



## **CINEPLEX INC.**

### ***COMPENSATION, NOMINATING AND CORPORATE GOVERNANCE COMMITTEE***

#### **TERMS OF REFERENCE**

The Compensation, Nominating and Corporate Governance Committee of Cineplex Inc. (“the **“Corporation”** or **“Cineplex”**”) is a committee of the board of directors charged with responsibility for: (i) establishing procedures for the identification of the new nominees to the board of directors of Cineplex; (ii) recommending to the board of directors of Cineplex new nominees to the board and the nominees for the next annual meeting of shareholders of Cineplex and nominees for each committee of the board; (iii) assessing directors of Cineplex on an ongoing basis; (iv) assessing the effectiveness of the board of Cineplex as a whole, the committees of the board of Cineplex and the contribution of each individual director; (v) developing and implementing orientation procedures for new directors; (vi) advising and administering the Corporation’s compensation programs generally; and (vii) developing and monitoring the Corporation’s approach to governance issues.

#### **Composition:**

- The board of directors shall elect annually from among its members a committee to be known as the Compensation, Nominating and Corporate Governance Committee (the **“Committee”**) to be composed of at least three directors. The composition of the Committee shall be as prescribed in the bylaws of the Corporation.

#### **Reports:**

- The Committee shall report to the board of directors on a regular basis and, in any event, before the public disclosure by Cineplex in its management information circular, or as required by continuous disclosure legislation on: (i) compensation of directors and officers; (ii) an assessment of the boards of directors performance; and (iii) the Corporation’s systems of governance practices for inclusion in public disclosure documents.

#### **Compensation Responsibilities:**

- To recommend the design of the overall compensation program for senior executives to the board and ensure it is both appropriate relative to benchmarks and the goals of the Corporation.
- To recommend to the board of directors whether and to whom options to purchase shares of Cineplex shall be offered as compensation and if so, the terms of such options.
- To recommend to the board of directors whether and to whom participation in any long term incentive plan should be made available and, if so, the terms of such participation.
- To assess the need for, and if determined advisable, appoint and, if appropriate, terminate any compensation consultant to assist in the evaluation of director, CEO or senior executive compensation. In this regard, the Committee will have sole authority to approve the consultant’s fees and retention terms.
- To review and recommend to the board of directors, from time to time and at least annually, the remuneration to be paid by Cineplex to directors.
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- To assess the performance of each of the CEO and CFO against objectives developed by the board of directors and report to the directors.
- At least annually, to review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and recommend to the board of directors the CEO's compensation levels based on this evaluation. In determining the long-term incentive component of the CEO's compensation, the Committee shall consider the performance of the Corporation and relative shareholder return, the value of similar incentive awards to CEOs at comparable entities, and the awards given to the CEO in past years.
- At least annually, to review and make recommendations to the board of directors with respect to the compensation of all other senior officers and other key executives, including incentive-compensation plans and equity-based plans, on the advice of the CEO. In reviewing and making recommendations to the board of directors, the Committee shall ensure that a process is in place to maintain a compensation program for the senior executives of the Corporation at a fair and competitive level.
- At least annually, to review and approve, for the CEO, CFO and other senior executives of: (a) the annual base salary level; (b) the annual incentive opportunity level; (c) the long-term incentive opportunity level; (d) the terms of any employment agreements, severance arrangements, and change in control arrangements/provisions, in each case as, when and if appropriate; and (e) any special or supplemental benefits.
- At least annually, to review key human resources policies and programs in place and under development to ensure that programs related to manpower planning, management development, succession planning, career path planning and performance evaluation are effectively integrated with the strategy of the Corporation .
- At least annually, to review and approve policies on salary administration, recruitment, job evaluation, pay and employment equity, basic incentive and total cash compensation, retirement benefits, and long-term incentive.
- To report on executive compensation as required by public disclosure requirements.

**Governance Responsibilities:**

- To assess the independence and qualifications of the various members of the board of directors and their various committees.
- To ensure that programs relating to succession planning and performance evaluation are effectively integrated with the Corporation's strategy.
- To review and recommend to the board of directors on the composition of the various committees of the board of directors.
- To monitor the quality of the relationship between management and the board of directors and to recommend improvements.
- To review and respond to requests by individual directors to engage outside advisors at the expense of the Corporation or its subsidiaries.
- To review the proposed agenda for and provide recommendations as to additional topics for discussion at meetings of the board of directors.
- To assess the need for, and to co-ordinate a program for, continuing education for members of the boards.
- To assess and provide recommendations to the board of directors on the effectiveness of the board of directors and their committees and the contribution of each director.

- To annually review and report to the board of directors on organizational structure and succession planning matters.
- To report on governance as required by public disclosure requirements.
- To review and ensure compliance of the Corporation with its internal governance guidelines.
- To review from time to time the governance practices of the Corporation, its board and committees of the board to determine compliance with rules and policies of regulatory authorities governing the Corporation.
- At least annually, to review the adequacy of the corporate governance guidelines of the Corporation and recommend any proposed changes to the board of directors.
- To determine and monitor the Corporation's categorical standards for director independence.
- At least annually, to audit the practices of the board of directors (including separate meetings of non-management directors) to ensure compliance with the governance guidelines of the Corporation.
- At least annually, to review the powers, mandates and performance, and the membership of the various committees of the board of directors and, if appropriate, make recommendations to the board.
- To undertake such other initiatives as are needed to help the board of directors deliver exemplary governance.

#### **Nominating Responsibilities**

- To identify and propose to the nominees to the board of directors to stand for election at the annual meeting of shareholders and from time to time to propose new nominees to the board of directors and candidates for vacancies on the board of directors. In this regard, the Committee will have the authority to appoint and, if appropriate, terminate any search firm to identify director candidates and have the sole authority to approve fees of such search firm and other retention terms.
- To maintain an orientation and educational program for new recruits to the board of directors in order to familiarize new directors with the business of the Corporation, its management and professional advisors and its facilities and to ensure that prospective candidates fully understand the role of the board of directors, the role of the committees of the board and the contribution individual directors are expected to make, including in particular, the commitment of time and energy that is expected of directors.

#### **Structure:**

- No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. A majority of the members of the Committee shall constitute a quorum provided that if the number of members of the Committee is an even number one half of the number of members plus one shall constitute a quorum and provided further that a majority of the members present shall be unrelated directors.
- No member of the Committee may participate in discussions or decisions related to his or her own compensation (other than in discussions with respect to director remuneration generally). Where for any reason a member of the Committee is disqualified from voting on or participating in a decision, any other unrelated and disinterested director not already a member of the Committee may be designated by the directors to act as an alternate.
- Subject to the provisions of the bylaws, any member of the Committee may be removed or replaced at any time by the board of directors and shall cease to be a member of the Committee as soon as such member ceases to be a director. Subject to the foregoing, each member of the Committee shall hold such office until the next annual meeting of shareholders after his or her election as a member of the Committee.

- The Committee shall appoint one of its members to act as Chair of the Committee. The Chair will appoint a secretary who will keep minutes of all meetings (the “**Secretary**”). The Secretary does not have to be a member of the Committee or a director and can be changed by simple notice from the Chair.
- The Committee will meet as many times as is necessary to carry out its responsibilities but in no event will the Committee meet less than once a year. Meetings will be at the call of the Chair. Notwithstanding the foregoing, any member of the Committee may call a meeting of the Committee upon not less than 48 hours’ notice.
- The time at which and the place where the meetings of the Committee shall be held, the calling of meetings and the procedure in all respects of such meeting shall be determined by the Committee.
- The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the board of directors may from time to time determine.

#### **Process:**

- The Committee will:
  - (a) obtain compensation data concerning entities that would be regarded as comparable to the Corporation and other data deemed appropriate by the Committee, and to the extent possible understand the basis upon which such comparable entities compensate their senior officers;
  - (b) meet with senior officers from time to time with a view to understanding personal needs, requirements, expectations and the Corporation’s responsiveness to such criteria;
  - (c) document proceedings and decisions with a view to justifying, to the extent necessary, decisions that have been reached to shareholders and other interested constituencies; and
  - (d) establish criteria through which effectiveness of the board, committees, and directors are assessed.
- It is understood that in order to properly carry out its responsibilities, the Committee may retain outside consultants if appropriate.

#### **Independent Advice:**

- In discharging its mandate the Committee shall have the authority to retain (and authorize the payment by the Corporation or its subsidiaries of) and receive advice from, special legal, accounting or other advisors.

#### **Annual Evaluation:**

At least annually, the Committee shall, in a manner it determines to be appropriate:

- perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with its terms of reference; and
- review and assess the adequacy of its terms of reference and recommend to the board of directors any improvements to its terms of reference that the Committee determines to be appropriate.

#### **Definitions:**

“**independent director**” means a director who has no direct or indirect material relationship with the Corporation or its predecessor or affiliates.

“**material relationship**” means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a director’s independent judgment. Without limiting the generality of the foregoing, the following persons are considered to have a material relationship with the Corporation:

- (a) a person who is, or has been within the last three years, an employee or executive officer of the Corporation or any of its predecessor, subsidiary or affiliated entities;
- (b) a person whose immediate family member is, or has been within the last three years, an executive officer of the Corporation or any of its predecessor, subsidiary or affiliated entities;
- (c) a person who: (i) is a partner<sup>1</sup> of the Corporation's internal or external auditor; (ii) is employed by the firm that is the Corporation's internal or external auditor; or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit (or that of its predecessor) within that time;
- (d) a person whose spouse, minor child or stepchild, or child or stepchild who shares a home with the person: (i) is a partner of the firm that is the Corporation's internal or external auditor; (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice; or (iii) was within the last three years a partner or employee of that firm and personally worked on the Corporation's audit (or that of its predecessor) within that time;
- (e) a person who is, or has been, or whose immediate family member is, or has been within the last three years, an executive officer of an entity f any of the Corporation or its subsidiaries' current executives serves or served at that same time on the entity's compensation committee;
- (f) a person who has a relationship with the Corporation or its affiliated entities pursuant to which such person may accept, directly or indirectly<sup>2</sup>, any consulting, advisory or other compensatory fee from the Corporation or its predecessor or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the board of directors or any other board committee, or as part-time chair or vice chair of the board or any board committee;
- (g) a person who received, or whose immediate family member who is employed as an executive officer of the Corporation or any of its subsidiary entities received, more than \$75,000 in direct compensation from the Corporation or its predecessor or subsidiary entities during any 12 month period within the last three years, other than: (i) as remuneration for acting in his or her capacity as member of the board of directors or any board committee; or (ii) fixed amounts of compensation under a retirement plan for prior service with the Corporation or any of its subsidiary entities if the compensation is not contingent in any way on continued service; and
- (h) a person who is an affiliated entity of the Corporation or any of its subsidiary entities.

## Adopted January 1, 2011

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<sup>1</sup> "partner" does not include a fixed income partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or independent auditor if the compensation is not contingent in any way on continued services.

<sup>2</sup> The indirect acceptance by a person of a consulting, advisory or other compensatory fee includes acceptance of a fee by:

- (a) a person's spouse, minor child or stepchild or a child or stepchild who shares the person's home; or
- (b) an entity in which such person is a partner, member, an officer such as a managing director occupying a comparable position or executive officer or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in such case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any of its subsidiary entities.