



MANDATE

CORPORATE GOVERNANCE COMMITTEE

September 2017

**MANDATE
CORPORATE GOVERNANCE COMMITTEE
of the BOARD OF DIRECTORS
NALCOR ENERGY**

I. PURPOSE

The Corporate Governance Committee (the “**Committee**”) is responsible for performing the duties set out in this Mandate to enable the Board of Directors of Nalcor Energy (the “**Board**”) to fulfill its oversight responsibilities in relation to:

- Developing governance principles for Nalcor Energy (the “**Corporation**”) and its subsidiaries (collectively, the “**Corporate Group**”) that are consistent with high standards of corporate governance and reviewing and assessing on an ongoing basis the Corporate Group’s system of corporate governance;
- Identifying and recommending to the Board candidates for appointment to Corporate Group boards in the event of a vacancy, with the exception of appointments to the Corporation and Newfoundland and Labrador Hydro;
- Reviewing and recommending a process for director orientation, assessment, and compensation; and
- Enterprise Risk Management with respect to the Corporate Group.

II. CONSTITUTION

1. The Committee shall have at least three members who shall be appointed to the Committee by the Board. All Committee members shall be members of the Board, none of whom shall be an officer or employee of the Corporate Group, and all of whom shall be free from any relationship that, in the opinion of the Board, could interfere with the exercise of his or her independent judgment as a member of the Committee.
2. The Board shall appoint a Chair of the Committee from among the Committee members. If the Chair is not present at any meeting of the Committee, the Chair of the meeting shall be chosen from among the members present.
3. Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee upon ceasing to be a director of the Corporation.

4. In the event of any vacancy which results in less than three members of the Committee, the Board shall fill such vacancy in a reasonable time from among the directors of the Corporation.
5. The Chair presiding at any Committee meeting shall have a vote in all matters considered by the Committee.
6. The Corporate Secretary of the Corporation or designate shall be the Secretary of the Committee.

III. MEETINGS AND MINUTES

7. A majority of members shall constitute a quorum for all meetings of the Committee. The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is 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.
8. The Committee shall meet as frequently as it determines necessary but not less than twice per year.
9. At each meeting of the Committee, an opportunity shall be provided for its members to have an in camera session.
10. The Committee may invite such officers, directors and employees of the Corporate Group and external consultants and auditors as it may see fit, to attend its meetings and to take part in the discussions and consideration. The Committee shall have the right at all times to determine who shall and shall not be present at any or part of the meetings of the Committee.
11. A draft copy of the minutes of a meeting shall be circulated to the members of the Committee within a reasonable time following conclusion of the meeting. All minutes approved by the Committee shall be signed by the Secretary of the meeting and the Chair of the Committee.
12. All recommendations, decisions and directives of the Committee shall be duly recorded by the Secretary in the minutes of the meeting.
13. A written or verbal report on any meetings of the Committee shall be made by the Chair or designate of the Committee at a subsequent meeting of the Board.

IV. SCOPE, DUTIES AND RESPONSIBILITIES

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.

A. System of Corporate Governance

14. The Chair of the Committee shall review the disclosure of corporate governance practices to be included in the Corporation's Annual Report as well as any other disclosures that may be made to the public from time to time.
15. The Committee shall monitor best practices for governance and review the Corporate Group's governance practices with a view to maintaining high standards of corporate governance.

B. Functioning of Board and Committees

16. The Committee shall:

- (a) Assess 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 and membership of the Corporate Group boards on an annual basis and make recommendations to the Board on any changes;
- (c) Review the composition and membership of each Board committee on an annual basis;
- (d) Review the mandates of the Board and each Board committee as required;
- (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 a Corporate Group board or committee should collectively possess, for the purpose of recommending future appointments.

C. Process for Nominating Directors

17. With respect to director nominations, the Committee shall:

- (a) Recommend for approval by the Board, a selection and screening process for identifying director candidates for nomination to the Board and the boards of the Corporation's subsidiaries, such process to consider:
 - the needs of individual board committees, if any, particularly with respect to upcoming retirements of Chairs and committee members;
 - board succession planning, in light of the opportunities and challenges facing the Corporate Group;
- (b) 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.
- (c) Recommend to the Board director candidates to be appointed to the boards of the Corporation's subsidiaries as well as recommend to the Shareholder director candidates to be appointed to the Board.

D. Board Assessment

18. 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.

E. Education and Orientation

19. 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.

F. Code of Ethics and Business Conduct

20. Annually, the Committee shall review the Code of Ethics and Business Conduct (the “Code”) for the Corporate Group and recommend changes to the Board as appropriate.
21. The Committee shall oversee activities undertaken by management to ensure employees are aware of their responsibilities under the Code.

G. Director Independence

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

H. D & O Insurance

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

I. Enterprise Risk Management (ERM)

24. 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.

V. GENERAL

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

26. Subject to Board approval, the Committee shall have the authority to retain legal counsel, consultants or other advisors, with respect to any issue or to assist in fulfilling its responsibilities.
27. The Committee shall conduct an annual review and assessment of its performance, including a review of its compliance with this Mandate.
28. The Committee shall review and assess the Mandate as necessary taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines.