

**PAYMENTS CANADA**  
**HUMAN RESOURCES AND COMPENSATION COMMITTEE**  
**TERMS OF REFERENCE**

**1. DUTIES AND RESPONSIBILITIES**

The Human Resources and Compensation Committee (the "Committee") is a standing committee of the Payments Canada Board of directors (the "Board"), which will generally assist the Board in fulfilling its responsibilities for oversight of Payments Canada human resources practices, including:

- (i) Evaluation and compensation of the President and CEO;
- (ii) Evaluation and compensation of executives and officers;
- (iii) Employee compensation and benefit plans and general human resources policies;
- (iv) Succession planning;
- (v) The registered defined contribution pension plan open to employees of Payments Canada (the "Pension Plan");
- (vi) The supplemental employee retirement plan which is closed to new members and is available only to certain retirees (the "SERP"); and
- (vii) Any additional matters delegated to the Committee by the Board.

**(a) Evaluation and Compensation of the President and CEO**

The Committee will:

- (i) Recommend to the Board the responsibilities and authority of the President and CEO and maintain a current position description for the role;
- (ii) Recommend to the Board for approval the President and CEO's annual performance goals and objectives;
- (iii) Recommend to the Board the process for evaluating the performance of the President and CEO; and

- (iv) Evaluate the President and CEO's performance in meeting the goals and objectives set and recommend to the Board for approval any annual salary adjustment and performance bonus.

**(b) Evaluation and Compensation of Executives and Officers**

The Committee will annually review the President and CEO's evaluation of the performance of executives and officers, their annual salary adjustment, and performance bonus.

**(c) Employee Benefits and Human Resources Policies**

The Committee will:

- (i) Satisfy itself by reports from the executive team that the human resources policies and practices of Payments Canada are in compliance with applicable legislation and policies established by the executive team and the Board;
- (ii) Annually review and recommend to the Board the base compensation plan for all Payments Canada employees including annual salary adjustments; and the performance measures established for determining performance bonuses for the coming years;
- (iii) Annually receive reporting from the executive team on performance against established performance measures and recommend to the Board the amount of the incentive pool available for payout, within the approved budget; and
- (iv) Discuss with the Audit and Finance Committee (the "AFC") any financial impact resulting from a change in human resources policies or practices so that the financial impact is properly considered and presented to the Board as part of Payments Canada's annual financial plans, before any such changes are implemented.

**(d) Succession Planning**

The Committee will:

- (i) Establish and annually review the succession plan for the role of President and CEO;
- (ii) Annually review the President and CEO's succession plan for executive and other critical roles; and
- (iii) Report annually to the Board on these succession plans.

**(e) Pension Plan and Supplemental Employee Retirement Plan**

The Board has delegated to the Committee, with the authority to re-delegate, the following responsibilities in respect of the Pension Plan and the SERP (collectively, the “Plans”):

- (i) Plan Sponsor: Committee members are acting as representatives of Payments Canada in its capacity as sponsor (“Sponsor”) of the Plans when dealing with matters considering issues of Plan establishment, design, cost, amendment, impact on participating companies, merger, and termination which may be driven by corporate considerations.
- (ii) Administrator: Committee members are acting on behalf of Payments Canada in its capacity as administrator (“Administrator”) of the Plans and accordingly must comply with applicable legal obligations and standards when considering issues involving discretion over the management and performance of the Plan funds, the administration of the Plans, and the interpretation of the rules of the Plans, and also when dealing with matters involving the appointing or overseeing of service providers for the administration of the Plans requiring administrative responsibilities be discharged prudently and with a view to the best interests of the beneficiaries of the Plans.

The Committee has established the Pension Committee and has adopted the Pension Committee Terms of Reference which describe the Pension Committee’s composition, authorities, procedures and certain governance matters. Pursuant to the resolution adopted by the Committee, the Committee has delegated to the Pension Committee the responsibilities and authority for certain aspects of the operation and administration of the Plans for which the Committee has been delegated responsibility.

- (iii) The Committee will, as required:
  - a. review and make recommendations to the Board on the governance structure and the Committee Terms of Reference regarding the Plans;
  - b. establish the Pension Committee and approve the Pension Committee Terms of Reference, meeting procedures and amendments thereto; and
  - c. annually arrange the preparation, review and submission of a report to the Board on the following:
    - i. the performance of the investment service providers and investment options of the Plans;
    - ii. the Plans’ compliance with applicable legislation; and
    - iii. any new developments or material issues.

- (iv) With respect to its role as Sponsor of the Plans, the Committee is responsible for reviewing and recommending to the Board for its approval the establishment, termination of or amendments to any Plan for employees of Payments Canada.
- (v) With respect to its role as Administrator of the Plans, the Committee is responsible for the following activities in connection with Plans:
  - a. approving the Plans' statements of investment policies and procedures (each a "SIPP") and any amendments thereto;
  - b. reviewing and recommending to the Board for its approval the selection of investment options to be made available in the Plans;
  - c. reviewing and recommending to the Board for its approval the appointment, termination and replacement of the Plans' investment service providers, including investment managers, fund managers, carriers, trustees and custodians;
  - d. reviewing the Pension Committee's reports and recommendations in connection with:
    - i. the Pension Committee Terms of Reference, meeting procedures and amendments thereto;
    - ii. the establishment, termination of or amendments to any Plan for employees of Payments Canada;
    - iii. the Plans' SIPPs and any amendments thereto;
    - iv. the selection of investment options to be made available in the Plans; and
    - v. the appointment, termination and replacement of the Plans' investment service providers, including investment managers, fund managers, carriers, trustees and custodians;
  - e. receiving and reviewing the Pension Committee's reports on the Pension Committee's compliance with the duties and responsibilities the Committee delegated to it, including:
    - i. periodically (no less frequently than required by law) performing reviews of the SIPPs;
    - ii. monitoring and evaluating the performance of the investment options made available in the Plans;
    - iii. monitoring and evaluating the performance of investment service providers for the Plans;

- iv. appointing and monitoring and evaluating the performance of other service providers for the Plans;
  - v. assisting the AFC with its review and recommendation to the Board regarding the approval of the annual audited financial statements of the Pension Plan;
  - vi. assisting the AFC with its review and recommendation to the Board regarding the appointment, termination and replacement of the auditor of the Pension Plan;
  - vii. monitoring the administration of the Plans to ensure compliance with all applicable legislation;
  - viii. confirming Plan contribution remittances and the filing of Plan amendments and other Plan documents;
  - ix. reviewing and approving interpretation of the Plans' rules and provisions; and
  - x. reviewing and approving Plan member communications and ensuring appropriate information and statements are provided to the Plan members and beneficiaries; and
- f. receiving and reviewing the AFC's recommendations to the Board for its approval:
- i. the audited financial statements of the Pension Plan; and
  - ii. the appointment, termination and replacement of the auditor of the Pension Plan.
- (vi) The Committee may authorize the Pension Committee, employees, advisors, consultants and other experts to take such actions and execute such documents as are necessary to give effect to the responsibilities and powers delegated to the Committee, provided that such authorization is in accordance with these Terms of Reference.

## **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 shall consist of elected directors, as selected by the board, a majority of whom shall be directors referred to in paragraph 8(1)(d) of the Canadian Payments Act (other than Board Chair), with at least one member director. Members of the Committee should have human resources and compensation expertise and interest. The Board Chair is an *ex officio* non-voting member of the Committee.

**(c) Non-Member Attendance**

The President and CEO 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 on the Committee, the remaining members may exercise all 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 the consent 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 including those members in attendance by electronic or telephone means, 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) CEO Compensation and Performance Assessment;
- (ii) Compensation Policy and Performance Assessment Program;
- (iii) HR Policies Related to Executive Talent Development, Succession Planning, Temporary Replacement and Recruitment;
- (iv) Statement of Investment Policies and Procedures for the Registered Pension Plans;
- (v) Registered Pension Plan;
- (vi) Supplemental Employee Retirement Plan; and
- (vii) 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.

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### REVISION HISTORY:

**Approved:** February 9, 2011  
**Revised:** March 29, 2012  
December 5, 2013  
December 3, 2015 and updated in June 2016 with new brand  
February 23, 2017  
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