

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

I. PURPOSE

The Board will be responsible for governance and stewardship of the Corporation, rather than the day-to-day operations of the Corporation, which are the responsibility of Management. The Board's role is to confirm and maintain corporate direction, assign responsibility to Management for achievement of that direction, review and approve Management's strategic plans, define limitations, and monitor performance against those objectives and limitations. In fulfilling this role, the Board will regularly review corporate objectives to ensure they remain responsive to the changing business environment in which the Corporation operates.

The Board is responsible for full and timely disclosure of the Corporation's financial and business performance and material developments reasonably anticipated to have significant impact on the prospects and risks of the Corporation's business.

The Board, using the Board's independent judgement, is responsible for balancing commercial and public policy objectives to ensure that the Corporation is operated in a sound commercial manner while at the same time fulfilling the public policy responsibilities assigned to it as a Crown corporation by its Shareholder, the Government of British Columbia. A *Letter of Expectations* between the Shareholder and the Corporation sets out the governance framework in place for carrying out these responsibilities.

The Board is committed to ensuring the Corporation conducts its business in a sustainable manner, and in fulfilling its responsibilities, the Board will also consider the interests that other stakeholders such as employees, customers and communities may have in the Corporation.

II. COMPOSITION AND OPERATION

A. THE BOARD

- (i) The Board will be composed of at least nine and not more than twelve Directors, a majority of whom will be independent¹ Directors.
- (ii) The Board will meet at least four times per year.
- (iii) The Corporate Secretary, or a delegate, will be secretary to the Board.

B. THE BOARD CHAIR

- (i) The appointed Board Chair will lead the Board in establishing and adhering to effective governance processes and practices.
- (ii) The Board Chair will be an ex-officio and non-voting member of all Committees on which the Board Chair is not formally a member.

¹ *An independent Director is free of any interest or relationship that could influence or reasonably be perceived to influence his or her judgement as a Board member or ability to act in the best interests of the Corporation. As one example, an officer or employee of the Corporation will not be considered to be an independent Director.*

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C. BOARD COMMITTEES

- (i) Board Committees will include
 - a. Corporate Governance Committee,
 - b. Audit Committee,
 - c. Human Resources, Safety & Environment Committee,
 - d. Capital Review Committee, and
 - e. Such other Committees as the Board may appoint by resolution.
- (ii) The Board will adopt written terms of reference for each of its Committees. Duties and responsibilities described in the Committees' terms of reference are delegated from the Board to the respective Committees to the extent set out in the terms of reference. Committees may elect to submit actions under delegated authorities for approval by the full Board. Each Committee will also make periodic recommendations to the Board in respect of the subject which it was created to address, and the Board will take into consideration, but will not be bound by, Committee recommendations.
- (iii) Committee members will be appointed and may be removed or replaced at any time by the Board Chair. The number of members and composition of each Committee will be indicated in each Committee's terms of reference.
- (iv) Committees will be entitled to engage experts, including counsel, at the expense of the Corporation. (Individual Directors will be entitled to engage counsel at the expense of the Corporation with the prior approval of the Board Chair.)
- (v) Meetings may be called by the Chair of the Committee or as requested by any member of the Committee or Board.

D. DELEGATION TO MANAGEMENT

- (i) The Board delegates authority to the Chief Executive Officer and will determine what limitations will apply from time to time to the exercise of the authority so delegated, and in this regard will approve guiding policies within which Management will operate.
- (ii) The Chief Executive Officer is delegated the authority to supervise the business and affairs of the Corporation, subject to the direction of the Board and the limitations established by the Board. Subject to the limitations and guiding policies approved by the Board from time to time, this delegation includes the authority to make all decisions on behalf of the Corporation that do not require Shareholder approval, or have not been reserved by the Board itself or to a Committee of the Board.
- (iii) All Board authority delegated to Management is delegated through the Chief Executive Officer, so that all authority and accountability of Management is considered to be the authority and accountability of the Chief Executive Officer; but this will not preclude interaction between the members of the Board and Senior Management. Subject to the limitations and guiding policies approved by the Board from time to time, the Chief

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Executive Officer will have the authority to delegate operational decision-making as he or she determines to be necessary and appropriate for the effective operation of the business.

III. DUTIES AND RESPONSIBILITIES

A. Strategic and Business Planning

- (i) Providing input to Management on trends and issues affecting the business and affairs of the Corporation and acting as a resource to Management where appropriate.
- (ii) Ensuring that an appropriate strategic planning process is in place to develop plans that take into account, among other things, the opportunities and risks of the business.
- (iii) Reviewing and approving the Corporation's strategic plans, material new project proposals, the annual Service Plan and Report on Service Plan submissions to the Shareholder, financial objectives, plans and reports and forecasts as well as annual operating and capital budgets. .

B. Monitoring Implementation

- (i) Monitoring corporate performance against the objectives set in the strategic and business plans and operating and capital budgets.

C. Approving Material Transactions

- (i) Reviewing and approving material transactions not in the ordinary course of business of the Corporation or exceeding limitations established by the Board, including expenditure requests, contracts or commitments for capital projects which exceed executive authorization thresholds.
- (ii) Reviewing and approving material changes to the Corporation's Pension Plan.

D. Risk Assessment and Internal Controls

- (i) Ensuring that appropriate systems are in place and in use to identify, manage and monitor principal risks of the Corporation's business.
- (ii) Ensuring, through Management, the adequacy and integrity of the Corporation's internal control and management information systems.

E. Setting, and Monitoring Compliance with, Policies and Procedures

- (i) Approving and, through Management, monitoring compliance with, appropriate policies, standards and procedures to ensure that the Corporation operates at all times
 - (a) ethically and within laws and regulations of general application,
 - (b) in accordance with applicable auditing and accounting principles and the Corporation's governing documents, and
 - (c) in accordance with Board-approved policies, including policies directed at environmental protection, health and safety.
- (ii) Monitoring compliance with the special regulatory requirements applicable to the Corporation as a Crown corporation.

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- F. Selection and Review of Management**
- (i) Selecting, monitoring, evaluating and, if necessary, replacing the Chief Executive Officer.
 - (ii) Providing advice and counsel to the Chief Executive Officer.
 - (iii) Providing advice to the Chief Executive Officer regarding the selection and review of other members of Senior Management.
 - (iv) Reviewing and approving compensation of the Chief Executive Officer and his or her direct reports, after receiving recommendations from the Human Resources, Safety & Environment Committee.
 - (v) Ensuring that adequate provision is made for Management succession.
- G. Governance**
- (i) Assuming responsibility for the Corporation's governance and disclosure practices.
 - (ii) Monitoring developments in corporate governance, and directing the Corporation's practices to be altered as required to conform with leading standards.
 - (iii) Appointing Committees of the Board and approving their mandates.
 - (iv) Assessing the Board's effectiveness in fulfilling Board and Board Committee responsibilities, identifying and addressing requirements with respect to skill, abilities and succession.
 - (v) Identifying potential candidates for Directors for recommendation to the Corporation's Shareholder, the Government of British Columbia.
- H. Effective and Appropriate Communications**
- (i) Ensuring the Corporation has in place appropriate policies and procedures to enable the Corporation to communicate effectively with its Shareholder, regulators, other stakeholders and the public generally and to ensure prompt and appropriate reporting of its financial results and other material developments affecting the Corporation.
- IV. ACCOUNTABILITY**
- In discharging their responsibilities, Directors are expected to demonstrate the following qualifications and fulfill the following standards.
- A. Integrity and Accountability**
- (i) Demonstrate high ethical standards and integrity in their personal and professional dealings, and be willing to actively support and be accountable for their boardroom decisions.
 - (ii) Advise the Board of any actual or perceived conflicts.
- B. Informed Judgment**
- (i) Bring to the position a history of achievement that reflects high standards for themselves and others.
 - (ii) Develop a depth of knowledge regarding the Corporation's industry, its operations, assets and facilities, its role in the community, and the

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regulatory, legislative, business, social and political environment within which the Corporation operates.

- (iii) Use the knowledge described above to understand and question the assumptions upon which the strategic and business plans of the Corporation are based and to form sound and independent judgments.
- (iv) Prepare appropriately for each Board and Committee meeting by reading background materials provided and acquiring information necessary or appropriate for decision-making.

C. Financial Literacy

- (i) In the case of Directors who are appointed to the Audit Committee, have a high level of financial literacy.

D. Communication

- (i) Maintain an openness to others' opinions and a willingness to listen, participate fully and frankly in the deliberations and discussions of the Board, approach others assertively, responsibly and supportively, and be willing to raise probing or difficult questions in a manner that encourages open discussion.

E. Board Interaction

- (i) Establish an effective, independent and respected presence and a collegial relationship with other Directors and Management.