

**BRITISH COLUMBIA RAILWAY COMPANY
HUMAN RESOURCES, GOVERNANCE AND
NOMINATING COMMITTEE OF THE BOARD**

TERMS OF REFERENCE

1. PURPOSE

The purpose of the Human Resources, Governance and Nominating Committee (the "Committee") is to provide focus on issues of governance and human resources and to assist the Board in fulfilling its obligations relating to human resource and governance matters for the Company and all other entities owned or operated by the Company.

On issues related to human resources, the Committee assists the Board in human resource development, compensation matters and continuity and development of senior management.

At BCRC, corporate governance means the process and structure used to supervise the business and affairs of the Company with the objective of enhancing shareholder value, which includes insuring the financial viability of the business. The process and structure define the division of power and establish mechanisms for achieving accountability among the shareholder, the Board and management. The Committee assesses and makes recommendations regarding Board effectiveness and establishes and leads the process for identifying, recruiting, appointing, re-appointing and providing ongoing development for directors.

2. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of 2 directors, who may not be employees of the Company or any of its subsidiaries. The Committee shall be unrelated directors and resident Canadians (as defined in the *Canada Business Corporation Act*).
- B. The Committee shall meet not less than two times each year.
- C. From time to time, as deemed necessary or advisable by the Committee, the Committee may retain independent advice as it sees fit.
- D. The secretary to the Committee shall be as designated by the Committee.

3. DUTIES AND RESPONSIBILITIES – HUMAN RESOURCE MATTERS

Subject to the powers and duties of the Board, the Committee will:

- A. Recommend a performance evaluation process for the President & Chief Executive Officer of the Company and, when approved, ensure the process is implemented.
- B. Review and recommend the compensation philosophy, guidelines and plans for the Company's employees and Executives.

- C. In consultation with the President & Chief Executive Officer, review the appointment and approve the compensation, incentives, bonuses, benefit plans and severance arrangements for the Executives of the Company including the President & Chief Executive Officer.
- D. Review with the President & Chief Executive Officer existing management resources and plans, including recruitment and training programs, to ensure that qualified personnel will be available for succession to Executive positions within the Company and its major subsidiaries and report on this matter to the Board at least once each year.
- E. Review and endorse, where appropriate, major changes in the organizational structure of management as proposed by the President & Chief Executive Officer.
- F. Consider and approve any changes in the Company's pension plan, approve the investment objectives and policies of the pension plan, receive reports from the Pension Committee and report, at least annually, to the Board.
- G. Review with the President & Chief Executive Officer any significant outside commitments the President & Chief Executive Officer and all other Executives are considering before any such commitment is made by the President & Chief Executive Officer or such other Executive. This includes commitments to act as a director or trustee of for-profit and not-for-profit organizations.
- H. Annually, review and recommend changes to the Committee's terms of reference.

4. DUTIES AND RESPONSIBILITIES – GOVERNANCE AND NOMINATING

The Committee has the responsibility to:

- A. Develop, and annually update, a long term plan for Board composition that takes into consideration the current strengths, skills and experience on the Board, relevant retirement dates and the strategic direction of the Company.
- B. Develop recommendations regarding the essential and desired experiences and skills for potential directors, taking into consideration the Board's short-term needs and long-term succession plans.
- C. In consultation with the President & Chief Executive Officer and Board Chair, recommend to the Board nominees for recommendation to the Shareholder for election to the Board.
- D. Review, monitor and make recommendations regarding the orientation and ongoing development of directors.
- E. Review annually, for Board approval, a Board Manual outlining the policies and procedures by which the Board will operate and the terms of reference for the Board, the Board Chair, the President & Chief Executive Officer, a director and Committees.

- F. In consultation with the Chair, assess the needs of the Board in terms of the frequency and location of Board and committee meetings, meeting agendas, discussion papers, reports and information, and the conduct of meetings and make recommendations to the Board as required.
- G. Ensure the Board is able to, and in fact does, function independently of management.
- H. Recommend to the Board, and annually implement, an appropriate evaluation process for the Board as a whole and assume responsibility for recommending an individual director evaluation at the appropriate time.
- I. In consultation with the Board Chair, recommend committee members and committee chair appointments to the Board for approval, and review the need for, and the performance of, those committees and make recommendations as required.
- J. Ensure there is a system that enables a committee or director to engage, at BCRC's expense, separate independent counsel in appropriate circumstances and be responsible for the ongoing administration of such a system.
- K. Recommend to the Board any reports on corporate governance that may be required or considered advisable.
- L. At the request of the Board Chair or the Board, undertake such other corporate governance initiatives as may be desirable to contribute to the success of the Company.
- M. Review on an annual basis the Standards of Conduct Policy in place for the Company and ensure that appropriate systems are in place to inform and advise those covered by the policy of the applicability of the policy and of their obligations thereunder.

5. ACCOUNTABILITY

The Committee shall report its meetings, discussions and recommendations to the Board by distributing the minutes of its meetings and, where appropriate, by oral report at the next Board meeting.