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**HUMAN RESOURCES AND COMPENSATION COMMITTEE**

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**PURPOSE**

The purpose of the Human Resources and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Metrolinx (the "Corporation") is to assist with Board oversight of: human resources strategies, plans, principles and related risks; the Corporation's general compensation philosophy; policies and processes relating to employee business conduct and ethical behaviour; the review and recommendation of annual objectives for the Chief Executive Officer ("CEO"); the hiring and compensation and benefit package of senior management employees reporting directly to the CEO; corporate succession planning; and other matters that the CEO may refer to the Committee. In doing so, the Committee will maintain free and open communication among the Committee members and management of the Corporation ("Management").

The Committee derives its mandate and responsibilities from the Board.

**A. Operating Principles****1. Function and Composition:**

- (a) The Corporation shall have a Human Resources Committee with four or more members named by the Board from time to time. All members of the Committee shall be Directors.
- (b) Committee members shall be independent of Management and the Corporation.
- (c) The Committee will carry out the duties outlined in these Terms of Reference and such other functions as are assigned or delegated to it by the Board.

**2. Chair:** The Chair of the committee will be selected by the Board. Where at any meeting the Chair is absent, one of the Committee members who is chosen to act by the members present shall preside and have all the powers of the Committee Chair.

**3. Quorum** - The presence of the lesser of (a) three members of the Committee, and (b) a majority of the then-current members of the Committee constitutes a

quorum for a meeting of the Committee. In the event any Committee member declares a conflict of interest with regards to any one or more matters under consideration by the Committee, such Committee member will not attend that portion of the meeting dealing with such matter(s) and the foregoing quorum requirement will be reduced by one with regards to any decision or recommendation made with respect to such matter(s)

4. **Voting:** A matter put to a vote at a meeting of the Committee shall be decided by a majority of the votes cast. In the event of an equality of votes, the members shall attempt to resolve the matter by further discussion and consensus; however, in the absence of agreement, the Chair has a second vote.
5. **Procedure and Conduct:** Subject to other provisions of the Corporate By-laws, these Terms of Reference and any Board resolution, the Chair shall determine the procedure at and conduct of meetings of the Committee.
6. **Minutes:** Once they have been approved by the Committee, copies of the minutes and related reports of the Committee proceedings shall be sent by the Corporate Secretary to all of the Directors.
7. **Frequency and Calling of Meetings:** The Committee will meet at the discretion of the Chair of the Committee, but not less frequently than four times each year.
8. **Committee Information Needs and Communications:** The Committee shall communicate to Management the Committee's expectations on the nature, timing and extent of its information needs. The Committee members expect to have direct, open and frank communications throughout the year with Management, other committee Chairs and key Committee advisers as applicable.
9. **Private Meetings:** The Committee shall meet privately as a committee and periodically with Management in separate private sessions.
10. **Meeting Agenda:** A written agenda and any related materials for each meeting of the Committee will be distributed to the members of the Committee at least five days in advance of the meeting date.
11. **Supplemental Attendees:** Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chair or acting Chair to attend any meeting of the Committee.

Except where a Committee meeting relates to matters affecting the Corporation's Chair or the CEO, the CEO shall be invited to attend all Committee meetings.

12. **Secretary:** The Corporate Secretary or the Corporate Secretary's designate shall act as the Secretary of all meetings of the Committee.
13. **Reporting:** The Committee will, where appropriate, provide an oral report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board.
14. **Review of Terms of Reference:** The Committee shall review and assess the adequacy of these Terms of Reference at least annually. If the Committee considers amendments necessary, the Committee shall recommend such amendments to the Board for its approval.
15. **Self-assessment:** An evaluation of the Committee shall be conducted regularly, in which the Committee shall review its performance for the purpose of assessing whether the Committee fulfilled the responsibilities and duties.
16. **Independent Counsel or Other Advisors:** The Committee has the authority to engage outside advisors including, but not limited to, counsel, independent audit consultants and other experts, as needed, to review any matter under its responsibility.
17. **Term of Appointment/Rotation of Committee Members:** Members of the Committee should be changed on an appropriate, regular basis. Such change should be on a rotation basis in order to ensure that the entire Committee is not changed at any one time.

## **B. Principal Duties and Responsibilities**

### **1. Human Resources Strategies and Principles:**

- (a) The Committee shall review key human resource strategies, plans, principles, and related risks proposed by the Chief Human Resources Officer and make recommendations to the Board for approval or revision. The Committee shall monitor the ongoing implementation of such strategies and principles.
- (b) The Committee shall review the general compensation philosophy proposed by the Chief Human Resources Officer and make any recommendations to the Board for approval or revision.

- (c) The Committee shall ensure that the Corporation has ongoing and appropriate policies and codes with respect to employee business conduct and ethical behaviour. On an annual basis or otherwise as required, the Committee shall review and approve the following policies:
  - (i) Employee Code of Conduct;
  - (ii) Conflict of Interest Policy;
  - (iii) Wrongdoing and Fraud Reporting Policy; and
  - (iv) Political Activity Policy.

**2. Risk Management Activities** - In keeping with the responsibilities of the Audit, Finance and Risk Management Committee on enterprise risk management oversight, as contained in its terms of reference, the Committee will:

- a) Ensure that it fully understands the human resource enterprise risks to which the Corporation is exposed, the Corporation's enterprise risk management (ERM) framework, and the policies, procedures and controls used by management to identify, monitor, assess and manage these risks;
- b) Ensure that all key risks related to the achievement of the Corporation's human resource strategies, plans and principles are identified and documented with mitigating strategies, and monitored in reaching proposed targets; and
- c) Review and report enterprise risks relevant to Metrolinx's human resource mandate to the Audit, Finance and Risk Management committee of the Board on a quarterly basis to ensure the Committee is apprised of the enterprise risks that exceed the risk appetite and whether management is responding to them.

**3. Compliance:** On at least an annual basis, and otherwise as required or requested by Management, the Committee shall review reports with respect to:

- (a) Compliance with legal requirements and major corporate policies pertaining to human resource matters; and
- (b) Compliance with employee business conduct and ethical behaviour.

When required, the Committee shall direct the CEO to provide a report to the Audit, Finance and Risk Management Committee in the event a breach occurs or a concern is raised that warrants such a report.

**4. CEO Objectives and Evaluation:** The Committee shall:

- (a) Review the CEO's proposed annual statement of CEO objectives and recommend same to the Board for approval or revision; and
- (b) Evaluate the performance of the CEO, having regard to the annual statement of objectives and any other relevant factors including the relationship of the CEO with the Board and with the individual Board members. The evaluation of the CEO shall be conducted in consultation with the Chair of the Board and shall be presented to the Board for its review and approval, based on the Committee's recommendations.

**5. Senior Management Matters:** The Committee shall:

- (a) review and approve the hiring of, and the compensation and benefits package offered to senior management employees reporting directly to the CEO. The Board Chair and Committee Chair may exercise the full authority of the Committee in this respect provided that:
  - (i) materials seeking Committee approval are distributed to all Committee members for review;
  - (ii) the Board Chair and Committee Chair agree with the proposed approval; and
  - (iii) no Committee member has raised concerns with respect to the proposed approval.

For further clarification, decisions relating to these matters are provided to the Board for information only.

- (b) review the yearly performance assessments of the CEO's direct reports and any related compensation adjustments; and
- (c) review and approve any changes to the actual compensation and benefits paid to any employee reporting directly to the CEO.

**6. Labour Relations Matters:**

- (a) On a regular basis, the Committee shall review reports with respect to the Corporation's labour relations activities and relationship with the unions, and any risks identified including:
  - (i) a yearly summary of grievance activities;

- (ii) the status of any significant negotiations between Management and the union; and
    - (iii) the negotiation of any collective agreement.
  - (b) The Committee shall give direction to Management’s negotiation team with respect to the negotiation of any collective agreement.
7. **Succession Planning:** On an annual basis the Committee shall review and endorse the proposed succession plans for the CEO, the CEO’s direct reports, employees categorized as Vice-Presidents and above, and any other employees identified by the CEO. The Committee shall present these succession plans to the Board for its review and approval, based on the Committee’s recommendations.
8. **Organizational Structure:** The Committee shall review and, when warranted, recommend to the Board, changes to the Corporation’s high-level organizational structure proposed by the CEO.
9. **Authority for Human Resources Matters:** In accordance with and subject to Section 7.2 of By-law No. 1 of the Corporation and subject to any additional stipulations or limitations imposed by the Board from time to time, the Committee may exercise all powers of the full Board with respect to:
- (a) the approval of any Contract (as defined in the Corporation’s Approval Authorization Policy) that is related to a matter within the authority of the Committee, as defined in these Terms of Reference, or which is related to the recruitment of employees or the provision of benefits to or other services for employees of the Corporation, provided that the Contract relates to an expenditure included within the previously approved Capital or Operating budget;
  - (b) the settlement of any claim which involves a labour relations or employment matter or is otherwise related to a matter within the authority of the Committee, as defined in these Terms of Reference; and
  - (c) the approval of any matter relating to the administration of the OMERS pension program.

In determining whether to exercise such authority, the Committee will consider whether full Board authorization is preferable having regard to the materiality of the matter under consideration.

The Committee shall report to the Board on all matters approved by the Committee on behalf of the Board.

- 10. Matters referred by CEO:** The Committee shall review any matter concerning human resources and compensation matters that may be referred to it by the CEO.

Approved by the Board of Directors on September 14, 2017.