

OMERS Administration Corporation

BOARD OF DIRECTORS MANDATE

Introduction

OMERS Administration Corporation (AC) is the administrator of the OMERS Pension Plans, as defined in the Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act), and trustee of the pension funds with responsibility for discharging the duties of the retirement compensation arrangements, establishing investment policies and managing and allocating the assets of the OMERS Pension Plans. The mission of AC is the delivery of sustainable, affordable and meaningful defined benefit pensions.

The Board of Directors of AC (the AC Board) has overall stewardship responsibility for AC which is generally defined as the responsibility to oversee the conduct and management of the business and affairs of AC as the administrator in a fiduciary manner. Consistent with its fiduciary oversight duties, the AC 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. The AC Board has five Standing Committees including the Appeals, Audit & Actuarial, Governance & Risk, Human Resources, and Investment Committees. The AC Board is also supported by the Joint Council, which is a venue through which to liaise with Sponsors Corporation (SC) to address matters of importance to either party with respect to oversight and governance of the OMERS Pension Plans.

This document (Board Mandate) sets out the key responsibilities of the AC 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 AC from time to time.

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

This Board 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 and the promotion of a culture of integrity, compliance, ethical decision-making and conduct, and inclusion. These principles and processes and the Board Mandate terms which follow are supportive of the vision and mission of AC 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 AC Board, either directly or through its Committees, is responsible for performing the duties set out in this Board Mandate.

1. Strategic Planning

Key responsibilities of the AC Board include approving, on a periodic basis, AC's strategic planning process and a strategic plan that, among other things, demonstrates commitment to the defined benefit pension model. This includes the approval of a joint strategic plan for all OMERS, developed in conjunction with SC. The Board also monitors the implementation of the strategic plan and related plans including annual budgets. In conjunction with strategy, the AC 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 CEO, is charged with developing the strategic plan for AC within the framework of the Board-approved planning process developed in conjunction with SC and the action plans necessary to implement the Board-approved plan.

2. Appointment of Leadership Team and Succession Planning

The AC Board is responsible for identifying and appointing the CEO. The AC Board also reviews the appointment of Senior Executives (as defined immediately below) through the Human Resources Committee. For purposes of this Board Mandate "Senior Executives" means those individuals agreed to between the CEO and the Human Resources Committee Chair annually in advance of the approval of the Human Resources Committee work plan by the Human Resources Committee. The CEO is responsible for the appointment of all employees and will at least annually share with the Board and/or its Committees AC's succession plan.

The AC Board is responsible for approving a succession management process for the CEO position and overseeing a succession plan for the Senior Executives through the Human Resources Committee of the Board.

In connection with the succession management process for the CEO, the AC Board assesses the capabilities of the Senior Executives, other than the CEO, with a view to identifying and developing future leaders who might be suitable for succession to the position of CEO.

3. Evaluation of Performance

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

The CEO assesses performance of the Senior Executives and reviews the results with the AC Board through the Human Resources Committee.

4. Compensation Matters

The AC Board approves the compensation of the CEO on the recommendation of the Human Resources Committee. The Human Resources Committee approves the compensation strategy and compensation design for the Senior Executives. The CEO is responsible for compensation within the organization otherwise but provides to the AC Board, through the Human Resources Committee at least annually, an overview of the compensation plans within the organization.

On the recommendation of the Human Resources Committee, the AC Board approves compensation-related disclosure in public documents, including the OMERS Annual Report.

5. Investments

The AC 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:

- a) approving investment policies in the form of statements of investment beliefs, statements of investment policies and procedures, statements of investment authorities, sustainable investing policy and investment risk policies, on the recommendation of the Investment Committee;
- b) approving asset classes and mix and related funds allocations among public and private investment activities;
- c) approving, on the recommendation of the Investment Committee, 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 CEO;
- d) amending, on the recommendation of the Investment Committee, AC'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
- e) ensuring that investments are made in a manner consistent with such policies and applicable laws.

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

The AC Board monitors and obtains reports on a regular basis from the Investment Committee and CEO on delegated investment authorities, including investments made, processes followed to ensure investments are compliant with legal and policy requirements, and investment performance.

6. Financial Oversight and Stewardship

The AC Board, on the recommendation of the Audit & Actuarial Committee and the Investment Committee, approves the annual operating plan including benchmark net returns for AC.

The AC Board, on the recommendation of the Audit & Actuarial Committee, reviews and approves the audited financial statements for AC and the Administered Funds and related management discussion and analysis. 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 for maintaining 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, reports, through the Global Head of Internal Audit, to the Audit & Actuarial Committee on the effectiveness of the internal controls.

The AC Board is responsible for appointing an external auditor to audit the financial statements, and the external auditor reports to the AC Board through the Audit & Actuarial Committee.

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

7. Plan Valuation and Administration

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

The AC Board addresses significant plan administration issues such as material pension administration decisions and material pension systems matters as may be required under the OMERS Act and reviews periodically, through the Governance & Risk Committee, operational performance, pension service levels, industry standards and client satisfaction results.

The AC 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 to the AC Board 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. Risk Management

Oversight of risk is a key Board responsibility. The AC 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 and a Risk Framework which outlines the key systems and controls established to manage risk and includes a taxonomy to measure and assess principal risks to OMERS. Where appropriate, the risk appetite statements will be prepared working in conjunction with SC. The Board also approves a mandate for the risk function.

Management prepares for the AC Board, at least annually, a report outlining the current risk profile of OMERS based on the approved risk appetite statements and associated metrics. Management will also prepare reports for the Board Committees to assist in their oversight of relevant risks. The AC Board has delegated to Management responsibility for

- a) identifying, assessing and managing key business risks and keeping the Board and Committees informed of key risks, including emerging risks;
- b) designing control systems to manage risk; and
- c) providing information on risk optimization effectiveness.

9. Growth, Asset Transfers, New Products and Initiatives

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

- a) proposals for expansion of membership in OMERS, and where SC approval is required, recommendations to SC;
- b) recommending to SC any proposals for eligible products to eligible clients pursuant to section 35.2 of the OMERS Act;
- c) agreements for transfers of assets and liabilities, in respect of any new members or members with a split pension (divested members);
- d) pension-related products and services for members; and
- e) pension reform initiatives and changes including new legislation/regulations.

10. Compliance with Regulatory Matters

The AC Board has delegated to Management responsibility for ensuring compliance with regulatory requirements, including those applicable to the PBA and the *Income Tax Act*. The AC Board oversees compliance with applicable law and compliance policies principally through the Audit & Actuarial Committee.

11. Communications and Stakeholder Relations

The AC Board oversees a communications strategy for AC, through the Governance & Risk Committee, which sets out the framework for how AC communicates with plan members and other stakeholders on issues such as financial results, pension plan matters and investment performance and the timely disclosure and effectiveness of such information.

Management is responsible for establishing a strategy and policies for ensuring two-way communications with each of: (i) the organizations holding nominating authority to name members of the AC Board; (ii) employers participating in the OMERS Pension Plans; (iii) plan members; (iv) SC; and (v) other affiliated organizations (e.g. non-sponsor unions and associations). Management reviews such plan periodically with the AC Board, through the Governance & Risk Committee.

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

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

It is the responsibility of the CEO to establish and procure appropriate involvement in pension and investment associations and related organizations where there are benefits to AC in maintaining such associations for communications, professional and other strategic purposes.

Board members will not make public presentations on behalf of AC without consultation with the CEO and Chair of the AC 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 AC Board.

12. Conduct and Integrity

The AC Board promotes a culture of integrity, compliance, ethical decision-making and conduct, and inclusion. The AC Board approves policies relating to conflict of interest, business conduct and ethics that apply to AC, 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 AC and, where appropriate, the AC Board. The CEO provides appropriate “tone from the top” leadership and promotes a culture of integrity, compliance, ethical decision-making and conduct, and inclusion.

13. Board Skills and Effectiveness

The AC Board regularly assesses the mix of skills and competencies of Board members required to enable AC to meet its objectives. The AC Board consults with Management on these matters and generally shares its findings with SC.

Board effectiveness is also supported by:

- a) Management ensuring that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of materials;
- b) the conduct of periodic effectiveness assessments of the AC Board through a self-assessment or other form of assessment process which includes considering the views of Management;
- c) establishing Board committees and approving Board and Committee mandates on an annual basis;
- d) establishing practices for the evaluation of Board, Committee and Director effectiveness;
- e) a broader orientation program designed to assist AC Board members in understanding the nature of AC's business and approved by the AC Board, through the Governance & Risk Committee, for new directors; and
- f) ongoing education and training for members of the AC Board and the Senior Executives with respect to governance and related subjects.

The AC 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 CEO, the position of the CEO. In appointing Committee Members to Committees, the AC Board will consider the specific skills and competencies of each Director and the needs of each Committee.

14. General Authority

This Board Mandate does not limit the plenary power of the AC Board to deal with matters determined by the AC Board to be significant and material and to generally oversee and monitor Management and the many responsibilities that Management bears within AC. 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
- Funding Policies for the Plans
- Related Party Transactions Review
- Risk Appetite Statements
- Risk Framework

- Statement of Investment Authorities
- Statement of Investment Beliefs
- Statements of Investment Policies and Procedures for the Plans
- Sustainable Investing

HISTORY

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