



### **Composition of Committees of the Board, Committees' Procedures and Committee Members' Qualifications**

The Terms of Reference of the Board sets out a number of requirements for the composition of Committees, the Committee procedures and the qualifications of Committee members. One of those requirements states that a majority of the members of a Committee constitute a quorum for meetings of the Committee. Each Committee has the latitude to develop other rules of procedure.

### **Human Resources and Compensation Committee Mandate**

#### **Objectives and Authorities:**

The Human Resources and Compensation Committee assists the Board in fulfilling its oversight responsibilities related to human resources, compensation and leadership continuity with an emphasis on director and executive compensation and the continuity of high quality leadership.

The Human Resources and Compensation Committee exercises oversight with respect to:

- Cervus' philosophy and principles related to director and executive compensation;
- the design and administration of Cervus' director and executive compensation policies and programs;
- the goals, performance evaluation and compensation of the Chief Executive Officer;
- the Chief Executive Officer's performance assessment and compensation recommendations of other executives;
- the planning process and health of leadership continuity; including succession planning, development of key leaders and the capacity to recruit critical talent as may be required;
- Cervus' approach to managing the risks associated with Cervus' compensation programs; and
- Cervus' equity-based and incentive compensation programs.

#### **Limitations Related to Oversight:**

The Human Resources and Compensation Committee's responsibility is to convey its findings and make recommendations to the Board. The Committee has no decision-making authority other than that which may be delegated to the Committee by the Board.

#### **Functions and Responsibilities:**

The Human Resources and Compensation Committee has the following functions and responsibilities:

##### *Executive Compensation*

1. On an annual basis, review and recommend to the Board, Cervus' approach to executive compensation which includes:
  - the compensation philosophy and principles, as well as, the design of the programs;
  - the capacity of the programs' design to motivate attainment of the business strategy and the retention of top talent;



## HUMAN RESOURCES AND COMPENSATION COMMITTEE MANDATE

- the competitiveness of the compensation programs in terms of quantum and design;
  - an assessment of programs' compliance with best practices and prevailing shareholder advisor guidance, including, incentive plan payouts under various performance scenarios;
  - the linkage of Cervus' financial and non-financial performance to executive compensation; more specifically, the performance measures and goals with consideration to the stretch in the goals;
  - the approach to mitigate risks associated with these programs; and
  - monitoring significant trends and evolving governance practices with respect to executive and director compensation.
2. Periodically review and recommend to the Board key principles used to determine executive compensation, including:
- the Corporation's peer group or groups and associated selection criteria for establishing the quantum of compensation for Executives; including the Chief Executive Officer;
  - the Corporation's desired competitive position relative to the peer group; and
  - the basis for making the comparison among companies (i.e. Total Direct Compensation).

### *Chief Executive Officer's Performance Evaluation and Compensation*

3. At the start of each year, review and recommend to the Board the Chief Executive Officer's priorities and goals, with special consideration for those that are linked to incentive plans.
4. At the end of the performance period, evaluate the Chief Executive Officer's performance in light of the priorities and goals and other such factors as the Committee may consider appropriate and advise the Board accordingly.
5. Liaise with the Chair of the Board to communicate the conclusions and recommendations of the Human Resources and Compensation Committee to the CEO and the Board, as appropriate.
6. Recommend to the independent members of the Board for approval, the Chief Executive Officer's compensation taking into account the performance evaluation and competitive standing of the Chief Executive officer's current compensation.
7. As the circumstances require, the Committee shall recommend to the independent members of the Board for approval the employment and change in control agreements (as needed) for the Chief Executive Officer.

The preceding responsibilities are not intended to impair or preclude discussion of the Chief Executive Officer's compensation with the Board more generally.

### *Other Executives' Performance Evaluation and Compensation*

8. On an annual basis and in consultation with the Chief Executive Officer, the Committee will:
  - at the start of each year, review and recommend to the Board the goals and priorities of Executives that report to the Chief Executive Officer, with special consideration for the goals that are linked to incentive plans;
  - review the performance evaluation process of Cervus' Executives; and, at the end of the performance period, review the Chief Executive Officer's assessment of the performance of



## HUMAN RESOURCES AND COMPENSATION COMMITTEE MANDATE

direct reports in light of the priorities and goals and other factors the Committee may consider appropriate; and

- recommend to the independent members of the Board for approval the Executives' compensation taking into account performance evaluations and the competitive standing of the Executives' current compensation.
9. As circumstances may require, the Committee shall recommend to the independent members of the Board for approval the Executives' employment and change in control agreements (as needed).

The preceding responsibilities are not intended to impair or preclude discussion of the Executive's compensation with the Board more generally.

### *Equity-Based and Incentive Compensation*

10. Review and recommend to the Board any new equity-based compensation programs or material changes to existing programs, with consideration for: compensation risk; regulatory, accounting and tax issues; cost implications; dilution of shareholders' interests; and alignment with the business strategy and talent management objectives.
11. Review and recommend to the Board any stock ownership guidelines for Executives or Directors and monitor compliance.
12. Review and recommend to the Board any new compensation or benefit programs or changes to existing programs that may have a material impact on Cervus' financial position, with consideration for: compensation risk; cost implications; accounting and tax issues; and alignment with the business strategy and talent management objectives.
13. Oversee the administration of compensation programs; including:
- designating participants eligible to participate in Cervus' equity-based programs that have the potential to dilute shareholders' interests;
  - recommending to the Board approval of grants made under Cervus' equity-based compensation programs;
  - monitoring dilution of shareholders' interests related to equity-based compensation programs; and
  - reviewing, on a summary basis, costs associated with Cervus' major incentive programs.

### *Board Compensation*

14. On an annual basis, review and recommend to the Board, Cervus' approach to Board members' compensation which includes:
- the compensation philosophy and principles, as well as, the design of the program;
  - Cervus' peer group or groups and the associated selection criteria for establishing the quantum of Board members' compensation;
  - the competitiveness of the compensation programs in terms of quantum and design; and
  - an assessment of the programs' compliance with best practices and prevailing shareholder advisor guidance.



*Succession Planning and Development of Key Leaders*

15. Review Cervus' programs and processes to ensure the continuity of Cervus' leadership; including succession plans, diversity policy, leaders' development processes and the capacity to recruit external talent as required.
16. In conjunction with the Nominating and Governance Committee, ensure Cervus has a process to appoint a new Chief Executive Officer, both in the case of an emergency and in the normal course of business.
17. Review the succession plans for key leaders; including diversity matters and the development plans to support candidates' succession.
18. Monitor execution of the succession, development and diversity plans for key leaders.

*Retirement Matters*

19. Review and recommend to the Board any new retirement plans or material changes to any existing retirement plans.
20. As required, review and approve investments, funding and benefit provisions related to any retirement plan.
21. Monitor the performance of any investment results, funding results, legal compliance or reporting requirements of such plans.
22. As required, review and recommend to the Board any material benefits to retiring employees outside of approved programs and practices.

*Disclosure and Risk Assessment*

23. Oversee the preparation of, and recommend to the Board, Cervus' Compensation Discussion and Analysis, as well as, approve any other significant information pertaining to matters within the Committee's mandate contained in the Corporation's disclosure documents.
24. Oversee Management's awareness of, and compliance with, laws, rules and regulations with respect to human resources and compensation matters, and recommend to the Board any material changes to Cervus' practices in these matters.
25. Annually assess whether Cervus' executive and employee compensation programs:
  - encourage prudent risk-taking appropriate to Cervus' risk profile, and
  - avoid promoting excessive risk-taking that may materially impact the Corporation's performance in an adverse manner.

*Other Functions*

26. The Committee shall review other human resources and compensation matters as it determines to be appropriate.
27. Discharge human resources and compensation responsibilities as delegated to the Committee by the Board.



## HUMAN RESOURCES AND COMPENSATION COMMITTEE MANDATE

28. Annually review the adequacy of the Committee's Mandate to ensure it appropriately reflects oversight accountabilities consistent with evolving governance expectation and regulatory requirements.
29. Annually, develop and approve a work plan for the Committee.

### *Reporting to the Board*

30. The Human Resources and Compensation Committee will report to the Board on activities at each Board meeting and at any other time the Committee deems appropriate or upon the request of the Board.

### *Engagement of Consultants*

31. The Human Resources and Compensation Committee has the authority to:
  - retain and pay independent external advisors as necessary to carry out its duties which will be funded by Cervus; and
  - communicate directly with Management.

### **Standards of Liability:**

Nothing contained in this mandate is intended to expand the applicable standards of liability under statutory, regulatory, common law or any other legal requirement for the Board or members of the Human Resources and Compensation Committee. The purpose and responsibilities outlined in this mandate are meant to serve as guidelines rather than inflexible rules and the Human Resources and Compensation Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

### **Document Control Information:**

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