

## TERMS OF REFERENCE FOR THE GOVERNANCE AND COMPENSATION COMMITTEE

### I. PURPOSE

- A. Corporate governance means the process and structure used to supervise the business and affairs of the Corporation with the objective of enhancing shareholder value, which includes insuring the financial viability of the business. The process and structure define the division of power and establish mechanisms for achieving accountability among shareholders, the Board of directors and management.
- B. The main purposes of the Governance and Compensation Committee (the "**Committee**") are:
  - i) to provide a focus on governance that will enhance the Corporation's performance, to assess and makes recommendations regarding Board effectiveness and to establish and lead the process for identifying, recruiting, appointing, re-appointing and providing ongoing development for directors; and
  - ii) to assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management.

### II. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of not fewer than two directors and not more than five directors, all of whom are independent<sup>1</sup> directors.
- B. The Committee shall operate in a manner that is consistent with the Committee Guidelines outlined in Tab 7 of the Board Manual.
- C. The Committee shall meet at least two times per year, provided that at least one of the meetings shall be scheduled to review the corporate governance disclosure and compensation discussion and analysis required to be included in the management information circular pursuant to applicable securities laws.
- D. In the event of a tie vote between the members of the Committee, the Committee Chair shall have a casting vote.

### III. GOVERNANCE DUTIES AND RESPONSIBILITIES THE COMMITTEE HAS THE RESPONSIBILITY TO:

- A. Review the Corporation's structures and procedures to ensure the Board is able to, and in fact does, function independently of management.
- B. Review periodically, for Board approval, a Board Manual outlining the policies and procedures by which the Board will operate and the terms of reference for the Board, the Board Chair, the CEO, a director and Committees.

---

<sup>1</sup> Independence requirements are described in the Appendix to Tab 5, Board Operating Guidelines.

**TERMS OF REFERENCE FOR THE  
GOVERNANCE AND COMPENSATION COMMITTEE**

- C. Assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings and make recommendations to the Board as required.
- D. In consultation with the Board Chair and the President and Chief Executive Officer (the "CEO"), recommend committee members and committee chair appointments to the Board for approval and review the need for, and the performance and suitability of, those committees and make recommendations as required.
- E. At least annually, review and consider the Board's current and long term composition by taking into account:
  - i) the size of the Board;
  - ii) the particular competencies and skills ideal for the Board, including requirements to staff certain Board committees;
  - iii) the competencies and skills each existing director possesses; and
  - iv) personality and other qualities of each director, as these qualities may determine and contribute to the boardroom dynamic.
- F. In consultation with the Board Chair and the CEO, the Committee shall recommend to the Board nominees for election as members of the Corporation's Board and its subsidiaries, keeping in mind the competencies and skills each new nominee will bring to the Board.
- G. Review, monitor and make recommendations regarding the orientation and ongoing development of directors.
- H. Annually review the directors' compensation program and make any recommendations to the Board for approval.
- I. Implement evaluations of the Board, the Board Chair, Board committees and individual directors as outlined in Tab 6, Board Evaluation Process.
- J. Ensure there is a system in place that enables a committee or director to engage separate independent counsel, in appropriate circumstances at the Corporation's expense, after first notifying the Chairman of the Board, and be responsible for the ongoing administration of such a system.
- K. Oversee the Corporation's Code of Business Conduct (the "**Code**"), including:
  - i) Periodically review the Code and recommend any necessary revisions to the Board;

**TERMS OF REFERENCE FOR THE  
GOVERNANCE AND COMPENSATION COMMITTEE**

- ii) Ensure a system to monitor compliance with the Code is in place and receive reports on that system; and
  - iii) Lead the Board in considering any explicit or implicit waivers of the Code, and ensure any waivers that are approved by the Board are reported to meet regulatory requirements.
- L. Regularly review the corporate governance practices of the Corporation, and, if appropriate, recommend changes to the Board.
- M. Appoint the Disclosure Committee in accordance with the Terms of Reference for the Disclosure Committee contained in Tab 11 of the Board Manual, and oversee the operation of the Disclosure Committee.
- N. Ensure that the Corporation's governance disclosure material is accurate and meets or exceeds all regulatory guidelines, including but not limited to:
- i) Confirm that the Board has approved a position description for the CEO that is used in assessing the performance of the CEO;
  - ii) Independence of the Board and its committees;
  - iii) Establishment of all required and recommended Board committees; and
  - iv) Description of Board, committee and individual director evaluation process.
- O. Ensure that all documents that are required to be publicly disclosed are available on the corporate web site, or filed on SEDAR.
- P. Recommend to the Board any reports on corporate governance that may be required or considered advisable.
- Q. At the request of the Board, undertake such other corporate governance initiatives as may be necessary or desirable to contribute to the success of the Corporation.

**IV. COMPENSATION DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Committee will:

- A. Review and recommend for Board approval, corporate goals and objectives for the CEO to be considered in determining his or her compensation and performance evaluation.
- B. Recommend a performance evaluation process for the CEO and, when approved, lead the implementation of the process.
- C. Review and recommend the compensation philosophy, guidelines and plans for the Corporation's employees and executives.

**TERMS OF REFERENCE FOR THE  
GOVERNANCE AND COMPENSATION COMMITTEE**

- D. Review and consider the risk implications of the Corporation's compensation policies and practices.
  - E. In consultation with the CEO, review the appointment and approve the compensation, including incentives and bonuses and benefit plans for the executive team including the CEO.
  - F. In consultation with the CEO, review all other compensation principles or policy matters including the annual budget for base salaries and bonuses, long-term incentives such as stock option plans and other benefits.
  - G. Review with the CEO existing management resources and plans, including recruitment and training programs, to ensure that qualified personnel will be available for succession to executive positions and report on this matter to the Board at least once each year.
  - H. Review and endorse major changes in the organizational structure of management as proposed by the CEO.
  - I. Review and recommend to the Board for approval, the statement of executive compensation required by applicable regulatory laws.
  - J. Review with the CEO any significant public service commitments and/or outside Board appointments being considered by the CEO.
- V. ACCOUNTABILITY**
- A. The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on governance and compensation matters relative to the Corporation.
  - B. The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.