

OMERS Administration Corporation

BOARD OF DIRECTORS MANDATE

Introduction

OMERS Administration Corporation (OAC or the Corporation) is the administrator of the OMERS Pension Plans as provided for in the *Ontario Municipal Employees Retirement System Act, 2006* (OMERS Act) with responsibility for discharging the duties of the retirement compensation arrangements, establishing investment policies and managing and allocating the assets of the pension plans. OAC is also the administrator of the OMERS Pension Plans for the purposes of the *Pension Benefits Act* (Ontario) (PBA). The mission of OAC is the delivery of secure and sustainable pensions.

The Board of Directors of OAC (the OAC Board) has overall stewardship responsibility for the Corporation which is generally defined as the responsibility to oversee the conduct and management of the business and affairs of OAC as the administrator in a fiduciary manner. Consistent with its fiduciary oversight duties, the OAC Board creates Committees from time to time to assist the Board in its overall responsibilities and delegates to those Committees authority in accordance with Board-approved Committee Mandates. For 2018, the OAC Board has five Standing Committees including the Appeals, Audit & Actuarial, Governance, Human Resources, and Investment Committees. The OAC Board is also supported by an *ad hoc* Risk Oversight Committee as well as the Joint Council, which liaises with the Sponsors Corporation (SC) as a venue in which to address matters of importance to either party with respect to oversight and governance of the OMERS Pension Plans.

This document (Board Mandate or Mandate) sets out the key responsibilities of the OAC Board in the context of its stewardship obligations. It is subject to the overriding requirements of the OMERS Act and the by-laws adopted by the Corporation from time to time.

The Board oversees the appointment of a Chief Executive Officer and delegates to Management broad responsibilities for operation of the affairs of the Corporation including ensuring that OAC discharges its statutory and related responsibilities to plan members.

This Mandate has been prepared to reflect principles and processes viewed as being important by the Board and Management to ensure that each discharges its duties and obligations in a way that maximizes results from the point of view of plan members. Those principles and processes include: (i) clarity around authority and responsibility; (ii) recognition of the value of regular performance reviews of both Management and the Board; (iii) processes to ensure accountability; and (iv) the pre-eminence of integrity and ethical leadership. These principles and processes and the Mandate terms which follow are supportive of the vision and mission of OAC which is to be a leader in the pension industry, an organization committed to providing high-quality service to plan members and employers and

built around a culture of excellence, and an organization committed to earning superior returns for plan members with due regard for risk.

The OAC Board, either directly or through its Committees, is responsible for performing the duties set out in this Board Mandate.

1. Appointment of Leadership Team and Succession Planning

The OAC Board is responsible for identifying and appointing the Chief Executive Officer. The OAC Board also reviews the appointment of all C-Suite executives through the Human Resources Committee. The Chief Executive Officer is responsible for the appointment of all employees and will at least annually share with the Board and/or its Committees the Corporation's succession plan.

The OAC Board is responsible for approving succession management process for the Chief Executive Officer position and overseeing a succession plan for the C-Suite Executives through the Human Resources Committee of the Board.

In connection with the succession management process for the Chief Executive Officer, the OAC Board assesses the capabilities of the C-Suite executives, other than the Chief Executive Officer, with a view to identifying and developing future leaders who might be suitable for succession to the position of Chief Executive Officer.

2. Evaluation of Performance

The OAC Board is responsible for approving and implementing a process for evaluating the Chief Executive Officer's annual performance. The OAC Board is also responsible for assessing the performance of the Chief Executive Officer on an ongoing basis. Consistent with these responsibilities, the OAC Board establishes annual performance expectations, goals and objectives for the Chief Executive Officer and monitors progress against those expectations. The OAC Board provides periodic feedback to the Chief Executive Officer with respect to performance.

The Chief Executive Officer assesses performance of the C-Suite executives and reviews the results with the OAC Board through the Human Resources Committee.

3. Compensation Matters

The OAC Board determines the compensation of the Chief Executive Officer on the recommendation of the Human Resources Committee. The Human Resources Committee approves the compensation strategy and compensation design for the other C-Suite executives. The Chief Executive Officer is responsible for compensation within the organization otherwise, but provides to the OAC Board through the Human Resources Committee at least annually an overview of the compensation plans within the organization.

4. Investments

The OAC Board is responsible for investing and managing the funds of the OMERS Pension Plans so that the obligations of the Plans will be met. Its responsibilities include:

- approving investment policies in the form of statements of investment beliefs, statements of investment policies and procedures, statements of investment authorities and investment risk policies through the Investment Committee;
- approving asset classes and mix and related funds allocations among public and private investment activities;
- approving policies regarding related party transactions and reviewing and, if appropriate, approving transactions involving related parties or transactions which are out of the ordinary course of business or which carry unusual forms of reputational risk or which have not otherwise been delegated to the Investment Committee or Chief Executive Officer;
- amending OAC's statements of investment policies and procedures on a timely basis as investment categories change to ensure that investments are authorized by a statement of investment policies and procedures; and
- ensuring that investments are made in a manner consistent with such policies and applicable laws.

Subject to specified limits, the OAC Board has through documented processes delegated to the Investment Committee or Chief Executive Officer of the Corporation the responsibility for investment of the assets of the OMERS Pension Plans with the power to sub-delegate in certain specific circumstances. Such responsibilities include identification and selection of appropriate managers.

The OAC Board monitors and obtains reports on a regular basis from the Investment Committee and Chief Executive Officer on delegated investment authorities, including investments made, processes followed to ensure investments are compliant with legal and policy requirements and investment performance. This monitoring function is undertaken in accordance with a monitoring and reporting plan developed in consultation with the Investment Committee and Management and approved by the OAC Board.

5. Strategic Planning

A key responsibility of the OAC Board is approving the Corporation's strategic planning process and approving the Corporation's strategic plan on a periodic basis. Since 2015, this has involved the approval of a joint strategic plan for all of OMERS, developed in conjunction with the SC. The Board also monitors the implementation of the strategic plan and related plans including annual budgets. In conjunction with strategy, the OAC Board provides direction to Management by articulating its risk appetite for the key risks associated with the strategic plan.

Management, under the direction of the Chief Executive Officer, is charged with developing the strategic plan for the Corporation within the framework of the Board-approved planning

process developed in conjunction with the SC and the action plans necessary to implement the Board-approved plan.

6. Financial Oversight and Stewardship

The OAC Board reviews and approves the audited financial statements for the Corporation and related management discussion and analysis on the recommendation of the Audit & Actuarial Committee. The Board also oversees financial and related internal controls relating to financial reporting through its Audit & Actuarial Committee.

The financial statements are prepared by Management, and Management is responsible for their content.

Management is also responsible to maintain a system of internal controls and supporting procedures designed to ensure the integrity and fairness of the financial statements and related reporting. Management reports on the nature of such controls and, with the assistance of the Internal Audit function within the Corporation, reports through the Global Head of Internal Audit, to the Audit & Actuarial Committee of the Board on the effectiveness of the internal controls.

The OAC Board is responsible for appointing an external auditor to audit the financial statements and the external auditor reports to the OAC Board.

Management prepares an annual report which includes the financial statements and related reporting on pension funds and liabilities, on investment categories and related performance, on pension services activities, as well as management discussion and analysis.

7. Plan Valuation and Administration

The OAC Board annually approves an actuarial valuation of the OMERS Pension Plans and the OMERS Retirement Compensation Arrangement including determining the actuarial methods and assumptions and approving the funding policies for the Plans. The OAC Board appoints an external actuary to carry out annual valuations of the actuarial liabilities of the OMERS Pension Plans and the OMERS Retirement Compensation Arrangement, and the external actuary reports to the OAC Board through the Audit & Actuarial Committee. Once the valuation is approved by the OAC Board, it is submitted to the SC with a recommendation for filing.

The OAC Board addresses significant plan administration issues such as material pension administration decisions and material pension systems matters on behalf of the OAC Board as may be required under the OMERS Act and periodically reviews operational performance, pension service levels, industry standards and client satisfaction results.

The OAC Board establishes an Appeals Committee to hear appeals from decisions of the President regarding questions of entitlement to pension benefits and approves rules, by-laws and regulations for that purpose. When an appeal issue arises, the matter will be referred to the Appeals Committee. The Appeals Committee will report back to the Board on decisions made. The Appeals Committee will review and confirm or recommend amendments to the

rules, by-laws and regulations on a periodic basis. The Board will appoint an Appeals Chair and appoint or renew external legal counsel for appeals-related matters as required.

8. Identification and Management of Business Risks

Oversight of risk is a key Board responsibility. The OAC Board relies on its Committees to review risk in the areas to which their responsibilities extend and keep the Board informed. The Board is responsible for approving risk appetite statements to establish its overall approach to risk.

Management prepares for the OAC Board, at least annually, a report on the principal risks to the business and the systems and controls that have been established to manage such risks as well as a risk mandate for the risk function. Through approval of this report and this mandate, the OAC Board approves Management's assessment of the risks and the risk tolerance of the organization within the overall risk appetite statements. For that purpose the OAC Board has delegated to Management responsibility for

1. identifying, assessing and managing key business risks and keeping the Board and Committees informed of key risks;
2. designing control systems to manage risk; and
3. providing information on risk optimization effectiveness.

9. Growth, Asset Transfers, New Products and Initiatives

The OAC Board oversees expansion, transfers, pension products and related initiatives including, as appropriate:

- a) proposed expansion of membership in OMERS, or where the SC has such approval rights, recommend to the SC;
- b) agreements for transfers of assets and liabilities, in respect of any new members or members with a split pension (divested members);
- c) pension-related products and services for members;
- d) pension reform initiatives and changes including new legislation/regulations.

10. Compliance with Regulatory Matters

The OAC Board has delegated to Management responsibility for ensuring compliance with regulatory requirements, including those applicable to the PBA and the *Income Tax Act*.

11. Communications and Information

The OAC Board oversees a communications plan for the Corporation which sets out the framework for how the Corporation communicates with plan members and other constituents on issues such as financial results, pension plan matters and investment performance. The objective of the OAC Board is to ensure timely disclosure of material developments to stakeholders.

Management is responsible for establishing a plan and policies for ensuring two-way communications with: (i) the organizations holding nominating authority to name members of the OAC Board; (ii) employers participating in the OMERS Pension Plans; (iii) plan members; and (iv) the Sponsors Corporation. The Chief Executive Officer reviews such plan periodically with the OAC Board against objectives.

Management is responsible for establishing a supportive, ongoing government relations strategy in areas material to the affairs of the Corporation.

In order to provide support and assistance to the SC, the OAC Board will liaise through the Board Chair with counterparts at the SC on a regular basis while the Chief Executive Officer will coordinate and oversee the provision of actual services and support to the SC consistent with the requirements of the OMERS Act.

It is the responsibility of the Chief Executive Officer to establish and procure appropriate involvement in pension associations and related organizations where there are benefits to the Corporation in maintaining such associations for communications and professional purposes.

Board members will not make public presentations on behalf of OAC without consultation with the Chief Executive Officer and Chair of the OAC Board. Such presentations are to be distinguished, however, from meetings that may routinely occur with the organizations or bodies that appoint individual Directors where Board member comments are limited to discussion of publicly available information consistent with the fiduciary duties of members of the OAC Board.

12. Conduct and Integrity

The OAC Board approves policies relating to conflict of interest, business conduct and ethics that apply to the Corporation, its employees, officers, directors and consultants. Such policies will include appropriate systems for bringing concerns on the part of employees or others to the attention of the Corporation and, where appropriate, the OAC Board. The Chief Executive Officer provides appropriate “tone from the top” leadership to OAC consistent with the core values of OAC.

13. Board Skills and Effectiveness

The OAC Board regularly assesses the needs of the Board from the point of view of the mix of skills and competencies required to enable the Corporation to meet its objectives. The OAC Board shares its findings with the SC and the sponsors generally. The OAC Board consults with Management on these matters.

Board effectiveness is also supported by:

- Management ensuring that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of materials;
- the conduct of periodic effectiveness assessments of the OAC Board through a self-assessment or other form of assessment process which includes taking into account the views of Management;

- establishing Board committees and approving their mandates and the authorities as well as considering and affirming on a periodic basis the mandate of the OAC Board;
- establishing practices for the evaluation of board, committee and director effectiveness;
- Management efforts to assist members of the OAC Board in understanding the nature of the Corporation's business which is part of a broader orientation program approved by the OAC Board for new directors; and
- ongoing education and training for members of the OAC Board and the Senior Executive Team with respect to governance and related subjects.

The OAC Board is responsible for appointing the Chair of the Board, Committee Chairs and Committee Members; establishing appropriate structures to allow the Board to function independently of Management; and establishing and approving position descriptions for the Chair of the Board and, in consultation with the Chief Executive Officer, the position of the Chief Executive Officer.

14. General Authority

This Board Mandate does not limit the plenary power of the OAC Board of the Corporation to deal with matters determined by the OAC Board to be significant and material and to generally oversee and monitor Management and the many responsibilities that the management team bears within the Corporation. The OAC Board is cognizant of accountability thresholds and the need to maintain clear lines of responsibility. Committee activities will be subject to the matters set forth in Committee Mandates.

Applicable Policies

The Board approves the following policies:

- Code of Conduct and Ethics
- Risk Appetite Statements
- Funding Policies for the Plans
- Related Party Transactions Review
- Risk Framework
- Statement of Investment Authorities
- Statement of Investment Beliefs
- Statements of Investment Policies and Procedures for the Plans

HISTORY

Effective Date: *March 1, 2019*

Approval Dates: *August 24, 2007, amended April 10, 2008, November 20, 2008, December 17, 2008, December 17, 2009, February 25, 2010, December 16, 2010, December 15, 2011, December 14, 2012, December 13, 2013, December 12, 2014, December 10, 2015, December 15, 2016, December 14, 2017, December 13, 2018, February 22, 2019*