
GOVERNANCE AND NOMINATING COMMITTEE CHARTER

Purpose

1. A Governance and 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 BDC'S corporate governance framework and oversight of its Sustainable Development Strategy.

Composition and Operation

2. Composition of the Committee

The Committee shall be composed of the Chairpersons of all Board Committees and the Chairperson of the Board ("**Members**"), one of whom shall be appointed by the Board as Chairperson of the Committee. If the Chairperson of the Committee is absent or unable to act, the Committee may elect an Acting Chairperson for the meeting. All Members 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.

3. 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).

4. Meetings

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

Quorum

For the transaction of its business, the majority of Members of the Committee shall constitute a quorum ("**Quorum**"). A Director who fulfills the requirements to serve as a Committee Member may be requested by the Committee Chairperson to attend a meeting as a temporary Member if Quorum cannot be reached with the appointed Committee Members.

Decisions

Matters presented to the Committee for decision at any meeting shall be decided by a majority of votes.

Secretary

BDC's Corporate Secretary, or Assistant Corporate Secretary, shall act as Secretary to the Committee ("**Secretary**"). The Committee may appoint a Secretary for a meeting if the Corporate Secretary and Assistant Corporate Secretary are unavailable to attend.

Notice

The Secretary shall give notice of Committee meetings by telephone, email or other electronic communications to Members, the President and CEO and the Chairperson of the Board.

Minutes of the Meeting

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

Attendance at Meetings

The President and 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 Chief Legal Officer ("CLO") should attend meetings when legal or risk issues are being discussed, or as required.

In Camera Meetings

The Committee shall hold at each meeting *in camera* sessions with Members, the President and CEO and, as needed, with members of management or special advisors.

Reporting

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

5. Governance of the Committee

The Committee shall:

- i. review annually the annual workplan for its meetings. Any matters that arise from time to time will be added to the agenda on an *ad hoc* basis;
- ii. review at least every two years this Charter and evaluate its mandate 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; and
- iii. assess annually its contribution and effectiveness in fulfilling its mandate and provide the results and make recommendations to the Board.

Responsibilities and Duties

6. Corporate Governance

The Committee shall:

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- i. assist the Board in fulfilling its corporate governance oversight responsibilities and assess risks 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 policies that govern the operation and conduct of the Board, in particular the Board Code of Ethics and Conduct ("Board Code"), and recommend approval or changes thereto to the Board, as necessary, but at least every three years;
 - the length of Directors' mandates on Board Committees in order to promote effectiveness, succession planning and the successful transition of Directors;
 - the processes designed to promote the diversity of the Board with respect to gender, geography, age and other cultural criteria identified in the Board Profile and Skills Matrix; and
 - the communication process, exchange of information and reporting between the Board and management taking into consideration any legal requirements relating to the use of official languages.
 - ii. review the relationship between management and the Board and make recommendations with respect to said relationship where and when it is considered appropriate to encourage an alignment of purpose, vision and strategy between management and the Directors;
 - iii. ensure the Board functions independently;
 - iv. solicit the views of individual Directors and receive and consider concerns from each of them regarding the functioning of the Board and any of its Committees;
 - v. review BDC's corporate governance framework and recommend to the Board disclosures relating to BDC's corporate governance principles and practices;
 - vi. review and make recommendations when appropriate with respect to indemnification in favor of the Directors and Officers of BDC; and
 - vii. report the proceedings of each meeting and all recommendations made by the Committee at the Board's next meeting.

7. 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:

- i. protect confidential information;
- ii. identify, report and manage real, potential and apparent conflicts of interest of Directors and Officers in compliance with the Board Code and the BDC Act and ensure disclosure, if necessary, in the Annual Report; and
- iii. report any breaches to the Board Code.

In compliance with the Board Code, the Committee shall:

- i. review any breaches of the Board Code reported to the Chairperson of the Committee, conduct any investigation that is necessary and submit its findings and recommendations to the Board, including corrective and preventative measures; and
- ii. review any requests to waive the provisions of the Board Code and report on any requests and decisions rendered to the Board.

8. Board Governance

The Committee shall review and update on a regular basis the Board Profile and its Committees' Charters, structure, composition and membership and recommend changes as necessary to reflect best practices in their respective areas of responsibility and:

- i. review practices for *in camera* meetings;
- ii. review the mandate of the Chairperson of the Board;
- iii. develop selection criteria for the President and CEO position description in consultation with the Chairperson of the Board and the Minister of Small Business ("**Minister**") 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 Directors;
- iv. review and recommend for approval the Board Profile, skills matrix, specifying areas of expertise and experience that should be represented on the Board, for now and in the future, given BDC's strategy, opportunities and risks, with a focus on Diversity, Equality and Inclusion at the Board level;
- v. 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 Directors;
- vi. recommend to the Board, for the Minister's consideration, the reappointment of the President and CEO, Directors and the Chairperson of the Board;
- vii. recommend to the Board, the Directors to be appointed to the Board Committees; and
- viii. 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 Directors.

9. Board Evaluation, Orientation and Training

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

- i. the Committees of the Board, including a self-assessment to evaluate the performance of each Committee;
- ii. the Chairperson of the Board and the Chairperson of each Committee of the Board; and
- iii. individual Directors.

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 of the Board will communicate with the Directors on their individual assessment.

The Committee shall review and recommend for approval to the Board, the Director Orientation and Continuing Education Policy and ensure that a comprehensive orientation program for new Directors is in place with respect to their responsibilities, the role of the Board and its committees, BDC's business and mandate as well as the contribution Directors are expected to make.

The Committee shall oversee programs for continuing education for the Directors.

10. Sustainability Strategy

The Committee shall:

- i. oversee BDC's Sustainability Strategy and related reporting;
- ii. oversee BDC's voluntary public disclosure on Environmental, Social and Governance (ESG) matters; and
- iii. review developments and emerging issues in corporate sustainability.