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## CHARTER OF THE HUMAN RESOURCES COMMITTEE

### 1. Purpose

A Human Resources Committee (“**Committee**”) of the Board of Directors (“**Board**”) of the Business Development Bank of Canada (“**BDC**”) is established to oversee the management of human capital to ensure that BDC attracts and retains the talent and has the leadership needed to deliver on its mandate and business objectives.

### 2. Composition and Operation

#### 2.1 Composition of the Committee

The Committee shall be composed of a minimum of three directors (“**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 be appointed by the Board (having taken into consideration the recommendation of the Governance/Nominating Committee) to 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 Committee Members are independent from management.

Pensioners may designate a representative of the Pensioners’ Association as an observer on this Committee for those parts of the agenda that relate to BDC Pension Plan items. For pension fund investment matters, the Committee will be supported by a management pension committee.

#### 2.2 Operation of the Committee

For the purposes of carrying out its duties or any that are referred to it by the Board, the Committee may engage legal counsel, HR advisors, or advisors with specific expertise in executive compensation and pension fund investments, on terms and conditions that the Committee deems reasonably 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. The Committee will regularly hold *in camera* sessions with Committee Members only and, as needed, with the CEO, members of management or special advisors.

For the transaction of its business, three Members of the Committee shall constitute a quorum (“**Quorum**”). If a Quorum cannot be obtained, Members who qualify as Committee Members may, at the request of the Committee Chairperson, serve as Committee Members for that meeting.

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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 the 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, the CEO and the Chairperson of the Board.

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

The President and CEO ("CEO") may attend every meeting and, upon the invitation of the Committee, any member of management may attend regular meetings.

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**

The Committee shall:

- 2.4.1. annually 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. annually assess this Charter and evaluate its mandate to ensure that the Charter reflects best practices and is relevant to BDC's business and associated risks and shall make recommendations to the Governance/Nominating Committee with respect to any proposed modifications;
- 2.4.3. assess from time to time its performance against this Charter and provide the results and make recommendations to the Governance/Nominating Committee

### **3. Responsibilities and Duties**

#### **3.1 Human Resources Strategy**

The Committee shall review and recommend for Board approval the Human Resources strategy including key HR objectives, talent management practices and effectiveness, plans and workforce requirements, and monitor the implementation of same.

#### **3.2 Succession Planning for Critical and Key Positions**

The Committee shall review, comment and report annually to the Board on BDC's succession plan for all critical and key positions and review development plans, talent retention and career development for potential successors, in particular:

- 3.2.1. recommend which of the top positions below the CEO are critical with respect to succession planning for the senior officers;

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- 3.2.2. formulate and recommend the succession plan and contingency planning for the CEO; and
  - 3.2.3. request the input of the Board Risk Committee with respect to succession planning for the Chief Risk Officer (CRO) and from the Audit and Conduct Committee with respect to the Chief Audit Executive (CAE).

### **3.3 Appointments of Senior Management and Major Organizational Changes**

The Committee shall review and, if considered appropriate, recommend to the Board of Directors for approval the following:

- 3.3.1. all of the CEO's recommendations for appointment of Senior Management, the Treasurer and the Ombudsman;
- 3.3.2. all of the Board Risk Committee's recommendations for the appointment or removal of the CRO;
- 3.3.3. all of the Audit and Conduct Committee's recommendations for the appointment or removal of the CAE; and
- 3.3.4. any major organizational structure change proposed by the CEO, taking into account input from the Board Risk Committee and the Audit and Conduct Committee with respect to their areas of responsibility.

### **3.4 CEO Objectives, Performance Evaluation and Benefits**

The Committee shall, taking into account the description of the duties of the CEO as well as BDC's mandate and Corporate objectives:

- 3.4.1. recommend the CEO's performance objectives for approval by the Board of Directors;
- 3.4.2. appraise the CEO's performance ratings against such performance objectives in accordance with standards and guidelines set by the Privy Council Office and make appropriate recommendation to the Board of Directors; and
- 3.4.3. review and recommend for Board approval the annual benefits for the CEO.

### **3.5 Compensation Policies, Programs and Plans**

In relation to compensation policies, programs and plans, the Committee shall:

- 3.5.1. in consultation with the CEO, review and recommend for Board approval:
  - the Scorecard performance measures and targets, compensation strategies and any new program/plan design or material modifications to an existing design;
  - the base salary and variable pay envelopes;
  - any long-term incentive plans payments (i.e. Senior Leaders' LTIP, GT&C and VC)
  - any payments over \$2 M for other short-term incentive plans;
  - benefit policies and other human resources strategies for BDC employees;

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- 3.5.2. in consultation with the CEO, review and recommend for Board approval the annual compensation and benefits for Senior Management, taking in account input from the Audit and Conduct Committee for the CAE; and
  - 3.5.3. verify, on a regular basis, that BDC's compensation policies, programs and plans promote the achievement of BDC's objectives and the mandate of the Bank, taking into account the risks to which BDC is exposed.

### **3.6 Employee Relations and Ethics**

In relation to personnel, the Committee shall:

- 3.6.1. regularly review, recommend and monitor BDC policies which provide for the sound management of BDC's personnel, in compliance with applicable legislation;
- 3.6.2. monitor and make all necessary recommendations to the Board regarding BDC's ethical standards and ensure that management has identified a process to ensure compliance; and
- 3.6.3. assess the 'tone at the top' established by the CEO and Senior Management in terms of the example that is set with respect to integrity and ethics.

### **3.7 Risk Assessment**

The Committee shall assess the risks to which the Human Resource function is exposed, and provide its input to the Board Risk Committee, including:

- 3.7.1. employee attraction and retention;
- 3.7.2. employee engagement and performance;
- 3.7.3. succession planning and talent management; and
- 3.7.4. any other risk related to Human Capital that may arise from time to time.

### **3.8 BDC Pension Plans and Funds**

In relation to the Pension Plan and the two supplementary retirement plans (collectively "Plans") and BDC's responsibilities as an employer to fund the Plans, the Committee shall:

- 3.8.1. recommend to the Board any funding and design changes to the Plans;
- 3.8.2. ensure that a system of Plan administration is maintained;
- 3.8.3. review and recommend for approval by the Board of Directors the funding policy and principles as well as amendments made thereto from time to time;
- 3.8.4. monitor the funded status of the Plans;
- 3.8.5. recommend the selection and replacement of the Funds' auditors as required by the provisions of applicable legislation;
- 3.8.6. review and make recommendations to the Board in relation to the Funds' financial statements; and
- 3.8.7. review and recommend to the Board for approval any new or supplementary pension plans;

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In relation to the trust funds established and maintained in respect of these Plans ("Funds") and BDC's responsibilities as a trustee to manage the Funds:

- 3.8.8. recommend the selection and, if necessary, replacement of one or more trustees to serve as trustee and custodian of the assets of the Funds;
- 3.8.9. review and advise the Board on the recommendations of management with regards to the investment strategies and asset mix of the Funds delineated in the Funds' Statement of Investment Policies ("SIP");
- 3.8.10. review the Funds' actuarial valuation reports and financial statements and make recommendations to the Board on the funding of the Pension Plans;
- 3.8.11. monitor and advise the Board on all matters relating to the investment of the Funds including the performance of the Funds and the Investment Managers, including the selection and termination of Investment Managers;
- 3.8.12. review payments from the Funds and expenses submitted for payment from the Funds;
- 3.8.13. monitor the Plans' overall administration, communication to stakeholders and compliance; and
- 3.8.14. delegate to the CEO or her/his delegate the approval of non-material amendments to the Plans and the SIP.



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## Appendix A

### Human Resource Committee Policies

1. People Policy
2. Statement of Investment Policy RBOP
3. Statement of Investment Policy RFP
4. Statement of Investment Policy SRP