

## **INCO LIMITED**

### **CHARTER OF THE MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE**

As amended as of February 3, 2004

#### **I. Committee Membership**

The members of the Management Resources and Compensation Committee (the "Committee") shall, subject to appointments made as a result of resignations or retirements, be appointed annually by the Board of Directors ("Board") of Inco Limited (the "Company"), taking into account the recommendations made by the Corporate Governance and Nominating Committee with respect to who should serve on the Committee. The Board shall annually designate a Chair of the Committee from among the members of the Committee. The Committee shall consist of at least three Directors, each of whom shall satisfy all applicable stock exchange and other regulatory requirements and the Guidelines on Corporate Governance of the Board with respect to (a) having no material relationships with the Company and being otherwise "independent" and (b) any other statutory or regulatory qualifications to serve on the Committee. The requirements for qualification of members of the Committee shall be determined and interpreted by the Board from time to time based upon recommendations by the Corporate Governance and Nominating Committee.

No member of the Committee may receive directly or indirectly any consulting, advisory or other compensatory fee or other payment from the Company other than (i) annual retainer and meeting fees, which may be received in cash, common shares or share units, and stock options or any other in-kind consideration ordinarily payable to non-employee Directors for serving as a Director and member of any committee of the Board and (ii) other regular benefits that other non-employee Directors receive.

#### **II. Committee Purpose and Responsibilities**

The Committee shall have the following purpose and responsibilities:

1. To review and approve corporate goals and objectives relevant to the compensation of the Company's senior executive officers, including the Chief Executive Officer ("CEO"); evaluate the performance of the Company's senior executive officers, other than the CEO, in light of those goals and objectives; and, either as a committee or together with the other Non-Employee Directors (as directed by the Board), determine and approve the compensation level of the Company's senior executive officers, including the CEO, including salary and cash and equity-based incentives, based on their respective evaluations. In determining the incentive components of such compensation, the Committee shall consider, among other factors, the Company's performance and relative shareholder return, the value of similar incentive awards to senior executive officers at comparable companies, the awards given to the Company's senior

executive officers in past years, and such other factors as the Committee shall determine;

2. To oversee the administration of the Company's incentive-compensation plans, including the annual Management Incentive Plan, the Mid-Term Incentive Plan and the 2001 Key Employees Incentive Plan, and discharge the responsibilities of the Committee as provided for under such plans, and approve the awards of incentive compensation under such plans;
3. To approve, or where shareholder approval is required to make recommendations to the Board regarding, any new incentive compensation plan or any material change to an existing incentive compensation plan;
4. To oversee, in consultation with management, regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility and, as and when required, establishing performance goals and certifying that performance goals have been attained for purposes of applicable tax laws and regulations;
5. To make recommendations to the Board with respect to any severance or similar termination payments proposed to be made to any current or former executive officer of the Company and extending any change in control or similar agreements to any officer of the Company;
6. To prepare and approve the annual Report of the Committee on Executive Compensation for inclusion in the Company's annual proxy circular and statement in accordance with all applicable legal and regulatory requirements;
7. To oversee the development and implementation of executive succession plans and plans for developing and evaluating potential candidates for executive positions, including for the CEO position;
8. To prepare and issue the evaluation required under "Performance Evaluation" below;
9. To report to the Board on a regular basis; and
10. To perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's compensation programs.

### **III. Committee Operations**

The Committee shall meet at least three times a year at a time and place determined by the Committee chair, with further meetings to occur when deemed necessary or desirable by the

Committee or its chair. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment hook-up by means of which all persons participating in the meeting can hear each other and be heard. Attendance by at least a majority of the members of the Committee either in person or by conference call or similar communications equipment hook-up shall constitute a quorum for the transaction of any business that may properly come before any meeting of the Committee. In the event of a tie vote on any issue to be voted on by the Committee, the Committee chair's vote shall decide the issue.

The Committee may invite such members of management to its meetings as it deems appropriate, consistent with the maintenance of the confidentiality of compensation discussions. The CEO should not attend any meeting where the CEO's performance or compensation is discussed, unless specifically invited by the Committee.

**IV. Delegation to Subcommittee**

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

**V. Performance Evaluation**

The Committee shall prepare and review with the Board an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any improvements to the Committee's charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chair of the Committee or any other member of the Committee designated by the Committee to make this report.

**VI. Resources and Authority of the Committee**

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. With respect to compensation consultants retained to assist in the evaluation of CEO or senior executive compensation, this authority shall be vested solely in the Committee.