

BOARD OF DIRECTORS GUIDELINES

INTRODUCTION

The terms of reference (Tab 1.1) for the Board of Directors (the “Board”) define the role of the Board at the Columbia Power Corporation (“CPC”). The Board of Directors’ Guidelines outline how the Board will operate to carry out its duties of stewardship and accountability.

These Guidelines complement the By-Law and apply to and are for the benefit of the directors, the Corporate Secretary, the Board Chair and the President and Chief Executive Officer (the “CEO”), Senior Management and such employees or officers as may be delegated from time to time to directly support the functioning or operation of the Board and its committees.

1. Best Interests of the Corporation

- a) The Board oversees the conduct of business of the Corporation and provides direction to management which is responsible for the day-to-day conduct of business; and
- b) The Board recognizes certain challenges that may arise in balancing CPC’s commercial interests with the public policy mandate assigned to it by Government. The Board Chair and the CEO will keep the Board apprised of emerging public policy issues that are of major strategic importance and provide advice on how the Corporation may respond on these matters.

2. The Shareholder Letter of Expectation

An important document outlining the relationship between the Ministry of Energy, Mines and Petroleum Resources and Corporation is the Shareholder Letter of Expectation (Tab 1.15).

3. Terms of Reference

Terms of reference for the Board (Tab 1.1), the Board Chair (Tab 1.2), a Director (Tab 1.4), and the CEO (Tab 1.3) and guidelines for committees (Tab 2.1) are reviewed annually by the Governance Committee. The Governance Committee proposes changes to the Board for approval as required.

4. Evaluation of the CEO

The Human Resources and Compensation Committee conduct an annual performance review of the CEO, measured against objectives and other relevant criteria established in the previous year by the Board and the CEO. An outline of the Performance Evaluation Process for the CEO can be found in Tab 2.5 of the Board Manual.

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5. Corporate Strategy and Policy

- a) Development and implementation of corporate strategy is a continuous, iterative process. Management is responsible for the development of an overall corporate business strategy and policy to be presented to the Board. The Board's role is to ensure there is a strategic and business planning process, to become engaged in the process and then review, question, validate, and ultimately endorse the strategy for the Corporation and monitor performance.
- b) In preparing for strategic sessions, Board members will be consulted on areas of strategic importance or matters for discussion. The Board is also responsible for setting major corporate policy and for monitoring compliance of such policy.

6. Corporate Plan Definitions

Management will prepare, review and seek approval from the Board on the following:

- a) Strategic Plan – The three year corporate strategy plan.
- b) Service Plan – The three year service plan describing the corporate business strategy and performance targets of the Corporation prepared in the format required by government for release to the public.
- c) Annual Business Plan – The Corporation's business plan for each fiscal year which outlines the Corporation's business and financial objectives for that fiscal year and provides the Corporation's action plan developed to meet these objectives in accordance with the Corporation's strategic direction.
- d) Operating Budget – The Corporation's operating budget for the fiscal year.
- e) Capital Budget – The Corporation's capital budget for major capital purchases for the fiscal year.

7. Principal Risks

- a) The Board should have a continuing understanding of the principal risks associated with the Corporation's objectives. It is management's responsibility to ensure the Board and its committees are kept well informed of changing risks; and
- b) The principal mechanisms through which the Board reviews risks are the strategic planning process, the Board committees and ongoing reports from the CEO and external auditor.

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8. Internal Controls and Management Information Systems

- a) Integral to the Board's overall responsibilities is the existence of control systems which ensure the effective discharge of these responsibilities. A balance has to be achieved between imposing controls that give the Board reasonable assurance that its responsibilities are being discharged and avoiding the creation of an unnecessarily bureaucratic and costly system of control mechanisms;
- b) Through the CEO, management will establish systems to insure that, an appropriate and responsible level of internal controls are in place for the Corporation. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

9. Communications Plan

- a) The Board approves a communication plan and a process for the review and approval of major reports to the public, including the Annual Report;
- b) The Board Chair and the CEO act as the primary spokesperson for CPC and its Subsidiaries and oversees interfaces with the Government and other stakeholders including:
 - i) developing and implementing a communication program; and
 - ii) interfacing with Government, regulatory bodies and other stakeholders.
- c) The Board recognizes the need for the Board Chair and the CEO to have regular meetings or communications with the Minister responsible for CPC and other senior government officials. The Board Chair and the CEO are expected to keep the Board informed on key matters from meetings or communications with the Minister and/or senior officials.
- d) It is expected that Government, the public and persons interested in CPC will, from time to time, communicate their concerns and questions to Directors rather than to management. Directors recognize the authority for major policy decisions rests with the Board of Directors and the authority for operational matters rests with Management. It is important that directors inform the Board Chair of such communications, so that proper action can be taken and accurate responses made by the appropriate CPC representative.
- e) Directors may be requested to assist with communications or a director may be approached directly to speak publicly about CPC. In all cases, directors are asked to advise the Chair. The Chair is responsible for ensuring that director communication activities are properly coordinated and that directors are provided

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with full assistance in preparing and making any public statements or presentations.

10. Management Succession Planning and Development

- a) The Board considers succession planning and management development ongoing processes that include annual reports to the Board by the CEO. Tab 2.8 outlines the Succession Planning Process.
- b) The CEO's views as to a successor in the event of unexpected incapacity and ongoing management development plans should be discussed regularly with the Human Resources and Compensation Committee.

11. Levels of Authority

The Board Chair, the Vice Chair and Directors have no individual authority to make financial commitments for the Corporation. Levels of Approval Authority are set out in Tab 3.1, Levels of Spending Authority.

12. Standards of Ethical Conduct

The directors review the Standards of Ethical Conduct and acknowledge their support and understanding of the Standards by signing it annually. (See Tab 1.6)

13. The Board Chair

The Board's preference is that the CEO and Board Chair roles be separated. The roles of Board Chair and CEO are distinctly different and are outlined in detail in the Terms of Reference for the Board Chair (Tab 1.2) and President and Chief Executive Officer (Tab 1.3).

14. Vice Chair

The Vice Chair is appointed by the Board and is responsible for supporting the Board as a whole and the Chair by assuming the full or partial function and responsibilities of the Chair as requested by the Chair (full function on a short-term basis only; long-term would require an Order in Council).

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15. Board Committees

- a) The function of committees is to help a Board with a task that belongs to the Board. It is mechanisms that permit deeper examination to be given to issues that could reasonably be given by the full Board in consideration of the many items with which it must deal at any one point in time. The role of the committees is to support, not supplant, Board responsibility.
- b) The Board has developed a set of guidelines that apply to all committees established by the Board (see Tab 2.1). Each committee operates according to a Board approved mandate outlining its duties and responsibilities. The current committees are the:
 - i) Finance and Audit Committee;
 - ii) Human Resources and Governance Committee;
- c) This structure is subject to change from time to time as the Board considers which of its responsibilities will best be fulfilled through more detailed review by a committee. Each committee's meeting schedule will be determined by its Chair and members based on the committee's work plan and terms of reference.
- d) The committee Chair will develop the agenda for each committee meeting in consultation with the CEO. Each committee will report in a timely manner to the Board in the results of its meetings.

16. Committee Chairs and Committee Members

- a) The Board Chair is responsible to the Board for annually proposing the leadership and membership of each committee. In preparing recommendations the Board Chair will take into account the preferences, skills and experience of each director.
- b) Committee Chairs and members are appointed at the first Board meeting of the new fiscal year, or as needed to fill vacancies during the year. The Board favours a periodic rotation in committee leadership and membership in a way that recognizes and balances the needs for new ideas, continuity and maintenance of functional expertise.

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17. Ad Hoc Committees/Task Forces

- a) Ad Hoc Committees or Task Forces are Board committees, but differ from other committees in that each task force is established for a specific period of time to undertake a specific task, and is then disbanded.
- b) Each task force operates according to a Board approved mandate outlining its duties and responsibilities.

18. Board Meetings and Agendas

- a) The Board has determined that it needs to meet a minimum of five (5) times each year on dates determined by the Board.
- b) The date, time and place of a regular meeting of the Board shall be fixed and notified in writing not less than three (3) business days in advance of the date when it shall occur. The Board Chair and the CEO, in consultation with the Corporation Secretary or delegate, will develop and issue the agenda for each Board meeting.
- c) The agenda of such meetings shall generally be distributed not less than five (5) business days in advance but in special circumstances not less than twenty-four (24) hours in advance. Management shall submit to the Board Chair notice and an outline of all agenda items it plans to bring forward directly, at least five (5) days in advance. All directors are free to suggest additions to the agenda.
- d) A majority of directors holding office constitutes a quorum for the transaction of business at a meeting and quorum of directors may exercise all the powers of directors at a meeting. No business shall be transacted by the directors at a meeting unless a quorum is present. A director may participate in a Board meeting by means of such telephonic, electronic or other communication facilities as permit in persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
- e) Questions arising at any meeting of directors shall be decided by a majority of votes.
- f) A resolution in writing, signed by all the directors, shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted.
- g) The location of meetings shall be as determined by the Board from time to time. Special meetings may be held by teleconference or in locations throughout the province.

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19. Board Meetings without Management

- a) Practices that provide opportunity to build relationships, confidence and cohesion among directors are essential to allow the Board to help develop an understanding of its role. One such practice is a regular meeting of directors without management or management directors present.
- b) It is important that these opportunities occur regularly, even if the meetings are short, so that they become a recognized and accepted governance practice. Any issues arising in these sessions that bear on the relationship between the Board and management should be communicated quickly and directly to the CEO by the Chair.
- c) The last agenda item at each Board meeting shall be an in-camera session for which item the CEO, Corporate Secretary and any staff in attendance shall withdraw.

20. Board Minutes

The Chair shall be provided with the draft minutes of each meeting of the Board within fourteen (14) calendar days of its occurrence and the members shall be provided with the draft minutes of the previous meeting at the next Board meeting. The approved minutes serve as the official record of the Board meeting.

21. Board Deliberations and Confidentiality

The Board of directors and management recognize that certain materials for deliberation by the Board must remain in confidence with the Board. Directors and managers will respect the provisions that the official record of the Board's deliberations is provided through the approved minutes of the Board meeting. The views or opinions of individual directors or managers shall be treated with an appropriate level of respect and confidence.

22. Special Meetings of the Board

- a) Special meetings of the Board may be held at any time at the call of the Board Chair, the CEO, or any two (2) directors.
- b) Notice of a special meeting of the Board shall be given to all directors. Such notice shall be sent at least twenty four hours before the date fixed for the meeting. If all of the directors are present at such meeting, notice thereof may be waived by them. If notice of the meeting is waived, all directors must sign a waiver and they need not all be present at the meeting.

