

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

I. INTRODUCTION

Partnerships British Columbia (PBC) is governed by the *Company Act* under the *Revised Statutes of British Columbia 1996 (Chapter 62)*. The *Act* contains standards of care that relate to the standard of conduct to be observed by directors of corporations incorporated under its provisions. In addition, common law principles of directorial duties, responsibilities and standards of care also apply to directors of share capital corporations.

II. PURPOSE

- A. The PBC Board of Directors (the “Board”) has a primary responsibility to foster the Company’s short and long-term success consistent with the Board’s responsibility to the Company’s shareholder, the Province of British Columbia, giving consideration to the legitimate interests held by other stakeholders including employees, customers, suppliers, communities and the public.
- B. The directors are stewards of the Company. The Board has the responsibility to oversee the conduct of the Company’s business and to supervise management, which is responsible for the day-to-day operation of the Company. In supervising the conduct of the business, the Board, through the President and Chief Executive Officer will set the standards of conduct for the Company.
- C. These terms of reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

III. COMPOSITION AND BOARD ORGANIZATION

- A. The Board Chair and directors are appointed by the Province.
- B. The Board operates by delegating to management certain of its authorities, including spending authorizations, and by reserving certain powers to itself.
- C. Certain of the Board’s responsibilities may be delegated to Board committees. The responsibilities of those committees will be as set forth in their terms of reference, as amended from time to time.

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- D.** The Board retains the responsibility for managing its own affairs including the responsibility to:
- i) annually review the skills and experience represented on the Board in light of the Company's strategic direction, for the purpose of recommending the criteria and potential candidates who meet the criteria to the Province when appointing directors;
 - ii) make recommendations to the Province regarding the criteria it should consider in making appointments to the Board;
 - iii) on the recommendation of the Chair, appoint, determine the composition of and set the terms of reference for, Board committees;
 - iv) implement an appropriate process for assessing the effectiveness of the Board, the Board Chair, committees and directors in fulfilling their responsibilities;
 - v) assess the adequacy and form of director compensation and make recommendations to the Province, as appropriate;
 - vi) assume responsibility for the Company's governance practices and ensure they meet the needs of Province, the Company, and the public;
 - vii) approve the terms of reference for the Board, the Chair, and the directors; and
 - viii) appoint the secretary to the Board.

IV. DUTIES AND RESPONSIBILITIES

A. Human Resources

The Board has the responsibility to:

- i) appoint the President and Chief Executive Officer (the "CEO") and plan succession of the CEO;
- ii) approve terms of reference for the CEO;

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- iii) monitor and, at least annually, review the CEO's performance against agreed upon annual objectives;
- iv) approve the CEO's compensation;
- v) review the senior management structure including such duties and responsibilities to be assigned to officers of the Company;
- vi) on the recommendation of the CEO, appoint the officers of the Company who report to the CEO;
- vii) review compensation plans for senior management including salary, incentive, benefit and pension plans;
- viii) approve certain matters relating to all employees, including:
 - a) the Company's broad compensation strategy and philosophy;
 - b) new benefit programs or material changes to existing programs; and
 - c) material changes to the employee pension plans;
- ix) ensure succession planning programs are in place, including programs to train and develop management; and
- x) provide advice and counsel to the CEO in the execution of the CEO's duties.

B. Mission and Plans

The Board has the responsibility to:

- i) participate with management in the development of, and ultimately approve, the Company's Mission and Values;
- ii) participate with management in the development of, and ultimately approve, the Company's service plan, taking into consideration the commercial, public policy and regulatory responsibilities of the Company;

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- iii) approve annual business plans, operating and capital budgets that support the Company's ability to meet its service plan;
- iv) direct management to develop, implement and maintain a reporting system that accurately measures the Company's performance against its business and service plans;
- v) monitor PBC's progress towards the approved strategic objectives and performance against business, operating and capital plans, and to alter its direction in light of changing circumstances; and
- vi) review and approve significant changes to the plans.

C. Financial and Risk Issues

The Board has the responsibility to:

- i) take reasonable steps to ensure the implementation and integrity of the Company's internal control and management information systems;
- ii) ensure management identifies the principal financial and non-financial risks of the Company and implements appropriate systems and programs to manage these risks;
- iii) monitor operational and financial results;
- iv) approve annual and quarterly financial statements, and approve release thereof by management; and
- v) appoint external auditors and approve auditors' fees.

D. Policies and Procedures

The Board has the responsibility to:

- i) approve and monitor, through management, compliance with all major corporate policies and procedures that govern PBC's operations;

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- ii) approve and act as the guardian of PBC's corporate values, including approving a Code of Conduct and Conflict of Interest Guidelines for the Company;
- iii) direct management to ensure the Company operates at all times within applicable laws and regulations and to the highest ethical and moral standards; and
- iv) review significant new policies or material amendments to existing policies.

E. Provincial and Stakeholder Communications

The Board must pay particular attention to the fact that it operates within a highly public environment. The actions of the Company have a significant public impact and there is a need to ensure communications with the Province and the public is effective and appropriate.

The Board has the responsibility to:

- i) ensure the Company has in place a plan/policy to enable management and the Board to communicate effectively with the Province, stakeholders and the public generally;
- ii) ensure the financial performance of the Company is adequately and promptly reported to the Province;
- iii) ensure financial results are reported fairly and in accordance with governing laws and generally accepted accounting principles;
- iv) ensure timely reporting of any other developments that have a significant and material effect on the Company including recommendations to the Province regarding amendments to legislation or policy to assist in the development and management of P3s in British Columbia; and
- v) report annually to the Province on the Board's stewardship for the preceding year (Annual Report).

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V. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

- A. The Board is responsible for directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained.
- B. Legal duties are imposed on directors. The basic legal duties are imposed at common law.
- C. Directors are under a fiduciary duty to the Company to carry out the duties of their office:
 - i) honestly and in good faith;
 - ii) with a view to the best interests of the Company; and
 - iii) with the care, diligence, and skill of a reasonably prudent person;
- D. Directors have specific statutory duties and obligations (and potentially personal liability¹) set out in legislation including:
 - i) Provincial
 - a) Company Act
 - b) Environmental Management Act
 - c) Employment Standards Act
 - d) Social Services Tax Act
 - e) Workers Compensation Act
 - ii) Federal
 - a) Excise Tax Act

¹ The purpose of the indemnity provided by the Province to Partnerships British Columbia directors is to indemnify the directors, as per the terms of the indemnity granted, for acts and omissions during the term of the directors appointment, subject to the limitations set out in the indemnity (e.g. failure to act honestly and in good faith with a view to the best interests of the company; act, error or omission that is outside the course of the director's duties with the Company; failure to disclose a interest or conflict).

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- b) Income Tax Act
- c) Employment Insurance Act
- d) Criminal Code of Canada (Conspiracy)

VI. REFERENCE

The following are the major corporate policies and procedures that govern PBC's operations:

- Financial Policy Manual;
- Terms and Conditions of Employment; and
- Human Resources and Operational Policies.