

## **HUMAN RESOURCES AND COMPENSATION COMMITTEE TERMS OF REFERENCE**

### **1. CREATION**

There shall be a committee, to be known as the Human Resources and Compensation Committee (the "Committee"), of the Board of Directors of the Bank of Canada.

### **2. MEMBERSHIP**

The Committee shall be comprised of not less than three (3) directors (the "members") appointed under Section 9 of the *Bank of Canada Act*.

The Chair of the Committee shall be designated by the Board from among the members. The Board may remove or replace any member at any time. A member shall hold office until the Board member resigns, is replaced or removed or ceases to be a director, whichever first occurs.

The Governor, Senior Deputy Governor and Lead Director shall receive notice of, and shall be entitled to attend, meetings of the Committee, provided that the Committee may meet in camera at its discretion. The Governor and Senior Deputy Governor shall be excused from meetings during discussions of their compensation.

All decisions of the Board regarding membership and Chair of this Committee, contemplated in this Section, shall be made annually by the Board having regard to the recommendation of the Corporate Governance Committee.

Attendance by non-members is not ordinarily expected. All Board members will receive the meeting documentation.

### **3. MEETINGS**

The Committee shall convene at such times and places designated by its Chair or whenever a meeting is requested by a member. A minimum of forty-eight (48) hours written notice of each meeting shall be given to each member. Unless otherwise designated by the Chair, all meetings of the Committee shall take place at the head office of the Bank.

The Committee shall meet as often as it deems appropriate to fulfill its mandate but not less than 3 times per annum.

A quorum at a meeting shall consist of a majority of members. Members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate adequately with each other, and a member participating in such a meeting by any such means is deemed to be present at that meeting.

The Committee may, on the request of its Chair, make decisions via a consent resolution which shall be executed by all voting members of the Committee and be deemed a decision of the Committee having full effect with respect to the subject matter.

In the event of the absence of the Chair or at the request of the Chair, a meeting shall be chaired by such person as may be designated by the Chair in advance of such meeting or in the absence of such delegation, by such person as may be agreed at the meeting.

Where appropriate, individual members of the Committee may meet separately with the Bank's senior management.

The Corporate Secretary or an Assistant Secretary of the Bank shall act as Secretary to the Committee.

The minutes of the Committee meetings shall be duly entered in the books of the Bank. Such books shall remain in the custody of the Corporate Secretary of the Bank.

#### **4. DUTIES AND RESPONSIBILITIES OF THE CHAIR**

The Chair is responsible for:

- 4.1 Convening Committee meetings and designating the times and places of those meetings.
- 4.2 Ensuring Committee meetings are duly convened and that quorum is present when required.
- 4.3 Working with management on the development of agendas and related materials for the Committee meetings.
- 4.4 Ensuring Committee meetings are conducted in an efficient, effective and focused manner.
- 4.5 Ensuring the Committee has sufficient information to permit it to properly make decisions when decisions are required.
- 4.6 Providing leadership to the Committee and assisting it in reviewing and monitoring its responsibilities.
- 4.7 Reporting to the Board on the deliberations and recommendations of the Committee.
- 4.8 Monitoring compliance by the Committee of its duties and responsibilities as contained in the Committee Terms of Reference.
- 4.9 In conjunction with the Lead Director, lead the annual Governor and Senior Deputy Governor goal setting process as well as the review process, and report the results to the Board.

## 5. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

As permitted by and in accordance with the requirements of the Bank, the Committee shall:

- 5.1. Review or make recommendations to the Board in respect of:
  - (a) The human resources policies, practices and organizational structures, all of which should provide consistency with the strategic plan, support operational effectiveness and efficiency, and maximize human resources potential.
  - (b) The Bank's total compensation arrangements including but not limited to employee and retirement benefits;<sup>1</sup> annual salary range adjustments; performance pay; and review of the market comparator groups.
  - (c) Management succession planning, management/leadership development, and talent management/workforce planning strategies.
  - (d) Termination and severance policies/arrangements.
  - (e) The performance of Governing Council and Chief Operating Officer against the annually established duties and objectives.
  - (f) The remuneration, benefits and other conditions of employment of the Governor and the Senior Deputy Governor.
  - (g) Any report of the Human Resources and Compensation Committee for possible publication.
- 5.2 Receive such reports as it deems necessary from Bank management regarding matters within the Committee's purview, including those matters set out in paragraph 5.1 and an annual Senior Officer and Succession Planning Report to be tabled with the Executive Committee.
- 5.3 Consider any other matter properly referred to the Committee by the Lead Director, the Board, a director, the Governor, or the management of the Bank, for review or recommendation to the Board.
- 5.4 Assign at its discretion a specific subject for further discussion to a subcommittee of the Committee.
- 5.5 Meet separately with senior management, employees or independent advisers in respect of human resources and compensation matters, as deemed necessary by the Committee.
- 5.6 Engage at its discretion professional advisers to provide counsel on issues before the Committee; the cost of the same shall be borne by the Bank.
- 5.7 Review its terms of reference on an annual basis and recommend any changes to the Corporate Governance Committee.

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<sup>1</sup> Any amendments to the Pension Plan and the Supplementary Pension Arrangement that are required by applicable legislation or to give effect to pension benefits would be reviewed and recommended to the Board by the Pension Committee.

**6. COMMITTEE TIMETABLE**

The major activities of the Committee will be outlined in an annual work plan.

APPROVED BY RESOLUTION OF THE BOARD AT ITS MEETING ON 10 DECEMBER 2015.