

Enterprise Cape Breton Corporation

Board Charter

Dated July 14, 2009

Enterprise Cape Breton Corporation

Board Charter

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ENTERPRISE CAPE BRETON CORPORATION

BOARD CHARTER

A. INTRODUCTION

Enterprise Cape Breton Corporation's ("ECBC") Board of Directors ("Board") wish to record in this charter their understanding of their governance responsibilities and the various means by which they will endeavour to ensure that these responsibilities are fulfilled.

This charter reflects the provisions of key legislation to which ECBC is subject¹, the Board's determination that ECBC should follow sound business and financial practices (adapted to reflect that ECBC is a Crown corporation with public policy objects), and guidance on matters of governance specific to Crown corporations².

ECBC's senior management ("Management"), led by the Chief Executive Officer ("CEO"), in addition to translating Board direction into action and managing ECBC's operations day-to-day, is responsible for supporting the Board in fulfilling their governance responsibilities. The Board also wishes to record in this charter their expectations in that regard. The Board likewise will support the efforts of Senior Management to carry out the mandate of ECBC providing management's efforts are consistent with the Corporate Plans and delivered in accordance with the law and other governing authorities.

This charter consists of twenty statements of principle. These principles are accompanied by reference to pertinent sources and by indications of some of the Board's expectations

¹The *Enterprise Cape Breton Act* ("ECBC Act") and Part X (Crown Corporations) of the *Financial Administration Act* ("FA Act").

²The Department of Finance and Treasury Board of Canada Secretariat's *Guidelines for Corporate Governance in Crown Corporations and Other Public Enterprises* (1996) ("Treasury Board Guidelines"), Chapter 18 (Corporate Governance Recommendations for Crown Corporations) of the *Report of the Auditor General of Canada* ("2000 AG Report"), the *Government Response to the Fifteenth Report of the Standing Committee on Public Accounts – Governance of Crown Corporations* (2003) ("Government Response"), the Management Priorities and Senior Personnel Secretariat of the Privy Council Office's ("PCO") *Building a Crown Corporation Profile* (2001) ("Profile"), the PCO's *Performance Management Program – Guidelines for Chief Executive Officers of Crown Corporations* (March 2008) ("PCO Guidelines"), the Auditor General's *Report on Governance of Crown Corporations and Selected Best Practices for Audit Committees*, February 2005 ("the 2005 OAG Report"), and the Treasury Board of Canada Secretariat's *Review of the Governance Framework for Canada's Crown Corporations – Meeting the Expectations of Canadians* (February 2005) (the "2005 TBS Report").

of Management, which do not form part of the charter and which are not intended to be exhaustive.

B. BACKGROUND

ECBC was established in 1988 by the *ECBC Act*. ECBC is a Crown corporation named in Part 1 of Schedule III to the *Financial Administration Act (FA Act)*, which lists public policy (distinguished from for-profit) agent corporations. ECBC is accountable to Parliament through the Minister for the purpose of the *Atlantic Canada Opportunities Agency Act*.

The *ECBC Act* prescribes its objects, gives it or the Board various powers and deals with other aspects of ECBC's operations.

ECBC's objects are to: promote and assist, either alone or in conjunction with any person or the Government of Canada or of Nova Scotia or any agency of either of those governments, the financing and development of industry on Cape Breton Island to provide employment outside the coal producing industry and to broaden the base of the economy of Cape Breton Island.

Pursuant to the provisions of the *FA Act*³, ECBC's directors have the obligation to act honestly in good faith with a view to the best interests of the corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

ECBC's affairs are administered by its Board, made up of a Board of Directors comprising the Chairperson, a Chief Executive Officer appointed by the Governor in Council and five other directors appointed by the Minister, with the approval of the Governor in Council.

C. GOVERNANCE PRINCIPLES

Principle 1 – Independent Judgment

The Board will exercise independent judgment.

Sources

- *Treasury Board Guideline 5: "The Board ... should ensure that the board can function independently."*

³ Subsection 115(1) of the *FA Act*.

- *Commentary to Treasury Board Guidelines 1: “By acting as a sounding board and by challenging the assumptions, the identified alternatives, and the assessments contained in the corporate plan, the board ... arguably make one of their greatest contributions to effective corporate governance.”*
- *Commentary to Treasury Board Guideline 4: “The board should be satisfied that the views of management have been questioned and tested. The board should not passively react to management proposals.”*
- *Commentary to Treasury Board Guideline 5:*
 - *“[Board] members may consider it appropriate to obtain independent financial, legal or the advice from an outside adviser at the expense of the corporation. The need for an outside adviser should be first considered by [an] appropriate committee and then be subject to the approval of the board. The engagement of outside advisers should be done with the full knowledge of management and should be for the purpose of assisting directors to fulfill their responsibilities.”*
 - *“[Ex officio directors] can assist the board ... to better appreciate government policy [and] assist ... [their departments] to understand the philosophy and the direction being pursued by the corporation. ... [Such] directors do not serve on boards as a source of direction from their ministers. Directors who are public servants have the same statutory obligation as other directors to exercise independent judgment in ways that best fulfill their fiduciary responsibility to the corporation.” Under the FAA, all directors of Crown corporations are assigned the same fiduciary duty: to act honestly and in good faith with a view to the best interests of the corporation. No distinction has been drawn between the application of this obligation to ex officio directors and its application to others.*
- *2005 TBS Report: “Best practices dictate that, to be effective, directors must approach their work objectively and with decision-making independence. This independence helps to establish a Board’s credibility and supports sound governance and effective accountability. For this reason, corporate governance best practices require that boards of directors of Crown corporations function independently from management.”*

Board’s Expectations of Management

Management will ensure that all reports provided by it to the Board are objective, timely, relevant, accurate and complete.

Principle 2 – Understanding ECBC’s Objects, Powers and Governance Responsibilities

The Board will obtain and maintain an understanding of ECBC’s objects and powers, as well as of their governance responsibilities, will develop and maintain approaches to fulfilling those responsibilities and will evaluate objectively, on a regular basis, their effectiveness in doing so.

Sources

- *ECBC Act, ss. 34(f): “do all such other things as the Corporation deems incidental or conducive to the attainment of its objects.”*
- *FA Act, s. 109: “[The] board ... of a Crown corporation is responsible for the management of the business, activities and other affairs of the corporation.”⁴*
- *Treasury Board Guideline – Introduction: “Corporate governance describes the process and structure for overseeing the direction and management of a Crown corporation so that it effectively fulfills its mandate.”*
- *Treasury Board Guidelines 10: “The board ... should assume responsibility for development the Crown corporation’s approach to governance issues.”*
- *Commentary to Treasury Board Guideline 7: “The board should develop a process to evaluate annually the effectiveness of the board, its committees and the directors individually.*
- *2005 OAG Report, para. 7.75: “(...) we support board assessments as a best practice that should be implemented in Crown corporations.”*
- *2005 TBS Report: “A well-managed appraisal process would increase the effectiveness of the Board and help identify areas where training may be required or where other remedial actions must be taken.”*

Board’s Expectations of Management

Management, lead by the CEO, will provide the Board with pertinent information to assist the Board in understanding the nature and scope of ECBC’s mandate, the duties of ECBC’s directors and established or evolving approaches to governance responsibilities.

⁴ *FA Act, s. 87* provides that, “in the event of any inconsistency between the provisions of this Part and the provisions of any other Act of Parliament, the provisions of this Part prevail”; so that, if there is an inconsistency between Part X (Crown Corporations) of the *FA Act* and the *ECBC Act*, the *FA Act* governs. There is no inconsistency between these two general statements of responsibility. The effect of the *FA Act* is to elaborate that ECBC comprise its business, activities and other matters.

Principle 3 – Orientation and Training of Directors

The Board will arrange for orientation of new directors and ongoing training appropriate to the Board’s governance responsibilities and needs.

Sources

- *Treasury Board Guideline 8: “Directors of Crown corporations should receive orientation and education programs appropriate to their needs.”*
- *2005 OAG Report, para. 7.70: “It is important to put the mechanisms in place to ensure that directors have access to continuing education programs in areas such as public sector developments, governance practices, financial literacy, and risks management.”*
- *2005 TBS Report: “Ongoing professional development [for Directors] is ... critical to maintain the knowledge and expertise required to understand the corporation, its business conditions, and the stakeholders with which it is dealing. The government recognizes that learning is integral to maintaining the capacity of Boards.”*

Board’s Expectations of Management

Management will assist the Board with orientation, training, education and information related to their governance responsibilities and needs.⁵

Principle 4 – Board Profile

The Board, in consultation with the CEO, may maintain a profile of desirable skills and capabilities that would best enable the Board to fulfill their responsibilities and through the Chairperson, advise the Minister of their views when non-*ex officio* Board vacancies are being considered.

⁵ Management will ensure that each new directors receives a resource package containing at least a current copy of the *ECBC Act*, the ECBC Corporate By-law, and all other by-laws made pursuant to the *ECBC Act*, the Code of Conflict for Public Office Holders, all guides, commentaries or similar materials provided to member institutions, the *FA Act*, the Crown Corporations General Regulations, 1995, the Privy Council Office’s Performance Management Program Guidelines for Chief Executive Officers of Crown Corporations (2008), the current versions of this Board Charter, the Board Risk Policies and all other formal policy documents approved by the Board, the Financial Risk Management Guidelines for Crown Corporations, the Office of the Auditor General of Canada’s Audit Committees in Crown Corporations: Guidelines (1985), the Treasury Board Guidelines, the 2000 AG Report, the Government Response, the Profile, the 2005 OAG Report and the 2005 TBS Report.

Sources

- *ECBC Act, ss. 27: “The Enterprise Cape Breton Corporation is continued as a corporation consisting of a Board of Directors comprising the Chairperson, a Chief Executive Officer and five other directors appointed in accordance with subsection 28(2).”*
- *ECBC Act, ss. 28: “(1) The Chief Executive Officer shall be appointed by the Governor in Council for a term that the Governor in Council considers appropriate, and may be removed at any time by the Governor in Council. (2) Each director, other than the Chairperson and the Chief Executive Officer, shall be appointed by the Minister, with the approval of the Governor in Council, to hold office for a term not exceeding four years that will ensure, as far as possible, the expiration in any one year of the terms of office of not more than one half of the directors. Each director may be removed at any time by the Minister, with the approval of the Governor in Council.”*
- *FA Act, ss. 105(1): “Each [non-ex officio] director ... of a parent Crown corporation shall be appointed by the appropriate Minister, with the approval of the Governor in Council ...”*

Board’s Expectations of Management

Management may provide the Board with recommendations for their consideration on the desired mix of director skills and capabilities, and in particular those skills and capabilities that should be sought in filling upcoming non-ex officio vacancies.

Principle 5 – Delegation to Board Committees and Management

The Board will establish the responsibilities and authorities of Board committees and of Management, as well as accountability requirements for them.

Sources

- *FA Act, ss. 148(1): “Each parent Crown that has four or more directors shall establish an audit committee composed of not less than three directors ..., the majority of whom are not officials or employees of the corporation...”⁶*
- *2005 TBS Report: “All directors on the Audit Committee must be independent of management and have financial literacy.”*

⁶ FA Act, ss. 148(3) sets out the mandate of audit committees of Crown corporations.

- *2005 OAG Report, para. 7.83: “Audit committees must also ensure that adequate procedures are in place for the review of any other financial information to be released by the corporation. Further, audit committees are expected to establish procedures for dealing with complaints or concerns, including those made anonymously, about accounting, internal accounting controls, and audit matters.”*
- *Commentary to Treasury Board Guideline 4:*
 - *“Boards ..., in conjunction with the CEO, should ensure an appropriate allocation of responsibilities between the board and management.”*
 - *“Boards ..., in conjunction with the CEO, should periodically review the allocation of responsibilities between the board and management. ... This review should focus on defining and describing both the board’s principal responsibilities and the limits to management’s authority.”*
- *Commentary to Treasury Board Guideline 5: “Where a board of directors delegates to board committees, the board should ensure that:*
 - *each committee, and its terms of reference, is established by a formal resolution of the board or through an appropriate corporate by-law;*
 - *committee work [is] shared among board members ...’*
 - *committee members [are] selected on the basis of their interests, expertise and availability; and*
 - *board members are regularly informed of each committee’s activities, findings, conclusions and recommendations.”*
- *2005 TBS Report: “(...) it is important that each committee have a written charter clearly stating its responsibilities and authorities. A charter applicable to the Board of Directors as a whole should also set out the Board’s responsibilities and the authorities that it has delegated to management.”*

Board’s Expectations of Management

Management will provide the Board with recommendations for their consideration on the roles and limits of decision-making authority of Board committees and of Management, as well as accountability requirements for them.

Management will translate Board direction in to day-to-day activities and manage ECBC’s operations accordingly.

Principle 6 – Responsibilities of Chairperson and CEO

The Board will distinguish and document the responsibilities and authorities of the Chairperson and Chief Executive Officer.

Sources

- *Commentary to Treasury Board Guideline 4:*
 - “[T]he board should avoid participating in the day-to-day management of the business of the corporation.”
 - “Boards should be concerned less with transactions than with setting the corporation’s direction and objectives.”
 - “The board of directors, the chair, and the CEO, should develop position descriptions for the board, the chair and the CEO.”
 - “[T]he board should establish an accountability relationship for the CEO to the board.”
 - “The board and the CEO should develop a set of corporate objectives that the CEO is accountable for achieving.”
- *Commentary to Treasury Board Guideline 5:* “The government generally names part-time chairs and full-time CEOs for its Crown corporations. This practice anticipates that the chair manages the affairs of the board and is not a member of management while the CEO manages the day-to-day operations of the corporation.”
- *2005 TBS Report:* “The CEO is accountable to the Board of Directors for the management and performance of the corporation.”

Board’s Expectations of Management

Management will provide the Board with recommendations for their consideration on the respective responsibilities and authorities of the Chairperson and the CEO.

Principle 7 – Standards of Business Conduct and Ethical Behaviour

The Board will establish standards of conduct and ethical behaviour for Directors and for ECBC’s officers and other employees, and obtain, on a regular basis, reasonable assurance that ECBC has an ongoing, appropriate and effective process for ensuring adherence to those standards.

Sources

- *ECBC Act, ss. 39(d): “The Board may make by-laws ... respecting the duties and conduct of the directors, officers and employees of the Corporation and the terms and conditions of employment of officers and employees of the Corporation”.*⁷
- *Commentary to Treasury Board Guideline 5: “Each board ...should ensure that it has a conflict of interest code to guide the behaviour of its individual directors.”*⁸
- *2005 OAG Report, para. 7.74: “In our view, the development and implementation of codes of conduct and ethics are essential elements of good governance.”*

Board’s Expectations of Management

Management will provide the Board with recommendations for their consideration respecting standards of conduct and ethical behaviour for Directors, officers and employees.

Principle 8 – Recommendation on Qualifications of CEO

The Board may, through the Chairperson, recommend to the Minister the core competencies, experience and skill set for the CEO that the Board considers necessary for the effective and prudent management of the Corporation.

Sources

- *FA Act, ss. 105(5): “Each [chief executive officer] of a parent Crown corporation shall be appointed by the Governor in Council ...”*
- *Commentary to Treasury Board Guideline 6: “The board should identify the skills and characteristics it judges essential for the position of CEO relative to the performance of the corporation and the major issues, risks and challenges facing the corporation.”*

Principle 9 – Appointment of Corporate Officers

- (a) The Board of Directors on the recommendation of the CEO will appoint officers other than the Chairperson and CEO; and**

⁷ *ECBC Act, ss. 39 (d)*

⁸ See *Code of Conflict for Public Office Holders* effective 2006.

- (b) **The Board of Directors will approve general position descriptions, role requirements and responsibilities of ECBC’s senior offices as proposed by the CEO.**

Sources

- *FA Act, ss. 105(7): “[The] board ... of a parent Crown corporation is responsible for the appointment of officers of the corporation, other than [the chief executive officer].”⁹*

Board’s Expectations of Management

Management will provide the Board with recommendations for their consideration regarding the appointment of officers (other than the Chairperson and CEO).

Principle 10 – Succession of CEO and Corporate Officers

The Board should ensure through the CEO that succession planning is considered and reviewed on an annual basis for senior management and corporate officers appointed by the Board.

Sources

- *Treasury Board Guideline 1 (iii): “As part of the overall stewardship responsibility, the board should ... approve management’s succession plan including appointment, training and monitoring senior management”.*
- *Commentary to Treasury Board Guideline 1(iii):*
 - *“The succession plan should deal with the CEO’s plans for the appointment, training, assessing and motivating of managers.”*
 - *“The board should review and discuss the CEO’s proposals to appoint and to promote the key senior managers.”*
 - *“In working with the CEO, the board must be satisfied that the corporation’s programs to train and to develop management will provide for the orderly succession of management.”*

⁹ Subsection 28 (2) of the *ECBC Act* states that “Each director, other than the Chairperson and the Chief Executive Officer, shall be appointed by the Minister, with the approval of the Governor in Council”.

Board's Expectations of Management

Management will provide the Board with recommended candidates for their consideration as Board appointed officers.

Management will provide the Board with recommendations for their consideration on succession planning for the Board appointed officers. Management will also plan for the training of Board appointed officers and the monitoring of their performance.

Principle 11 – Compensation for non-ex officio Directors, Corporate Officers and Employees

The Board will review the compensation program for non-ex officio directors, make recommendations to the Governor in Council in that regard and satisfy themselves, on a regular basis, that the compensation of ECBC's officers and employees is consistent with the sustainable achievement of ECBC's objects, the prudent management of its affairs and the risks to which it is exposed is comparable to other Crown Corporations and adheres to its policies and procedures.

Sources

- *FA Act, ss. 108(1): "The rate of any remuneration paid to a director, chairman or chief executive officer of a parent Crown corporation for his services in respect of that office and, in the case of a chairman or chief executive officer, any other office of the corporation or an affiliate thereof shall be fixed by the Governor in Council."*
- *FA Act, ss. 108(2): "Any benefits, other than remuneration, provided to a director, chairman or chief executive officer of a parent Crown corporation for his services in respect of that office and, in the case of a chairman or chief executive officer, any other office of the corporation or an affiliate thereof shall be fixed by the board of directors of the corporation in accordance with the regulations."¹⁰*
- *Commentary to Treasury Board Guideline 2: "Crown corporations should be sensitive to the government's general objectives such as wage restraint, official languages, and employment equity. ... When the corporation is requested to voluntarily comply with these objectives, the board must weigh the competing objectives and strike a judicious balance which best serves the fulfillment by the corporation of its statutory mandate."*

¹⁰ See *Crown Corporations General Regulations*, 1995, ss. 7 and 8.

Board's Expectations of Management

Management will provide the Board with recommendations for their consideration on the compensation of ECBC's officers and other employees.

Principle 12 – Objectives and Evaluation of CEO

The Board will, at least annually, establish objectives for the Chief Executive Officer and evaluate the performance of the Chief Executive Officer against those objectives.

Sources

- *Treasury Board Guideline 6: “In recognition of the importance of the position of CEO, the board ... of every Crown corporation should periodically assess the CEO's position and evaluate the CEO's performance.”*
- *Commentary to Treasury Board Guideline 6:*
 - *“Annually, the board should formally evaluate the CEO's performance against the established duties and objectives that were agreed to by the board and the CEO at the start of the year.”*
 - *“The board, through the chair, should communicate the results of [the CEO's] performance evaluation to both the CEO and to the Crown.”*
- *PCO Guidelines: “... a new compensation plan for CEOs of Crown corporations was ... introduced. The plan consists of a job rate for fully satisfactory performance as well as variable cash compensation (termed “at risk pay”) based on corporate and individual achievements against targets. An effective performance management program is integral to the success of the compensation plan.”*

Principle 13 – Human Resources

The Board shall direct Management to develop adequate policies, strategies, processes and controls within ECBC to maintain an organizational climate that fosters ethical behaviour, employee commitment to the operations of ECBC and a high degree of employee satisfaction.

Sources

- *2005 OAG Report, para. 7.72, “In our view, the need for boards to establish and monitor values and ethics codes is equally important in Crown corporations as in publicly traded companies.”*

Board's Expectations of Management

Management will establish such policies and practices as are necessary to ensure that ECBC employees are treated in a fair and equitable manner. Management will recommend key human resources and compensation policies to the Board for approval.

Principle 14 – Strategic Management Process

The Board will:

- (a) periodically assess ECBC's objects to ensure their continuing relevance and, if thought appropriate, propose changes for consideration by the Minister;**
- (b) adopt a strategic planning process;**
- (c) at least annually, approve operating objectives and strategies, an operating budget, capital budget, corporate plan that are appropriate and prudent in light of ECBC's objects, current and anticipated environment, risks, resources and financial position.**
- (d) regularly evaluate ECBC's performance in implementing its approved plans, and budgets; and**
- (e) obtain, on a regular basis, reasonable assurance that ECBC has an effective strategic management process.**

Sources

- *FA Act, ss. 122(1): "Each parent Crown corporation shall annually submit a corporate plan to the appropriate Minister for the approval of the Governor in Council on the recommendation of the appropriate minister ..."*¹¹
- *FA Act, ss. 123(1): "Each parent Crown corporation named in Part I of Schedule III shall annually submit an operating budget for the next following financial year of the corporation to the appropriate Minister for the approval of the Treasury Board on the recommendation of the appropriate Minister."*
- *Treasury Board Guideline 2: "The board ... of every Crown corporation should examine its public policy objectives and periodically the legislated mandate to ensure their continuing relevance."*
- *Commentary to Treasury Board Guideline 2:*
 - *The board should ... assess the relevance of the Crown corporation's mandate, and, if appropriate, propose changes for the consideration of the appropriate minister."*

¹¹ The required contents and form of a corporate plan are described in *FA Act*, ss. 122(3) and (4).

- *“The board should ensure that all public policy objectives are clearly described in the corporate plan annually approved by the board and sent to the Crown.”*

Board’s Expectations of Management

Management may periodically develop recommendations for prudent and appropriate operating objectives and strategies, an operating budget and corporate plan that take into account ECBC’s objects, current and anticipated environment, risks, resources and financial position, and submit such recommendations to the Board for their consideration.

Management will provide the Board regularly with reports that enable them to assess ECBC’s performance in implementing its current approved objectives, strategies, plans and budgets.

Management will provide the Board regularly with reports that enable them to assess whether ECBC has an appropriate and effective strategic management process.

Principle 15 – Enterprise Risk Management

The Board will:

- (a) **obtain an understanding of the significant risks to which ECBC is exposed.**
- (b) **establish and maintain a risk management framework for identifying significant risk and review this framework on a regular basis, but at least annually, to satisfy themselves that it continues to be appropriate and prudent; and**
- (c) **obtain reasonable assurance, on a regular basis, but at least annually, that ECBC has an effective enterprise risk management process and that risk management policies are being adhered to.**

Sources

- ***Commentary to Treasury Board Guideline 1(ii):***
 - *“The board must understand the principal risks inherent in the corporation’s activities and its external environment.”*
- ***Commentary to Treasury Board Guideline 1:***
 - *“As part of the overall stewardship responsibility, the board should ... ensure that the principal risks of the corporation’s business have been identified and that appropriate systems to manage these risks have been implemented.”*

- *“The board should ensure that systems are in place to monitor and manage effectively the risks affecting how well the Crown corporation fulfills its mandate.”*

Board’s Expectations of Management

Management will identify and assess the significance of the risks attendant upon ECBC’s objects, strategies, plans and operations.

Management will provide the Board regularly with reports that will enable the Board to understand the management of ECBC’s significant risks.

Management will recommend risk management policies for ECBC’s significant risks to the Board for their consideration. Management will review these policies periodically to ensure that they remain appropriate and prudent and report to the Board on the results of these reviews.

Management will provide the Board regularly with reports that will enable the Board to be aware of any situations in which those risks are not being managed in accordance with established policies and assess whether ECBC’s risk management policies remain appropriate and prudent in the circumstances and are being followed.

Management will provide the Board regularly with reports that will enable the Board to assess whether ECBC has an appropriate and effective enterprise risk management process.

Principle 16 – Control Environment

The Board will obtain, on a regular basis, reasonable assurance that ECBC’s operations are supported by an appropriate and effective control environment and that ECBC has effective policies and practices to assure the integrity of internal controls and management information systems.

Board’s Expectations of Management

Management will ensure that ECBC has a control environment that supports the prudent management of its operations and of the risks to which it is exposed and contributes to the achievement of its objectives.

Management will provide the Board regularly with reports that will enable the Board to assess whether ECBC has such a control environment.

The Board is entitled to rely on the accuracy of the information provided by management in these reports.

Principle 17 – Internal Audit Function

The Board will oversee ECBC’s internal audit function by satisfying themselves periodically that the Audit Committee establishes the mandate of, and allocates sufficient resources for, ECBC’s internal audit function, approves their audit plan each year and seeks from that function, on a regular basis, reasonable assurance that ECBC’s policies and processes are being monitored and adhered to and that appropriate action is taken to address any significant weaknesses or breakdowns that are identified.

Sources

- *FA Act, ss. 131(3): “Each parent Crown corporation shall cause internal audits to be conducted, in respect of itself ... to assess compliance with subsections (1) and (2) ...”¹²*

Principle 18 – ECBC “In control”

The Board will obtain, on a regular basis, reasonable assurances that ECBC is “in control”. “In control” refers to the state or condition wherein: the affairs of the ECBC are subject to effective governance by the Board of Directors, are being managed in accordance with ongoing, appropriate and effective strategic and risk management processes, and are being conducted in an appropriate corporate culture; and any significant weaknesses or breakdowns related to those matters are being identified, and appropriate and timely action is being taken to address them.

¹² Subsections 131(1) and (2) require that Crown corporations keep, maintain and control books of account and records; reasonable assurance that the assets of the corporation and each subsidiary are safeguarded and controlled; the transactions of the corporation are in accordance with the *FA Act*, the regulations, the charter and by-laws of the corporation; and the resources are managed economically and efficiently; and that the operations of the corporation are carried out effectively.

Board's Expectations of Management

Management will provide periodic reports to the Board regarding management's assessment of the control systems in place relating to operations, financial controls and accountability and management's view on the effectiveness and efficiency of these control systems.

Principle 19 – Effective Communication

The Board will oversee the manner in which ECBC communicates with the Crown and supervisors and other relevant parties in order to satisfy themselves that ECBC is doing so effectively.

Sources

- *Treasury Board Guideline – Introduction: “Each Crown corporation should include a description and assessment of its corporate governance policies and practices in its annual report.”*
- *Commentary to Treasury Board Guideline 3:*
 - *“The corporation should identify its ... major stakeholders [in addition to the government] and how information should be communicated to this broader audience.”*
 - *“Boards should be assured that the corporation's systems supporting the communications policy will anticipate those issues likely to attract interest and, when appropriate, inform the [government] in a timely manner.”*
 - *“[The] corporation, usually through the CEO or the chair, should inform the [government] of any significant developments and decisions likely to have a major impact on the corporation or on public perceptions and attitudes towards it. Any significant direct communication between management and the [government] should be brought to the board's attention.”*
 - *“The board of directors should ensure that the corporation's reports adequately communicate the significant issues confronting the corporation.”*
 - *“[The] board must be satisfied with the main messages contained in the corporation's annual report and, where applicable, in the documents tabled in Parliament, namely, the corporate plan summary, the budget summaries and the corporation's annual report.”*
- *2005 TBS Report: “Reporting on activities and performance is an important element of a governance system involving the delegation of authority. (...) In general, reporting should adhere to the principle of transparency.”*

- *2005 TBS Report: “The government will require that Boards of Directors of Crown Corporations hold annual public meetings at which stakeholders could express their views and seek information about the activities of the corporations. Corporations are also encouraged to develop outreach activities to solicit input and feedback from stakeholders on an ongoing basis.”*

Board’s Expectations of Management

Management will develop and recommend communications policies to the Board for their consideration.

Management will bring any communications on significant matters between Management and the government to the Board’s attention.

Principle 20 – Review of Board Charter

The Board will periodically review this Board Charter to assess whether it remains responsive to the circumstances and needs of ECBC and continues to reflect the legislation to which ECBC is subject, sound business and financial practices (adapted to reflect that ECBC is a Crown corporation with public policy objects) and guidance on matters of governance specific to Crown corporations.

Board’s Expectations of Management

Management will provide timely information and reports to the Board on trends and evolving best practices in the area of governance that may be applicable to ECBC.

Approved by the Board on July 14, 2009.