

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The principal functions of Nalcor Energy's Board of Directors include:

- (a) developing Nalcor's approach to corporate governance;
- (b) reviewing and approving the business, financial, strategic and other plans to enable Nalcor to execute its strategy;
- (c) adopting processes for monitoring the company's progress toward its strategic and operational goals;
- (d) approving the audited financial statements and Management's Discussion and Analysis;
- (e) ensuring that Management has a process for identifying the principal business risks;
- (f) overseeing the integrity of the internal control systems;
- (g) ensuring that Nalcor has processes for operating within applicable laws and regulations;
- (h) ensuring the company has a compensation philosophy and framework;
- (i) ensuring a process is in place to measure the performance of senior executives of Nalcor;
- (j) ensuring Management creates a culture of integrity throughout the organization; and
- (k) ensuring that succession plans are in place for senior Management, including the President and CEO.

The Board also has four committees:

1. Audit
2. Corporate Governance
3. Compensation
4. Safety, Health, Environment and Community

In April 2016, the members of the standing Nalcor board resigned their positions as directors. The Government of Newfoundland and Labrador appointed the following interim Board of Directors, effective 5:00 p.m. April 22: John Green, Q.C. (Chair), Donna Brewer, Heather Jacobs, Q.C., Dr. Chris Loomis, and H. Stan Marshall (President and CEO of Nalcor Energy).

In November, the Provincial Government announced the following appointments to the Board of Directors to replace the above noted members of the Board, effective December 1, 2016.

- | | |
|--------------------------|-------------------|
| • Brendan Paddick, Chair | • Brian Maynard |
| • John Green, QC | • Debbie Molloy |
| • Ann Marie Hann | • David Oake |
| • Christopher Hickman | • Dr. Edna Turpin |
| • Jack Hillyard | • Stan Marshall |
| • Mark MacLeod | |

This Board met once in 2016.

Nalcor has the following subsidiary companies (in addition to Newfoundland and Labrador Hydro), each with its own Board of Directors (listed as at Dec. 31, 2016).*

* Excludes currently inactive legal entities Gull Island Power Company Limited and Lower Churchill Development Corporation Limited

CORPORATE GOVERNANCE

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED

John Green
Chairperson
Lawyer, McInnes Cooper

Richard Cacchione
President
Hydro-Québec Production

Pierre-Luc Desgagne
Vice President Corporate Affairs & Secretary General
Hydro-Québec

John MacIsaac
Executive Vice President, Power Supply
Nalcor Energy

Stan Marshall
President and CEO
Nalcor Energy

Bob Warr
Managing Director
Nor-Lab Limited

NALCOR ENERGY – OIL & GAS INC.

Brendan Paddick
CEO
Columbus Capital Corp.

Justin Ladha
Vice President
KMK Capital Inc.

Mark Macleod
Retired Chevron Executive

Stan Marshall
President and CEO
Nalcor Energy

Brian Maynard
President
Marathon Oil Canada Corp.

NALCOR ENERGY – BULL ARM FABRICATION INC.

Edna Turpin
Psychologist/Corporate Director

Mark Macleod
Retired Chevron Executive

Stan Marshall
President and CEO
Nalcor Energy

Debbie Molloy
Vice President, Corporate Services
Eastern Health

David Oake
President
Invenio Consulting Inc.

TWIN FALLS POWER CORPORATION LIMITED

Chris Kieley
President
Vice President, Strategic Planning & Business Development
Nalcor Energy

Maurice McClure
Vice President Finance and Strategy
Iron Ore Company of Canada

Oral Burry
Manager, Planning and Business Services
Nalcor Energy

Patrick Ryan
Manager of Site
Cliffs Natural Resources

Van Alexopoulos
Director, Commercial Services
Iron Ore Company of Canada

Clifford Smith
Executive Vice President
Seaborne Iron Ore

Derrick Sturge
Executive Vice President, Finance and Chief Financial Officer
Nalcor Energy

Mike Roberts
Chief Human Resources Officer
Vice President Safety, Health & Sustainability
Nalcor Energy

Robert Hull
General Manager, Commercial Management and Integration
Nalcor Energy

CORPORATE GOVERNANCE

LOWER CHURCHILL MANAGEMENT CORPORATION

John MacIsaac
Executive Vice President, Power Supply
Nalcor Energy

Gilbert Bennett
Executive Vice President, Power Development
Nalcor Energy

Stan Marshall
President and CEO
Nalcor Energy

June Perry
President and CEO
Pilot Communications

Mike Roberts
Chief Human Resources Officer
Vice President Safety, Health & Sustainability
Nalcor Energy

Donna Stone
Investment Advisor
CIBC Wood Gundy

LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION
(general partner of Labrador-Island Link Limited Partnership)

John Green
Chairperson
Lawyer, McInnes Cooper

Libby Burnham
Lawyer

Ron Ellsworth
Business Person

Stan Marshall
President and CEO
Nalcor Energy

Edna Turpin
Psychologist/Corporate Director

LABRADOR-ISLAND LINK HOLDING CORPORATION

Jack Hillyard
Retired BMO Executive

Sheila Kelly-Blackmore
Business Person

John MacIsaac
Executive Vice President, Power Supply
Nalcor Energy

Ann Marie Hann
Vice-President, External Relations
Atrium Coal

Derrick Sturge
Executive Vice President, Finance and Chief Financial Officer
Nalcor Energy

LABRADOR-ISLAND LINK OPERATING CORPORATION

Brendan Paddick
CEO
Columbus Capital Corp.

Ann Marie Hann
Vice President, External Relations
Atrium Coal

Christopher Hickman
CEO
Marco Group of Companies

Chris Loomis
Professor (Retired)
Memorial University of Newfoundland

David Oake
President
Invenio Consulting Inc.

Desmond Whalen
Medical Student, Faculty of Medicine
Memorial University of Newfoundland

CORPORATE GOVERNANCE

LABRADOR TRANSMISSION CORPORATION

Ann Marie Hann
Vice President, External Relations
Atrium Coal

John MacIsaac
Executive Vice President, Power Supply
Nalcor Energy

Stan Marshall
President and CEO
Nalcor Energy

Derrick Sturge
Executive Vice President, Finance and Chief Financial Officer
Nalcor Energy

Chris Woodford
Architect
Woodford Sheppard Architecture

MUSKRAT FALLS CORPORATION

Christopher Hickman
Chairperson
CEO, Marco Group of Companies

Richard Daw
Chartered Accountant

Jack Hillyard
Retired BMO Executive

Stan Marshall
President and CEO
Nalcor Energy

John Quaiocoe
Professor, Faculty of Engineering and Applied Science
Memorial University of Newfoundland

NALCOR ENERGY MARKETING CORPORATION

Brian Maynard
President
Marathon Oil Canada Corp.

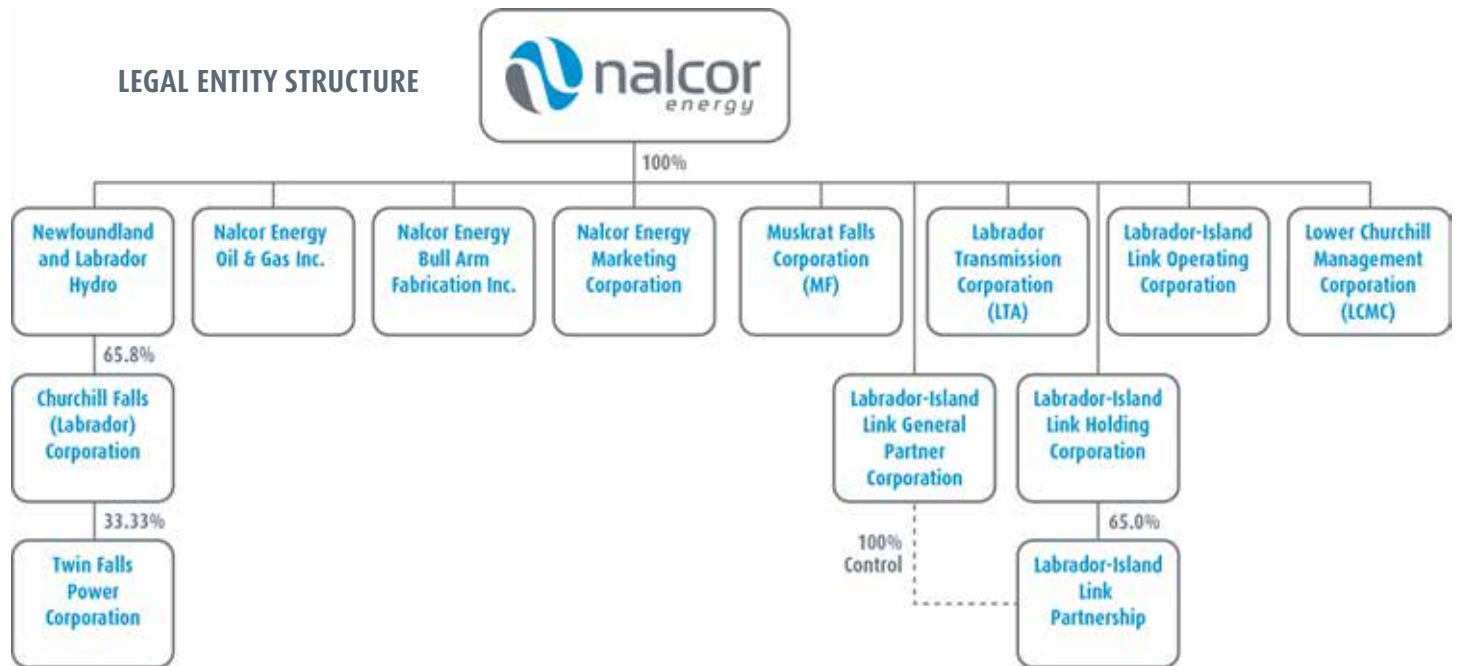
Dennis Clarke
Lawyer
Goodland Buckingham

John Green
Lawyer
McInnes Cooper

Stan Marshall
President and CEO
Nalcor Energy

Debbie Molloy
Vice President, Corporate Services
Eastern Health

CORPORATE GOVERNANCE



AUDIT COMMITTEE

The Audit Committee’s primary duties and responsibilities are to:

- a) serve as an independent and objective party to monitor the integrity of Nalcor’s financial statements, financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance;
- b) identify and monitor the management of the principal risks that could impact the financial reporting of the Company;
- c) appoint, approve compensation, and monitor the independence and performance of Nalcor’s external auditors;
- d) monitor the compliance by Nalcor with legal and regulatory requirements;
- e) provide an avenue of communication among the external auditors, management, and the Board; and
- f) encourage continuous improvement of, and foster adherence to, Nalcor’s policies, procedures and practices at all levels.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for:

- a) 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;
- b) Identifying and recommending candidates for appointment to the Board to be put before the Shareholder in the event of a vacancy on the Board;
- c) Reviewing and recommending a process for Director orientation, assessment, and compensation; and
- d) Enterprise Risk Management with respect to the Corporation and its subsidiaries.

COMPENSATION COMMITTEE

The primary responsibilities of the Committee are to:

- a) Consider and recommend for approval by the Board of Directors the appointment of the President and CEO and all other Officers of Nalcor and its subsidiaries.
- b) With the chair of the Board of Directors, undertake an annual performance review of the President and CEO of Nalcor and report and/or make recommendations to the Board of Directors.
- c) Review and assess annually Nalcor's succession planning policies and practices, and report and/or make recommendations to the Board of Directors.
- d) Establish and maintain a compensation philosophy and framework for Nalcor and its subsidiaries.
- e) Review and assess annually compensation and benefit policies and programs and pension plans of Nalcor for Executive, Management and all employees and recommend any changes or new policies or programs, where appropriate, to the Board of Directors.
- f) Review compensation and benefits mandates for collective bargaining mandates and any proposed tentative settlement and recommend to the Board of Directors.
- g) Review annually the Corporation's performance management practices and procedures, and report and recommend any changes, as appropriate, to the Board of Directors.
- h) As necessary, provide guidance and direction to the Boards of subsidiary companies with respect to compensation and human resource policies and issues as outlined in this mandate.

SAFETY, HEALTH, ENVIRONMENT AND COMMUNITY COMMITTEE

The Safety, Health, Environment and Community Committee's primary responsibilities include:

- a) reviewing and reporting to the Board of Directors on Nalcor's maintenance of safety, environment and health policies, procedures and practices and in the conduct of its operation, directed to prevent injury to its employees, the public and the environment;
- b) reviewing with Management whether Nalcor's safety, environment and health policies are effectively implemented and in compliance with statutory and regulatory requirements and report to the Board of Directors, at least annually, on Nalcor's compliance with current industry, legislative, regulatory and corporate standards for safety, environmental and health;
- c) reviewing the findings of reports arising from internal and external audits and assessments of safety, environment and health issues, together with Management's response thereto and oversee to ensure that there is an agreed course of action leading to the resolution of any concerns, deficiencies or outstanding issues and timely follow-up on any unresolved matters;
- d) reviewing with Management the impact of proposed legislation in matters of safety, environment and health on the operations of Nalcor and make recommendations to the Board of Directors on the appropriate responses and action for Nalcor;
- e) reviewing and reporting to the Board of Directors Nalcor's safety and environmental emergency response planning policies and procedures;
- f) reviewing and approving annually the safety and environmental audit plans by Nalcor and external auditors and review of an annual Corporate report on safety and environmental issues identified by Management;
- g) reviewing with Management and make recommendations to the Board of Directors as appropriate on the Corporation's safety, environment, health and community programs, policies and procedures and any other matters relating to safety, environment, health and community that it considers relevant;
- h) reviewing and approving the appointment, compensation and retention of external safety and environment auditors;

CORPORATE GOVERNANCE

- i) meeting with the Vice-President responsible at least annually to review safety, environmental, health or community matters that could have a material impact on Nalcor's reputation, business or financial position and report to the Board of Directors thereon in a timely manner; and
- j) Reviewing and understanding the safety, health and environment policies and practices of Nalcor's oil & gas partners.

INDEPENDENCE

Nalcor Energy has a Director Independence Policy consisting of:

1. A majority of the Board of Directors, including the Board Chair shall be independent in accordance with the criteria established by the Corporation.
2. All of the members of the Audit Committee, Compensation Committee, Corporate Governance Committee, and Safety, Health and Environment Committee shall be independent Directors.
3. Annually, the Directors will be required to provide a formal declaration indicating that they satisfy the Corporation's Independence Criteria.
4. Directors have a responsibility to discuss any potential conflicts that might impact their independence with the Board Chair or the Chair of the Corporate Governance Committee. If, based on these discussions, it is determined that the independence of the Director has been impacted, the Board should be advised.
5. If Directors do not satisfy the Independence Criteria, they should not participate in any discussion or voting relating to matters that contribute to the Independence issue.

POLICY ON INDEPENDENCE OF EXTERNAL AUDITORS

Nalcor Energy has an Auditor Independence Policy that governs all aspects of Nalcor's relationship with the external auditor, including:

- (a) establishing a process for determining whether various audit and other services provided by the external auditor affects their independence;
- (b) identifying the services that the external auditor may and may not provide to Nalcor;
- (c) pre-approving all services to be provided by the external auditor to the company; and
- (d) establishing a process for hiring current or former personnel of the external auditor in a financial oversight role to ensure auditor independence is maintained.

EXTERNAL AUDITOR'S FEES

The external auditor of Nalcor and its subsidiaries is Deloitte LLP. Deloitte has been the external auditor since 2003. Professional fees incurred in 2016 in connection with audit and audit-related services were \$0.9 million (2015 - \$0.8 million) and fees related to non-audit services were \$0.2 million (2015 - \$0.1 million).