

Guidelines for the Nomination of New Directors

1. Introduction and Purpose

The *Vestcor Act* describes the Board of Directors of the Vestcor Inc.¹ (Board) as follows:

Board of Directors

The management and control of Vestcor Inc. is vested in the Board of Directors and the Board of Directors may, subject to this Act, the by-laws and any Members Agreement, exercise all of the powers of Vestcor Inc. (s. 41 & 73).

A person who is a director of Vestcor Corp. is not eligible to hold office as a director of Vestcor Inc. (s. 42 & 74).

The Board of Directors 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 (s. 43 & 75).

The Board of Directors consists of such number of directors being not fewer than six appointed by Vestcor Corp (s. 44 & 76).

Term of Directors

Each director shall hold office for a term of up to three years and may be reappointed at the discretion of Vestcor Corp [s. 45(1) & 77(1)].

A director of Vestcor Inc. may be removed by Vestcor Corp [s. 45(2) & 77(2)].

Notwithstanding subsection (1) but subject to subsection (2), a director remains in office until the director resigns, is reappointed or replaced [s. 45(3) & 77(3)].

These guidelines are intended to provide a framework for Vestcor Inc.'s role in the nomination of new Directors. The framework also includes consultation guidelines with our shareholder Vestcor Corp., to ensure they are adequately informed about the approach taken and provided with the opportunity to provide any input or feedback in line with shareholder Director nomination involvement best practices.

The goal of Vestcor Inc.'s Board nomination process is to promote the appointment of highly qualified Directors with a diverse range of knowledge, experience, and expertise related to aspects of the Board's key governance responsibilities. In addition, recognizing that one of the main pillars of good corporate governance is the independence of the Board, Vestcor has developed a separate Director Independence Policy.

¹ Vestcor Inc. was created through an amalgamation process on January 1, 2018 and therefore replaces the entities Vestcor Services and Vestcor Investments which are referenced in the original *Vestcor Act*.

2. The Nominations Process

The Secretary to the Vestcor Inc. Board of Directors will develop and maintain a register of Directors, their respective terms on the Board, their specific identified competencies, and any applicable diversity attributes. This information will be reviewed by the Governance Committee at least annually (at a time in the year that is ideally 11-12 months but at minimum 90 days prior to the end of Directors' terms).

The Governance Committee will identify the number and timing of upcoming vacancies on the Board and subsequently form an Ad-Hoc Nominating Committee composed of Directors whose terms are not part of the upcoming vacancies, to coordinate Vestcor Inc.'s involvement in the appointment process.

The Ad-Hoc Nominating Committee will typically be led by the Chairperson of the Vestcor Inc. Governance Committee; however, in cases where the Governance Committee Chairperson's term is part of the upcoming vacancies, the Board Chairperson will name a Director to lead the nominations process.

The Governance Committee will also review the Board Member Roles and Responsibilities, including the preferred selection criteria for Directors (Appendix A of these guidelines) to ensure their ongoing relevance to the Board.

The Governance Committee will evaluate the current composition and skills of "remaining Board Members" against the preferred criteria using a "Competency Matrix" (Appendix B). This exercise will help the Ad-hoc Nominating Committee identify potential gaps in knowledge, experience, expertise, and diversity that could usefully be filled by new appointments to the Board. Vestcor Inc. believes that having a diverse Board of Directors, who fulfill our preferred selection criteria, enhances Board operations and leads to better governance.

The Ad-hoc Nominating Committee will share this information with the Board and will draft a letter to the Co-Chairs of Vestcor Corp. advising them of the number, timing, and skills gaps of upcoming vacancies on the Board. The letter will provide notice of the upcoming term expiration(s), a copy of the updated Competency Matrix, and an outline of the Ad-hoc Nominating Committee's perspective with respect to the process. The letter will invite the Vestcor Corp. Co-Chairs (or their representative) to provide any specific input in writing and/or in person, including the names and resumes of any potential candidate nominees for consideration in the Ad-hoc Nominating Committee process.

The Ad-hoc Nominating Committee will then prepare a draft preferred candidate profile(s) and a recruitment strategy for review and discussion by the Board. Once finalized, the preferred candidate profile(s) will be utilized with respect to any publication / distribution recruitment strategy requirements. The Ad-Hoc Nominating Committee will coordinate with the Board regarding the applicable candidate review and recommendation process, and provide a formal final appointment(s) recommendation to the Vestcor Corp. Board for approval, conditional on the candidate completing the registration process for Permitted Individuals under securities regulations.

Once approved, the candidate will be asked to complete the Form 33-109F4 requirements and sign a Consent for Conviction Record Check so that registration can be submitted to the FCNB by Vestcor. Failure to successfully register as a Permitted Individual will terminate the appointment and a new candidate will be recommended for approval.

The Board Chairperson or a delegated Director, will coordinate any advice or questions regarding potential appointments that may be received from the Vestcor Corp. Board.

3. Director Diversity

The Vestcor Director appointment and reappointment process is based on the principles of merit, openness, transparency, and the diversity of our stakeholders. We believe inclusive groups make better decisions and help remove bias from decision-making, support better overall strategic plans, and result in more informed strategic decisions.

In assessing Director candidates and selecting nominees for the Board, Vestcor will consider their diversity of skills, experience, gender, geographic background, age, language, and ethnicity. Vestcor also believes that it is our responsibility to provide opportunity to historically underrepresented groups and encourage candidates to confidentially self-identify as being a visible minority, a person with a disability, Indigenous, or 2SLGBTQI+, to name a few.

Appendix A – Board Member Roles and Responsibilities and Preferred Selection Criteria

The appointment and tenure of Board Member is specified in the *Vestcor Act*:

- ▶ Vestcor Inc. Board members hold office for a term of up to three years and, upon expiration, may be reappointed at the discretion of the Vestcor Corp. [s.45(1) & 77(1)].
- ▶ A director of Vestcor Inc. may be removed by Vestcor Corp. [s. 45(2) & 77(2)].
- ▶ Notwithstanding subsection (1) of the *Act* but subject to subsection (2) of the *Act*, a Director remains in office until the Director resigns, is reappointed or replaced [s. 45(3) & 77(3)].
- ▶ The Vestcor Inc. Board makes a recommendation to the Vestcor Corp. Board for new appointments, reappointments, and removal, as the case may be, of Vestcor Inc. Board members. Vestcor Inc. has established a process, under the mandate of the Governance Committee, to search for, evaluate, and recommend the appointment of new Directors to its Board.

Board Members must fulfill specific core legal responsibilities. The following duties are adopted across many organizations, arise out of common law requirements of corporate Directors in Canada, and are expected of the Vestcor Inc. Directors:

- ▶ Duty of Care – Directors are required to act carefully on an informed basis, exhibiting the diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- ▶ Duty of Loyalty - Directors are required to act honestly and in good faith with a view to the best interests of the corporation (i.e., fiduciary duty).
- ▶ Duty to Supervise – Directors provide oversight of management in the conduct of the business and affairs of the corporation.

Accountability

- ▶ The Board of Directors owes its duties to the corporation. In determining how to discharge these duties, Directors should consider the interests of its shareholder, clients, plan members, and other stakeholders. Directors are accountable for Vestcor Inc.'s performance in relation to its corporate purpose, mission, and strategic objectives, for upholding its values, and for the effective stewardship of financial and human resources.

Authority

- ▶ Individual Board Members have no individual authority to approve actions of the company, to direct management, or to speak on behalf of the company, unless given such authority by the Board.

Time Commitment

- ▶ There are six regularly scheduled Board meetings per year, normally requiring in-person attendance in Fredericton. Documents are delivered electronically approximately one week in advance and are expected to be read in advance, with questions and discussion points prepared to be shared at the meetings.

- ▶ An annual Board education day, strategic planning session, and other special ad-hoc meetings may also be held.
- ▶ Typically, each Board Member also serves on at least one standing committee. Committees each meet prior to regular Board meetings, and relevant materials are similarly delivered one week in advance of meetings.

Specific Role & Responsibilities

- ▶ Board Members individually bring their broad knowledge, specific competencies, and an inclusive perspective to the Board's task of informed and collective decision-making
- ▶ Exercise independent business judgment and act in the best interests of the corporation and the Pooled Investment Funds offered by Vestcor to its clients (versus bringing individual viewpoints)
- ▶ Acquire and demonstrate knowledge of the company, the investment and/or pension administration industry and the risks and opportunities presented by the global landscape and the broader economic environment at a strategic level
- ▶ Devote sufficient time and be prepared and available to attend Board meetings, educational sessions, and typically serve on at least one committee of the Board
- ▶ Listen to others' views, advocate their own, identify common interests and alternatives, and be open to compromise to assist the Board in reaching its decisions and support these decisions once made collectively
- ▶ Actively engage in the work of the Board while maintaining a strategic perspective/orientation (vs. detail/micro-orientation) and with a balance between exercising both oversight and foresight. The Board's collective responsibilities for governance of Vestcor are outlined in the Board Terms of Reference, which are maintained in the Board Governance Manual available to all Directors.
- ▶ Abide by the by-laws, code of conduct, conflict of interest, and other policies that apply to the Board
- ▶ Participate in training and continuing education required to be an effective Director
- ▶ Maintain confidentiality of corporate information and the Board's deliberations
- ▶ Have the ability and willingness to register and maintain registration with required securities regulatory authorities
- ▶ Demonstrate prudence, discretion, and intelligence (requirements under the *Trustees Act*)

Board Member Personal Attributes

- ▶ A high standard of personal values and ethics
- ▶ Appreciation of public policy considerations in the environment in which Vestcor operates
- ▶ Ability to effectively communicate and use current electronic communication forms
- ▶ Ability and willingness to raise potentially controversial issues in a manner that encourages dialogue
- ▶ Ability to be flexible, responsive, and willing to consider others' diverse opinions and backgrounds
- ▶ Demonstration of natural curiosity and low ego
- ▶ Commitment to personal development
- ▶ A mindset consistent with value creation, growth and improvement

Removal of a Board Member

A Director may be removed from the Board, by majority vote recommending removal to the Vestcor Corp. Board, for trying to exercise authority where they have none, for not following the code of conduct or other policies that apply to the Board, or for being repeatedly absent from regularly scheduled Board meetings without notice and reasonable cause.

Competencies

The following areas of knowledge, experience, and expertise should be represented within the collective board competencies:

- Institutional investment practices
- Financial accounting
- Aptitude for statistics, mathematics, and probabilities
- Internal controls / audit and risk management processes
- Legal and regulatory
- Information technology / cybersecurity
- Human resources
- Government functioning and public policy
- Governance trends and best practices
- Leadership / management experience
- Enterprise risk management
- Pension plan management experience: administration / design / funding
- Customer service
- Strategic communications, marketing, and brand management
- Strategic planning

Appendix B – Competency Matrix – Vestcor Inc.

COMPETENCY	Desired #	D1	D2	D3	D4	D5	Current #
Personal Attributes							
A high standard of personal values and ethics							
Appreciation of public policy considerations in the environment in which Vestcor operates							
Ability to effectively communicate and use current electronic communication forms							
Ability and willingness to raise potentially controversial issues in a manner that encourages dialogue							
Ability to be flexible, responsive and willing to consider others' diverse opinions and backgrounds							
Demonstration of natural curiosity and low ego							
Commitment to personal development							
A mindset consistent with value creation, growth and improvement							

Knowledge, Experience or Expertise	Desired #	D1	D2	D3	D4	D5	Current #
Institutional investment practices							
Financial accounting							
Aptitude for statistics, mathematics, and probabilities							
Internal controls/audit and risk management processes							
Legal and regulatory							
Information technology / Cybersecurity							
Human resources							
Government functioning and public policy							
Governance trends and best practices							
Leadership/ management experience							
Enterprise risk management							
Pension plan management experience: administration / design / funding							
Customer service							
Strategic Communications, marketing and brand management							
Strategic planning							
Other:							
Diversity							