



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
MAY 12, 2015
AND
MANAGEMENT INFORMATION CIRCULAR**

March 3, 2015

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the annual meeting (the "Meeting") of holders ("Shareholders") of common shares ("Shares") of Morneau Shepell Inc. (the "Company") will be held at the Arcadian Loft, 401 Bay Street, Simpson Tower, 8th Floor, Toronto, Ontario, M5H 2Y4 on Tuesday, May 12, 2015 at 12:00 noon (Eastern Time) for the following purposes:

- (1) To receive the consolidated financial statements of the Company for the financial period that ended December 31, 2014, together with the report of the auditors thereon;
- (2) To elect the Directors of the Company for the ensuing year;
- (3) To appoint the auditors of the Company and authorize the Directors of the Company to fix their remuneration;
- (4) To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this Notice.

The Management's Discussion and Analysis of financial condition and results of operations, the Audited Consolidated Financial Statements of the Company and the Auditors' Report to the Shareholders for the financial period ended December 31, 2014 are posted at morneaushepell.com and sedar.com.

A Shareholder who is unable to be present at the Meeting and who wishes to appoint some other person (who need not be a Shareholder) to represent him or her at the Meeting may do so either by striking out the names set forth in the enclosed form of proxy and by inserting such person's name in the blank space provided therein or by completing another proper form of proxy, and, in either case, by returning the completed proxy in the pre-addressed return envelope provided for that purpose, to CST Trust Company no later than 5:00 p.m. (Eastern Time) on May 8, 2015. The record date for determining those Shareholders entitled to receive notice and to vote at the Meeting is the close of business on March 19, 2015.

DATED at Toronto, Ontario, this 3rd day of March, 2015.

BY ORDER OF THE DIRECTORS OF MORNEAU SHEPELL INC.



Lynn Korbak, Secretary
Morneau Shepell Inc.

DEFINITIONS

Definitions: In this Circular, the following expressions have these meanings:

“Beneficial Shareholders” means Shareholders who do not hold Shares in their own names;

“Board” means the Board of Directors of Morneau Shepell Inc.;

“CDS” means CDS Clearing and Depository Services Inc.;

“CEO” means President and Chief Executive Officer;

“CFO” means Chief Financial Officer;

“CNCG Committee” means Compensation, Nominating and Corporate Governance Committee of the Board;

“Code” means the Morneau Shepell Code of Business Conduct and Ethics;

“Company” or “Morneau Shepell” means Morneau Shepell Inc.;

“Directors” means directors of the Company;

“LTIP” means Long-Term Incentive Plan;

“LTIP Participants” means employees and directors of Morneau Shepell to whom LTIP Units have been granted;

“LTIP Units” means the RSUs, the Retirement DSUs and the Post-Retirement DSUs;

“Management Information Circular” means this management information circular of Morneau Shepell Inc. dated March 3, 2015;

“Meeting” means the annual meeting of the shareholders of Morneau Shepell Inc. common shares on Tuesday, May 12, 2015;

“meeting materials” means the Notice of Annual Meeting of Shareholders and Management Information Circular and the form of proxy to be used by CDS as the sole registered Shareholder;

“Morneau Shepell” means Morneau Shepell Inc.;

“NEOs” or “named executive officers” means the Company’s Executive Chair, CEO, CFO and the two other most highly compensated executives;

“Preferred Shares” means 10 million preferred shares of Morneau Shepell’s authorized capital;

“Shareholders” means holders of Shares;

“Shares” means common shares of the Company;

“TSX” means Toronto Stock Exchange.

MANAGEMENT INFORMATION CIRCULAR

The directors (the "Directors") of Morneau Shepell Inc. (the "Company" or "Morneau Shepell"), in conjunction with the management of Morneau Shepell, are pleased to announce the Company's 2015 annual meeting (the "Meeting"). The management of Morneau Shepell has prepared this Management Information Circular, and is asking you to vote and is soliciting proxies for the matters to be considered at the Meeting of holders (the "Shareholders") of common shares ("Shares") of the Company. The record date for notice and voting (the "Record Date") is March 19, 2015.

THE COMPANY

Morneau Shepell was incorporated on October 19, 2010 pursuant to the provisions of the *Business Corporations Act* (Ontario), (the "OBCA") and is the successor to Morneau Sobeco Income Fund, which was an income trust established on August 22, 2005. Morneau Shepell indirectly carries on its business through its operating subsidiary, Morneau Shepell Ltd., and its subsidiaries.

Morneau Shepell is a reporting issuer in all Canadian provinces and territories and, accordingly, is subject to the informational reporting requirements under the securities laws of each such jurisdiction. The principal and head office of Morneau Shepell is located at 895 Don Mills Road, Suite 700, Toronto, Ontario M3C 1W3.

As at March 3, 2015 there were 47,999,712 Shares outstanding.

PROXY SOLICITATION AND VOTING AT THE MEETING

Solicitation of Proxies and Voting Instructions

This Management Information Circular is furnished in connection with the solicitation of proxies for use at the Meeting to be held at the Arcadian Loft, 401 Bay Street, Simpson Tower, 8th Floor, Toronto, Ontario, M5H 2Y4 on Tuesday, May 12, 2015 at 12:00 noon (Eastern Time) and, at any adjournment thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. In addition to the use of mail, proxies may be solicited in person, by telephone or by other means of communication, or by employees of the Company, who will not be remunerated therefore. The Company reserves the right to retain proxy solicitation services or dealers, for appropriate compensation, but has no current plans to do so.

Appointment of Proxies

The persons named in the enclosed form of proxy are Directors. A registered Shareholder who wishes to appoint some other person to represent him/her at the Meeting may do so by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy. Such other person need not be a Shareholder.

To be valid, proxies must be returned to CST Trust Company so as to arrive no later than 5:00 p.m. (Eastern Time) on May 8, 2015 or, if the Meeting is adjourned, 48 hours (excluding Saturdays and holidays) before any reconvened meeting, or be deposited with the Chair of the Meeting prior to the commencement of the Meeting or any reconvened meeting. Proxies may be returned by facsimile to (416) 368-2502, or 1-866-781-3111 or by mail (a) in the enclosed envelope, or (b) in an envelope addressed to CST Trust Company, Attn: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1.

Information for Beneficial Holders of Securities

The information set forth in this section is of significant importance to Shareholders who do not hold Shares in their own names. Such holders, referred to in this Management Information Circular as "Beneficial Shareholders", should note that since all Shares are held in the book-based system operated by CDS Clearing and Depository Services Inc. ("CDS"), only proxies deposited by CDS, as the sole registered Shareholder, can be recognized and acted upon at the Meeting. If Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then those Shares will not be registered in the Beneficial Shareholder's name on the records of the Company. All such Shares will be registered under the name of CDS. Shares should only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are generally prohibited from voting Shares on behalf of their clients. In accordance with applicable securities laws, the Company has distributed copies of this Notice of Annual Meeting of Shareholders and Management Information Circular and the form of proxy to be used by CDS as the sole registered Shareholder (collectively, the "meeting materials") to CDS and intermediaries for onward distribution to Beneficial Shareholders. The Company will reimburse intermediaries for out of pocket costs of delivery.

Intermediaries are required to forward meeting materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Typically, intermediaries will use service companies to forward the meeting materials to Beneficial Shareholders. Beneficial Shareholders who have not waived the right to receive meeting materials will either:

- a) be given a voting instruction form that must be completed and signed by the Beneficial Shareholder in accordance with the directions on the voting instruction form, which may in some cases permit the completion of the voting instruction form by telephone or through the Internet; or
- b) less frequently, be given a proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the Beneficial Shareholder but which is otherwise uncompleted. This form of proxy need not be signed by the Beneficial Shareholder. In this case, the Beneficial Shareholder who wishes to submit a proxy should otherwise properly complete the form of proxy received from the intermediary and deposit it as soon as practicable but no later than 5:00 p.m. (Eastern Time) on May 8, 2015 with the CST Trust Company, Attn: Proxy Department, P.O. Box 721, Agincourt, Ontario M1S 0A1.

The purpose of these procedures is to permit Beneficial Shareholders to direct the voting of the Shares they beneficially own. Should a Beneficial Shareholder who receives either a proxy or a voting instruction form wish to attend and vote at the Meeting in person, or have another person attend and vote on behalf of the Beneficial Shareholder, the Beneficial Shareholder should strike out the names of the persons named in the proxy and insert the Beneficial Shareholder's or such other person's name in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. In either case, Beneficial Shareholders should carefully follow the instructions of their intermediaries and their service companies.

If you are a Beneficial Shareholder and wish to vote in person at the Meeting, please review the voting instructions provided to you or contact your broker or agent well in advance of the Meeting to determine how you can do so.

Revocation of Proxies

A registered Shareholder who has given a proxy may revoke the proxy:

- a) by completing a proxy signed by the Shareholder or by the Shareholder's attorney, authorized in writing, bearing a later date, and depositing it with the transfer agent as described above; or

- b) by depositing an instrument of revocation in writing, executed by the Shareholder or by the Shareholder's attorney, authorized in writing:
 - (i) at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment of the Meeting, at which the proxy is to be used, or
 - (ii) with the Chair of the Meeting prior to the exercise of the proxy; or
- c) in any other manner permitted by law.

A Beneficial Shareholder may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary may not act on a revocation of a voting instruction form or of a waiver of the right to receive meeting materials and to vote that is not received by the intermediary in sufficient time prior to the Meeting.

Voting of Proxies

The persons named in the accompanying form of proxy, who are Directors, will vote Shares in respect of which they are appointed, on any ballot that may be called for, in accordance with the instructions of the Shareholder as indicated on the proxy. In the absence of such specification, such Shares will be voted FOR all of the matters to be acted upon as set out herein. The persons appointed under the form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and Notice of Annual Meeting of Shareholders, which may be properly brought before the Meeting. In the event that amendments or variations to matters identified in the Notice of Annual Meeting of Shareholders are properly brought before the Meeting, it is the intention of the persons designated in the enclosed form of proxy to vote in accordance with their judgment on such matter or business. At the time of printing this Management Information Circular, the Directors knew of no such amendment or variation.

BUSINESS OF THE MEETING

1. Financial Statements

The Audited Consolidated Financial Statements of the Company for the period ended December 31, 2014, together with the Auditors' Report on those statements, are available at morneaushepell.com and sedar.com, and will be presented to Shareholders at the Meeting.

2. Election of Directors

The nominees for Directors of the Company are listed and described below under "Election of Directors". Unless otherwise instructed, the persons designated in the form of proxy intend to vote for the election of the nominees listed in this Management Information Circular. If, for any reason at the time of the Meeting, any of the nominees are unable to serve as Directors, and unless otherwise directed, the persons named in the form of proxy intend to vote in their discretion for a substitute nominee or nominees.

3. Appointment of Auditors

The Directors propose that the firm KPMG LLP be appointed as the auditors of the Company for the 2015 financial year. KPMG LLP has served as auditor to the Company since its inception. Unless otherwise directed, the persons named in the form of proxy intend to vote for the resolution in respect of KPMG LLP.

4. Other Business

The Directors know of no matter to come before the Meeting other than the matters referred to in the accompanying Notice of Annual Meeting of Shareholders.

NUMBER OF SHARES

As of March 3, 2015, 47,999,712 Shares are issued and outstanding. Each holder of a Share is entitled to one vote, for each Share held, on all matters to come before the Meeting. The authorized capital of Morneau Shepell consists of an unlimited number of Shares and 10 million preferred shares issuable in series (the "Preferred Shares"). No Preferred Shares have been issued by the Company. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of Morneau Shepell that comprise the share capital of Morneau Shepell.

Common Shares

Holders of Shares will be entitled to one vote per share at meetings of Shareholders, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of Morneau Shepell upon its dissolution or winding-up, subject to the rights of shares having priority over the Shares. Holders of the Shares may make use of the various shareholder remedies available pursuant to the OBCA.

Preferred Shares

Each series of Preferred Shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board of Directors of Morneau Shepell prior to the issuance thereof, provided that the Board shall not be permitted to issue more than 10 million in aggregate Preferred Shares at any time. Holders of Preferred Shares, except as required by law, will not be entitled to vote at meetings of shareholders of Morneau Shepell. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Morneau Shepell, whether voluntary or involuntary, the Preferred Shares are entitled to preference over the Shares and any other shares ranking junior to the Preferred Shares from time to time and may also be given such other preferences over the shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of such series. The Preferred Shares are not, and may not be, created as an anti-takeover mechanism.

ELECTION OF DIRECTORS

In accordance with the articles of incorporation of the Company, the size of the Board shall be between one and 20. The Board has established that its size following the Meeting shall be nine. The Board has adopted a majority voting policy in director elections that will apply at any meeting of the Company's Shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation to the Chair of the Board promptly following the meeting. Following receipt of resignation, the Compensation, Nominating and Corporate Governance Committee of the Company (the "CNCG Committee") will consider whether or not to accept the offer of resignation. With the exception of special circumstances, the CNCG Committee will be expected to recommend that the Board accept the resignation. Within 90 days following the meeting, the Board will make its decision and disclose it by a press release, such press release to include the reasons for rejecting the resignation, if applicable. A Director who tenders his or her resignation pursuant to this majority voting policy will not be permitted to participate in any meeting of the Board or the CNCG Committee at which the resignation is considered.

The nine nominees proposed for election as Directors by the Shareholders are detailed below. All nominees have established their eligibility and willingness to serve as directors. Directors elected will hold office until the next annual meeting of Shareholders, or until their successors are appointed.



ROBERT CHISHOLM, TORONTO, ONTARIO
DIRECTOR

Mr. Robert Chisholm is a corporate director. From 1986 to 2006, he was with the Bank of Nova Scotia. He retired from the Bank in 2006 as Vice Chair, President & CEO, Domestic Banking and Wealth Management. From 1998 to 2003, Mr. Chisholm was Vice Chair, Domestic Banking; from 1995 to 1998 he was Vice Chair, Finance & Administration & CFO, and prior positions included Senior Vice President & Comptroller, Executive Vice President, Finance & CFO. Before joining the Bank, Mr. Chisholm was a senior financial officer in the insurance and trust industry. He graduated with a B.A. from the University of Toronto in 1968, obtained his CA (CPA) accreditation with Clarkson Gordon (Ernst & Young) in Ontario in 1971, obtained his FCA (FCPA) designation in Ontario in 1981, and was awarded two honorary LLBs in 2000 and 2003.

Board and Committee Membership	Attendance	Trustee/Director Since	2014 Compensation	Voting Shares Owned, Controlled or Directed	Share Ownership Requirement Met
Lead Director	6 of 6	September 30, 2005	\$108,308	202,137	Yes
Chair, Audit Committee	4 of 4				



JILL DENHAM, TORONTO, ONTARIO
DIRECTOR

Ms. Jill Denham is a corporate director. From 2001 to 2005 she was Vice Chair, CIBC Retail Markets. Ms. Denham joined Wood Gundy (subsequently acquired by CIBC) in 1983 as an Assistant Vice President in Corporate Finance and throughout her career at CIBC held progressively more senior roles, including President Merchant Banking, CIBC Wood Gundy Capital (1992), Managing Director and Executive Vice President, CIBC, Europe (1997), as well as head of Commercial Banking (1999) and CIBC World Markets e-commerce (2000). Ms. Denham is a director of National Bank of Canada and Penn West Petroleum Ltd. and is a past director of the Ontario Teachers' Pension Plan Board, the Foundation Board of the Hospital for Sick Children and the Prostate Cancer Research Foundation. She holds an HBA from the University of Western Ontario School of Business Administration and an MBA from the Harvard Business School.

Board and Committee Membership	Attendance	Trustee/Director Since	2014 Compensation	Voting Shares Owned, Controlled or Directed	Share Ownership Requirement met
Board	6 of 6	October 22, 2008	\$82,661	18,612	Yes
Audit Committee	4 of 4				
Other Directorship of Publicly-owned entities:	National Bank of Canada Markit Ltd. Penn West Petroleum Ltd.	- Director - Director - Director and Member, Audit Committee, and Human Resources Compensation Committee			



DIANE MACDIARMID, TORONTO, ONTARIO
DIRECTOR

Ms. Diane MacDiarmid is President, MacDiarmid & Company, a human resources and organizational effectiveness consulting firm. Previously Ms. MacDiarmid was Executive Vice President, Corporate Resources with Bentall Kennedy LP, a North American real estate investment and services company. In that position, which she held for seven years, Ms. MacDiarmid led Bentall Kennedy's human resources and strategy functions. Prior to joining Bentall Kennedy, Ms. MacDiarmid was President of Oliver Wyman Delta Canada. In her 16 year consulting career with Oliver Wyman, Ms. MacDiarmid worked with the senior leadership of companies across North America addressing issues of strategy, organization design and leadership effectiveness. Earlier in her career Ms. MacDiarmid worked in financial services, consulting engineering and the oil industry. Ms. MacDiarmid holds an MBA from the Schulich School, York University, Toronto and a BSc of Applied Science from Queen's University, Kingston, Ontario. She is a member of the board of Altus Group Limited.

Board and Committee Membership	Attendance	Trustee/Director Since	2014 Compensation	Voting Shares Owned, Controlled or Directed	Share Ownership Requirement Met
Board	6 of 6	October 22, 2008	\$87,404	23,387	Yes
CNCG Committee	3 of 3				
Other Directorship of Publicly-owned entities:	Altus Group Limited - Board Member				



JACK M. MINTZ, CALGARY, ALBERTA
DIRECTOR

Dr. Jack Mintz holds the Palmer Chair and Director of the School of Public Policy at the University of Calgary. He has published widely in the field of public economics and was named one of the world's most influential tax experts. He presently serves on several boards including Imperial Oil Limited, Literary Review of Canada and chair of the Social Sciences and Humanities Research Council of Canada. He was also appointed by the Federal Minister of Finance to the Economic Advisory Council to advise on economic planning and had been the research director for the Federal-Provincial Territorial Minister's Working Group on Retirement Income Research. Dr. Mintz held the position of Professor of Business Economics at the Rotman School of Business from 1989-2007 and Department of Economics at Queen's University, Kingston, Ontario for 1978-89. He was a Visiting Professor, New York University Law School, 2007; President and CEO of the C. D. Howe Institute from 1999-2006; Clifford Clark Visiting

Economist at the Department of Finance, Ottawa and Chair of the federal government's Technical Committee on Business Taxation in 1996 and 1997; and Associate Dean (Academic) of the Faculty of Management, University of Toronto, 1993 – 1995.

Board and Committee Membership	Attendance	Trustee/Director Since	2014 Compensation	Voting Shares Owned, Controlled or Directed	Share Ownership Requirement Met
Board	6 of 6	January 19, 2010	\$96,280	30,376	Yes
CNCG Committee	3 of 3				
Other Directorship of Publicly-owned entities:	Imperial Oil Limited - Director and Chair, EHS Committee - Director and Member of Imperial Oil Foundation - Member, Executive Resources Committee, Audit Committee, Nominations and Corporate Governance Committee				



BILL MORNEAU, TORONTO, ONTARIO
EXECUTIVE CHAIR

Mr. Bill Morneau is Executive Chair. Since joining the Company in 1987, his executive positions have included appointments to President in 1992, President and Chief Executive Officer in 1998, and Chair and Chief Executive Officer in 2008. Recognized internationally for his expertise, Mr. Morneau was appointed as Pension Investment Advisor to the Ontario Minister of Finance in 2012, providing counsel aimed at facilitating the pooling of public-sector pension fund assets. In 2014, he was appointed by Ontario's Premier Kathleen Wynne to an expert panel led by former Prime Minister Paul Martin to recommend a made-in-Ontario pension supplement to the CPP. Mr. Morneau co-authored with Fred Vettese *The Real Retirement: Why You Could Be Better Off Than You Think and How to Make That Happen*, a well-received analysis of the context and the factors involved in helping Canadians plan for a successful retirement. Mr. Morneau is actively involved in the community. He is on the Boards of

St. Michael's Foundation, the Canadian Merit Scholarship Foundation, The Learning Partnership, the London School of Economics North American Advisory Committee, the Canadian INSEAD Foundation, and Greenwood College. He is past Chair of St. Michael's Hospital, Covenant House in Toronto, and the C.D. Howe Institute. In 2002, Mr. Morneau was named one of Canada's Top 40 Under 40. He holds a BA from Western University, an MSc (Econ.) from the London School of Economics, and an MBA from INSEAD.

Board and Committee Membership	Attendance	Trustee/Director Since	2014 Compensation	Voting Shares Owned, Controlled or Directed	Share Ownership Requirement Met
Board	6 of 6	August 22, 2005	N/A	2,247,812	Yes



W.F. (FRANK) MORNEAU, SR., TORONTO, ONTARIO
HONORARY CHAIRMAN

Mr. W.F. Morneau Sr. is the Honorary Chair and founder of Morneau Shepell. He has served on a number of corporate and charitable boards. Mr. Morneau is the past Chair of University of St. Michael's College, past Chair of the Providence Healthcare Foundation, past Treasurer and Board Member of the Sunnybrook and Women's Foundation, past Chair and director of the Patrons of the Arts of the Vatican Museums, past Chair of WFI Industries Ltd., and Honourable Chair of the Newman Foundation at the University of Toronto. Mr. Morneau was named as the Catholic Business Person of the Year in 2006. He was presented with the Award of Merit by The St. George's Society of Toronto in April 2005; was appointed, in 1999, as Knight Commander of the Order of St. Gregory the Great by His Holiness Pope John Paul II, and elevated to "With Star" in 2012 by Pope Benedict, the highest honour accorded to a Catholic layperson; and received an Honorary Doctorate from the University of St. Michael's College in 1996.

Board and Committee Membership	Attendance	Trustee/Director Since	2014 Compensation	Voting Shares Owned, Controlled or Directed	Share Ownership Requirement Met
Chair, Board	6 of 6	August 22, 2005	\$77,291	472,673	Yes



KEVIN PENNINGTON, ATLANTA, GEORGIA
DIRECTOR

Mr. Kevin Pennington joined Morneau Shepell's Board of Directors in 2015. Throughout his more than 30-year career, Mr. Pennington has held increasingly senior human resources roles in both the United States and Canada. He served as Executive Vice President, Human Resources and Administration with Agere Systems Inc., an integrated circuit components company, from 2001 to 2005, followed by six years as Executive Vice President, Chief Human Resources Officer with Toronto-based Rogers Communications Inc. Mr. Pennington is presently Chief Human Resources Officer of Fiserv, Inc., a leading global technology provider for the financial services industry. Mr. Pennington holds a BSc degree in Behavioural Science/Management and an MSc degree in Counseling, both from Shippensburg University of Pennsylvania.

Board and Committee Membership	Attendance	Director Since	2014 Compensation	Voting Shares Owned, Controlled or Directed	Share Ownership Requirement Met
Board	N/A	March 3, 2015	N/A	N/A	N/A



JOHN ROGERS, TORONTO, ONTARIO
DIRECTOR

Mr. John Rogers is a corporate director. He has spent 32 years of his professional career with MDS Inc., a NYSE and TSX listed company. Mr. Rogers served as MDS's President and Chief Executive Officer from 1996 to 2005 and was a board member from 1992 to 2005. He also served MDS in the capacity of President and Chief Operating Officer (1991 to 1996), President (1985-1991), Vice President, Finance (1978-1985) and Secretary-Treasurer and Chief Financial Officer (1976-1978). In 2004, he was honoured as Distinguished Businessman of the Year by Rotman School of Business. John attended the Advanced Management Program at Harvard University, is a Fellow of the Chartered Professional Accountants of Ontario and received a BA (Commerce) from the University of Toronto.

Board and Committee Membership	Attendance	Trustee/Director Since	2014 Compensation	Voting Shares Owned, Controlled or Directed	Share Ownership Requirement Met
Board	6 of 6	May 14, 2008	\$93,704	36,517	Yes
Chair, CNCG Committee	3 of 3				



ALAN TORRIE, TORONTO, ONTARIO
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Mr. Alan Torrie is President and Chief Executive Officer ("CEO") of Morneau Shepell and a member of the Company's Board of Directors. Mr. Torrie's responsibilities include the development and execution of the Company's overall strategic direction, and leading the organization to achieve both its short-term and long-term business results. Mr. Torrie joined the Company in 2005 as a Trustee of the then Income Fund and Chair of the Compensation and Corporate Governance Committee. He became President in 2008, CEO in 2009, and has served as a Director on the Board of the Company since the conversion to a corporation in 2011. Prior to the acquisition of Shepell·fgi Holding LP, Mr. Torrie served on its Board from 2005-2008. When he was named President in 2008, Mr. Torrie brought with him more than 25 years of experience as a senior executive leader in the health and life science industry including President and CEO of MDS Diagnostics and Executive Vice President of MDS Inc., Chief

Operating Officer of Retirement Residences REIT (Revera) and Executive in Residence with Clairvest Private Equity. Earlier in his career he was also the CEO of Joseph Brant Hospital. Mr. Torrie has served on numerous community boards including past Chair of AMREF Canada (African Medical Research and Education Foundation) and is currently a director and immediate past Chair of Trillium Health Partners, and is also a Director of Appleby College.

Board and Committee Membership	Attendance	Trustee/Director Since	2014 Compensation	Voting Shares Owned, Controlled or Directed	Share Ownership Requirement Met
Board	6 of 6	September 30, 2005	N/A	438,702	Yes
Other Directorships of Publicly-owned entities:	Cynapsus Therapeutics Inc.	- Director and Member, Audit Committee			

INVOLVEMENT OF DIRECTORS IN CERTAIN PROCEEDINGS

John Rogers

In 2009, staff of the Ontario Securities Commission ("OSC") commenced proceedings against Coventree Inc. ("Coventree") with respect to alleged breaches of Ontario securities laws relating Coventree's continuous disclosure obligations. In September 2011, the OSC released its decision and concluded that Coventree breached sections 75(1) and 75(2) of the *Securities Act* (Ontario) by (i) failing to file a news release and material change report in respect to the decision of Dominion Bond Rating Service in January of 2007 to change its credit rating methodology, and (ii) failing to file a news release and a material change report with respect to liquidity and liquidity-related events and the risk of a market disruption in the days leading up to the asset backed commercial paper market disruption that occurred on August 13, 2007. In a decision released on November 9, 2011, the OSC ordered Coventree to pay an administrative penalty of \$1 million and to pay \$250,000 of the costs incurred by OSC staff in connection with the hearing. The OSC also ordered that trading in any securities by Coventree cease and that any Ontario securities law exemptions not apply to Coventree until its winding up is completed, provided that these orders will not prevent the winding up of Coventree or trades in securities reasonably related to that winding up. Mr. Rogers was a director of Coventree in 2007 during the period of time to which the OSC proceedings relate. No proceedings were brought against Mr. Rogers in his individual capacity with respect to these matters.

Alan Torrie

Mr. Torrie was a director of LMI Legacy Holdings II Inc. On August 16, 2013, Landauer-Metropolitan, Inc. ("LMI") (now known as LMI Legacy Holdings II Inc.) filed a petition in the U.S. Bankruptcy Court for the District of Delaware for relief under Chapter 11 of the U.S. Bankruptcy Code, 11 U.S.C. §§ 101 et seq. On that same date, several affiliates of Landauer-Metropolitan, Inc. also filed a similar petition, including Landauer Healthcare Holdings, Inc.; Miller Medical & Respiratory, Inc.; C.O.P.D. Service, Inc.; American Homecare Supply New York, LLC; American Homecare Supply Mid-Atlantic, LLC; Denmark's LLC; and Genox Homecare, LLC

(along with LMI, the “Debtors”). The Debtors’ bankruptcy proceedings have been consolidated as Case Number 13-12098 in the U.S. Bankruptcy Court for the District of Delaware.

A number of severe financial and operational factors led to the Debtors’ filing of their Chapter 11 bankruptcy petitions. Specifically, in 2013, and in particular, the 60 days preceding the Debtors’ petition date of August 16, 2013, the Debtors encountered several financial and operational issues. These financial and operational issues caused a rapid and significant deterioration of the Debtors’ business operations and financial condition.

In January 2013, LMI learned that it would no longer be eligible to provide equipment and services to Medicare patients after July 1, 2013, when CMS, the agency responsible for administering the Medicare program, issued results for “Round 2” of its competitive bidding process, and LMI learned it had lost all of the competitive bidding areas in which it sought to be selected as a supplier. The overall impact of this outcome on the Debtors’ business was substantial, and was expected to result in a decrease of annual revenues of approximately \$26 million.

Without the designation of preferred provider status under Medicaid and facing rapid decline in their business, in the spring of 2013, LMI began to explore a sale transaction. As a result of this exploration, on April 29, 2013, LMI entered into a letter of intent to sell substantially all of its assets to a competitor, Passaic Healthcare Services, LLC, d/b/a Allcare Medical (“Allcare”), but the transaction failed to close. The proposed transaction with Allcare, however, resulted in contentious litigation between the parties, which is currently pending in the state courts of New York, including claims that between June 2013 (when the proposed transaction fell apart) and the petition date of August 16, 2013, Allcare lured away LMI’s Chief Executive Officer, Executive Vice President, and more than 75 other employees, in violation of an agreement between LMI and Allcare.

In July 2013, the Debtors’ lenders advised the Debtors of their belief that an event of default had occurred under the existing credit facility by reason of a material adverse change in the Debtors’ business, specifically related to the departure of numerous senior managers and sales personnel, as discussed in the previous paragraph. As a result, the Debtors’ lenders began to significantly restrict the Debtors’ ability to access the cash generated by the Debtors’ businesses, including for purposes of purchasing supplies and inventory crucial to the ongoing operations.

In face of the severe financial and operational challenges described above, the Debtors made a concerted effort to consider all of their strategic alternatives. After considering all available options, the Debtors determined that the bankruptcy proceeding was in the best interest of the Debtors, as well as those of their creditors and other parties in interest. The Debtors’ bankruptcy proceeding remains pending in the U.S. Bankruptcy Court for the District of Delaware. On January 6, 2014, the Bankruptcy Court entered an order approving a sale of substantially all of the Debtors’ assets to LMI DME Holdings LLC, an affiliate of Quadrant Management, Inc. The sale closed on February 7, 2014.

On February 28, 2014, the Debtors filed their Joint Plan of Liquidation of LMI Legacy Holdings Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code (the “Proposed Plan”) and accompanying Disclosure Statement. As it currently stands, the voting deadline for the Debtors’ impaired creditors to vote on the Proposed Plan is April 15, 2015, and the final hearing on the Proposed Plan is currently scheduled for April 23, 2015.

Jill Denham

Since June 2012, Ms. Denham has been a member of the Board of Directors of Penn West Petroleum Ltd., a company that was subject to cease trade orders further to the July 2014 announcement by Penn West Petroleum Ltd. of the review of some of its accounting practices and the decision to restate its financial statements. These orders are no longer in effect.

STATEMENT OF EXECUTIVE COMPENSATION

The Role of the Compensation, Nominating and Corporate Governance Committee

The Board of Directors has overall responsibility for executive compensation at Morneau Shepell and has delegated certain responsibilities to the independent CNCG Committee, in accordance with the CNCG Committee Charter attached in Schedule "E". In particular, the CNCG Committee is responsible for oversight and governance of the compensation programs and practices at Morneau Shepell, including recommending to the Board the appropriate compensation for the Executive Chair and the President and Chief Executive Officer ("CEO"), and for determining the appropriate compensation of all other members of executive management. The CNCG Committee receives the support and expertise of the CEO, and of the Executive Vice President and Chief Human Resources Officer as well as from external advisers when the Committee, in its discretion, determines appropriate. In addition, the CNCG Committee employs sound judgment and considers a variety of additional important factors, including the business strategy of the Company, competitive market forces, internal business needs and established governance practice.

Meetings

The Compensation Committee met three times during 2014 in order to review and carry out its objectives relative to its mandate. Members of management, including the Executive Chair and the CEO, attended the meetings at the invitation of the Chair of the CNCG Committee and were excused for portions of the meeting in order for the CNCG Committee to conduct discussions and deliberations independently.

The Company's Executive Compensation Program Summary

The following table provides an overview of each of the available components of the Company's executive compensation program. A more detailed explanation of each component is provided in the section entitled "Compensation Discussion & Analysis".

Compensation Component	Design Objective(s)
Fixed Compensation	
Base Salary	<ul style="list-style-type: none">• Provides a compelling offer in order to attract and retain key executive talent required to lead the Company.• Salary is a market-competitive, fixed level of annual compensation, which recognizes each executive's contributions to the Company.
Perquisites and Benefits	<ul style="list-style-type: none">• Provides perquisites and benefits that are generally competitive within market practices and are provided to attract and retain top talent.
Variable Compensation	
Annual Incentive Plan	<ul style="list-style-type: none">• Provides an at-risk annual cash bonus for performance against business objectives within the prior fiscal year as established by the Board of Directors.• Payout is based on annual consolidated adjusted EBIT, revenue and individual performance.
Medium-Term Incentive Plan <i>Restricted Stock Units (RSUs)</i>	<ul style="list-style-type: none">• RSUs are intended to focus executives on the achievement of the Company's medium-term objectives and promote alignment with shareholder interests.• RSUs have a three-year vesting period after which they are redeemable.• Once their share ownership requirements have been met, executives can elect to take part or all of their LTIP award in the form of RSUs.
Long-Term Incentive Plan <i>Deferred Stock Units (DSUs)</i>	<ul style="list-style-type: none">• DSUs are intended to focus executives on the achievement of the Company's longer-term objectives and promote alignment with shareholder interests.• DSUs have a three-year vesting period and are redeemable upon retirement or termination of employment.

Total Compensation	
Fixed + Variable Compensation	<ul style="list-style-type: none"> Designed to provide market median total compensation levels when target performance levels are achieved. Provide the opportunity for upper quartile total compensation when performance is exceptional but also reduced to below-median total compensation when performance targets are not achieved. Reviewed at least annually by the CNCG Committee to ensure that all programs do not encourage excessive risk taking.
Share Ownership	
Shareholding guidelines for executives	<ul style="list-style-type: none"> The share ownership guidelines are designed to link the interests of executive officers to those of shareholders by prescribing minimum holding requirements in the Company's shares. Requirements must be met within five years. The share ownership of individual NEOs (as defined below) is reviewed annually by the CNCG Committee.

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis describes and explains the Company's 2014 compensation philosophy, objectives and practices for its Executive Chair, CEO, Chief Financial Officer ("CFO") and the two other most highly compensated executive officers (collectively, the "named executive officers" or, "NEOs"). The discussion in this section is concerned mainly with the compensation of the NEOs. The processes and the programs apply to the other senior management members as well.

Composition of the Compensation, Nominating and Corporate Governance Committee

The CNCG Committee is comprised of John Rogers (Chair), Diane MacDiarmid and Jack Mintz. The members of the Committee are independent, and have never been employees or officers of the Company or its subsidiaries. A description of the roles and responsibilities of the CNCG Committee members is found under the "Statement of Corporate Governance Practices" section of this Management Information Circular. The following is a description of skills, education and experience of each CNCG member that qualifies them to fulfill these roles and responsibilities:

- Mr. John Rogers has spent much of his professional career with a NYSE and TSX listed company. He served as MDS's President and Chief Executive Officer from 1996 to 2005 and was a Board member from 1992 to 2005. Mr. Rogers has also held the offices of Vice President, Finance, and Secretary-Treasurer and Chief Financial Officer. He is a Fellow of the Chartered Professional Accountants of Ontario.
- From 2004 to 2011, Ms. Diane MacDiarmid was Executive Vice President, Corporate Resources with Bentall Kennedy LP, a role that included full oversight of the Human Resources function. Ms. MacDiarmid has also held the office of President of a Canadian consulting firm. She has worked with the senior leadership of companies across North America addressing issues of strategy, organization and leadership effectiveness.
- Dr. Jack Mintz is a member of Imperial Oil's compensation committee and has extensive pension industry experience. He is Director of the School of Public Policy at the University of Calgary and has published widely in the field of public economics. Dr. Mintz was also appointed by the Federal Minister of Finance to the Economic Advisory Council to advise on economic planning and had been the research director for the Federal-Provincial Territorial Minister's Working Group on Retirement Income Research.

Executive Compensation Philosophy and Program Design Objectives

Morneau Shepell has developed an executive compensation philosophy that is intended to guide the design of executive compensation programs as follows:

Compensation Philosophy	→	Design Objective
<ul style="list-style-type: none">• Attract and retain highly qualified senior executives in a competitive environment• Foster a culture of “pay for performance” by providing rewards directly linked to the success of the Company• Align executive interests with those of shareholders with the objective of creating long-term, sustained shareholder value without encouraging excessive risk taking		<ul style="list-style-type: none">• Deliver compensation levels that are between the 50th and 75th percentile of the relevant market.• Provide opportunity for above-median compensation when performance is above target and below median compensation when performance is below target.• Ensure that a relevant portion of compensation is equity-based combined with minimum shareholding requirements to promote sustained performance.

2014 Target Pay Mix

In support of the Company’s philosophy in connecting “pay with performance”, the CNCG Committee considers the appropriate level and mix of compensation with variable (or “at risk” pay) constituting the majority of CEO and NEO pay. Other factors that are also considered among other things include individual skills, qualifications, experience, and retention risk. This approach enables Morneau Shepell to compete for talent in a highly competitive environment in which it operates and position itself for successful growth.

Use of Compensation Consultants and the Comparative Market

On an annual basis, the CNCG Committee, with the input of management, conducts a review of its executive compensation practices, with a view to aligning compensation across the Company, as well as to its strategic objectives. From time to time, the CNCG Committee retains the services of compensation consultants as independent advisors. The consultants’ services typically include the provision of external comparator data and advice on the design of executive compensation programs.

For the 2014 competitive review, the CNCG Committee retained the services of PCI Perrault Consulting to provide external consulting advice on market practice and design of long term incentive plans. This was the only service provided to the CNCG Committee by this firm and fees paid for 2014 totaled \$31,318 excluding any taxes paid.

The Comparator Group

The CNCG Committee believes external market data is an important component of the Company’s executive compensation design. In order to calibrate the Company’s “pay for performance” programs relative to the market place, the CNCG Committee considers competitive compensation data from a comparator group.

The CNCG Committee considers a number of factors when defining a relevant comparator group. As such, an emphasis is placed on referencing companies that are publicly-traded in Canada, have similar revenues (in the approximate range of 0.5x to 2.0x the Company’s revenues), historical growth, and market capitalization, and that have the following characteristics:

- Provide business-to-business services (B2B);
- Have a business line specializing in wellness;
- Manage financial assets; and
- Have at least a nationwide presence.

The CNCG Committee recognizes that Morneau Shepell has a unique service offering and, therefore, there are a limited number of directly comparable service oriented, publicly-traded Canadian companies. A list of organizations comprising the comparator group is found in Schedule "F".

Compensation Risk Management

Morneau Shepell has structured a comprehensive and disciplined compensation framework, which includes a formal process for risk oversight by the CNCG Committee. This approach has enabled the Company to encourage its executives to take measured actions to set and achieve significant strategic and growth objectives, without exposing the organization to undue risk.

In line with this approach, the compensation programs are designed to support prudent risk taking by executives and employees. Key proactive elements of this framework are as follows:

- **Periodic review of incentive plans:** Compensation plans are designed to reward desired behaviours and achievement of objectives, with consideration for the Company's business strategy, and risk appetite.
- **Structured plan design:** Compensation plans do not include levers that can be "influenced" by an individual to drive significant payouts.
- **Application of committee discretion:** The CNCG Committee has discretionary power to impact incentive awards.
- **Clear objectives connect performance to payout:** There are clear objectives outlined for executives and employees, and their performance relative to those objectives is monitored and measured. Objectives are established taking into account the Company's longer-term business strategy and include non-financial, as well as earnings and revenue measures. Executives are directly accountable for risk assessment and risk management in their respective areas of responsibility.
- **Fixed versus variable compensation:** A significant portion of executive compensation is delivered in variable or at-risk compensation.
- **Minimum threshold performance:** To further mitigate the risks inherent in short term incentive plans, corporate, business unit and personal performance thresholds must be achieved in order to receive any cash bonus awards.
- **Incentive plan payouts capped:** In addition to a threshold, all short-term incentive plans have a maximum payout for above-target performance. This payout is capped at 2x target which provides a limit to the maximum amount payable under the plan.
- **LTIP payout is deferred:** DSUs and RSUs vest after three years, although DSUs cannot be redeemed until after retirement or separation from the Company.
- **Share ownership guidelines:** Minimum share ownership requirements have been established for all NEOs and senior management.
- **Trading guidelines:** The Company has trading guidelines in place for all executives that specifically prohibit the purchase of financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities.
- **Claw-back policy:** LTIP Unit claw-back provisions are in place where the Committee determines that an LTIP Participant (as defined below under "Long-Term Incentive Plan") has engaged in an act of misconduct.
- **External independent compensation advisors:** On an ongoing basis, the CNCG Committee refers to external advisors to provide an external view of the marketplace change and may also include best practices in respect of compensation design.

Components of Compensation – Fixed Compensation

Morneau Shepell's executive compensation package for NEOs and other senior management consists of the following components: base salary, an annual performance cash bonus program, and a share-based long-term incentive award, in addition to benefits and other perquisites. Each component of the executive compensation package, as described in more detail below, has been reviewed and approved by the CNGC Committee for each NEO upon the recommendation of the CEO, and by the Board for the Executive Chair and the CEO upon the recommendation of the CNGC Committee.

Base Salaries

Base salaries are the fixed component of Morneau Shepell's executive compensation package. They are intended to reflect (i) the individual executive's performance, experience and scope of responsibilities; (ii) Morneau Shepell's performance; (iii) competitive market pay information; (iv) internal equity; and (v) inflationary and economic factors. Base salaries represent the reference for other elements of compensation; therefore, the CNGC Committee pays particular attention to the positioning of the individual salary against external market data as well as within the Company.

Pension, Benefits and Perquisites

Executives of Morneau Shepell are eligible to participate in the same benefit programs that are offered to all employees in the Company. In addition, executives have some additional benefits and perquisites such as employer-paid health and social club dues. These benefits are similar to those of other senior employees of Morneau Shepell, with the exceptions of car allowances and/or car expense reimbursements received by Mr. Morneau, Mr. Torrie, and Mr. Milligan, and the additional health and dental benefits offered to Mr. Morneau and Mr. Torrie in the form of an employer-paid cost-plus benefits plan.

Morneau Shepell does not currently offer a pension plan to its senior management as LTIP awards are also intended to provide retirement compensation. Mr. Chamberland is entitled to pension benefits under a closed defined benefit plan of a subsidiary of Morneau Shepell.

Components of Compensation – Variable Compensation

Annual Incentive Plan

Plan Highlights for 2014:

- *Plan funding is determined by EBIT and revenue performance vs. target.*
- *Minimum performance thresholds must be met before bonuses can be paid.*
- *Funding availability and individual performance relative to established objectives determines payouts.*

The Company's Annual Incentive Plan continues to provide executives with variable (at-risk) compensation based on the achievement of performance objectives. Executives are eligible for annual incentive awards under the Annual Incentive Plan based on achieving pre-determined objectives approved annually by the CNGC Committee.

Individual bonuses for executives are based on two sets of specific goals:

- a) **Financial objectives:** This component is based on the Company's one-year EBIT and revenue targets measured on consolidated results.
- b) **Personal objectives:** For all executives, a component of their compensation is also tied to the attainment of individual, specific strategic or business initiatives. For the CEO, the specific personal objectives are related to performance measured against several objectives as determined by the CNGC Committee. For other executives, personal objectives are agreed with the CEO and performance is assessed by the CEO and approved by the CNGC Committee.

Performance Measures

The performance measures used in the plan and the business rationale for their selection are discussed in the following table:

Performance Measure	Reason for Selection
Adjusted EBIT	- EBIT is a primary metric tracked to evaluate profitable growth of the Company's business and ability to generate returns for shareholders
Revenue	- Revenue is a key indicator of success in implementing the Company's growth strategy
Individual Strategic Measures	- The CNCG Committee believes that each executive should also be assessed on the successful achievement of objectives that are linked to the Company's business strategy as well as effective leadership behaviours aligned with the values of the Company.

For 2014, bonus performance measures for executives are as follows:

Measure	Financial Objectives		Personal Objectives	TOTAL
	EBIT	Revenue		
Weighting (% of overall target bonus)	40%	20%	40%	100%

The threshold, target and maximum financial performance levels and corresponding payouts were established by the CNCG Committee. For 2014, the minimum and maximum thresholds are 90% and 120% of target performance. For any bonus to be paid under this plan, threshold performance (90%) of the EBIT measure must be achieved. The plan has a maximum payout of two times target bonus (200%) that is capped at 120% of financial performance. In determining performance of financial objectives, actual annual consolidated EBIT and revenue results will be measured relative to the target set at the beginning of the year.

Adjustments may be made by the CNCG Committee, at its discretion, to reflect performance, exceptional circumstances and changes in the Company's financial plan or operating environment.

Target Bonus Amounts

In 2014, a target bonus for each of the NEOs was established as follows:

NEO	Target Bonus
Bill Morneau, Executive Chair	83% of base salary
Alan Torrie, President & CEO	100% of base salary
Scott Milligan, EVP & CFO	50% of base salary
Pierre Chamberland, EVP & COO Administrative Solutions	52% of base salary
Stephen Liptrap, EVP & General Manager Employee Support Solutions	50% of base salary

Bonus Allocation Decision

The following outlines the steps involved in determining any bonus pool, and the allocation decision linked to both Company and individual performance for executives, and all other bonus eligible employees.

Step 1: Determining Target Bonuses

- Executive Chair and CEO target bonuses set by Board on recommendation of the CNG Committee.
- Other executive target bonuses set by the CNG Committee on recommendation of the CEO.
- Targets are based on breadth and impact of executive's role and responsibilities.

Step 2: Determining the available bonus pool

- Bonus pool is based on company-wide revenue and EBIT results.
- The final bonus pool is approved by the Board upon the recommendation of the CNG Committee.

Step 3: Allocation of the bonus pool to individuals based on both Company and individual performance

- Bonus payment is subject to funding availability. Minimum financial thresholds are required to be met before any bonuses are paid.

Managing risk within the Annual Incentive Plan:

- A single plan for all NEOs and executives across the Company.
- Bonus payouts are capped at 200% of target.
- CNG Committee has discretion over plan funding levels and individual bonus awards.

Equity Based Compensation – Long Term Incentive Plan

LTIP Highlights for 2014:

- Deferred Share Units that vest after three years.
- Dividend reinvestment policy (DRIP).
- Unvested awards are forfeited upon resignation or termination.

To further strengthen the link between compensation of the Company's NEOs and the long-term interest of shareholders, the Company established the LTIP.

Grant of LTIP Units. The purpose of the LTIP is to promote a greater alignment of interests between employees and Directors of Morneau Shepell to whom LTIP Units (as defined below) have been granted ("LTIP Participants") and the Shareholders of Morneau Shepell. Pursuant to LTIP, the CNG Committee may grant LTIP Participants (i) RSUs; (ii) Retirement DSUs, and (iii) post-retirement deferred share units ("Post-Retirement DSUs"). In addition, at the discretion of the CNG Committee, employees may be provided with the ability to elect to receive all or a portion of their annual bonus in the form of RSUs and/or Retirement DSUs. The RSUs, the Retirement DSUs and the Post-Retirement DSUs are collectively referred to as "LTIP Units".

Bonus Deferral. As part of the plan, NEOs are eligible to defer all or part of any cash bonus awarded under the Annual Incentive Plan into Retirement DSUs. Units awarded under this election vest immediately though Units are redeemable only upon retirement or separation from the Company. This allows an additional opportunity for executives to meet their minimum share ownership requirements.

Vesting and Redemption of LTIP Units. Each RSU generally vests three years after the date of grant and is redeemable for either one Share or for an amount in cash equal to the Fair Market Value (as defined below) of one Share (at the election of Morneau Shepell). The Retirement DSUs generally vest three years after the date of grant and become redeemable only on the LTIP Participant's termination of employment. Each Retirement DSU is redeemable for either one Share or for an amount in cash equal to the Fair Market Value of one Share

(at the election of Morneau Shepell). The Post-Retirement DSUs vest at such times as determined by the CNGC Committee, with each Post-Retirement DSU being redeemable for one Share.

Pursuant to the LTIP, Fair Market Value is equal to the volume-weighted average trading price of a Share on the TSX (or, if such Shares are not then listed and posted for trading on the TSX, on such other stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the CNGC Committee) for the five business days on which Shares traded on such exchange preceding the applicable date. In the event that Shares are not listed and posted for trading on any stock exchange, the Fair Market Value of a Share shall be determined by the Board.

Cessation of Entitlements under the LTIP. Except in certain circumstances (such as the death of an LTIP Participant, or in the case of Post Retirement DSUs, the retirement of an LTIP Participant), all unvested LTIP Units shall terminate on an LTIP Participant's termination date. Upon termination of an LTIP Participant for cause, all vested LTIP Units shall terminate and the LTIP Participant will have no right to receive any LTIP Units or entitlements whatsoever.

Maximum Number of Shares Issuable. The maximum number of Shares issuable pursuant to LTIP Units outstanding at any time under the LTIP, together with any Shares issuable pursuant to any other equity-based compensation plan of Morneau Shepell, shall not exceed 10% of the aggregate number of Shares outstanding from time to time, subject to adjustment in certain circumstances as contemplated in the LTIP. As of March 3, 2015, (a) the maximum number of Shares reserved and available for issuance under the LTIP (including its predecessor plans) and the ESPP together is 4,799,971 Shares; (b) there were 2,351,550 LTIP Units outstanding, inclusive of reinvested dividends awarded on outstanding grants, representing 4.9% of the number of Shares issued and outstanding; and (c) 2,448,421 Shares were available for issuance under the LTIP and the ESPP together, representing 5.1% of the number of Shares issued and outstanding. The prescribed maximum may be subsequently increased to any specified amount, provided the change is authorized by a vote of the Shareholders. Any increase in the issued and outstanding Shares will result in an increase in the available number of Shares issuable under the LTIP, and any issuance of Shares pursuant to LTIP Units granted under the LTIP will make new grants available under the LTIP effectively resulting in a re-loading of the number of Shares available to grant under the LTIP. Pursuant to the current rules of the TSX, the LTIP will require the approval of the shareholders of Morneau Shepell every three years. LTIP Units shall not be granted pursuant to the LTIP if the redemption thereof could result, at any time, in the aggregate number of Shares issuable to insiders of Morneau Shepell at any time under the LTIP and under all other share compensation arrangements of Morneau Shepell, exceeding 10% of the number of Shares issued and outstanding immediately prior to such redemption. Moreover, in no event shall any LTIP Units be granted pursuant to the LTIP if the redemption thereof could result in the aggregate number of Shares issued to insiders of Morneau Shepell within a one-year period under the LTIP and under all other share compensation arrangements of Morneau Shepell, exceeding 10% of the number of Shares issued and outstanding immediately prior to such redemption.

The participation of Directors, who are not employees, in the LTIP in any one year shall not exceed the lesser of 1% of the number of Shares outstanding cumulatively, and \$100,000 per Director.

Assignability. No right or interest of any LTIP Participant under the LTIP shall be assignable or transferable in whole or in part either directly or otherwise.

Amendment or Termination of the LTIP. Shareholder approval shall not be required for amendments to the LTIP, which may include but are not limited to:

- amendments of a "housekeeping nature";
- a change to the vesting or redemption provisions of any LTIP Unit; or
- a change to the eligible participants of the LTIP.

Notwithstanding the foregoing, the following amendments shall require Shareholder approval:

- any amendment to remove or exceed the insider participation limits as described in the LTIP;
- any increase in the maximum number of Shares issuable under the LTIP;

- any amendment to the LTIP that increases the length of the period after a blackout period during which LTIP Units may be redeemed;
- any change that would permit LTIP Units to be transferable or assignable, other than as contemplated in the LTIP; or
- any amendment to the amendment provisions of the LTIP.

LTIP Allocation Decision. The following outlines the steps involved in determining the available LTIP pool, and the allocation decision linked to individual performance for NEOs, and other executives.

Step 1: Determining the available incentive pool

The CEO recommends to the CNCG Committee the required pool based on the following criteria:

- Shifts in executive population, such as new hires or promotions
- Market indicators and alignment of executive compensation
- Attraction and retention requirements and risks

Step 2: Obtaining CNCG Committee and Board Approval

The recommended pool is presented to the Board for review and approval, upon the recommendation of the CNCG Committee.

Step 3: Allocation of LTIP awards to individuals

Individual awards are determined based on the following criteria:

- Market competitiveness
- Individual performance vs. established targets
- Retention incentive
- Long term potential contribution

The CNCG Committee approves all executives' awards on the recommendation of the CEO, with the exception of the Chair and CEO awards, which are decided upon by the Board on the recommendation of the CNCG Committee.

Managing Risk within the LTIP:

- Awards vest after three years.
- DSU Redemption occurs after termination of employment.

Vested and unvested awards may be forfeited if termination is with cause.

The following table sets out the number of LTIP Units granted and authorized for future grants, pursuant to the LTIP:

Number of Shares to be issued upon exercise of outstanding rights	Number of Shares remaining available for future issuance under equity compensation plan
2,351,550	2,448,421

Share-based awards granted in concurrence with other bonus awards for a prior year's performance will be deemed to be compensation for that performance year. As such, awards granted in early 2015 are reported as 2014 compensation.

2014 Objectives & Performance

For 2014, performance objectives were established for the Executive Chair and the CEO by the Board, on the recommendations of the CNCG Committee, and for the other NEOs by the CNCG Committee on the recommendations of the CEO.

The objectives were based on Morneau Shepell's enterprise-wide strategic, financial and operational goals, and were designed to drive short- and medium-term performance, as well as longer-term sustainability and shareholder value.

Financial performance goals were set using overall revenue and EBIT targets. Individual objectives were designed for each NEO based upon the enterprise-wide goals of Morneau Shepell, as well as performance or developmental goals specific to the individual and his areas of responsibility or for which the NEO played a key contributing role. All objectives were set at levels that were challenging to achieve, having regard for past results as well as anticipated events throughout the year.

The CNCG Committee is responsible for reviewing the Executive Chair and the CEO's performance relative to their objectives, and recommending their actual bonuses and LTIP awards to the Board. For all other NEOs, the CEO provided an analysis of their performance relative to objectives and made bonus and LTIP award recommendations to the CNCG Committee for its final review and approval. In determining the amount of performance bonuses and LTIP awards granted to each NEO, the CNCG Committee and the Board, as applicable, took into account the achievement of financial targets, each individual's performance objectives, the individual's relative contribution to the achievement of the enterprise-wide objectives, as well as retention risks and a focus on future long-term goals. Additional information about specific NEO targets and performance is provided below.

Financial Performance

The Annual Incentive Plan minimum, target and maximum performance objectives for 2014 are presented in the following table, as well as the actual full year results for 2014.

Performance	Minimum (\$)	Target (\$)	Maximum (\$)	Actual 2014 Results (\$)
Adjusted EBIT*	72.09	80.10	96.12	82.45
Revenue*	458.17	509.08	610.90	535.87

**figures are stated in millions \$CAD*

As the table above shows, enterprise performance exceeded target as set out in the Annual Incentive Plan. The Company achieved 103% of the adjusted EBIT target as well as 105% of the revenue target. Financial performance is the basis for funding of any bonus pool under the Annual Incentive Plan. Any actual bonus is then finally determined by an assessment of both financial and individual performance.

Personal Objectives

Individual performance against established personal objectives for each NEO is assessed by the CNCG Committee. In making their determination, the CNCG Committee considers both quantitative results as well as qualitative evaluation, including input from the CEO.

Personal objectives for each NEO are established at the start of each year and include measures from the following four areas:

- Growth and Performance
 - Drive financial growth targets
 - Deliver initiatives that meet or exceed targets
- Talent Management and Development
 - Foster an engaged and motivated workforce
 - Develop leadership capacity and capability
 - Identify and develop critical talent
- Client Relationships
 - Deliver a differentiated client experience
 - Enhance customer service
- Shareholder Value and Operational Effectiveness
 - Drive prudent budget oversight and resource management
 - Deliver short- and long-term shareholder value

The Company operates a range of human resource consulting and outsourcing services in a highly competitive environment in which exist a number of competitor organizations. Central to the Company's ability to compete for market share are its commercial practices, business development and marketing efforts that the Company believes differentiate it from its competitors and as such, require active protection. The personal objectives of executives include specific targets and associated timings of initiatives that would, if disclosed, provide detailed strategic and financial direction of the Company and lines of business that would provide highly sensitive data to competitors. As such, disclosure of the specific, detailed, personal objectives of the Company's executives would seriously prejudice the Company's interests and weaken its ability to compete.

2014 Performance and Compensation for all Named Executive Officers

Bill Morneau, Executive Chair

Financial Performance:

- 2014 MS \$535.87 million of revenue (target \$509.08 million) – increase of 13.8% over 2013
- 2014 MS \$82.45 million of Adjusted EBIT (target \$80.10 million) – increase of 15.5% over 2013

As Executive Chair, Mr. Morneau oversaw the governance of Morneau Shepell and the overall achievement of the Company's mission, vision, values and long term strategic direction.

In addition, Mr. Morneau continued to successfully deliver on his personal objectives as shown below:

<u>Objective</u>	<u>Assessment</u>
• Promote and enhance Morneau Shepell's presence in the market.	• Met: Mr. Morneau's efforts in the market provided significant advantage to Morneau Shepell in 2014. He led significant efforts in industry, thought leadership and in his role as advisor to provincial governments.
• Lead efforts in the enhancement of the Morneau Shepell brand.	• Met: Mr. Morneau played a key role in the development of the Morneau Shepell brand, including numerous national speaking engagements and national media interviews. This enhanced the Company's reputation as a thought leader in the industry, attracting new clients. He also continued to lead the Company's philanthropic efforts.
• Focus on key client and prospective client opportunities.	• Met: Mr. Morneau played a key leadership and advisory role in attracting new clients, strategic client activities and strategic acquisitions that enhanced both short-term and long-term opportunities.

Based on the results of the Company and the effective governance model, the Board granted a cash bonus award to Mr. Morneau in the amount of \$410,625 and a Share-based award of Retirement DSUs with a value of \$100,000.

Alan Torrie, President and CEO

Financial Performance:

- 2014 MS \$535.87 million of revenue (target \$509.08 million) – increase of 13.8% over 2013
- 2014 MS \$82.45 million of Adjusted EBIT (target \$80.10 million) – increase of 15.5% over 2013

In his role as President and CEO, Mr. Torrie oversaw the development and execution of Morneau Shepell's long term strategic plan and the overall performance of the Company.

<u>Objective</u>	<u>Assessment</u>
• Achieve annual financial targets with a focus on long term growth and operational effectiveness across lines of business.	• Met: Mr. Torrie successfully led the execution of the Company's performance and growth plan, including the integration of strategic acquisitions, strong organic growth and the extension of the long term strategic plan.
• Strengthen leadership and organizational capabilities.	• Met: Mr. Torrie continued to lead the Executive Team and enhanced senior leadership capabilities in strategy, operational effectiveness and employee engagement.
• Promote client service and innovation.	• Met: Mr. Torrie successfully led the execution of enhancing client service capabilities, technology innovation and brand recognition.
• Optimize capital structure and grow shareholder value.	• Met: Mr. Torrie successfully guided resources focused on strategies to improve profitability, increase cash flow, and efficient allocation of capital in order to increase shareholder value.

Based on achievement of the above objectives and the corresponding leadership of Mr. Torrie, the Board granted a cash bonus award in the amount of \$547,500 and a share-based award of Retirement DSUs with a value of \$200,000.

Scott Milligan, Executive Vice President and Chief Financial Officer

Financial Performance:

- 2014 MS \$535.87 million of revenue (target \$509.08 million) – increase of 13.8% over 2013
- 2014 MS \$82.45 million of Adjusted EBIT (target \$80.10 million) – increase of 15.5% over 2013

In his role as the Chief Financial Officer of Morneau Shepell, in 2014, Mr. Milligan oversaw the achievement of the Company's financial performance in respect of the targets discussed above.

In addition, Mr. Milligan continued to successfully deliver on his personal objectives in 2014 as shown below:

<u>Objective</u>	<u>Assessment</u>
• Develop strong pipeline of M&A opportunities to drive growth.	• Met: Mr. Milligan supported the successful completion of three acquisitions and the identification of a pipeline of additional opportunities.
• Improve working capital management to meet or exceed targets and balance capital requirements for growth.	• Met: In addition to ongoing management of working capital, Mr. Milligan led efforts to improve management of capital expenditures and the understanding of long-term capital needs.
• Improve enterprise systems and process efficiency.	• Met: Mr. Milligan led the ongoing stabilization and enhancement of a new enterprise system launched in 2013 for Finance and HR, as well as the identification and adoption of process efficiencies.

Based on the achievement of corporate results and on Mr. Milligan's personal contribution, the CNGC Committee granted Mr. Milligan a cash bonus award in the amount of \$192,150 and a share-based award of Retirement DSUs having a value of \$210,000.

Pierre Chamberland, Executive Vice President and Chief Operating Officer, Administrative Solutions

Financial Performance:

- 2014 MS \$535.87 million of revenue (target \$509.08 million) – increase of 13.8% over 2013
- 2014 MS \$82.45 million of Adjusted EBIT (target \$80.10 million) – increase of 15.5% over 2013

In his role as Executive Vice President and Chief Operating Officer, Administrative Solutions, Mr. Chamberland contributed to the overall corporate performance in respect of the targets discussed above.

In addition, Mr. Chamberland contributed to successfully delivering against his personal objectives in 2014 as shown below:

<u>Objective</u>	<u>Assessment</u>
• Ensure financial targets are met within Administrative Solutions.	• Exceeded: Mr. Chamberland exceeded the financial targets for the line of business.
• Ensure leadership capability in place to support growth.	• Met: Mr. Chamberland refined his team structure and added capability in key roles.
• Execute on efficiency and profitability initiatives.	• Met: Mr. Chamberland delivered all capital projects on target and led the identification and execution of profitability and efficiency projects.
• Execute on longer-term growth strategy.	• Met: Mr. Chamberland advanced the longer-term growth strategy in both the U.S. and Canada, including the continued integration of the Mercer Canada Outsourcing practice.

Based on the achievement of corporate results and on Mr. Chamberland's personal contribution, the CNGC Committee granted Mr. Chamberland a cash bonus award in the amount of \$222,216 and a share-based award of Retirement DSUs having a value of \$226,000.

Stephen Liptrap, Executive Vice President and General Manager, Employee Support Solutions

Financial Performance:

- 2014 MS \$535.87 million of revenue (target \$509.08 million) – increase of 13.8% over 2013
- 2014 MS \$82.45 million of Adjusted EBIT (target \$80.10 million) – increase of 15.5% over 2013

In his role as Executive Vice President and General Manager, Employee Support Solutions, Mr. Liptrap contributed to the overall corporate performance in respect of the targets discussed above.

In addition, Mr. Liptrap contributed to successfully delivering against his personal objectives in 2014 as shown below:

<u>Objective</u>	<u>Assessment</u>
• Ensure financial targets are met within Employee Support Solutions.	• Exceeded: Mr. Liptrap exceeded the financial targets for his line of business.
• Execute on people strategy and client satisfaction initiatives.	• Met: Mr. Liptrap led the successful execution of all people initiatives, attaining targets, and exceeded client satisfaction targets.
• Execute on efficiency initiatives.	• Met: Mr. Liptrap led the successful execution of efficiency and profitability initiatives.
• Execute on longer term growth strategy.	• Met: Mr. Liptrap led the successful expansion of the scope of services and geographic reach of the line of business.

Based on the achievement of corporate results and on Mr. Liptrap's personal contribution, the CNGC Committee granted Mr. Liptrap a cash bonus award in the amount of \$201,950 and a share-based award of Retirement DSUs having a value of \$235,000.

Summary Compensation Table

The following table provides a summary of the compensation earned in 2014, 2013, and 2012 by each of Morneau Shepell's Executive Chair, CEO, CFO and two other most highly compensated executive officers.

NEO	Year	Salary (\$)	Share-based Awards (#) ¹	Non-equity Annual Incentive Plan (#) ²	Total Compensation (\$)
Bill Morneau Executive Chair	2014 2013 2012	450,000 450,000 450,000	211,234 1,005,562 201,943	410,625 324,000 270,000	1,071,859 1,779,562 921,943
Alan Torrie President & CEO	2014 2013 2012	500,000 500,000 500,000	502,148 1,804,107 399,379	547,500 540,000 450,000	1,549,648 2,844,107 1,349,379
Scott Milligan EVP & CFO	2014 2013 2012	350,000 350,000 345,050	292,523 246,741 236,461	192,150 179,200 172,525	834,673 775,941 754,036
Pierre Chamberland EVP & COO Administrative Solutions	2014 2013 2012	360,500 360,500 360,500	299,261 253,713 232,751	222,216 225,600 188,000	881,977 839,813 781,251
Stephen Liptrap EVP & General Manager, ESS	2014 2013 2012	350,000 350,000 334,750	305,187 269,109 225,913	201,950 179,200 150,000	857,137 798,309 710,663

Notes:

1. Share-based awards are in the form of Retirement DSUs. Amounts include the award value at grant date plus payments of both cash and notional distributions in 2012, 2013 and 2014. The value of distributions paid for 2014 is as follows: Mr. Morneau \$111,134, Mr. Torrie \$302,148, Mr. Milligan \$82,523, Mr. Chamberland \$73,261 and Mr. Liptrap \$70,187. The value of notional distributions was calculated as at December 31, 2014 using the closing share price of \$17.47.
2. In 2012, Messrs. Torrie and Milligan and Liptrap, and in 2013, Mr. Milligan elected to re-direct a portion of their respective cash bonus into Retirement DSUs. These units vested immediately and are redeemable upon retirement or termination of employment.

Share Based Awards

The following chart details Share based awards granted to NEOs:

NEO	Share based awards value vested during the year (\$) ¹	Number of shares that have not vested (#) ¹	Market or payout of share-based awards that have not vested (\$) ¹
Bill Morneau Executive Chair	62,542	93,907	1,640,555
Alan Torrie President & CEO	448,319	138,134	2,413,201
Scott Milligan EVP & CFO	444,113	43,685	763,177
Pierre Chamberland EVP & COO Administrative Solutions	348,689	40,907	714,645
Stephen Liptrap EVP & General Manager ESS	298,031	45,712	798,589

Notes:

⁽¹⁾ Values are calculated as at December 31, 2014 using the closing share price of \$17.47 per share. Note that 2014 Share based performance awards will have a grant date of May 1, 2015, and as such, are not included in this table. The value of payouts has been rounded to the nearest whole number using standard rounding.

Pensions, Benefits and other Perquisites

The following are details of Mr. Chamberland's pension entitlements:

NEO	Year end	Years credited service	Annual benefits payable (\$) at year end ¹	Annual benefits payable (\$) at age 65	Obligation at start of year (\$)	Non-compensatory change (\$)	Accrued Obligation at Year End (\$)
Pierre Chamberland EVP & COO Administrative Solutions	2012	9.5	N/A	16,300	133,00	21,700	154,700
	2013	9.5	N/A	16,300	154,700	(20,500)	134,200
	2014	9.5	N/A	16,300	134,200	44,900	179,100

Notes:

⁽¹⁾ Mr. Chamberland was not eligible to retire at year end (earliest retirement age is 55). The annual pension is fixed, meaning there will be no additional pension accrual.

Share Ownership Guidelines

The CNCG Committee believes that executive management should have a significant equity interest in the Company. In order to promote equity ownership and to further align the interests of management with the interests of Shareholders, senior employees are required to own Shares representing a multiple of their annual salary. The CEO is required to own at least four times his total salary, while certain other senior leaders of the organization are required to own Shares representing at least one to two times their salary. Individuals are given five years to achieve these levels after a promotion or hire date. Ownership levels are measured annually and reported to the CNCG Committee.

All NEOs have met and exceeded their Share ownership requirements.

EMPLOYMENT AGREEMENTS, TERMINATION AND CHANGE OF CONTROL BENEFITS

Each of the NEOs is party to an employment agreement with Morneau Shepell providing for, among other things, Share ownership requirements, and confidentiality and non-solicitation/non-competition covenants in favour of Morneau Shepell.

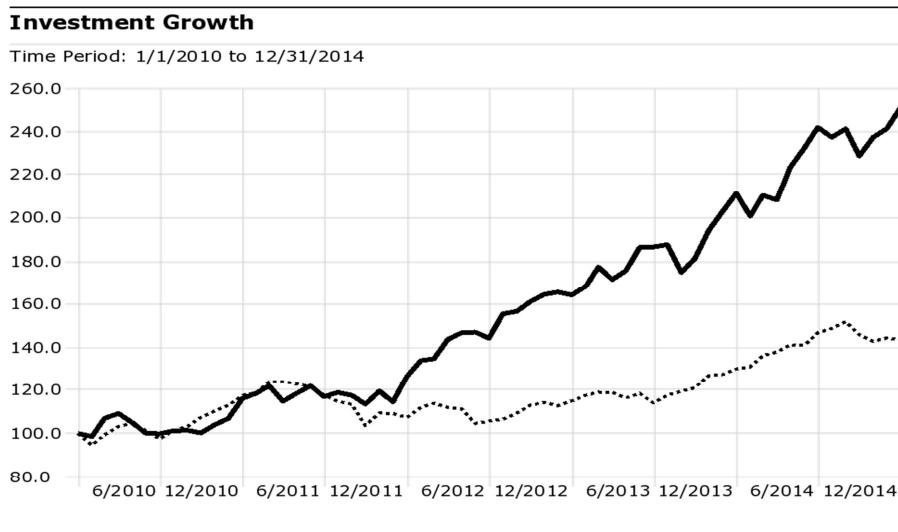
In accordance with the terms of Mr. Torrie's employment agreement, in the event Morneau Shepell terminates him without cause, he is entitled to a severance payment in the amount of two times his base salary and average bonus for the prior two years in addition to benefits for the period of severance. Mr. Milligan is entitled to receive a severance payment in the form of salary continuation or an amount equal to 18 months' salary, plus benefits for the severance period, in the event of termination of employment by Morneau Shepell, without cause. Mr. Liptrap is entitled to receive a severance payment in an amount equal to 18 months' salary and bonus in addition to benefits for the period of severance, in the event of termination of employment without cause by Morneau Shepell.

The LTIP awards for all executives are governed by the rules of the plan. Upon a change of control, the CNCG Committee has the authority to either (i) accelerate the vesting date for any unvested awards conditional upon the completion of the change of control or (ii) to the extent that the change of control would also result in a capital reorganization, arrangement, amalgamation or reclassification of the capital of the Company and LTIP Units may remain outstanding after such transaction is completed, the CNCG Committee shall make adequate provisions to ensure that, upon completion of the proposed change of control, the number of LTIP Units outstanding under the Plan and/or determination of Fair Market Value of a Share shall be appropriately adjusted in such manner as the CNCG Committee considers equitable, in its discretion, to prevent substantial dilution or enlargement of the rights granted to the holders of LTIP Units.

PERFORMANCE GRAPH

The following graph compares the total cumulative return to Shareholders for \$100 invested in Shares, assuming re-investment of distributions, with the total cumulative return of the S&P/TSX Composite Index for the period from January 1, 2010 to December 31, 2014. On December 31, 2014, the Shares closed at \$17.47.

For the Period from January 1, 2010 to December 31, 2014
Cumulative Total Returns Value of \$100 Invested on January 1, 2010



	Jan 1, 2010	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014
Morneau Shepell Inc.	100.00	116.19	126.57	164.35	211.12	251.00
S&P/TSX Comp. Index	100.00	117.61	107.36	115.08	130.03	143.75

COMPENSATION OF DIRECTORS

In 2014, the CNCG Committee of the Company undertook a review of Director compensation relative to other public companies of similar size. Upon the recommendation of the CNCG Committee, the Board concluded to maintain compensation at the following existing levels: Directors who were not employees are entitled to an annual retainer of \$50,000 per year and \$1,500 for each Board or committee meeting attended. The Lead Director is entitled to receive an additional retainer of \$5,000 per year, the CNCG Chair receives an additional \$10,000 annual retainer, and the Audit Committee Chair is entitled to an additional retainer of \$15,000 per year. Other Board committee members receive an additional \$5,000 retainer per year.

One half of all Directors' compensation will be paid in the form of DSUs and Directors may elect to receive all of their compensation in the form of DSUs. From time to time the Board may be required to meet for significant and time sensitive matters. In these circumstances the Board may apply special per-meeting fees. In 2014, no special meeting fees were paid. The Company also provides reimbursement for out-of-pocket expenses for attending meetings and a \$1,500 travel fee for Directors who are resident in a province outside of a board meeting location.

The following table provides a summary of the compensation earned in 2014 by the Directors of the Company.

DIRECTOR	FEES EARNED (CASH)	SHARE BASED AWARDS	TOTAL COMPENSATION
Robert Chisholm	\$0	\$108,308	\$108,308
Jill Denham	\$38,000	\$44,661	\$82,661
Diane MacDiarmid	\$38,000	\$49,404	\$87,404
Jack Mintz	\$0	\$96,280	\$96,280
W.F. Morneau, Sr.	\$35,500	\$41,791	\$77,291
John Rogers	\$43,000	\$50,704	\$93,704

Notes:

Share Based Awards are in the form of Retirement DSUs pursuant to the LTIP. Amounts are calculated using the grant date award value.

Share Based Awards include additional Retirement DSU awards for notional dividends on previously issued Retirement DSUs.

One half to 100% of a Director's compensation is paid in the form of Retirement DSUs, which vest immediately.

Shares Ownership Requirements

The Board believes that Directors should have an equity interest in the Company in order to align their interests with the interests of Shareholders. Directors are required to own Shares representing at least three times their annual retainer within three years of their appointment, or within three years of an increase to the annual retainer, whichever is later.

Directors' Liability Insurance and Indemnification

The Directors and officers of the Company and its subsidiaries are covered under directors' and officers' liability insurance for a total amount of \$20 million. Under the policy, each entity has reimbursement coverage to the extent that it has indemnified the directors and officers. The policy includes securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Company and any of its subsidiaries and their respective directors and officers. The total limit of liability is shared among the Company and its subsidiaries and their respective directors and officers so that the limit of liability is not exclusive to any one of the entities or their respective directors and officers.

The by-laws of the Company and its subsidiaries provide for the indemnification of their directors and officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations. Further, indemnification agreements supporting the foregoing obligations have been provided to each Director from the Company.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Directors, other than as disclosed in this Management Information Circular, no insider, Director or proposed nominee for election as a Director, or any associate or affiliate of any such persons, had any material interest, direct or indirect, in any material transaction with the Company in the last three fiscal years, which has materially affected or would materially affect the Company.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The following is a discussion of the Company's corporate governance practices with reference to the National Policy 58-201 – *Corporate Governance Guidelines* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, which have been adopted by the Canadian Securities Administrators. The Company's approach to governance considers both the Company and its underlying entities.

Board Membership and Meetings

The Board is composed of nine Directors, the majority of whom are "independent" within the meaning of National Instrument 58-101 being free from any direct or indirect material relationship with the Company, and its subsidiaries. There are currently six independent Directors of the Company (Robert Chisholm, Jill Denham, Diane MacDiarmid, Jack Mintz, Kevin Pennington and John Rogers) and three who are not; two by reason of being members of management (Bill Morneau and Alan Torrie) and one by having a family relationship with a member of management (W.F. (Frank) Morneau, Sr.).

Bill Morneau is Chair of the Board and Robert Chisholm is Lead Director. The independent Directors meet *in camera* at least quarterly without management and non-independent Directors. Time is allocated during each regular meeting of the Board for an *in camera* meeting of the independent Directors.

The Board has a written mandate, the full text of which is attached as Schedule "C". The Board has two standing committees: the CNCG Committee and the Audit Committee. Each committee is comprised of three independent Directors, and has specific responsibilities and mandates to assist in the governance activities of the Board.

The Board's objective with respect to its composition is to have a sufficient range of skills, expertise and experience to enable it to carry out its functions effectively. To that end, the Board has developed a competencies matrix to identify and assess the desired qualifications of its Board members and candidates.

The Board has determined that a nine member Board is an appropriate size to facilitate effective dialogue and decision-making. The Chair of the Board is not entitled to a second or casting vote in the event of equality of votes in respect of matters to be decided on by the Board.

Orientation and Continuing Education

To ensure Board members have the knowledge of the business and the role of the Board that they need to function effectively, each new Board member receives a comprehensive orientation, including extensive materials and presentations about the Board and the operations of Morneau Shepell's business, as well as meetings with the Executive Chair and CEO, and other key members of management.

Board members regularly receive updates about the business of Morneau Shepell, the industry and ongoing projects. Detailed presentations about various operations and business issues are made by management from time to time to the Board. Directors are also provided with opportunities to meet with management for both formal and informal discussions. Board members are encouraged to continually develop their skills and attend appropriate director or other educational programs at the expense of the Company.

Position Descriptions

The roles and responsibilities of the following key positions have been documented in the Mandate of Board of Directors and the Committee charters: Executive Chair, Chair of the Audit Committee, Chair of the CNGC Committee, Lead Director and CEO.

The role of the Executive Chair, as Chair of the Board, includes chairing meetings of the Board and Shareholders, ensuring that the Board carries out its responsibilities effectively, providing direction in establishing the schedule and agendas of Board meetings, and liaising with the CEO. In addition, the Executive Chair carries out executive duties in conjunction with the CEO, including strategic planning, client development, acquisition and alliance strategies, succession planning and management development.

The Lead Director's primary responsibilities are to ensure that independent Directors have adequate opportunities to meet without management present, to preside over meetings of independent Directors, to monitor the adequacy of materials provided to the Directors by management in connection with the Directors' deliberations, and to act as a back-up to the Chair of the Board.

The primary responsibilities of each of the Chair of the Audit Committee and the Chair of the CNGC Committee include liaising among their respective committees and the Board and management of the Company, liaising with the external advisors, including auditors in the case of the Audit Committee, and acting as chair of meetings of their respective committees.

The primary responsibilities of the CEO are to manage and supervise the affairs of Morneau Shepell, including the strategic business and economic planning and review processes, provide the Board with its information needs, oversee investor relations and public disclosure requirements of the Company, and management development and succession planning.

Compensation, Nominating and Corporate Governance Committee

The CNGC Committee assists Directors by developing Morneau Shepell's approach to governance.

In the area of Board nominations, the Committee is responsible for, among other things:

- (i) identifying and proposing candidates for vacancies on the Board;
- (ii) ensuring that an orientation program is in place for new Directors in order to familiarize them with Morneau Shepell's business, management, facilities and advisors; and
- (iii) periodically reviewing the effectiveness of the Directors and the contribution of individual Directors.

In order to identify appropriate Board candidates, the CNGC Committee has established the desired skill sets, experience and qualifications of the Board in the form of a competencies matrix. It determines the extent to which the current Board composition meets the desired qualities. If the CNGC Committee concludes that changes or additions to the Board composition are desirable, it will identify the desired qualities and seek out potential candidates for recommendation to the Board for nomination. The search process may involve the engagement of external consultants, as well as potential candidates known to the Board members, management of the Company or their respective advisers.

In the area of compensation, the CNCG Committee is responsible for, among other things:

- (i) overseeing the appointment, termination and compensation of senior officers of Morneau Shepell;
- (ii) annually reviewing the CEO's goals and objectives for the upcoming year, providing an appraisal of the CEO's performance and reviewing his compensation;
- (iii) approving awards to senior officers under incentive plans;
- (iv) making recommendations concerning the remuneration of Directors;
- (v) reviewing key human resources policies and programs and practices; and
- (vi) making recommendations regarding the operation of long-term incentive plans.

Audit Committee

The Audit Committee assists the Directors in fulfilling their responsibilities for oversight of the accounting and financial reporting practices and procedures of the Company, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements of the Company. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas and for the selection of independent auditors of the Company.

All members of the Audit Committee are financially literate within the meaning of applicable securities laws. This committee is also responsible for adopting and periodically reviewing and updating the Company's written disclosure policy. The Audit Committee is comprised of Robert Chisholm (Chair), Jill Denham and John Rogers.

The Charter of the Audit Committee of the Company is set out in Schedule "A" of the Company's 2015 Annual Information Form.

Assessments

The Board conducts regular annual assessments to review the effectiveness of the Board, its committees and each individual Director. After completion of an extensive questionnaire covering a range of topics as well as a self-assessment questionnaire, each Board member participates in one-on-one discussions with the Chair of the Board about the Board's and individual director's effectiveness. The Chair of the Board develops a report and recommendations resulting from the assessment process, which are then considered collectively by the Board.

Code of Business Conduct and Ethics and Whistleblower Policy

The Board has adopted a Code of Business Conduct and Ethics (the "Code") which establishes the high ethical standards to which all Directors, officers and employees of the Company and its subsidiaries are expected to adhere. The full text of the Code is available to all Directors, officers and employees and is posted at morneaushepell.com.

The Code states that Directors, officers and employees are expected to speak with supervisors, managers or other appropriate personnel about concerns they may have in respect of illegal or unethical behaviour and when in doubt about the best course of action in a particular situation. It is the policy of Morneau Shepell not to allow retaliation for reports of such conduct made in good faith. It is, at the same time, unacceptable to file a report knowing it is false.

The Board has also implemented a Whistleblower Policy to provide a confidential complaint procedure so that an employee, with a concern about any accounting or auditing matter or any other matter which an employee believes is in violation of the Code, can report the concern to the General Counsel of Morneau Shepell. The General Counsel in turn is required to report all such concerns and complaints to the Chair of the Audit Committee.

Directors, officers and employees are annually reminded of the Code and other key policies of Morneau Shepell and are required to acknowledge in writing their continuing compliance. Management regularly reports to the Board respecting any violations of the Code or other inappropriate conduct impacting the Company.

The Board's mandate and the Code each contain provisions relating to addressing actual or potential conflicts of interest. Generally, any Director or officer is required to disclose any actual or potential conflict of interest and, if applicable, refrain from voting in respect of such matter.

Enterprise Diversity Statement

Morneau Shepell embraces and promotes diversity and inclusiveness among its people and business partners, within the workplace and the community. The Company believes the best outcomes can be achieved when all individuals feel they are valued and respected for who they are and for the differences they offer. The Company expects and encourages all of its people and partners to actively embrace inclusiveness in the work they do with the Company, and to support diversity of all facets, including culture, race, abilities, age, lifestyle, gender and gender identity, religion, and sexual orientation.

Application of Diversity Statement at Board and Senior Management Level

The Board actively seeks out potential Board and executive leadership candidates who not only have the experience, skills and qualifications required for their roles, but who also contribute to increasing the diversity of these two groups. This is reflected in the Company's policy that recruitment searches for Board and executive positions must include individuals of diverse backgrounds and specifically women.

This approach is preferred over explicitly setting a target for the number or proportion of women appointments, as target setting could have the unintended consequence or perception that achieving required targets unduly influences candidate selection.

In addition, through the course of Board and management succession planning, the diversity of candidates is taken into account. Where opportunities are identified, steps are taken through a variety of means including mentorship, sponsorship, training, and additional search activity as required.

Currently the Company's Board is comprised of 22% women and 21% of the executive officers of the Company and its major subsidiary are women.

The Company's Board believes that it is best able to achieve optimal board performance and effectiveness by maintaining a robust board and individual director evaluation and feedback process, along with regularly reviewing existing board member competencies against current and anticipated needs. It has not adopted a policy of term limits for directors as director term limits an arbitrary time limit for board membership may impede the effectiveness of the Board and contributions of individual directors.

In keeping with the growth of the Company's business, Board renewal and diversity objectives have been advanced through the expansion of the Board and the appointment of additional directors. The size of the Board has been expanded three times and five new board members have been appointed since 2008. The average tenure of Board members is six years.

ADDITIONAL INFORMATION

The Shares are listed on the TSX under the trading symbol MSI.

Copies of the Company's Financial Statements for its most recent completed year ended December 31, 2014, together with the report of the auditors thereon, Management's Discussion and Analysis of financial condition and results of operations, the most recent Annual Information Form (together with any documents incorporated by reference therein) and this Management Information Circular, are available upon request to Investor Relations, Morneau Shepell, 895 Don Mills Road, Suite 700, Toronto, Ontario M3C 1W3. The above documents, as well as the Company's news releases, are also on SEDAR at sedar.com and on the Morneau Shepell website at morneaushepell.com.

APPROVAL OF DIRECTORS

The contents and the mailing to the Shareholders of this Management Information Circular have been approved by the Directors.

Dated: March 3, 2015

BY ORDER OF THE DIRECTORS OF
MORNEAU SHEPELL INC.



Lynn Korbak
Corporate Secretary, Morneau Shepell Inc.

SCHEDULE "A"

COMPENSATION, NOMINATING AND CORPORATE GOVERNANCE CHARTER

The following compensation, nominating and corporate governance charter was adopted by the board of directors of Morneau Shepell Inc. (the “**Company**”) effective January 1, 2011.

The compensation, nominating and corporate governance function of the Company will be overseen by the board of directors of the Company (the “**Board**”), with the assistance of the Compensation, Nominating and Corporate Governance Committee (the “**Committee**”). The purpose of the Committee is to assist the Board with respect to:

- (a) developing the Company approach to corporate governance;
- (b) reviewing the composition and mandate of the Board and its committees;
- (c) nominating directors;
- (d) reviewing director compensation;
- (e) monitoring management performance and compensation; and
- (f) monitoring human resources strategies, policies and procedures, including succession planning.

Composition:

- The Board shall elect annually from among its members Committee to be composed of three directors who are “unrelated” directors (within the meaning of the Toronto Stock Exchange corporate governance guidelines), and who qualify as “independent directors” within the meaning of Multilateral Instrument 52-110.
- A member of the Committee who sits on the board of directors/managers of an affiliated entity is exempt from the requirement that he or she be independent if that member, except for being a member (or member of a board committee) of the Board and the affiliated entity, is otherwise independent of the Company and the affiliated entity, provided that:
 - (a) the member would be independent of the Company but for being an affiliated entity of the Company or any of its subsidiary entities;
 - (b) the member is not an executive officer, general partner or managing member of a person or company that is an affiliated entity of the Company and has its securities trading on a marketplace;
 - (c) the member is not an immediate family member of an executive officer, general partner or managing member of a person or company that is an affiliated entity of the Company and has its securities trading on a marketplace;
 - (d) the member does not act as the chair of the Committee; and
 - (e) the board has determined that the member is able to exercise the impartial judgment necessary for the member to fulfill his or her responsibilities as a Committee member, the appointment of the member is required by the best interests of the Company and its security holders; and appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently.

- If a member of the Committee ceases to be independent for reasons outside that member's reasonable control, that member is exempt from the requirement to be independent for a period ending on the later of:

- (a) the next annual meeting of the Company; and
- (b) the date that is six months from the occurrence of the event which caused the member to not be independent,

provided that the Board has determined that appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently.

- Where the death, disability or resignation of a member of the Committee has resulted in a vacancy on the Committee that the Board is required to fill, a member appointed to fill such vacancy is exempt from the requirements to be independent for a period ending on the later of:

- (a) the next annual meeting of the Company; and
- (b) the date that is six months from the day the vacancy was created,

provided that the Board has determined that appointing such member to the Committee will not materially adversely affect the ability of the Committee to act independently.

Reports:

The Committee shall report to the Board after each of its meetings. The report may be oral and shall include matters discussed at the meeting, decisions made and recommendations to the Board.

Responsibilities:

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board:

- Executive, Management and Compensation:

- (a) review and make determinations regarding the nomination, appointment, hiring, compensation, benefits and termination of senior executive officers of the Company;
- (b) at least annually, review with the Chief Executive Officer of the Company the long term goals and objectives of the Company in relation to compensation;
- (c) be responsible for overseeing benefits, incentive plans and all other compensation and compensation-related matters of the executive officers of the Company, including policies and programs;
- (d) at least annually, review and approve the position description of the Chief Executive Officer and the performance goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of those goals and objectives, and recommend to the Board the Chief Executive Officer's compensation levels based on that evaluation. In determining the Chief Executive Officer's compensation, including long term incentive components, the Committee shall consider the Company performance and relative investor return, the value of similar incentive awards to Chief Executive Officers at comparable companies, the achievement of individual as well as Company objectives and the awards given to the Chief Executive Officer in past years;
- (e) at least annually, review and make recommendations with respect to the compensation of all members of senior executive officers, including incentive-compensation plans, equity-based plans, the terms of any employment agreements, severance arrangements, and change in control arrangements or provisions, and any special or supplemental benefits;

- (f) approve compensation awards to senior executive officers pursuant to the Board's approval of total periodic awards under the Company Long Term Incentive Plan and any other compensation plans;
- (g) periodically, review key human resources policies and programs in place and under development related to manpower planning, management development, succession planning, career path planning and performance evaluation and their consistency with the strategy of the Company;
- (h) periodically review the Company policies on salary administration, recruitment, job evaluation, pay and employment equity, basic incentive and total cash compensation, retirement benefits, and long-term incentives and recommend changes, if appropriate;
- (i) review management's policies and practices for ensuring that the Company, as applicable, complies with legal prohibitions, disclosure and other requirements on making or arranging for personal loans and amending or extending any such loans or arrangements;
- (j) select, engage and compensate any compensation consultant to assist in the evaluation of senior executive compensation and approve the consultants' fees and other retention terms; and
- (k) prepare an annual executive compensation report for inclusion in the Company's public filings, in accordance with applicable rules and regulations.

- Nominating and Corporate Governance:

- (a) review and monitor appropriate corporate governance principles, guidelines, and procedures for the Company, and recommend proposed changes to the Board for approval. Structures and procedures include matters related to the relationship with management, including identification of decisions requiring Board approval or feedback;
- (b) approve the annual statement of corporate governance practices for inclusion in the Company's public filings, in accordance with applicable rules and regulations;
- (c) review and monitor compliance and any waiver from compliance with the Code of Business Conduct and Ethics and ensure appropriate disclosure of such waiver;
- (d) review and monitor procedures for meeting the Board's information needs, including formal and informal access to officers of the Company and external advisers;
- (e) review orientation and continuing education programs for directors;
- (f) review and reassess the adequacy of the mandates of the Board and Committee charters; including duties of the Board and Committee Chairs and recommend changes to the Board;
- (g) monitor the size and composition of the Board and its Committees and recommend changes to the Board;
- (h) review criteria and establish procedures for selecting directors, including regularly assessing the competencies, skills, qualities, and diversified experience of the Board and the Company circumstances and needs;
- (i) identify candidates qualified to become Board members and recommend nominees for election at the next shareholders meeting;
- (j) recommend to the Board the composition of Committees;

- (k) review and monitor the organization and conduct of Board and Committee meetings;
- (l) review and make recommendations to the Board on the adequacy and form of compensation for the directors; and
- (m) provide advice concerning the above-listed matters in respect of management of the subsidiaries of the Company.

Structure:

- The Committee shall appoint one of its members to act as Chair of the Committee. The Chair will appoint a secretary who will keep minutes of all meetings (the “**Secretary**”). The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.
- The Committee will meet as many times as is necessary to carry out its responsibilities but in no event will the Committee meet less than three times a year. Meetings will be at the call of the Chair.
- No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum provided that, if the number of members of the Committee is an even number, one half of the number of members plus one shall constitute a quorum.
- Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. Subject to the foregoing, each member of the Committee shall hold such office until the next annual meeting of security holders after his or her election as a member of the Committee.
- The time at which and the place where the meetings of the Committee shall be held, the calling of meetings and the procedure in all respects of such meeting shall be determined by the Committee, or otherwise determined by resolution of the Board.
- The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

Independent Advice:

In discharging its mandate the Committee shall have the authority to retain and receive advice from special legal, accounting or other advisors. The costs for this independent advice will be borne by the Company.

Annual Evaluation:

At least annually, the Committee shall, in a manner it determines to be appropriate, perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with its charter.

Limitation:

Nothing in this charter is intended to or shall have the effect of limiting or impairing the independent decision making authority or responsibility of any board of directors/managers of a subsidiary of the Company mandated by applicable law.

Responsibilities of Compensation, Nominating and Corporate Governance Committee Chair

The Chair of the Committee is an “outside” and “independent” director who is appointed by the Board to assist the Committee fulfilling its duties effectively and efficiently.

The responsibilities of the Chair include:

- (a) acting as a liaison between the Committee and the Board and the President and Chief Executive Officer and other senior management of the Company;
- (b) reporting to the Board on the work of the Committee;
- (c) recommending procedures to enhance the work of the Committee; and
- (d) chair meetings of the Committee.

SCHEDULE "B"

COMPENSATION BENCHMARKING – COMPARATOR GROUPS

The following table outlines the comparator group that was reviewed and approved by the CNCG Committee based on the criteria as described earlier and therefore used as reference data. All financial data for the comparator companies was obtained from publicly available sources, and represents data disclosed for the last full year.

Data is shown in millions \$CAD unless otherwise stated.

Company	Revenues		EBITDA		EBITDA (% Revenues)		Net Incomes		Net Incomes (% Revenues)		Market Capitalization (as of Feb 05 2015)
	Last FY	3 yr average	Last FY	3 yr average	Last FY	3 yr average	Last FY	3 yr average	Last FY	3 yr average	
Chartwell Retirement Residences Real Estate Investment Trust	\$859	\$832	\$305	\$225	36%	27%	\$24	-\$60	3%	-7%	\$2,238
MacDonald, Dettwiler and Associates Ltd.	\$1,795	\$1,144	\$255	\$207	14%	20%	\$105	\$116	6%	12%	\$3,355
Canadian Western Bank	\$619	\$566	\$327	\$298	53%	53%	\$230	\$206	37%	36%	\$2,310
DH Corporation	\$837	\$773	\$204	\$188	24%	24%	\$44	\$68	5%	9%	\$3,378
Canaccord Genuity Group Inc.	\$814	\$721	\$108	\$47	13%	6%	\$51	\$5	6%	0%	\$643
Newalta Corporation	\$783	\$731	\$117	\$133	15%	18%	\$22	\$33	3%	5%	\$746
Stella-Jones Inc.	\$970	\$776	\$155	\$124	16%	16%	\$93	\$74	10%	9%	\$2,608
BMTC Group Inc.	\$695	\$720	\$68	\$71	10%	10%	\$57	\$53	8%	7%	\$778
Major Drilling Group International Inc.	\$355	\$616	\$10	\$107	3%	15%	-\$55	\$29	-15%	1%	\$546
Savanna Energy Services Corp	\$697	\$659	\$145	\$138	21%	21%	\$30	\$38	4%	6%	\$232
Richelieu Hardware Ltd.	\$587	\$559	\$70	\$50	12%	9%	\$46	\$44	8%	8%	\$1,166
5N Plus Inc.	\$488	\$478	\$68	-\$54	14%	-9%	\$45	-\$68	9%	-13%	\$194

Compensation Benchmarking – Comparator Groups

Company	Revenues		EBITDA		EBITDA (% Revenues)		Net Incomes		Net Incomes (% Revenues)		Market Capitalization (as of Feb 05 2015)
	Last FY	3 yr average	Last FY	3 yr average	Last FY	3 yr average	Last FY	3 yr average	Last FY	3 yr average	
AGF Management Limited	\$464	\$486	\$155	\$163	33%	33%	\$61	\$45	13%	9%	\$677
Equitable Group, Inc.	\$509	\$477	\$126	\$106	25%	22%	\$94	\$79	18%	16%	\$688
Centric Health Corporation	\$456	\$365	-\$21	\$16	-5%	5%	-\$91	-\$36	-20%	-9%	\$54
Ritchie Bros. Auctioneers Incorporated	\$496	\$445	\$197	\$172	40%	39%	\$100	\$86	20%	19%	\$3,487
Performance Sports Group Ltd.	\$484	\$428	\$51	\$55	11%	13%	\$22	\$26	5%	6%	\$994
Great Canadian Gaming Corporation	\$407	\$401	\$170	\$117	42%	29%	\$63	\$21	15%	5%	\$1,345
Trimac Transportation Ltd.	\$426	\$383	\$49	\$44	12%	11%	\$14	\$13	3%	3%	\$196
Glacier Media Inc.	\$296	\$298	-\$52	\$15	-18%	5%	-\$65	-\$10	-22%	-3%	\$138
Kingsway Financial Services Inc.	\$183	\$188	-\$34	-\$30	-19%	-17%	-\$39	-\$37	-21%	-22%	\$160
Q1 (P25)	\$456.0	\$428.5	\$51.0	\$47.1	11%	9%	\$22.0	\$4.6	3%	0%	\$232.0
Median	\$509.0	\$558.9	\$117.0	\$106.8	14%	16%	\$45.0	\$32.8	6%	6%	\$746.0
Q3 (P75)	\$783.0	\$721.3	\$170.0	\$162.7	25%	24%	\$63.0	\$67.7	10%	9%	\$2,238.0
Average	\$629.5	\$573.7	\$117.8	\$104.3	17%	17%	\$40.5	\$34.5	5%	5%	\$1,234.9
Morneau Shepell	\$536	\$476	\$99	\$88	18%	18%	\$25	\$19	5%	4%	\$828

SCHEDULE "C"

MANDATE OF THE BOARD OF DIRECTORS

The purpose of this document is to set out the mandate and responsibilities of the Board (the “**Board**”) of the Morneau Shepell Inc. (the “**Company**”).

Composition

The Board 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*.

Responsibilities of the Board

The Board is responsible for the stewardship of the Company and in that regard shall be specifically responsible for:

- (i) supervising the business and activities of the Company (which includes its subsidiaries), including acting for, voting on behalf of and representing the Company as a holder of common shares of Morneau Shepell Ltd.;
- (ii) 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 the Company’s business;
- (iii) reviewing, on at least an annual basis, a budget for the Company;
- (iv) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer, the Chief Financial Officer and other senior officers of the Company and its subsidiaries (collectively referred to as the “**Enterprise**”) and that such officers create a culture of integrity throughout the organization;
- (iv) the identification of the principal risks of the Company’s business and ensuring the implementation of appropriate systems to manage these risks;
- (v) ensuring that the Company has adopted processes, procedures and controls that are designed to ensure compliance with all applicable laws and legal requirements;
- (vi) adopting a communication policy which enables the Company to communicate effectively and addresses how the Company interacts with all of its stakeholders, including analysts and the public, contains measures for the Company to avoid selective disclosure and is reviewed at such intervals or times as the Board deems appropriate;
- (vii) monitoring the Company internal control and management information systems;
- (viii) establishing and maintaining a standing audit committee of the Board (the “**Audit Committee**”), and such other committees as the board may determine to be in the best interests of the Company (together with the Compensation Nominating and Corporate Governance Committee, the “**Committees**”);

- (ix) reviewing and reassessing the adequacy of the terms of reference of the Committees at such intervals or times as the Board deems appropriate;
- (x) receiving recommendations of the Audit Committee respecting, and reviewing and approving, the annual, interim and any other publicly announced financial information of the Company;
- (xi) adopting the Company approach to governance by establishing and maintaining a standing governance committee of the Board (the “**Compensation, Nominating and Corporate Governance Committee**”) including adopting a set of governance principles and guidelines that are specifically applicable to the Company;
- (xii) implementing a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors;
- (xiii) implementing a process for examining the size of the Board and undertaking, where appropriate, a program to establish a board size which facilitates effective decision-making;
- (xiv) 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;
- (xv) succession planning (including ensuring the Company has a plan addressing the succession of key roles within the Company, appointing, training and monitoring senior management);
- (xv) meeting regularly with management of the Company to receive reports respecting the performance of the Company’s business, new and proposed initiatives, management concerns and any areas of concern involving the Company’s business; and
- (xvi) meeting regularly without management.

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 interest of the Company. 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 from time to time, the current policy being annexed hereto as Appendix A.

It is expected that each subsidiary of the Company will cooperate in all ways to facilitate compliance by the Board with its legal duties and this mandate by causing such subsidiary to take such actions as may be necessary in that regard and by promptly reporting any data or information to the Board that may affect such compliance.

Responsibilities of the Executive Chair

The Executive Chair acts in both an executive capacity, and as Chair of the Board, as follows:

Chair Duties:

- (i) guide and direct the governance process of the Board, centering the work of the Board on the organization’s mission, vision, values and strategic direction;

- (ii) establish agendas for Board and shareholder meetings, in collaboration with the Chief Executive Officer;
-
- (iii) preside over Board and shareholder meetings in a manner that encourages participation and information sharing while moving toward timely closure and prudent decision making;
- (iv) ensure appropriate Board record keeping and reporting;
- (v) liaise with Committee Chairs regarding work of Committees;
- (vi) serve as Board's central point of official communication with the Chief Executive Officer. Develop a positive collaborative relationship with the Chief Executive Officer; and
- (vii) lead Board development and manage Board relations.

In addition, the Executive Chair, in conjunction with the Chief Executive Officer, acts as a key executive. These duties relate to the use of the title of Executive Chair instead of the title of Chair.

Executive Duties:

- (i) work together with the Chief Executive Officer in the development and execution of the strategic direction and plan for the enterprise, including ongoing focus on key client and prospective client opportunities;
- (ii) leverage industry experience, expertise and relationships in acquisitions and alliances;
- (iii) assist with talent pool development, selection and succession planning; and
- (iv) maintain key strategic client facing relationships.

Responsibilities of the Lead Director

The Lead Director is an “outside” and “independent” director who is appointed by the Board to assist the Board in fulfilling its duties effectively and efficiently, if the Chair is not an independent director. The role and responsibilities of the Lead Director are as follows:

- (i) to ensure that the Board understands the boundaries between Board and management responsibilities;
- (ii) to ensure that the independent directors of the Board have adequate opportunities to meet without management present;
- (iii) to preside over meetings of independent directors;
- (iv) to monitor the adequacy of the materials provided to the directors by management in connection with the directors' deliberations;
- (v) to lead the Board Effectiveness Assessment process;
- (vi) to act as a liaison between the independent directors and management; and
- (vii) to act as a back up to the Executive Chair of the Board in connection with Board functions.

Responsibilities of the Chief Executive Officer

The Chief Executive Officer is accountable, within the context and prescribed limits of the Board, for developing and executing the strategic direction, enhancing revenue and profit growth, and increasing balance sheet and unit holder value. This includes supporting the Board in fulfilling its function.

The key accountabilities for the Chief Executive Officer include the following:

- (i) manage and supervise the affairs of the Company;
- lead the development and execution of the strategy and strategic direction for the growth of the enterprise;
- (ii) develop, implement and maintain a business planning and review system that includes level appropriate vision, mission, values, strategic positioning, operational plan, and resource plan;
- (iii) develop, implement and maintain an optimal organization alignment to implement the business plan including the strategy (including the use of committees);
- (iv) resource allocation, strategic human resources management, succession planning, and talent pool development;
- (v) leadership in the development of strong ties with clients, key stakeholders, investors, Board, and employees, including a key accountability for Investor Relations;
- (vi) economic resourcing, including capital structure of the enterprise and financial management;
- (vii) support and development of enterprise values, culture and ethics;
- (viii) review, with the assistance of the Chief Financial Officer, the financial reporting and public disclosure of the Company, 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;
- (ix) report to, and meet regularly and as required, with the Board and all formally appointed Committees of the Board to review Board and Committee issues and provide the Board or the relevant Committee with all information and access to management necessary to permit the Board or the relevant Committee to fulfill its statutory and other legal obligations on a timely basis;
- (x) assist in the development of Board policies regarding the Company's communications with securityholders, the investment community, media, governments and their agencies, employees and the general public; and
- (xi) such other appropriate responsibilities as are delegated to him or her by the Board.

Decisions Requiring Prior Approval of the Board

Approval of the Board shall be required for:

- (i) dividends to shareholders;
- (ii) significant acquisitions/dispositions;
- (iii) related party transactions;
- (iv) the public dissemination of any financial information;
- (v) the issuance or repurchase of securities of the Company;

- (vi) the terms of reference of Committees of the Board; and
- (vii) any other matter that would give rise to a “material change” to the Company.

In considering related party transactions, when appropriate, the Board will review a report of an independent financial advisor in making its decision. The foregoing list is intended to specify particular matters requiring Board approval and is not intended to be exhaustive.

Measures for Receiving Securityholder Feedback

The Company 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.

Meetings

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

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. Administrative matters (eg. bank signing resolutions, etc.) that require a vote may be batched for voting purposes. 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.

Remuneration

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

Telephone Board Meetings

A director may participate in a meeting of the 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.

While it is the intent of the Board 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. Alternatively, management may request the directors to approve certain matters by unanimous consent, such as approval for the monthly dividends to unitholders. Such approval shall be received by signed resolutions from each director, sent to the Company electronically or in original form.

Expectations of Management

Management of the Company shall be required to report to the Board at the request of the Board on the performance of the Company, new and proposed initiatives, management’s concerns and any other matter the Board or its Chair may deem appropriate in relation to the Company’s business. In addition, the Board expects management to promptly report to the Chair of the Board any significant developments, changes, transactions or proposals respecting the Company.

Appendix I
POLICY OF PRACTICES FOR DIRECTORS

Attendance at Meetings

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

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

Preparation for Meetings

Directors are expected to carefully review and consider the materials distributed in advance of a meeting of the Board or a Committee. Directors are also encouraged to contact the Executive Chair, the Chief Executive Officer of the Company and any other appropriate officers to ask questions and discuss agenda items prior to meetings.

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:

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

Knowledge of the Business of the Company

Directors are expected to be knowledgeable with respect to the various fields and practices of business of the Company. Although management has a duty to keep the Board informed about developments in the Company's business, directors have a primary duty of care and diligence, which includes a duty of inquiry. Directors should:

- (i) ask questions of management and other directors/managers, at meetings and otherwise, to increase their knowledge of the business of the Company;
- (ii) familiarize themselves with the risks and challenges facing the business of the Company;

- (iii) read all internal memoranda and other documents circulated to the directors, and all reports and other documents issued by the Company for external purposes;
- (iv) insist on receiving adequate information from management with respect to a proposal before Board approval is requested;
- (v) familiarize themselves with the Company's competitors by, among other things, reading relevant news, magazine and trade journal articles; and
- (vi) familiarize themselves with the legal and regulatory framework within which the Company carries on its business.

Personal Conduct

Directors are expected to:

- (i) exhibit high standards of personal integrity, honesty and loyalty to the Company;
- (ii) project a positive image of the Company to news media, the financial community, governments and their agencies, securityholders and employees;
- (iii) 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
- (iv) disclose any potential conflict of interest that may arise with the business or affairs of the Company and, generally, avoid entering into situations where such conflicts could arise or could reasonably be perceived to arise.

Independent Advice

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