



## **TERAGO INC.**

### **MANDATE OF THE COMPENSATION COMMITTEE**

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The Compensation Committee's primary responsibilities include evaluating and making recommendations to the Board of Directors regarding compensation of executive officers and directors, equity incentive plans, and general policies and programs relating to compensation and benefits. The Committee is comprised of at least three directors, all of whom must be independent of management and free of any relationship that would interfere with the exercise of their business judgment. The Committee has the authority to retain outside counsel or experts to assist in performing its functions.

#### **1. PURPOSE**

- The primary purpose of the Committee is to assist the Board of Directors (the "Board") in exercising its responsibilities relating to compensation, including equity compensation. The Committee has responsibility for evaluating and making recommendations to the Board regarding (i) compensation of executive officers and directors (ii) Equity Incentive (option plans) and executive share purchase plans, and (iii) general policies and programs related to compensation and benefits of all the Corporation's employees . In addition, the Committee is responsible for producing an annual report on executive compensation for inclusion in the annual proxy statement, in accordance with applicable rules and regulations.

#### **2. COMPOSITION**

##### **MEMBERS**

- The Committee shall be comprised of a minimum of three (3) independent directors. A director is independent if he or she has no direct or indirect material relationship with the Corporation as determined in accordance with applicable laws and regulations.

##### **CHAIR**

- The Chair of the Committee shall be appointed by the Board.

## **QUORUM**

- The Quorum required for conducting any Committee business at a Committee meeting shall be a majority of the members.

## **3. OPERATION**

### **MEETINGS**

- The Chair of the Committee, in consultation with Committee members and the Chief Executive Officer shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least once per year and additionally as required.

### **AGENDA**

- The Chair of the Committee shall develop and set the Committee's agenda, in consultation with other members of the Committee and management. The agenda and information concerning the business to be conducted at each Committee meeting shall be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

### **REPORTS TO THE BOARD**

- The Committee shall report as required, but no less than once annually, to the Board and submit to the Board the minutes of its meetings.

### **SELF-EVALUATION; ASSESSMENT OF CHARTER**

- The Committee shall conduct an annual performance self-evaluation and report the results to the Corporate Governance Committee. The Committee shall assess the adequacy of this Mandate periodically and recommend any changes to the Corporate Governance Committee.

## **4. AUTHORITY AND DUTIES**

- a) The Committee shall review and oversee and submit its recommendation to the Board of Directors for approval the total compensation package for the Corporation's executives including their base salaries, annual bonus incentives, long term incentive compensation, perquisites, and other benefits. The Committee shall make all determinations and take any actions that are reasonably appropriate or necessary in the course of establishing the recommended compensation of the executive officers.
- b) The Committee shall review and make recommendations to the Board with respect to the compensation of the directors, and Board and Committee Chairs.

- c) The Committee shall review and submit its recommendations to the Board of Directors for approval corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the performance of the Chief Executive Officer in light of those goals and objectives, and set the recommended compensation level of the Chief Executive Officer based on this evaluation. In determining the long-term incentive component of the compensation of the Chief Executive Officer, the Committee shall consider the performance of the Chief Executive Officer, shareholder return, and the value of similar incentive awards to Chief Executive Officers at comparable companies.
- d) The Committee shall review the results of and procedures for the evaluation of the performance and compensation of other officers and the balance of the Corporation's employees, as performed and recommended by the Chief Executive Officer and submit its recommendations for approval to the Board.
- e) The Committee shall review periodically and make recommendations to the Board regarding any long-term incentive compensation or equity plans, programs or similar arrangements that the Corporation establishes for, or makes available to, its directors, employees and executives (collectively, the "Plans"), the appropriateness of the allocation of benefits under the Plans and the extent to which the Plans are meeting their intended objectives.
- f) The Committee shall supervise the administration of the Plans in accordance with their terms, construe all terms, provisions, conditions and limitations of the Plans and make factual determinations required for the administration of the Plans.
- g) The Committee shall review and make recommendations to the Board regarding all employment, consulting, retirement and severance agreements and arrangements proposed by the Chief Executive Officer for the executives.
- h) The Committee shall review the attainment of performance goals submitted by the Chief Executive Officer for his Executive Team.
- i) The Committee shall adopt and periodically review a comprehensive statement of executive and staff compensation philosophy, strategy and principles that has the support of management and the approval of the Board, and administer the compensation program fairly and consistently in accordance with these principles.
- j) The Committee shall review an annual Compensation Report to Shareholders on the executive compensation policies and programs and the relationship of corporate performance to executive compensation, including the factors and criteria on which the Chief Executive Officer's compensation for the previous fiscal year was based and the relationship of the performance to the Chief Executive Officer's compensation, for inclusion in the Corporation's proxy statement.



- k) The Committee shall select peer groups of companies that shall be used for purposes of determining executive and director compensation packages.

#### **SUCCESSION PLANNING**

- The Committee shall, on an annual basis, review existing succession plans, and amend, modify or add provisions to have a current Board approved Succession Plan for replacement of the Chief Executive Officer and/or other senior management.

The Committee shall have the power to retain consultants to assist the Committee in evaluating director and executive compensation. The Committee may also retain counsel, accountants or other advisors as it deems appropriate. The Committee shall with the prior approval of the Board Chair, review and approve the consultant or advisor's fees and other retention terms.