

PAYMENTS CANADA
GOVERNANCE AND NOMINATING COMMITTEE
TERMS OF REFERENCE

1. DUTIES AND RESPONSIBILITIES

The Governance and Nominating Committee (the “Committee”) is a standing committee of the Payments Canada Board of directors (the “Board”), which will generally assist the Board in developing and monitoring Payments Canada’s approach to its own governance, including the nomination of directors for election to the Board.

The Committee is responsible for assisting the Board in fulfilling its responsibilities in relation to:

- (i) Establishing the overall approach to governance;
- (ii) Establishing and monitoring compliance with the Code of Conduct;
- (iii) Overseeing Board composition, nomination and qualifications of directors, and Board succession planning;
- (iv) Overseeing Board orientation and continuing education for directors;
- (v) Establishing and monitoring the effectiveness of Board committees and councils;
- (vi) Establishing directors and officers liability insurance and related indemnification proposals; and
- (vii) Carrying out any additional matters delegated to the Committee by the Board.

The Committee will carry out and report to the Board regarding the following responsibilities:

(a) Approach to Governance

The Committee will:

- (i) Establish and oversee the annual assessment of the performance and effectiveness of the Board, the Board Chair, individual directors, Board committees, and Board committee chairs; and make recommendations to the Board concerning Board and committee structure, composition, and governance practices that may be considered advisable from the results of these assessments;
- (ii) Annually review and make recommendations to the Board concerning amendments (if any) to the following:

- (1) Board and advisory committee terms of reference;
 - (2) Governance related Board policies, practices and guidelines;
 - (3) Overall organizational framework, including roles and responsibilities of the Board, Board Chair, President and Chief Executive Officer, executive team and advisory committees to the Board; and
 - (4) Authority delegated to the President and Chief Executive Officer and to management;
- (iii) Satisfy itself that the executive team has implemented adequate procedures for monitoring compliance with applicable statutory and regulatory requirements; and
- (iv) Recommend to the Board governance practices that will assist the Board in effectively and efficiently carrying out its duties and responsibilities.

(b) Code of Conduct and Standards of Behaviour

The Committee will:

- (i) Encourage the executive team to demonstrate a strong commitment to integrity and evaluate whether the executive team demonstrates integrity in its actions and its interactions with the Board, members, stakeholders and employees;
- (ii) Annually review and make recommendations to the Board concerning amendments (if any) to the Code of Conduct, and satisfy itself that the Code adequately addresses, among other things, conflicts of interest, confidentiality, and professional conduct;
- (iii) Monitor the implementation of procedures set out in the Code of Conduct for the identification and resolution of actual and potential conflicts of interest, and annually receive and review directors' confirmations as to their compliance with such procedures; and
- (iv) Consider and, if appropriate, approve requests for exceptions from certain requirements of the Code of Conduct for directors and officers and promptly disclose such exceptions to the Board.

The chair of the Committee will provide guidance to directors and officers on the acceptance of gifts and benefits, and other aspects of the Code of Conduct, as may be requested.

(c) Nomination and Director Qualifications and Succession Planning

The Committee will:

- (i) Annually review for effectiveness and make recommendations to the Board concerning director qualification and nomination-related policies of the Board;
- (ii) Develop, monitor, and make recommendations to the Board concerning the Board succession planning process;
- (iii) Make recommendations to the Board concerning Board composition and recruiting (including the filling of vacancies), taking into account the competencies of current directors and the competencies required by the Board to effectively fulfill its mandate; and
- (iv) Establish criteria for the qualification and nomination of directors designed to identify highly skilled candidates who meet the competencies required by Payments Canada and its Board, which comply with the requirements set out in the *Canadian Payments Act*, the *Election of Director Regulations*, and Payments Canada's by-laws.

(d) Orientation and Continuing Education

The Committee will establish guidance for the orientation and continuing education of directors, monitor the effectiveness of director orientation and education activities, and satisfy itself that directors are sufficiently informed about Payments Canada and their obligations as directors to properly carry out their duties.

(e) Board Committees

The Committee will:

- (i) Examine the size, composition and structure of Board committees from time to time and recommend to the Board any changes that would facilitate effective decision making;
- (ii) Evaluate from time to time whether the necessary and appropriate committees exist to support the work of the Board; and make recommendations to the Board for the reorganization of responsibilities among committees, the creation of additional committees or subcommittees, or the elimination of committees;
- (iii) Recommend to the Board those directors it considers qualified for appointment to each committee of the Board and to the role of chair of each committee, including the filling of vacancies on a committee; and
- (iv) Annually review, amend and recommend to the Board for approval the terms of

reference for the committees of the Board.

(f) Advisory Councils

The Committee will:

- (i) Recommend to the Board individuals for appointment to the Member Advisory Council (MAC) and the Stakeholder Advisory Council (SAC), in accordance with the *Canadian Payments Act* and regulations, and Payments Canada's by-laws;
- (ii) Satisfy itself that the Board and the Payments Canada executive team establish and maintain a collaborative and productive relationship with the MAC and SAC, and that the process for engaging the MAC and SAC fosters their meaningful advice to the Board on matters of strategic importance to Payments Canada;
- (iii) Annually review and recommend to the Board changes (if any) to the terms of reference of the MAC and SAC; and
- (iv) Establish such other advisory councils from time to time as deemed appropriate to assist the Board with its duties and responsibilities.

(g) Directors and Officers Insurance

The Committee will annually review and recommend to the Board the directors and officers insurance program for the coming year, including any proposed changes to the program design, coverage amounts and indemnification obligations of the corporation.

2. MEMBERSHIP

(a) Chairperson

The Board will appoint one member who is qualified to be chair of the Committee, to serve until the next annual election of directors or otherwise until his or her successor is duly appointed. If, following the election of directors, in any year, the Board does not appoint a chair of the Committee, the incumbent chair of the Committee will continue in office until a successor is appointed. In the event the chair is unable to act as chair at any meeting of the Committee, the members of the Committee present at the meeting will elect an acting chair of the meeting from their number on a majority basis.

(b) Composition

The Committee membership will be the following, as selected by the Board: at least 3 independent directors (other than Board Chair) as referred to in paragraph 8(1)(d) of the *Canadian Payments Act*; and 2 member directors. Members of the Committee should have

corporate governance expertise. The Board Chair is an *ex officio* non-voting member of the Committee.

(c) Non-Member Attendance

The President and Chief Executive Officer will be invited to attend the open portion of all Committee meetings, and may be invited to *in camera* portions of meetings on the invitation of the Committee chair. Other members of the Board may attend Committee meetings, with notification to the Committee chair and Corporate Secretary. The Committee may, at its discretion, invite non-Committee members to attend all or part of any meeting.

(d) Removal and Vacancies

Any member of the Committee may be removed and replaced at any time by the Board. The Board will fill vacancies in the Committee as soon as it is reasonably practical to do so among the members of the Board eligible to fill the vacancy. If and whenever a vacancy exists in the Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

(e) Term

Each member of the Committee will hold office until the earlier of:

- (i) The next annual meeting;
- (ii) The date the member ceases to be a director; or
- (iii) The date the director is removed from the Committee in accordance with subsection 2(d), above.

3. MEETINGS

(a) Scheduling and Calling of Meetings

Generally, Committee meetings will be scheduled to coincide with regularly scheduled Board meetings throughout the year, in the same location as the Board meeting. The chair of the Committee, or any 2 of its members, may call additional meetings of the Committee to address any matter of importance to the Committee that cannot be addressed during regularly scheduled meetings by providing 7 days notice to all members of the Committee and to Payments Canada. Committee meetings may be held at any place in Canada. With permission of the Committee chair, on an exceptional basis, meetings may be held and members may attend meetings by electronic/telephonic means.

(b) Meeting without Notice

When required, the Committee may hold a meeting without notice if all members of the Committee agree to waive notice.

(c) Secretary

The Corporate Secretary of Payments Canada will, subject to any contrary direction of the Committee, act as secretary of the Committee.

(d) Quorum

A quorum at any meeting will be a simple majority of committee members, calculated using the number of committee members appointed at the most recent board organizational meeting.

(e) Voting

At all meetings of the Committee, every question put to a vote will be decided by a majority of the votes cast on the question. In case of a tie, the chair of the Committee will not have a second vote.

(f) *In Camera* Meetings

At every meeting, the Committee will hold *in camera* meetings with the President and CEO, and without representatives of Payments Canada present, to discuss any matter.

(g) Reporting

The Committee will report regularly to the Board on all significant matters it has addressed. The Committee will circulate minutes of its meetings to all directors in a timely fashion. Minutes circulated to non-committee members may be redacted as required to address sensitive, confidential or personnel matters not reasonably required to be known (in writing) by the other directors.

(h) External Advisors

With approval of the Board, the Committee may retain such advisors, consultants and other experts as are reasonably required to assist the Committee in fulfilling its duties.

4. WORK PLAN

Annually the Committee shall establish a work plan for the coming year that sets out the major tasks of the Committee for each of its planned meetings, for review and approval by the Board.

5. ASSESSMENT

At least annually, the Committee will assess its effectiveness in fulfilling its responsibilities and duties as set out in these Terms of Reference.

6. OVERSIGHT OF POLICIES

The Committee is responsible for overseeing and recommending changes to the Board in respect of the following policies:

- (i) Code of Conduct
- (ii) Delegation of Authority
- (iii) Guideline on Board Assessments
- (iv) Guideline on Director Education
- (v) Guideline on Director Qualification and Nominations
- (vi) Guideline on Member Advisory Council Nominee Qualifications
- (vii) Organizational Framework
- (viii) Privacy Policy
- (ix) Such other policies and guidelines as the Committee may establish from time to time.

7. REVIEW

Annually the Committee will review these Terms of Reference to assess whether they accurately describe the duties and responsibilities of the Committee, and shall either confirm or recommend changes to the Terms of Reference to the Board.

REVISION HISTORY:

Approved: February 9, 2011

Revised: March 29, 2012

December 5, 2013

March 19, 2014

December 3, 2015

May 19, 2016 and updated in June 2016 with new brand

December 1, 2016

February 23, 2017