

LEAD DIRECTOR TERMS OF REFERENCE

The Lead Director, who is elected by the directors appointed pursuant to Section 9 of the *Bank of Canada Act*:

- Is the person to whom other directors appointed under Section 9 of the *Bank of Canada Act* may turn for guidance in respect of issues in connection with Board business.
- Presides over any meeting of directors appointed under Section 9 of the *Bank of Canada Act* where the Governor or Senior Deputy Governor are not present.
- Is responsible for providing leadership to enhance Board effectiveness.
- Leads the process (which is established by the Corporate Governance Committee) for the Board's annual self-evaluation.
- Is responsible, for supporting the Governor in the management of the Board and the Bank's corporate governance practices as established by the Corporate Governance Committee pursuant to its terms of reference.
- Is responsible for acting as liaison between the Board and management on matters of governance.
- On authorization by the Board, acts as a spokesperson for the directors appointed under Section 9 of the *Bank of Canada Act*.
- Works with the Chairperson of the Human Resources and Compensation Committee to ensure the regular review of the performance of the Governor and Senior Deputy Governor against established duties and objectives.
- Works with the Chairperson of the Corporate Governance Committee and the Governor on the annual review of the composition of committees for recommendation to the Corporate Governance Committee and the Board.
- Shall receive notice of, and may attend any of the meetings of the committees of the Board.

Nominating Process

- The Lead Director shall be selected through the process outlined in the attached *Process for the Selection of Lead Director*.

APPROVED BY RESOLUTION OF THE BOARD AT ITS MEETING OF
7 NOVEMBER 2008.

PROCESS FOR THE SELECTION OF LEAD DIRECTOR

From time to time, there is a need for directors appointed under Section 9 of the *Bank of Canada Act* to consider the selection of a new Lead Director. This note documents the process for the election of a Lead Director.

The process begins when the Lead Director's term as Lead Director has ended or when that person has ceased to be a director thereby leaving the Lead Director position vacant.

Steps:

1. All directors are invited to express their interest in becoming Lead Director. The invitation could be issued by any means appropriate to the circumstances and timing required (e.g. e-mail, telephone meeting, etc.). The invitation will be accompanied by the Terms of Reference for the Lead Director position.
2. The expressions of interest are sent to the General Counsel/Corporate Secretary.
3. Directors are informed of the names of the interested candidates. Ballots are prepared with the names of the directors who have expressed interest and then distributed in any manner appropriate to the circumstances as noted above.
4. An election meeting is convened. Directors designate a director who is not a candidate for the Lead Directorship to manage the election process.
5. At the election meeting, directors who have expressed an interest in becoming Lead Director will have an opportunity to reflect on the contribution they could bring to the role.
6. Directors vote for their preferred candidate. The General Counsel/Corporate Secretary and the designated director count the votes.
7. The candidate obtaining more than 50% of the votes immediately becomes Lead Director. Depending on the number of directors who express interest, run-off voting may be required until a candidate receives a majority of the votes.
8. One month after the completion of the election, the ballots are destroyed by the General Counsel/Corporate Secretary.

Should the Lead Director position become vacant, the Chair of the Corporate Governance Committee would be designated as the interim Lead Director. The process to elect a new Lead Director will be initiated as soon as possible.

The Lead Director is elected for a two-year renewable term. The election would take place at the time of the September Board meeting.