

Terms of Reference – Governance Committee

1. Introduction and Purpose

The Board of Directors of Vestcor Inc. has established the Governance Committee to assist the Board in fulfilling its obligations by providing a focus on governance and public policy that is intended to enhance Vestcor Inc.'s performance and to ensure that Vestcor Inc. develops governance and communications policies and practices that are in keeping with evolving best practices.

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

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 Governance Committee will perform the following duties in relation to Vestcor Inc., as may be appropriate in the context:

2.1 Governance Documents and Initiatives

The Governance Committee will:

- (a) annually review, and recommend for approval changes to the Board when warranted, the:
 - (i) Terms of Reference for the Board
 - (ii) Terms of Reference for Board Committees
 - (iii) Director Orientation and Education Policy
 - (iv) Nominations Guidelines
- (b) triennially review, and recommend for approval changes to the Board when warranted, the:
 - (i) Board policies; and
 - (ii) other documents contained in the Board's Governance Manual
- (c) receive from the Board Secretary, for review and recommendation to the Board at the March committee meeting, an annual consolidation of board decisions and major agenda items over the past year, cross-referenced to the Terms of Reference for the Board.
- (d) receive from the Board Secretary for review and recommendation to the Board the draft Corporate Governance disclosure for the Annual Report
- (e) receive reports and relevant information from Management regarding evolving governance issues, including news articles, reports from governance groups, etc.
- (f) recommend to the Board any reports on corporate governance that may be advisable for the entire Board to review and consider.

2.2 Ethics

The Governance Committee will:

- (a) review the effectiveness of ethics policies, guidelines and procedures and report its findings and recommend for approval any changes to the Board at least annually (including but not limited to conflict of interest policies and the Code of Ethics and Business Conduct)
- (b) ensure that there are procedures for the receipt, retention, treatment and resolution of complaints regarding ethical matters (including whistleblower procedures/protections)

- (c) receive reports from the President and Chief Executive Officer (“CEO”) on compliance with applicable ethical codes/policies at least annually
- (d) receive reports of, investigate, discuss and make recommendations to the Board in respect of breaches or suspected breaches of the Code of Ethics and Business Conduct
- (e) where applicable, receive reports on the personal trading guidelines set out in the Code of Conduct quarterly in the case of Officers and employees and annually in the case of Directors.

2.3 Board and Committee Meetings

By reviewing the results of the Board Effectiveness Assessment Process (see section 2.7), and assessing progress on Board Improvement Objectives, the Governance Committee will:

- (a) assess the needs of the Board and Board Committees regularly in terms of:
 - (i) the frequency of Board and Committee meetings,
 - (ii) meeting agendas,
 - (iii) discussion papers, reports and information,
 - (iv) and the conduct of meetings
- (b) make recommendations to the Board Chairperson or Committee Chairpersons as required.

2.4 Director Nominations

The Governance Committee will annually review the board’s composition and the tenure of its directors. It will provide leadership in the identification of upcoming vacancies and the board’s requirements in relation to the nomination of new directors, in accordance with the *Guidelines for the Nomination of New Directors* adopted by the Board.

Governance Committee will review on an annual basis the policies and procedures that are in place to ensure compliance with NI 33-109 both on an individual’s initial appointment to the Board and for any subsequent changes in circumstances related to business activities.

2.5 Directors’ Compensation

The Governance Committee will review the Directors’ and Board Chairperson’s Compensation Policy and the Director Compensation Philosophy at least every two years and recommend changes to the Board and ultimately the Vestcor Corp. Board.

The Governance Committee will review the Directors’ Travel and Expense Policy at least every two years and recommend changes to the Board, and ultimately the Vestcor Corp. Board. The Committee will consult with the Human Resources and Compensation Committee regarding the Travel and Expense Policy for Senior Management, as a point of reference for its work.

The Governance Committee will receive and approve an annual summary of the expense claims of each Director and the CEO of the Corporation.

2.6 Director Orientation and Education

The Governance Committee will provide oversight in the orientation and education of directors, as described in the *Director Orientation and Education Policy* adopted by the Board. The post-orientation survey results will be shared with the Board Chairperson and the Governance Committee Chairperson to obtain feedback on the effectiveness of the orientation process.

2.7 Board Effectiveness

The Governance Committee will recommend to the Board, and biennially implement via the Board Improvement Objectives, appropriate processes for:

- (a) Board effectiveness assessment
- (b) Chairperson effectiveness assessment,
- (c) Director effectiveness, and
- (d) Committee effectiveness assessment.

2.8 Committee Appointments

The Governance Committee will act as a sounding board for the Board Chairperson in reviewing the Board Chairperson's recommendations to the Board for appointing Board Committee members and Committee Chairpersons.

The Governance Committee will recommend to the Board Chairperson, if required, changes to the composition of the Board Committee members and the Board Committee Chairpersons.

2.9 Board Independence

The Governance Committee will review and recommend to the Board appropriate structures and processes to allow the Board the opportunity to function independently of Management, where appropriate. Such structures and processes may include in camera meetings of the Board, the engagement of independent advisors, etc. The Governance Committee will review and recommend to the Board for approval any change to the *Director Independence Policy* triennially to ensure it remains relevant and appropriate. The Committee will confirm the Director's independence annually as part of the director nomination process / skills matrix completion.

The Governance Committee will, on a quarterly basis, receive reports from the Chief Financial Officer on compliance by Directors with applicable policies under NI 33-109 regarding any changes in employment or business relationships.

Any appointment of a Vestcor Inc. Director to the Board of Directors of other private or public companies between the above noted annual independence review process must be disclosed to the Governance Committee by the Director at their earliest opportunity to ensure that the Vestcor Inc. Board will continue to function independently of Management.

The Governance Committee will ensure that the Board fosters an effective relationship with the CEO and recognize the distinct roles.

2.10 By-Laws and Board Policies

The Governance Committee will ensure that a framework is in place for a review of Vestcor Inc.'s By-laws and appropriate board policies. Triennially, the Governance Committee will arrange for a review of Vestcor Inc.'s By-laws and board policies.

The Governance Committee will review and recommend to the Board for approval:

- a) subject to the approval of the Vestcor Corp. Board, any new or revised By-laws; and
- b) any new or proposed changes to Board policies.

2.11 Communications and Public Policy

The Governance Committee will review policies and programs designed to create a strong, cohesive and sustained image of Vestcor Inc. for its clients and key stakeholders. It will review the efforts of Vestcor Inc. to ensure that its operations remain consistent with changing public values and client expectations. The Committee will also be proactive and assist Management in identifying and assessing public affairs issues that impact significantly on Vestcor Inc.

Without limiting the generality of the foregoing, the Governance Committee will:

- (a) Review and recommend to the Board for approval Vestcor Inc.'s Communications Strategy / policy, including processes for communicating to and dealing with communications from the shareholder, clients, fund sponsors and employees
- (b) Review annually with Management Vestcor Inc.'s operations against the Board's public endorsement of the Canadian Coalition for Good Governance Stewardship Principles
- (c) Review and advise the Board on the development and projection of Vestcor Inc.'s corporate image to its stakeholders
- (d) Review and advise the Board on the appropriate integration of public affairs considerations with Vestcor Inc.'s strategic direction
- (e) Review and advise the Board on the status and adequacy of Vestcor Inc.'s efforts to develop and maintain effective relationships with governments, especially as regards legislative and regulatory matters

2.12 Risk Management

The Governance Committee provides oversight of the Corporation's risk management systems relating to the identification, evaluation, management and monitoring of risks relating to:

- (a) the leadership, effectiveness and integrity of the Board of Vestcor Inc.
- (b) the reputation and public image of Vestcor Inc., including review of the Communications Teams' media scan reports

2.13 Governance Committee Objectives

- (a) Annually in March, review the Governance Committee's accomplishments for the prior year;
- (b) Annually in November, formulate annual objectives, that align with Vestcor's Strategic Plan, for the Governance Committee upcoming year; and

Regularly review progress against annual objectives.

2.14 Other

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

The Governance Committee may retain consultants to provide advice regarding governance issues at Vestcor Inc.'s expense.

The Committee shall annually review and assess the adequacy of its mandate in relation to evolving best practices and quarterly, through a review of meeting evaluation survey results, and evaluate its effectiveness in fulfilling its mandate.

3. Committee Membership

The Governance Committee shall be composed of not fewer than three Directors. All committee members shall be independent of Management of Vestcor Inc.

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

A quorum for the transaction of business at a meeting of the Governance Committee will be a majority of Directors appointed to the Committee. The Committee Chairperson 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 Governance Committee may be removed and replaced at any time at the pleasure of the Board.

The Board Chairperson shall serve as an ex-officio member of the Governance Committee and will have the right to vote.

Directors who are not members of the Governance Committee may attend committee meetings but will not have the right to vote on matters requiring decisions.

4. Committee Meetings

The Governance Committee shall meet at least quarterly, with additional meetings at the discretion of the Committee Chairperson or at the request of a majority of the Committee members.

5. Accountability

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