

Terms of Reference – Human Resources and Compensation Committee

1. Introduction and Purpose

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 Board shall appoint persons to be the President and Chief Executive Officer (“CEO”) and the Secretary of the Corporation (s. 8.1)
- 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) Complete a Performance Evaluation Process for the CEO for review and approval by the Board annually at its initial meeting of each year.

- (b) Annually, at its initial meeting of each year, review and recommend to the Board for approval the CEO's Strategic Priorities, goals and objectives, developed by the CEO with input from the Board Chairperson and the HRCC.
- (c) Review and recommend to the Board for approval 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 recommend to the Board for approval 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 for approval:

- (a) Annually, the competitiveness of Vestcor's compensation program against annual peer / industry surveys:
 - (i) Any changes to the compensation philosophy and framework for Vestcor.
 - (ii) Any changes to the compensation ranges for all positions.
 - (iii) Any changes to the incentive compensation plans for employees, where applicable.
- (b) Conduct an Independent Compensation Review processes on an as needed basis or at least every four (4) years.
- (c) Annually, any changes to the Required Investment Performance Targets in the Vestcor Incentive Plan, where applicable.
- (d) As required, any proposed material* change to the previously approved budgeted annual salary and benefits expense.
- (e) The year-end Individual Incentive Compensation pool, where applicable, for all employees.
- (f) Material* changes to employee benefits or employee travel and expenses policies.
- (g) Directors and executive compensation disclosure in the Annual Report.

The HRCC will also receive reports from Management annually:

- (a) in advance of the annual Board budget determination process, information with respect to any realised or anticipated salary and /or benefit changes to peer businesses and / or the Atlantic Canada region;
- (b) an analysis of Vestcor's pay equity status; and
- (c) as to other changes made to employee benefits or employee travel and expense policies.

2.3 Severance

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

* 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.

2.4 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.

2.5 Organizational Structure

The HRCC will review and recommend to the Board for approval, 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 (i.e., Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Pension and Benefits Officer, Chief Compliance Officer, and Corporate Secretary).

2.6 Leadership Development and Succession

The HRCC will, annually and before the CEO's discussion of those plans with the Board, review and recommend for approval to the Board 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 recommend to the Board for approval material* changes to Human Resources Policies
- (b) receive reports from Management annually as to other changes made to Human Resources Policies
- (c) review and recommend to the Board for approval 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, through the standard Board reporting, review and discuss reports from Management providing oversight of Vestcor's risk management relating to the identification, evaluation, management and monitoring of risks relating to the organization's:

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- 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)
- corporate culture that is aligned with the Corporate Vision, Mission and Values, as demonstrated through the results of the work environment / leadership survey and compliance with the Code of Ethics.

2.10 Annual Committee Objectives

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

Regularly review progress against annual objectives.

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 quarterly, through a review of meeting evaluation survey results, 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 Chairperson's recommendation, appoint a Chairperson 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 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 HRCC 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 HRCC and will have the right to vote.

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 (3) times a year, with additional meetings at the discretion of the Committee Chairperson 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 subsequent Board's meeting package.