

NALCOR ENERGY
CORPORATE GOVERNANCE COMMITTEE

June 2015

**Nalcor Energy
(the "Corporation")**

Corporate Governance Committee

MANDATE

Purpose

The Corporate Governance Committee is responsible for performing the duties set out in this Mandate to enable the Board to fulfill its oversight responsibilities in relation to:

- Developing governance principles for the Corporation and its subsidiaries that are consistent with high standards of corporate governance and reviewing and assessing on an ongoing basis the Corporation's system of corporate governance;
- Identifying and recommending candidates for appointment to the Board to be put before the Shareholder in the event of a vacancy on the Board;
- Reviewing and recommending a process for Director orientation, assessment, and compensation; and
- Enterprise Risk Management with respect to the Corporation and its subsidiaries.

Organization

Members

The Committee shall consist of three or more Directors as determined by the Board, all of whom shall be independent.

The Board shall appoint the members of the Committee and the Chair of the Committee annually.

Meetings

The Committee shall meet as frequently as it determines necessary but not less than twice per year.

A quorum of the Committee shall be a majority of its members. The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present, and at which a majority of the members are present in person or by telephone or other electronic means, or

by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee.

The Chair shall designate from time to time a person who may, but need not be, a member of the committee, to be Secretary of the Committee. Minutes shall be kept of all meetings of the Committee and shall be maintained by the Secretary of the Committee.

The Committee may meet in camera (without management present) at each meeting.

The Committee may invite any Director, officer or employee of Hydro or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

Reports

The Committee shall report on the proceedings of each meeting to the Board at the Board's next meeting.

The Committee shall make recommendations to the Board as it may deem appropriate and has such decision-making authority as the Board may determine from time to time.

Authority

Delegation of Authority

The Committee may delegate to any employee of the Corporation or a sub-committee the authority to: (i) execute or carry out any decision of the committee; and/or (ii) exercise any right, power or function of the Committee on such terms and conditions and within such limits as the Committee may establish, except that the Committee may not delegate its oversight responsibilities.

Access to Management and Outside Advisors

The Committee shall have full, free and unrestricted access to management, employees and relevant information.

Subject to Board approval, the Committee has the authority to retain legal counsel, consultants or other advisors, with respect to any issue or to assist in fulfilling its responsibilities and the Corporation shall provide appropriate funding, as determined by the Committee, for any such advisors.

Committee Responsibilities and Duties

The Committee shall perform the duties set out in this Mandate and shall perform such other duties as may be necessary or appropriate under applicable law or as may be delegated to the Committee by the Board from time to time.

1. System of Corporate Governance

The Committee shall develop and recommend corporate governance principles applicable to the Corporation and its subsidiaries that may be disclosed to the public and review and recommend other Corporate Governance disclosures of the Corporation that may be made from time to time, including;

- (a) Prepare and review the disclosure of corporate governance practices to be included in the Corporation's Annual Report; and
- (b) Monitor best practices for governance and annually review the Corporation's governance practices with a view to maintaining high standards of corporate governance.

2. Functioning of Board and Committees

The Committee shall:

- (a) Assess at least annually the optimum Board size and make recommendations to the Board (and subsequently the Shareholder) on any changes to facilitate effective decision making;
- (b) Review the composition, mandate and membership of the Board on an annual basis and make recommendations to the Board on any changes;
- (c) Review the composition, mandate and membership of each Board committee on an annual basis;
- (d) Review the position descriptions for the Board Chair and Committee Chairs on an annual basis and make recommendations to the Board on any changes;
- (e) Recommend appointment of Committee Chairs having regard to the attributes of independence, competence, dedication and leadership skills essential to effective chairmanship;
- (f) Coordinate requests from individual Directors for the engagement of special outside advisors from time to time; and

- (g) Develop and maintain a process for the ongoing identification and inventory of skills and experience which the Board should collectively possess for the purpose of recommending future Board appointments.

3. **Process for Nominating Directors**

With respect to Director nominations, the Committee shall:

- (a) Recommend and implement a selection and screening process to ensure that suitable Director candidates are identified and recommended to the Board in a timely manner, such process to consider:
 - the needs of individual committees, particularly with respect to upcoming retirements of Chairs and committee members, and
 - Board succession planning, in light of the opportunities and challenges facing the Corporation;
- (b) Recommend for approval by the Board, selection criteria for identifying Director candidates to be recommended to the Shareholder;
- (c) Identify Director candidates who have the requisite elements of integrity, diversity, knowledge, skill, time availability, and experience and judgment to meet the selection criteria approved by the Board from time to time.

4. **Board Assessment**

The Committee shall be responsible for assisting the Board in discharging assessment duties and to this end shall:

- (a) Develop and recommend to the Board a process for assessing the performance and effectiveness of the Board;
- (b) On an annual basis, be responsible for overseeing the implementation of the assessment process approved by the Board; and
- (c) Report annually to the Board with the results of its assessment of Board performance.

5. **Education and Orientation**

The Committee shall:

- (a) Satisfy itself that there is a satisfactory orientation program for new Directors with respect to the Board responsibilities;

- (b) Ensure that appropriate orientation and education programs are in place for new Committee members; and
- (c) Provide continuing education for all Directors as required.

6. **Code of Ethics and Business Conduct**

The Committee will develop and recommend to the Board the approval of a Code of Ethics and Business Conduct (the “Code”) for the Corporation and its subsidiaries. Annually, the Committee will review the Code and recommend changes to the Board as appropriate.

The Committee will oversee activities undertaken by management to ensure employees are aware of their responsibilities under the Code.

7. **Director Independence**

Annually, the Committee shall review the Corporation’s Director Independence guidelines and make recommendations to the Board as appropriate.

8. **D & O Insurance**

Annually, review and recommend to the Board, the appropriate Directors and Officers insurance coverage.

9. Enterprise Risk Management (ERM)

With respect to non-financial risk issues, the Committee shall:

- Provide oversight of the enterprise's risk profile, including internal control, management information systems, regulatory compliance processes, and other non-financial risk management systems.
- Ensure that Executive management is effectively governing and managing the enterprise's risk environment.
- Ensure management has a process for identifying the principal risks of the Corporation's business.
- Ensure the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Corporation.
- Review ERM Policy and Corporate ERM Plans and make recommendations to the Board regarding their approval.
- As established, review risk appetite and tolerances, including frameworks and any significant updates, making recommendations to the Board regarding their approval.

Annual Review and Assessment

The Committee shall conduct an annual review and assessment of its performance, including a review of its compliance with this Mandate. The Committee shall conduct such review and report the results thereof to the Board.

The Committee shall also review and assess the adequacy of this Mandate on an annual basis taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines.