

## BOARD OF DIRECTORS' GUIDELINES

### Introduction

The Terms of Reference for the Board of Directors define the role of the Board at BC Hydro. The Board of Directors' Guidelines outline how the Board will operate to carry out its duties of stewardship and accountability.

### Best Interests of BC Hydro

The Board of Directors (the "Board") oversees the conduct of business and supervises management, which is responsible for the day-to-day conduct of the Corporation's business. Although Directors are appointed by the Government to bring special skills and experience to Board deliberations, the best interests of BC Hydro must be paramount at all times.

### Terms of Reference

Terms of Reference for the Board, Board Committees, Chair, Chief Executive Officer, Subsidiary Boards, Corporate Secretary and various Board processes are reviewed annually by the Corporate Governance Committee. This Committee will propose any changes to the Board for approval.

### Corporate Strategy

Management is responsible for the development of an overall corporate business strategy to be presented to the Board. The Board's role is to ensure there is a strategic and business planning process, and then review, question, validate, and ultimately endorse the strategy for the Corporation and monitor its implementation.

### Principal Risks

The Board should have a continuing understanding of the principal risks associated with the Corporation's business. It is the responsibility of Management to ensure that the Board and its Committees are kept well informed of changing risks. The mechanisms through which the Board reviews risks include the strategic business planning process and through the Audit and Risk Management Committee, which monitors business and other risks. It is important that the Board understands and supports the key risk decisions of the Corporation. More detail on the Risk Management Process is set out at Tab 12.

### Internal Controls and Management Information Systems

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. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

### Succession Planning and Management Development

The Board considers succession planning and management development to be ongoing processes, including annual reports to the Board by the Chief Executive Officer. The Chief Executive Officer's views as to a successor in the event of unexpected incapacity and ongoing management development plans should be discussed at least annually with the Human Resources Committee.

## Communications Policy

The Board approves a communications policy and a process for the review and approval of major reports to the public, including the Annual Report. Together, and in consultation with one another, the Chief Executive Officer and Chair act as the primary spokespersons for the Corporation and oversee interface with the Government and other stakeholders including developing and implementing a communications program and its interface with Government, regulatory bodies and other stakeholders.

It is expected that members of the public and persons interested in BC Hydro will, from time to time, communicate their concerns and questions to Directors rather than to management. It is important that Directors inform the Chair or the Chief Executive Officer through the Corporate Secretary of such communications, so that proper action can be taken and accurate responses made by the appropriate representative of BC Hydro.

Directors may be requested to assist with communications, or a Director may be approached directly to speak publicly about BC Hydro. In all cases, Directors are asked to advise the Chair's office through the Corporate Secretary of the request. The Chair is responsible for ensuring Director communication activities are properly coordinated and Directors are provided with full assistance in preparing and making any public statements or presentations.

## The Chair of the Board

The Board supports the concept that the role of Chair is separate from that of Chief Executive Officer. The Board is able to function independently of management when necessary and the Chair provides leadership to the Board. However, the Board also acknowledges that there may be exceptional circumstances, such as during a major shift in strategic direction or significant change, when it is appropriate to combine the roles of Chair and Chief Executive Officer. When it has been deemed appropriate to combine the roles of Chair and Chief Executive Officer, the Board's ability to function independently of management and objectively evaluate the Chief Executive Officer's performance may require the delegation of certain responsibilities:

- in the case of the Chair, delegation to another Director,
- in the case of the Chief Executive Officer, delegation to another senior executive.

In these instances, the Chair and Chief Executive Officer will consult with the Corporate Governance Committee to ensure that appropriate processes are established.

## The Chief Executive Officer - Board Appointment or Otherwise

The Board acknowledges that it is usual practice for the Chief Executive Officer to be appointed by the Shareholder as a member of the Board of Directors. However, in those instances when the Shareholder has not appointed the Chief Executive Officer to the Board, Board policy will be that the Chief Executive Officer can expect to receive the same information as any other member of the Board, except that information pertaining to the Chief Executive Officer's performance, as appropriate.

## Committees

The Board has developed a set of Guidelines for Committees which apply to all Committees established by the Board (Please refer to Tab 19). Each Committee operates according to a Board-approved mandate outlining its duties and responsibilities. The current Committee structure is as follows - *Executive Committee, Human Resources and Safety Committee, Corporate Governance Committee, Capital Projects Committee, Conservation Committee (Task Group) and Audit and Risk Management Committee*. (Note: The *Audit and Risk Management Committee* Chair is an ex-officio member of the corporate *Pension Management Committee*.) 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 in a Committee setting.

## Advisory Committees and Task Groups

Committee Guidelines (Tab 19) also apply to advisory committees and task groups established by the Board from time to time. This structure will be reviewed regularly as the Board considers which of its responsibilities will best be fulfilled through these means.

Advisory committees may include members who are not Directors of the Corporation and provide general advice rather than recommendations on policy matters. One advisory committee exists at the present time - the *Peace River/Williston Reservoir Advisory Committee* (refer to Tab 26 for terms of reference).

Task groups are committees of the Board, but differ from other committees in that each task group is established for a stated period of time to undertake a particular task, and is then disbanded. Each operates according to a Board approved mandate outlining its duties and responsibilities.

The Board Chair is responsible to the Board for annually proposing the leadership and membership of each advisory committee or task group. In preparing recommendations, the Board Chair will consult with the Chief Executive Officer and the Board, taking into account the preferences, skills and experience of each Director.

## Committee Chairs and Committee Members

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 consult with the Corporate Governance Committee, the Chief Executive Officer and the Board, taking into account the preferences, skills and experience of each Director. The Board supports 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.

Each committee's meeting schedule and agenda will be determined by its Chair and members with the assistance of the Corporate Secretary, based on the committee's timetable and terms of reference. Each committee reports in a timely manner to the Board on the results of its meetings.

## Board Meetings and Agendas

Four regular business meetings and one annual retreat are scheduled each year. Special meetings are arranged as required.

The Corporate Secretary, in consultation with the Chair and Chief Executive Officer will develop the agenda for each Board meeting. Under normal circumstances, the agenda and supporting materials will be distributed to Directors not less than four business days before a meeting. All Directors are free to suggest additions to the agenda.

Meetings are generally held at BC Hydro's corporate headquarters at 333 Dunsmuir Street, 18<sup>th</sup> Floor, Vancouver, B.C. but meetings may be held at other locations around the Province where there are hydro installations.

## Procedures at Board Meetings

The following describes general procedures regarding the conduct of Board meetings:

- a majority of Directors constitutes a quorum for the purpose of transacting business and granting approvals;
- questions arising at any meeting of the Board of Directors shall be decided by a majority of votes. In a case of an equality of votes, the Chair of the meeting will have a second or casting vote;
- 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.

## Special Meetings of the Board

Special meetings of the Board of Directors may be held at any time at the call of the Chair. Special meetings may be held "face to face" or by telephone conference call. Notice of a special meeting of the Board of Directors shall only be given to Directors who are known to be in the Province of British Columbia at the time of notice of the meeting.

Notice of a special meeting will be delivered to each Director:

- by mail or electronic means at least two clear days before the date fixed for the special meeting, or
- communicated orally at least two hours before the time fixed for the special meeting.

If all Directors known to be in the Province of British Columbia at the time the special meeting is held are present at the meeting, notice may be waived by them.

In the Chair's absence, a special meeting may be called by:

- a member of the Executive Committee, or
- at the call of any two Directors.

The Chair shall be bound to call a special meeting of the Board of Directors on the requisition of three Directors and, if the Chair fails to do so within twenty-four hours from receipt of such requisition, any three Directors may convene a special meeting of the Board of Directors.

### Information for Board Meetings

Material distributed to the Directors in advance of Board meetings should be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered. Reports may be presented during Board meetings by Directors, senior management, staff, or by invited outside advisors. Presentations on specific subjects at Board meetings should briefly summarize the material sent to Directors, so as to maximize the time available for discussion on questions regarding the material. Templates have been prepared to assist management in the preparation of Board briefing materials to ensure the appropriate focus and tone, as well as overall consistency.

It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance.

Directors are reminded that unless otherwise indicated Board materials should be treated as confidential.

### Non-Directors at Board Meetings

The Board appreciates the value of having members of management, employees or others attend Board meetings to provide information and opinions to assist the Directors in their deliberations. The Board, through the Chair and through the Chief Executive Officer, will determine attendees at Board meetings. However, both the Board and management recognize that throughout the year there are times when the Board needs to meet without management in attendance.

### Board Relations with Management

Board policies and guidelines are issued to management for their adherence. Directors may direct questions or concerns on management performance to the Chair, the Chief Executive Officer, or through Board and Committee meetings. Directors must respect the organizational structure of management. A Director has no authority to direct any staff member.

### Size of the Board

From time to time, the Board through its Corporate Governance Committee will consider its size to ensure the Board has the necessary diversity of skills and experience to fulfill its obligations. Government sets the size of the Board through the appointment process.

### Criteria for Board Membership

Although Government has the responsibility to appoint Directors, BC Hydro's Board of Directors has a responsibility to provide Government through its Board Resourcing Office with advice regarding the needs of BC Hydro and the criteria Government might consider when making appointments.

On behalf of the Board, the Corporate Governance Committee annually reviews the strategic direction of the Corporation and the skills, experience, background and diversity of the Board in relationship to the Corporation's strategic direction. Any recommendations resulting from the review will be discussed with the full Board and communicated to Government through the Board Chair.

### Communicating Director Criteria to the Government

The Board Chair has the responsibility to ensure that criteria developed by the Corporate Governance Committee are communicated to Government through its Board Resourcing Office well in advance of Director appointments. The communication should explain the reason(s) the criteria were developed and encourage Government to consider the needs of BC Hydro when making Director appointments.

### Director Orientation and Education

New Directors will be provided with an orientation and education program which will include written information regarding the duties and obligations of Directors and the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other Directors. The orientation program for each new Director will be tailored to that Director's needs and areas of interest. The orientation process is described at Tab 13. Orientation and education continues during each Director's term of appointment.

### Assessing the Board's Performance

The Corporate Governance Committee and the Chair are responsible for annually assessing the overall performance of the Board and its Committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review should identify any areas where Directors or management believe that the Board could make a better collective contribution to overseeing the affairs of the Corporation.

### Board Compensation

Government establishes compensation policy for its Crown Boards of Directors. The Corporate Governance Committee will review BC Hydro's Director compensation practices annually and recommend changes where warranted. Details regarding Director compensation are outlined at Tab 17.

### Term of Appointment

Each Director's term of appointment is established by Government through Order-in-Council.

### Evaluation of the Chief Executive Officer

The Human Resources Committee will conduct an annual performance evaluation of the Chief Executive Officer, measured against objectives and other relevant criteria established in the previous year by the Board and the Chief Executive Officer. An outline of the Chief Executive Officer's Performance Evaluation Process is located at Tab 16.

The performance evaluation will be communicated to the Chief Executive Officer by the Board Chair. When the roles of Chair and Chief Executive Officer are combined, the performance evaluation will be communicated to the Chair and Chief Executive Officer by the Human Resources Committee.

The evaluation will also be used by the Human Resources Committee in its deliberations concerning the Chief Executive Officer's annual compensation.

### Levels of Authority for Management and the Board

Directors have no authority to make financial commitments for the Corporation other than as a secondary approval as set out in the Officers and Senior Management Approval Levels of the *Financial Responsibility Corporate Policy*. Information respecting this corporate policy and other delegated financial authorities are outlined at Tab 35.

### Director and Employee Code of Conduct

Directors are required to review the *Director and Employee Code of Conduct* and acknowledge their support and understanding of the Code by signing an annual Declaration Statement, details of which can be found at Tab 10.

### Outside Advisors for Individual Directors

Occasionally, a Director may need the services of an advisor to assist with matters involving that individual's responsibilities as a Director. A Director who wishes to engage an outside advisor at the expense of the Corporation must first obtain the authorization of the Board Chair.

### Administrative Support for Directors

The Corporate Secretary will provide all required administrative services for Directors in their capacity as Directors of BC Hydro.

### Board of Directors' Governance Review

Through the Corporate Secretary, the Board Governance framework, including the Board of Directors' Guidelines, all Terms of Reference and any other governance matters will be reviewed annually by the Corporate Governance Committee.