
GOVERNANCE/NOMINATING COMMITTEE CHARTER

1. Purpose

A Governance/Nominating Committee ("**Committee**"), of the Board of Directors ("**Board**") of the Business Development Bank of Canada ("**BDC**") is established to assist the Board with the governance of the Board and its Committees, the process for the appointment and performance evaluation of directors, oversight of the Corporate Governance Framework of the Bank and oversight of corporate social responsibility.

2. Composition and Operation of the Governance/Nominating Committee

2.1 Composition of the Committee

The Committee shall be composed of the Chairpersons of all Committees and the Board ("Members"), as the Board may appoint, one of whom shall be appointed by the Board as Chairperson of the Committee ("**Chairperson**"). If the position of Chairperson is vacant or if the Chairperson is absent or unable to act, the Chairperson of the Board may designate or the Committee may elect an acting Chairperson for the meeting. Each Member of the Committee shall hold office on the Committee until such time as a successor is appointed, unless the member resigns, is removed, or ceases to be a director. All Members are independent from management.

2.2 Operation of the Committee

For the purpose of carrying out its duties or any that are referred to it by the Board, the Committee may engage legal counsel, consultants or other advisors on terms and conditions that the Committee reasonably deems appropriate (including reasonable fees);

2.3 Meetings

The Committee shall meet at the call of its Chairperson at least quarterly and may be called by any Member of the Committee or the Chairperson of the Board;

For the transaction of its business, three Members of the Committee shall constitute a quorum ("Quorum"). If a Quorum cannot be obtained, and a Chairperson of a Committee is absent, a Member of that Committee may, at the request of the Committee Chairperson, serve as a Committee Member for that meeting;

Matters presented to the Committee for decision at any meeting shall be decided by a majority of votes. In the case of an equality of votes at a meeting of the Committee, the Chairperson shall, in addition to the Chairperson's original vote, have a deciding vote;

BDC's Corporate Secretary, or in his or her absence the Assistant Corporate Secretary, shall be Secretary to the Committee ("**Secretary**");

The Secretary shall give notice of Committee meetings to Committee Members and the Chairperson of the Board;

Minutes of Committee meetings shall be prepared by the Secretary, who shall, subsequent to Committee's approval, keep them in a book of minutes.

The President and CEO ("CEO") may attend Committee meetings and, upon the Committee's request, any other officer or employee of BDC or any special advisor may attend Committee meetings to assist and advise the Committee as required;

The Committee shall regularly hold in camera sessions with Committee Members only, with the CEO, and, as needed, with members of management or special advisors;

The Committee shall report to the Board on its activities, findings and recommendations at the first meeting of the Board following each Committee meeting.

2.4 Governance of the Committee

The Committee shall annually:

- 2.4.1 outline a schedule of activities and the annual agenda for its meetings. The Committee shall confirm that all responsibilities outlined in this Charter and the annual agenda have been carried out. Any other matters that arise from time to time will be added to the agenda on an *ad hoc* basis;
- 2.4.2 assess its performance against this Charter and provide the results and make recommendations to the Board;
- 2.4.3 assess this Charter to ensure that it reflects best practices and is relevant to BDC's business and make recommendations to the Board with respect to any proposed modifications.

3. Responsibilities and Duties of the Governance/Nominating Committee

3.1 Corporate Governance

The Committee shall:

- 3.1.1. assist the Board in fulfilling its corporate governance oversight, foresight and insight responsibilities and assess risk associated with its corporate governance framework, in particular reputational risk, and review:
 - governance best practices and regulatory developments related to governance in Canada to ensure that high standards of corporate governance, ethical business conduct and a culture of integrity are maintained, taking into account Treasury Board requirements, and recommend to the Board appropriate changes to enhance the effectiveness of BDC's governance framework;
 - the effectiveness of BDC's Corporate Governance and Policies that govern the operation and conduct of the Board, in particular the Board Code of Conduct, and recommend approval or changes thereto to the Board, as necessary, but at least every two years;

- the length of Members' mandates in order to ensure the Board's effectiveness, succession planning and the successful transition of Members;
- the processes designed to ensure the diversity of the Board with respect to gender, geography, age and other cultural criteria identified in the Board Profile;
- the communication process, exchange of information and reporting between the Board and management;
- the number and content of meetings; and
- the quality and adequacy of the material and resources provided to Members generally and with respect to meetings of Board and its Committees.

3.1.2. review the relationship between management and the Board and make recommendations with respect to such relationship where and when it is considered appropriate to encourage an alignment of purpose, vision and strategy between management and the Members;

3.1.3. ensure the Board functions independently;

3.1.4. solicit the views of individual Board members and receive and consider concerns from each of them regarding the functioning of the Board and any of its Committees;

3.1.5. review BDC's corporate governance framework and recommend to the Board its public disclosure, including in BDC's annual report;

3.1.6. review and make recommendations when appropriate with respect to indemnification in favor of the Members and Officers of BDC;

3.1.7. report the proceedings of each meeting and all recommendations made by the Committee at the Board's next meeting;

3.2 Compliance with Board Policies

The Committee shall assess annually the Board and its Committees' compliance with respect to corporate governance policies. In particular, the Committee shall ensure procedures are in place to manage and review the identification and resolution of potential conflicts of interest of members and for restricting the use of confidential information in compliance with paragraph 2.3 of the Board Code of Conduct and sections 31-33 of the BDC Act, including managing transactions with entities that have a relationship with an officer or director of the Bank to ensure appropriate approval and disclosure in the Annual Report.

3.3 Board Governance

The Committee shall review and update on a regular basis the Board Profile and its Committees' Charters, mandates, structure, composition and membership and

recommend changes as necessary to reflect best practices in their respective areas of responsibility and:

- 3.3.1. define practices for in camera meetings;
- 3.3.2. develop and review the mandate of the Chairperson of the Board;
- 3.3.3. develop selection criteria for the President and CEO position description in consultation with the Chairperson and the Minister of Small Business and Export Promotion, and to make them available to the public; to advise the Minister on selection criteria for the Chairperson of the Board, as well as the competency profile and future needs for Members; and to review and approve annually the Board Profile and the required competencies, skills and experience sought for the Board, for now and in the future, given the strategy, opportunities and risks of the BDC;
- 3.3.4. recommend to the Board, for the Minister's consideration, profiles and/or names of candidates for the roles of Chairperson of the Board, the President and CEO and the Members;
- 3.3.5. recommend to the Board, for the Minister's consideration, reappointment of the President and CEO, Members and the Chairperson of the Board; and
- 3.3.6. recommend to the Board the retention of an executive search firm to identify candidates for the positions of Chairperson of the Board, President and CEO, or Members.

3.4 Board Evaluation, Orientation and Training

The Committee shall develop processes to assess the performance and effectiveness of the Board from time to time, however no less than once every two years, for:

- 3.4.1. the Committees of the Board, including a self-assessment to evaluate the performance of each Committee and a management evaluation, from time to time however no less than once every three years;
- 3.4.2. the Chairperson of the Board and the Chairperson of each Committee of the Board, occasionally, as required; and
- 3.4.3. individual Members (through both peer review and/or Member interview processes) occasionally, as required.

A report on the general results of the assessments of the Board and Committees will be submitted to the Board for its review. The Chairperson will communicate with the Members on their individual assessment.

The Committee shall ensure that a comprehensive orientation program for Members is in place including continuing education programs for each Director.

3.5 Corporate Social Responsibility

The Committee shall review:

- 3.5.1. the Bank's corporate social responsibility strategy and reporting, including

reports on the Bank's approach to conducting its business in an ethical, socially responsible and environmentally conscientious manner;

3.5.2. benchmarking on the Bank's social responsibility performance and practices in accordance with high standards of corporate responsibility; and

3.5.3. trends and practices in disclosure of non-financial performance.

Appendix A, Policies Approved by the Governance/Nominating Committee

BDC Code of Conduct, Ethics and Values
Board Code of Conduct
Policy of Policies
Personal Trading for Directors Policy
Director Orientation and Continuing Education Policy
Policy on Reimbursement of Directors' Expenses
Policy on Handling of Referrals and Inquiries by Members of Parliament, Senators,
Ministers and their Staff and BDC Directors