall be subject to the approval of the Chairman of the Corporate Governance Committee.

##### **5.1 General Responsibilities**

- 5.1.1 The Board will oversee the management of the Company. In doing so, the Board will establish a productive working relationship with the President and Chief Executive Officer and other members of senior management.
- 5.1.2 The Board will oversee the formulation of long-term strategic, financial and organizational goals for the Company. It shall approve the Company's strategic plan and review same on at least an annual basis. This plan will take into account the opportunity and risks of the Company's business.

- 5.1.3 As part of the responsibility of the Board to oversee management of the Company, the Board will engage in active monitoring of the Company and its affairs in its stewardship capacity.
- 5.1.4 The Board will engage in a review of short and long-term performance of the Company in accordance with the strategic plan.
- 5.1.5 The officers of the Company, headed by the President and Chief Executive Officer, shall be responsible for overall day to day management of the Company and for making recommendations to the Board with respect to long term strategic, financial and organizational objectives.
- 5.1.6 The Board will periodically review the significant risks and opportunities affecting the Company and its business and oversee the actions, systems and controls in place to manage and monitor risks and opportunities. The Board may impose such limits to the powers of senior management as may be in the interests of the Company and its shareholders.
- 5.1.7 The Board will oversee the succession planning including appointing, training and monitoring senior management.
- 5.1.8 The Board is responsible for overseeing a Communication Policy for the Company. In doing so, the Board will ensure that the policy addresses how the Company interacts with analysts, investors, other key stakeholders and the public; contains measures for the Company to comply with its continuous and timely disclosure obligations and to avoid selective disclosure; and is reviewed at least annually.
- 5.1.9 The Board will oversee the integrity of the Company's internal control and management information systems.
- 5.1.10 The Board will make sure that the Company adopt prudent financial standards with respect to the business of the Company and prudent levels of debt in relation to the Company's consolidated capitalization.
- 5.1.11 The Board will also consider and approve:
  - a) all matters that would be expected to have a major impact on shareholders;
  - b) the appointment of any person to any position that would qualify such person as an officer of the Company; and

- c) any proposed changes in compensation to be paid to members of the Board on the recommendation of the Corporate Governance and Human Resources Committee.

5.1.12 The Board will also receive reports and consider:

- a) The quality of relationships between the Company and its key business partners;
- b) Changes in the shareholder base of the Company from time to time and relationships between the Company and its significant shareholders;
- c) Periodic reports from Board' Committees with respect to matters considered by such committees;
- d) Intellectual property, regulatory, health, safety and environmental matters as they affect the Company and its business; and
- e) Such other matters as the Board may, from time to time, determine.

5.1.13 The Board will oversee management through an ongoing review process.

5.1.14 The Board will, together with the President and Chief Executive Officer, develop a position description for the President and Chief Executive Officer. The Board will also approve the corporate objectives that the President and Chief Executive Officer is responsible for meeting and assess the President and Chief Executive Officer's performance in relation to such objectives.

## 5.2 Chairman

5.2.1 The Chairman of the Board shall be an Independent Director.

5.2.2 The Chairman of the Board ensure that the Board fulfills its duties, that it assess the performance of the Company's senior management in an objective way and that the Board understand the limits between the duties of the Board and those of the Company's senior management.

5.2.3 The Chairman of the Board must be able to be detached enough from the day to day management to ensure that the Board have full control of the Company's business and be fully conscious of its duties towards the shareholders and the Company.

5.2.4 The Chairman of the Board shall prepare, together with the President and Chief Executive Officer, the agenda for each meeting of the Board.

### 5.3 Annual Assessment of the Board

The Board will annually review the assessment of the performance of the Board and recommendations provided by the Corporate Governance and Human Resources Committee. The objective of this review is to increase the effectiveness of the Board and contribute to a process of continuous improvement in the Board's execution of its responsibilities. It is expected that the result of such reviews will be to identify any areas where the directors and/or management believe that the Board and/or the directors individually could make a better contribution to the affairs of the Company. The Board will take appropriate action based upon the results of the review process.

### 5.4 Committees

- 5.4.1 The Board shall appoint committees to assist it in performing its duties and processing the quantity of information it receives.
- 5.4.2 Each committee operates according to a Board approved written mandate outlining its duties and responsibilities. This structure may be subject to change as the Board considers from time to time which of its responsibilities can best be fulfilled through more detailed review of matters in committee.
- 5.4.3 The Board will review annually the performance and the work undertaken by each committee and the responsibilities thereof.
- 5.4.4 The Board will annually appoint a member of each of its committees to act as chairman of the committee.
- 5.4.5 Committees shall be composed of Unrelated Directors.
- 5.4.6 The Board shall appoint members of committees after considering the recommendations of the Chairman of the Board as well as the skills and desires of individual Board members, all in accordance with the mandates of such committees approved by the Board.
- 5.4.7 All members of the Audit Committee shall be Financially Literate and at least one member shall have Accounting or Related Financial Experience.

### 5.5 Review of the Board Mandate

In order to ensure that this mandate is kept current in the light of changes which may occur in corporate practice or the structure of the Company, the Board will annually reconfirm this mandate or initiate a review to revise it.

## 5.6 Board Compensation

The Corporate Governance and Human Resources Committee will review the adequacy and form of compensation of the senior management and directors each year. The Committee shall make recommendations to the Board for consideration when it believes changes in compensation are warranted. Furthermore, the Board will ensure the compensation realistically reflects the responsibility and risk involved in being a director.

## 6. Communications Policy

6.1 The Board will consider and review the means by which shareholders can communicate with the Company including the opportunity to do so at the annual meeting, communications interfaces through the Company's website and the adequacy of resources available within the Company to respond to shareholders through the office of the Secretary and otherwise. However, the Board believes that it is the function of the management to speak for the Company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that individual directors may from time to time be requested by management to assist with such communications. It is expected, if communications from stakeholders are made to individual directors, management will be informed and consulted to determine any appropriate response.

6.2 The Board has the responsibility for monitoring compliance by the Company with the corporate governance requirements and guidelines of the TSX Venture Exchange, the Toronto Stock Exchange of all competent authorities in securities matters. The Board will approve the Company's system of governance and the implementation of such system.

Adopted by the Board on July 31, 2006