

Corporate Governance-General

CPC is a corporation governed by the British Columbia *Business Corporations Act*. It is owned and controlled by and is an agent of the Province of British Columbia. By a consent resolution the Province, as Shareholder, elects CPC's directors annually to hold office until the next general meeting or unanimous resolutions consented to in lieu of holding an annual general meeting, or until the successor directors are appointed. All directors are independent from Management. The Board considers its current size of six directors as an appropriate and effective Board size for the Corporation. In the event of a vacancy on the Board, the Human Resources and Governance Committee identifies the required experiences and skills for potential directors, taking into consideration the Board's short-term needs and long-term succession plans, and in consultation with the Board Chair recommends to the Board for submission to the Government, the criteria and potential candidates.

In addition to the Human Resources and Governance Committee, mentioned above, the board has a Finance and Audit Committee, and a Major Capital Projects Committee to assist the board in carrying out its responsibilities. [The terms of reference for the board and each committee, detailed information about the directors, the committees and senior management, and position descriptions for the Board Chair, the Chief Executive Officer and the Corporate Secretary, are set out on the Corporation's website: <http://www.columbiapower.org>. The Corporation also has Guidelines to assist the board in fulfilling its duties of stewardship and accountability. The board and the committees allot time during each regular meeting for the directors to meet without members of management in attendance. The board does not currently have a task force or working group. CPC has contracted with a major accounting firm for internal audit services.

The Shareholder's Letter of Expectations ("the letter") between the Minister of Energy and the Board Chair (a copy of which is posted on the Corporation's website) sets out the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. Pursuant to the Shareholder's Letter of Expectations, the Board Chair and the Corporation's Chief Executive Officer communicate regularly with the Minister of Energy or with representatives of the Ministry, to report on implementation of the letter. The letter directs the Corporation to conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government. As required by the letter and the *British Columbia Financial Administration Act*, the Corporation posts on its website its annual report, its annual Financial Information Act Report and interim financial reports on a quarterly basis. The Auditor General of British Columbia is the external auditor for CPC.

Orientation and education of board members go hand in hand, and are a continuous process. New directors are provided with access to material from a board manual that includes all the governance documents of the Corporation, as well as current financial information, descriptions of the Corporation's business and assets and significant relationships, and are provided an early opportunity to meet with employees and to tour the operations. Each new director is provided with materials for and invited to attend a number of meetings of all committees to gain an understanding of their respective roles and functions, before being appointed to a specific committee. From time to time, the Corporation engages outside advisers or consultants to brief the directors on matters of general interest or related to the Corporation's business or a specific project. The board terms of reference require an annual assessment of the board, each committee and the directors. For the 2010/2011 fiscal year, the assessment process involves a general board questionnaire to be answered by each Director and collated by the chair of the Human Resources and Governance Committee. The current year's process has not yet been completed.

The Corporation's Standards of Ethical Conduct for Directors are published on the Corporation's web site. The directors are required to review the standards and declare compliance annually. The Standards of Ethical Conduct do not explicitly allow the board to grant waivers from any of its provisions. The Corporation also has standards of conduct applicable to all employees as part of its human resources guidelines and policies.