

VESTCOR INC.
DIRECTOR INDEPENDENCE POLICY

I. PURPOSE

The **Vestcor Act** establishes, among other things, the composition of the Board, as well as the term of office, remuneration process, condition for quorum and overall Board responsibility.

It clearly states that the management and control of Vestcor Inc.¹ (Vestcor) lies with its Board, and that it operates on a commercial basis. It also clearly identifies that Vestcor Corp. appoints Vestcor Inc. directors but restricts Vestcor Corp. directors from serving on the Vestcor Inc. Board.

Board of Directors

41 The management and control of Vestcor Inc. is vested in the Board of Vestcor Inc. and the Board of Vestcor Inc. may, subject to this Act, the by-laws of Vestcor Inc. and any Members' Agreement, exercise all of the powers of Vestcor Inc.

42 A person who is a director of Vestcor Corp. is not eligible to hold office as a director of Vestcor Inc.

43 The Board of Vestcor Inc. shall administer the affairs of Vestcor Inc. on a commercial basis and all decisions and actions of the Board are to be based on sound business practice.

44 The Board of Vestcor Inc. consists of such number of directors being not fewer than six appointed by Vestcor Corp.

The **By-laws** of Vestcor Inc. set out the conduct of the business affairs of the Corporation. It includes a direction that the composition of the Board of Directors follows the direction of the *Vestcor Act* and the Members' Agreement.

The **Terms of Reference** define the role of the Board and its' Governance Committee, including its duties to contribute to the nomination of high quality, diverse and

¹ Vestcor Inc. name has been updated post amalgamation, from original Vestcor Pension Services and Vestcor Investment Management.

competent leadership for the Board, through a rigorous nominations process, supported by an annual skills gap assessment.

The Board also has a set of **Director Nomination Guidelines**, under the review of its' Governance Committee, which provides a framework for Vestcor Inc.'s role in the nomination of new Directors.

This Director Independence Policy, in conjunction with the *Vestcor Act*, Members' Agreement, the corporate by-laws, Terms of Reference, and Director Nominating Guidelines is intended to describe the manner and timing in which the Board will review the level of independence of its Directors, so as to ensure any potential conflicts (real or perceived) with respect to Board operations are minimized.

II. POLICY GUIDELINES

Definition of Independence

"Independence"² means a director is independent of management, does not have a material relationship with the corporation and, except for director fees and share ownership, does not financially benefit from his or her relationship with the corporation. A material relationship is any relationship that could interfere with a director's ability to exercise independent judgment or inhibit his or her ability to make difficult decisions about management and the business.

Independence Guideline

Industry best practices find that in order to ensure directors' interests are best aligned with the interest of shareholders that they should be independent from management. For example, the Canadian Coalition for Good Governance in their "Building High Performance Boards" document referenced above, have set a Guideline that suggests Boards should ensure that at least two thirds of directors are independent of management.

Role of the Governance Committee

1. The Governance Committee will:

² "Building High Performance Boards", Canadian Coalition for Good Governance, August 2013.

- a. Through its Terms of Reference annually assess each Vestcor Director's level of independence with respect to their position on the Vestcor Board of Directors using the following current or former³ relationship criteria:
 - Executive or member of the senior management team of Vestcor
 - Employee of a paid Advisor / Consultant to Vestcor, or an audit firm that provides internal or external audit services to Vestcor
 - Employee of a significant⁴ client of Vestcor
 - Employee of a significant⁵ supplier of goods or services to Vestcor
 - Director of an Advisor / Consultant to Vestcor
 - Director of a client of Vestcor
 - Director of a significant supplier of goods or services to Vestcor
 - Interlocking directorate relationship⁶
 - A family relative of a member of the Vestcor senior management team
- b. Facilitate any recommendation to the Board to address any concerns that are identified with respect to a lack of specific Director independence.
- c. Ensure the above independence criteria will be utilized by Board Nominating Committee as part of their Director nomination activity to assure that at least two thirds of Vestcor Directors are independent of management as per the above definition and relationship criteria.

III. POLICY REVIEW

The Board will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

IV. POLICY HISTORY

The Board adopted this policy on April 1, 2019.

³ Vestcor Inc. will apply a twelve month look back or cooling off period after which past relationships will no longer be considered relevant in assessing a director's independence

⁴ A client relationship will be considered significant if the total assets under Vestcor management is in excess of \$100 million

⁵ A supplier relationship will be considered significant if the annual Vestcor client payment exceeds the greater of \$200,000 or 5% of the recipient's gross revenue

⁶ An interlocking directorate relationship would occur where the Vestcor CEO or other senior management team member would serve as a Director on the Board of a Vestcor Director.