Corporate Governance Practices

The board of directors and management of the Corporation believe that appropriate corporate governance practices are important for the effective management of the Corporation and value creation for its shareholders. A description of Onex' corporate governance practices follows and a comparison is made to the guidelines on corporate governance of the Canadian Securities Administrators (the "Guidelines"). The board of directors and management recognize that corporate governance is a matter that is constantly evolving and that law-makers, regulators, investors and other capital markets participants have put forth various proposals for reform in the last few years. The Corporation will assess new rules as they are made and new "best practices" as they emerge.

Mandate of the Board of Directors

The Board of Directors has adopted a written mandate setting out its responsibilities for the stewardship of the Corporation. The mandate of the Board, which is consistent with the Guidelines, is to oversee the management of the business of the Corporation by the executive officers and managers of the Corporation and includes the following duties and responsibilities:

- Approving the long-term strategy for the Corporation and monitoring the Corporation's overall performance against that strategy;
- Reviewing annually the strategic plan including opportunities and risks and approving significant investments, divestitures and alliances;
- Identifying matters that require prior approval of the Board;
- Identifying and assessing the principal risks inherent in the business activity of the Corporation as a whole or in its investment in any major operating company and systems to manage and monitor those risks;
- Reviewing succession planning and the appointment of senior executives of the Corporation, reviewing their performance against the objective of maximizing shareholder value, measuring their contribution to that objective, and overseeing the compensation policies for investment participation of those executives;
- Reviewing annually the Corporation's communication policies and, prior to issuance, major shareholder communications;
- Establishing and monitoring the environmental policy for the Corporation;
- Approving the Corporation's written Code of Business Conduct and Ethics and monitoring compliance with that Code;
- Satisfying itself as to the integrity of the Chief Executive Officer and other senior officers and that they foster a culture of integrity within the Corporation;
- Reviewing financial performance and reporting and assessing the integrity of the Corporation's internal control and management information systems;
- Reviewing and monitoring the Corporation's adherence to high standards of corporate governance principles as well as measures for receiving shareholder feedback; and
- Developing and participating in a program to ensure the continuing education of members of the Board.

Composition of the Board

The Board of Directors proposed for election is composed of eleven members. The Corporation has adopted a majority voting policy in respect of their election. Eight of the current and proposed members of the Board are independent in that they have no direct or indirect business or other relationships that could reasonably be expected to interfere with the exercise of independent judgment.

The non-independent directors are Mr. Schwartz, the President and Chief Executive Officer of the Corporation as well as its founder and a significant shareholder, his spouse, Ms. Reisman, and Mr. Heersink, a Senior Managing Director of the Corporation.

The independent directors are:

Dan C. Casey
William A. Etherington
Peter C. Godsoe
Serge Gouin
Arianna Huffington
John B. McCoy
J. Robert S. Prichard
Arni C. Thorsteinson

The independent directors have diverse business backgrounds, a wide range of public company experience and meaningful investments in the Corporation and, in many cases, its subsidiary businesses. As a result, they well represent the interests of shareholders, including minority shareholders, of the Corporation. None of the Corporation's current or proposed directors are members of the boards of more than two additional public companies. There is only one circumstance in which two or more of the Corporation's directors serve together on the board of any other public company. Messrs. Schwartz and Etherington are directors of Celestica Inc., a publicly-traded subsidiary of the Corporation. The Board has adopted a policy requiring that each director own shares of the Corporation and historically had set the minimum ownership requirement at 30,000 shares. Effective May 2013, the Board determined that the minimum ownership for new directors joining the Board would be five times the current US$240,000 annual retainer, and that each director would have up to six years to achieve the minimum share ownership level. Deferred Share Units held may be applied towards the share ownership requirement. All of the Corporation's current directors who have been on the board for longer than one year hold shares and Deferred Share Units substantially in excess of the minimum ownership requirement.

Independence and Functioning of the Board

Mr. Schwartz is Chairman of the Board of Directors as well as President and Chief Executive Officer of the Corporation. While the Guidelines express a preference for a chairman of a board to be an independent director, it is the view of the Corporation's Board that it derives substantial advantages from having Mr. Schwartz as its Chairman and that its independence is not impaired because:

- There is a designated "independent Lead Director", currently Mr. Arni Thorsteinson, who is chosen for that position by the full Board and is an independent director.
- Eight of the Corporation's directors are independent.
- The Board, at each meeting other than unscheduled meetings called for the sole purpose of approving specific transactions, has historically had and will continue to have a session in the absence of Mr. Schwartz or any other member of management as well as a session in the absence of both management and any non-independent directors.
- The performance of Mr. Schwartz is considered in the absence of Mr. Schwartz, Ms. Reisman and Mr. Heersink at least once a year when his compensation is settled.
- Any member of the Board may provide to the Lead Director agenda items for discussion at any meeting and the Lead Director has the right to place items on the Board's agenda in his discretion.
- Under the Corporation's by-laws, any two directors are entitled to convene a meeting of the directors at any time for the purpose of discussing any matter of concern to any director relevant to the Board's mandate or its performance.
- In addition to the two standing committees, independent committees may be struck from time to time when required for particular purposes.

Each director works with his or her fellow directors to perform the responsibilities of the Board and its committees as set out in their respective written charters and commits to devote sufficient time to effectively carry out his or her responsibilities. Each director acts to serve the long-term interests of the Corporation and its shareholders and in so doing conducts himself or herself in an independent manner and in accordance with the highest ethical standards. Directors are expected to be able to provide informed judgment on a wide variety of matters, particularly those relevant to the business of the Corporation. Given the nature of Onex' business and the matters reviewed by the Board, each director is also expected to possess a significant degree of financial literacy.

The Corporation's directors continually seek to improve their knowledge of the Corporation and the opportunities and risks facing its business and have adopted a number of practices designed to achieve that result. Among other things:

- In advance of each regular meeting, the Board receives written information and updates on the activities and performance of each of the Corporation's asset platforms generally and also in respect of each operating company within its core private equity business. The Corporation's entire management team then attends a portion of the Board meeting to review the materials with the Board, to answer any questions and to receive Board input and guidance.
- The Board receives detailed written material in advance of any proposed significant acquisition, investment or realization within the Corporation's core private equity business and has appropriate time to review the materials, to ask questions of management and to otherwise discuss the proposal. If a significant acquisition proceeds, the Board generally receives an in-person presentation from the senior executive team of that operating company

and, accordingly, is able to develop a deeper understanding of the business and to ensure that it is comfortable with the leadership thereof.

- At least once per year, a regularly scheduled Board meeting will include a similar in-depth presentation from, and question-and-answer session with, the senior executives of one of the Corporation's operating company affiliates. The selection of the operating company invited to present depends on various factors, including the size and nature of the investment, the opportunities being considered and challenges being faced by the business, and the time that has elapsed since the Board last interacted at length with the company's executive team.
- The Board participates in an off-site session at least once per year at which the senior executives of a significant number of the operating companies in the core private equity group make detailed presentations and are available to answer questions, followed by an in-camera Board meeting to allow a thorough discussion.
- The Board will periodically visit one of the Corporation's significant operating company affiliates, giving it an opportunity to more fully understand the business and to engage with a broader group of the company's management and personnel.

The directors believe that these practices together with their ongoing and frequent interaction with the Corporation's management team and other professionals allow them to acquire and maintain a deep understanding of the Corporation, its businesses, and the continually changing risks and opportunities they face.

The current practice of the Board of Directors permits an individual director or committee of the Board to engage an outside advisor at the expense of the Corporation, and with notice to the lead director, in appropriate circumstances. In addition, each director who has or may reasonably be perceived to have a material interest in any transaction or agreement being considered by the Board is required to make full disclosure of his or her interest and if an actual conflict exists, is expected to abstain from voting on such matter.

Key Position Descriptions

The Guidelines suggest that position descriptions for the board, chairs of the board committees and the Chief Executive Officer should be developed. The broad mandate of the Board, and its duties and responsibilities as described above, serve to define the relationship between the Board and management. They work together in a collegial manner without a significantly structured or hierarchical format. This is consistent with the highly entrepreneurial nature of the Corporation. There are written mandates for the Board and the committees of the Board.

The following are position descriptions for the Chairman and the Lead Director:

The Chairman is to manage the affairs of the Board, ensuring that the Board meets its obligations and responsibilities and functions effectively, and to see that the interests of the shareholders are achieved. In that capacity he ensures that the Board has adequate resources and the full, timely and relevant information required to enable responsible decision-making. The Chairman chairs all meetings of shareholders and is available for questions from shareholders. The Chairman provides the principal point of contact between management and the Board and facilitates effective interaction between Board members and management.

The Lead Director is to facilitate the functioning of the Board independently of management, to ensure that directors have an independent contact on matters of concern to them and to ensure that the Board's agenda will enable it to successfully carry out its duties. In particular, the Lead Director would provide leadership to the Board if circumstances arose in which the joint role of the Chairman and Chief Executive Officer may be, or may be perceived to be, in conflict and chairs those Board sessions that are attended only by independent directors. To carry out his duties the Lead Director, who is also the Chair of the Corporation's Audit and Corporate Governance Committee, is knowledgeable on corporate governance practices and developments and is able to provide guidance on such matters. The Lead Director also leads development of the Board in terms of skills, orientation and the assessment of the effectiveness of individual members. In doing so the Lead Director seeks the feedback of Board members on the performance of the Board, its committees and individual directors.

Committees of the Board

The Board has established two standing committees of directors, the responsibilities of each of which are summarized below and are set forth in a written charter approved by the Board. Other committees are appointed from time to time when required. The proceedings of committees are reviewed by, and their recommendations are brought for consideration to, the full Board. The Board of Directors will consider modifications to committee responsibilities and procedures as best practices and processes continue to evolve and as and when the Canadian securities regulators put forth proposed changes to applicable rules and guidelines.

Compensation and Management Resources Committee

The Compensation and Management Resources Committee is composed of three members, all of whom are independent and unrelated directors, which is consistent with the Guidelines. In addition, the Board recognizes the importance of appointing to the Committee individuals whose business background and other professional activities would allow them to be thoughtful and knowledgeable stewards of the Corporation's compensation philosophy and practices. In addition to compensation matters generally, the Board believes it is important that the Committee members understand the interaction of compensation and risk management considerations and also the manner in which compensation practices for an asset management and private equity business would appropriately differ from those of a conventional operating company. The Board notes that in addition to their substantial and varied business and professional backgrounds generally (as set forth under "Election of Directors"), Messrs. Etherington and McCoy currently serve and have previously served on the compensation committees of the boards of other prominent international businesses (with current service including Celestica Inc. and SS&C Technologies, Inc. in the case of Mr. Etherington and AT&T, Inc. in the case of Mr. McCoy) and that Mr. Casey has a long history both with the Corporation and in other private investing businesses. Accordingly, the Board believes that the Committee as currently composed is highly qualified to develop and oversee the implementation of appropriate and effective compensation practices at the Corporation.

This Committee establishes and administers the compensation policies and remuneration levels for the executive officers and managers of the Corporation and reviews such levels for certain senior executive officers of the Corporation's subsidiaries. This function includes reviewing and making recommendations to the Board in respect of the Corporation's compensation plans and equity-based programs, including the Corporation's Stock Option Plan and the Management Investment Plan. Further information as to the Committee's responsibilities and processes is detailed under "Compensation Discussion and Analysis" below. The Committee's recommendations are submitted to and reviewed by the Board of Directors. The Committee also reviews and approves the Corporation's disclosure with respect to executive compensation. The Compensation and Management Resources Committee met four times in 2013 with all members present for each meeting. The Committee is scheduled to meet three times in 2014.

Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee is currently composed of four directors. Each member and proposed member is an independent director, including pursuant to the heightened independent requirements applicable to audit committee members under Canadian securities laws. The Committee reviews the financial qualifications of its members and has determined that each member and proposed member of the Audit and Corporate Governance Committee is financially literate and that at least one has the experience level of a financial expert, all as contemplated by applicable law. The Audit and Corporate Governance Committee met four times in 2013 with all members present for each meeting, except for Mr. Godsoe who missed one meeting. The Committee is scheduled to meet four times during 2014. Its responsibilities include the review and assessment of the Corporation's external audit plan, the audit approach on subsidiary companies, accounting policies, internal controls, access granted to the Corporation's records and co-operation by management in the audit process, accounting systems, financial risk management, adequacy of insurance coverage, and quarterly and annual financial reporting. The Audit and Corporate Governance Committee reviews the annual and quarterly consolidated financial statements, Management's Discussion and Analysis of the financial results, the external auditor's report and press releases on earnings, reports its findings to the Board of Directors for consideration by the Board when approving the financial statements for issuance or, as appropriate, approves the issuance of quarterly financial statements pursuant to the authority delegated to it by the Board. The Audit and Corporate Governance Committee meets without the presence of management, except at the Committee's invitation, and has direct access to representatives of the auditors. The Committee is responsible for assessing the independence of the auditors and sets the criteria for non-audit services the external auditor is prohibited from providing. The Committee has a broad responsibility for reviewing and monitoring the Corporation's corporate governance policies and related disclosures. The Committee also annually reviews the adequacy and forms of compensation for directors. This review is completed with reference periodically to outside surveys of directors' compensation for corporations of similar size and complexity. The Committee monitors compliance with the Corporation's Code of Business Conduct and Ethics and would consider and determine any proposed waiver for the benefit of the Corporation's directors or senior officers.

Director Recruitment and Performance Review

The number of directors on the Board as proposed is eleven, which is considered by the Board to be an appropriate size to facilitate effective decision-making. The entire Board, eight out of eleven of the members or proposed members of which are independent, acts as a nominating committee in identifying and recruiting new members to the Board. The Board considers the competencies and skills that the Board, as a whole, should possess, evaluates the competencies and skills of each current Board member and then determines the competencies, skills and other qualities for new directors and assesses prospective new directors against that framework. This ongoing analysis and assessment has lead to the nomination of an additional director, Ms. Arianna Huffington, who will both complement and augment the mix of skills represented on the full Board.

Annually, each Board member completes a formal corporate governance questionnaire, which is submitted to the Lead Director. This questionnaire is designed to assist in assessing the effectiveness of the Board as a whole and of the committees of the Board, as well as formal peer reviews to evaluate the contribution and performance of each individual director, including the Lead Director and the Chairman. The written mandates of the Board and of the committees of the Board are also assessed. These matters are discussed both by the Board of Directors as a whole and by the Audit and Corporate Governance Committee as suggested in the Guidelines.

Annually, the Board reviews the slate of directors proposed to be elected by the Subordinate Voting Shareholders at the annual meeting. The Audit and Corporate Governance Committee of the Board also reviews each year the proposed re-election of any director, other than the Chief Executive Officer, who will have reached the age of 72 or greater at the time of the annual meeting and makes a recommendation to the Board as to whether a change should be considered. Participation of directors is expected, and generally there is full attendance, at all Board and committee meetings. Directors are asked to notify the Corporation if they are unable to attend and attendance at meetings is duly recorded. During 2013, there were four meetings and each director attended all of the meetings.

New directors of the Corporation have generally been executives with extensive business experience and directorship responsibilities on the boards of other public and private institutions. It is the responsibility of the Audit and Corporate Governance Committee to oversee the orientation of new directors. Orientation is tailored to the particular background of the new director and would typically include a review of the Board's mandate, the mandates of committees, the Corporation's Code of Business Conduct and Ethics, and select past Board of Directors' materials and other private and public documents concerning the Corporation, exposure to the full management team of the Corporation and over time, interaction with key management of the Corporation's various asset platforms and significant operating company affiliates. The expectation as to time commitment and participation by directors would also be reviewed.

The Board encourages continuing education for directors, including advice to the Audit and Corporate Governance Committee members on a timely and continuing basis of changes in accounting principles, regulatory and governance matters. To enhance the directors' knowledge and understanding of Onex' businesses, certain meetings of the Board include presentations by the chief executive officers of Onex' major operating companies as described in further detail above.