

## Vestcor Inc.

### Terms of Reference – Human Resources and Compensation Committee

#### 1. Introduction and Purpose

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The Board of Directors of Vestcor Inc. (Vestcor) has established the Human Resources and Compensation Committee (“HRCC”) to assist the Board in fulfilling its obligations relating to the compensation of Management and Directors, leadership succession and human resources policies and practices to attain Vestcor’s strategic goals and to perform other human resources related duties set out herein or as otherwise determined by the Board from time to time.

These terms of reference are designed to articulate and clarify the delegated responsibilities of the HRCC.

The *Vestcor Act* (the “Act”) provides that:

- ▶ The Board of Vestcor shall administer the affairs of Vestcor on a commercial basis, and all decisions and actions of the Board of Vestcor are to be based on sound business practice (s. 43 & 75).
- ▶ The Board of Vestcor shall appoint a person to be President and Chief Executive Officer (“CEO”) of Vestcor (s. 53 & 85).
- ▶ The CEO is responsible for the operation of Vestcor, including the appointment, removal, functions and duties of the other officers and employees of Vestcor Inc. (s. 54 & 86).
- ▶ The CEO shall implement the policies, priorities and procedures established by the Board of Vestcor and perform such additional duties as may be assigned by the Board of Vestcor from time to time (s. 55 & 87).

By-Law No. 1 of Vestcor provides that:

- ▶ The CEO shall be responsible for hiring, compensation and benefits, advancement, dismissal and discipline of employees of the Corporation (s. 9.2).
- ▶ The Board shall appoint from among their number a human resources and compensation committee and may from time to time establish such other Committees and set their terms of reference. Each Committee shall keep a record of every meeting and report its decisions and recommendations to the Corporation (s. 11.1).
- ▶ The Human Resources and Compensation Committee shall assist the Board with respect to the Corporation’s human resources strategy, policies and programs and the proper utilization of human resources within the Corporation (s. 12.1).

#### 2. Duties and Responsibilities

Subject to the powers and duties of the Board, and to the requirements of the *Vestcor Act* (the “Act”), Members’ Agreement and corporate By-Laws, the Human Resources and Compensation Committee will perform the following duties in relation to Vestcor, as may be appropriate in the context:

## 2.1 Evaluation of the CEO

The HRCC will:

- (a) Require that a Performance Evaluation Process for the CEO be completed by the Directors semi-annually in January and in June of each year.
- (b) Review and recommend to the Board for approval the CEO's goals and objectives annually, developed by the CEO with input from the Board Chair and the HRCC.
- (c) Review and recommend the proposed salary adjustment and Incentive Compensation Award for the CEO annually taking into consideration the results of the Performance Evaluation for the CEO.
- (d) Review and approve any significant outside board commitments that the CEO is considering before the commitment is made. This does not include commitments to act as a director or trustee of not-for-profit organizations or charitable causes.

## 2.2 Compensation and Employee Benefits

Bearing in mind Vestcor's business objectives, operations and risks, the HRCC will review and recommend to the Board:

- (a) Any changes to the compensation philosophy and framework for Vestcor
- (b) Any changes to the compensation ranges for all positions
- (c) Any changes to the incentive compensation plans for employees, where applicable
- (d) Any changes based on an annual review of the Required Investment Performance Targets in the Vestcor Incentive Plan, where applicable.
- (e) The proposed annual salary and benefits expense changes in the annual budget process
- (f) The year-end Individual Incentive Compensation pool, where applicable, for all employees
- (g) Material\* changes to employee benefits or employee travel and expenses policies, and
- (h) Directors and executive compensation disclosure in the Annual Report.

The HRCC will also receive reports from Management annually as to other changes made to employee benefits or employee travel and expense policies.

## 2.3 Severance

The HRCC will review and approve all severance arrangements for Officers or members of Management reporting directly to the CEO.

## 2.4 Code of Business Conduct and Ethics

The HRCC will investigate and recommend a resolution to the Board of any issues or concerns referred to it by the Governance Committee (as the point of entry for any complaints or concerns) arising from complaints under the Code of Business Conduct and Ethics that may relate to personnel matters or internal controls relating to human resources policies or benefits. Depending upon the nature of the complaint, the HRCC may also delegate the investigation and resolution of the complaint to Senior Management.

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\* Material for these purposes means any change that produces a change in the relevant costs that exceeds the lower of 10% of current costs and \$200,000, as well as any change of strategic importance to the organization.

## 2.5 Organizational Structure

The HRCC will review and recommend to the Board, when warranted:

- (a) Major changes in the organizational structure of Management
- (b) Position descriptions for Senior Management (Vice-Presidents and above)
- (c) Appointment of Officers.

## 2.6 Leadership Development and Succession

The HRCC will, annually and before the CEO's discussion of those plans with the Board, review the CEO's succession plans for Officers or members of Management, including emergency replacement plans, CEO recruitment guidelines, specific development plans and career planning for potential successors.

The HRCC will also review the CEO's succession plans for other "mission critical" positions within the organization.

## 2.7 Human Resources Planning and Policies

The HRCC will:

- (a) review and approve material\* changes to Human Resources Policies
- (b) receive reports from Management annually as to other changes made to Human Resources Policies
- (c) ensure that Management has appropriate long range human resources plans, strategies and policies in place to attract and retain talented employees, including recruitment, training, performance management and related matters
- (d) Review and recommend to the Board the annual report on the organization's long range human resources plans, strategies and policies in place to attract and retain talented employees including recruitment, training, performance management and related matters.

## 2.8 Compliance Monitoring

The HRCC will quarterly review a report from the CFO on Vestcor's performance and compliance under applicable employment legislation, including but not limited to employee safety.

## 2.9 Risk Management

The HRCC will provide oversight of Vestcor's risk management systems relating to the identification, evaluation, management and monitoring of risks relating to the organization's:

- ▶ leadership, performance and integrity of the CEO of Vestcor
- ▶ ability to attract and retain qualified and motivated people at all levels of the organization
- ▶ leadership development and succession
- ▶ credibility and reputation for prudence and sound business practices (in human resources matters).

## 2.10 Annual Committee Objectives

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\* Material for these purposes means any change that produces a change in the relevant costs that exceeds the lower of 10% of current costs and \$200,000, as well as any change of strategic importance to the organization.

In consultation with the Board Chair, formulate annual objectives for the HRCC for each year and annually review progress against them at the January committee meeting.

### **2.11 Other**

The HRCC will carry out such other duties as may be determined by the Board from time to time.

The HRCC may retain consultants to provide advice regarding compensation or human resources issues at Vestcor's expense.

The HRCC retains the opportunity to undertake exit interviews with the CEO or members of Management reporting directly to the CEO.

In coordination with the Governance Committee, the HRCC shall annually review and assess the adequacy of its mandate in relation to evolving best practices and evaluate its effectiveness in fulfilling its mandate.

## **3. Committee Membership**

The Human Resources and Compensation Committee shall be composed of not fewer than three Directors. If possible, at least one member of the HRCC will have executive compensation experience. All committee members shall be independent of Management of Vestcor.

The Board will, after reviewing the Board Chair's recommendation, appoint a Chair for the Committee.

A quorum for the transaction of business at a meeting of the HRCC will be a majority of Directors appointed to the Committee. The Committee Chair will vote on matters requiring a decision, and will cast the deciding vote in the event of a tie.

Any Director who is a member of the HRCC may be removed and replaced at any time at the pleasure of the Board.

The Board Chair shall serve as an ex-officio member of the HRCC.

Board members who are not members of the HRCC may attend committee meetings but will not have the right of vote on matters requiring decisions.

## **4. Committee Meetings**

The Human Resources and Compensation Committee shall meet a minimum of three times a year, with additional meetings at the discretion of the Committee Chair or at the request of a majority of the committee members.

External human resources consultant(s) may be invited to make presentations to the Committee as appropriate.

## **5. Accountability**

The Human Resources and Compensation Committee shall prepare a written report of its discussions and decisions for inclusion in the Board's meeting package.