

## BOARD OF DIRECTORS ADMINISTRATIVE GUIDELINES

### INTRODUCTION

The Guidelines in this Chapter (Tab 2) are intended to summarize in one document the manner in which the Board of Directors will conduct its affairs to meet and exceed the requirements and standards established in the Canada Not-for-profit Corporations Act, the By-laws of the Authority, and these Governance Rules and Practices. These Guidelines are descriptive and seek to point the reader to the specific provisions that shall govern. In other words, these Guidelines cannot amend or alter the provisions of the Canada Not-for-profit Corporations Act, the By-laws of the Authority, or the other Chapters of these Governance Rules and Practices and in the event of any conflict, these Guidelines will be subordinate.

#### 1. Best Interests of the Authority

The Board of Directors bears legal responsibility for the governance of the Authority's business and its affairs. The Board oversees the conduct of business and supervises Management, which is responsible for the day-to-day conduct of the business. While those Directors nominated by the Nominating Entities are expected to bring to the deliberations of the Board the perspective of the Entity that nominated that Director, that Director's duty in law is to act and make decisions in the best interests of the Authority, whether or not that Nominating Entity may disagree with the decision of the Board.

#### 2. Terms of Reference

Terms of Reference for the Board, its Committees, individual Directors, the Chair, the President, and the Corporate Secretary are set forth in later Chapters of these Governance Rules and Practices. Each shall be reviewed annually by the Governance Committee which shall also receive annually recommendations from each of the other Committees on that Committee's Terms of Reference. Any substantive changes to the Terms of Reference can only be made by the Board of Directors after receiving the recommendation of the Governance Committee, which recommendation the Board of Directors is not obliged to follow.

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### 3. Corporate Strategy

3.1 The Board and Management have separate and shared responsibilities in connection with the continuous process of strategic planning, including the development, implementation, monitoring and revision of the strategic plan. The Board's role is to ensure the strategic planning process is inclusive, productive and efficient. Ultimately it requires a resolution of the Board of Directors for the Authority to adopt and implement a Strategic Plan. The Board then has a continuing role in monitoring its implementation and assessing its effectiveness. Management is responsible for providing analysis, options, and recommendations through the process, and, in reporting faithfully on its implementation.

3.2 It is expected that there will be discussion of strategic matters at every Board meeting, but the Board Calendar will provide that the Board has a Strategic Retreat for at least 1 and ½ days in June of each year, a follow-up discussion in September of each year, and, the Strategic Plan will be part of the Board's consideration of the annual operating plan and budgets at the Board's workshop in November of each year.

### 4. Enterprise Risk Management

The Airport Authority has established an Enterprise Risk Management (ERM) system, which includes a register of all identified risks, considered as to both severity and likelihood and, upon consideration of existing and available mitigations, the risks are categorized into three levels: "Inherent", "Residual" and "Target". The ERM system also includes a risk appetite statement to be read in conjunction with the Strategic Plan, and a risk tolerance matrix that assists management in reviewing how target risk is set for each risk event, identifying interdependencies that could in aggregate be above the tolerance set, help in assessing and managing future risk events and used to identify risks in issues that are presented to the Board.

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The Board should have a continuing understanding of the process and results of the ERM system, primarily through quarterly consideration by the Finance and Audit Committee and an ERM Update Report included in every Board of Directors meeting package, supplemented by annual reviews by each other Committee of the Board, reviewing risk areas within the mandate of that Committee, and by the full Board.

### 5. 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.

### 6. Succession Planning and Management Development

The Board considers succession planning for the role of President and CEO to be an important and ongoing responsibility, both in the event of an unanticipated vacancy, and for sound preparation for orderly change. The Human Resources and Compensation Committee is charged with the detailed annual review of these matters. This Committee also reviews, with the President, the development of the Senior Management team and the succession plans for each of the Vice Presidents and the director level of Management. The Human Resources and Compensation Committee will report to the Board, annually, on all these matters.

### 7. Communications Policy

7.1 The Board considers it a function of the Board to set communication policy and approve the content of the Authority's major reports to the public, including Annual Reports, prospectuses and offering memoranda.

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- 7.2 The Board considers it a function of Management to speak for the Authority in its communications with the community, employees, airport partners, customers, suppliers and governments.
- 7.3 It is expected that members of the public and persons interested in the airport often will communicate their concerns and questions to Directors rather than to Management. It is important that Directors inform Management of such communications, so proper action can be taken and the appropriate representative of the Authority can make accurate responses.
- 7.4 Directors may be requested by Management to assist with communications or a Director may be approached directly to speak publicly about the Authority. In all cases, Directors are asked to advise the President's office of the request. The President is responsible for ensuring that communication activities are properly co-ordinated and that Directors are provided with full assistance in preparing and making any public statements or presentations.

### 8. The Chair of the Board

- 8.1 The Board supports the concept that the role of Chair is separate from that of President. The Board is able to function independently of Management when necessary and the Chair's role is to manage and provide leadership to the Board.
- 8.2 The Board will select a Chair from its members through a secret ballot at the first Board meeting held after the annual meeting of the Members as set out in Section 7.2.1 of the By-laws. The initial term of a Chair is three years and a Chair may be re-elected for up to three additional terms of two years each, for a maximum term as Chair of nine years. The procedure for election of the Chair is attached to this Tab as Appendix 1.
- 8.3 The Chair is a non-executive position and the Board estimates the Chair will spend several days each month in excess of what is required

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for regular Director responsibilities, undertaking the responsibilities of that office.

- 8.4 The Chair is assisted in the discharge of the Chair's responsibilities by the Corporate Secretary who is appointed by the Board.
- 8.5 The Chair of the Governance Committee will act as the Chair of the Board when the Chair is absent. In the event that the Chair is unable to act as such, the Chair of the Governance Committee shall be the Acting Chair until the Board appoints a new Chair.

### 9. Committees

- 9.1 The Board has developed a set of Guidelines for Committees that apply to all committees and task forces established by the Board (See Tab 15b).
- 9.2 Each committee and task force operates according to a Board approved mandate outlining its duties and responsibilities (See Tabs 15c to 15h). The current committee structure is set out below, and current membership is set out at Tab 15a.
  - 9.2.1 Finance and Audit Committee;
  - 9.2.2 Governance Committee;
  - 9.2.3 Human Resources and Compensation Committee; and
  - 9.2.4 Planning and Development 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 of matters in a committee or task force.

### 10. Task Forces

- 10.1 The Guidelines for Committees (Tab 15b) also apply to task forces established by the Board. Task forces are committees of the Board, but differ from other committees in that each task force is established for a specific period of time to undertake a specific task,

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and is then disbanded.

- 10.2 Each task force operates according to a Board approved mandate outlining its duties and responsibilities.
- 10.3 The structure will be reviewed regularly as the Board considers which of its responsibilities will best be fulfilled through more detailed review of matters in a task force.

### 11. Committee Chairs and Committee Members

- 11.1 The Board Chair is responsible to the Board for annually proposing the leadership and membership of each committee. The Chair will conduct an annual written survey of Directors asking them for a statement of preferences, including setting out which committee assignments would be sought, which would be acceptable and which would be unwanted. This information will be taken into account, but shall not necessarily be determinative of the committees to which a Director may be appointed. The survey form is attached to this Tab as Appendix 2.
- 11.2 In preparing membership recommendations, the Board Chair will consult with the Chair of the Governance Committee and the President and then the full Governance Committee, and take into account the preferences, skills and experience of each Director. Committee Chairs and members are appointed by the Board at the first Board meeting after the annual general meeting, or as needed to fill vacancies during the year.
- 11.3 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.

### 12. Committee Meetings

Each committee's meeting schedule will be determined by its Chair and members based on the committee's work plan and terms of reference. The

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committee Chair will develop the agenda for each committee meeting. Each committee will report in a timely manner to the Board on the results of its meetings.

### 13. Board Meetings and Agendas

13.1 Not including the Strategic Retreat and Workshop referenced in paragraph 3.2, the Board meets a minimum of five times per year, usually every other month. Board calendar principles are set out in Tab 19 of this Manual.

13.2 The Board Chair and the President, in consultation with the Corporate Secretary, will develop the agenda for each Board meeting. Under normal circumstances, the agenda and the material will be distributed to Directors not less than four business days before the meeting. Each Director may propose items for placement on any part of the Board agenda by putting them forward to the Chair directly, or, through the President or the Secretary.

13.3 Meetings are usually held at the airport, although they may from time to time be held elsewhere in Richmond or Vancouver. In addition, Directors are encouraged to attend special functions and events, which might occur three or four times per year.

### 14. Information for Board Meetings

14.1 Material distributed to the Directors in advance of Board meetings should be concise, yet complete, and prepared in a way that clearly identifies critical issues to be considered and questions being posed to the Board. Where detailed background material is being provided, it should be accompanied by an Executive Summary. Whenever possible, material should include a section on risk that discusses how an initiative affects risk events included in the Enterprise Risk Management Risk Register and the risk categories set out in the Risk Tolerance Matrix. Reports may be presented during Board meetings by Directors, Management or employees, or by invited outside

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advisors. Presentations on specific subjects at Board meetings should briefly summarize the material sent to Directors, to maximize the time available for questions regarding the material and discussion of the topic.

- 14.2 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.

### 15. Non-Directors at Board Meetings

The Board appreciates the value of having members of the Management team attend Board meetings to provide information and opinions to assist the Directors in their deliberations. The Board, through the Chair and the President, will determine Management attendees at Board meetings.

### 16. Session of Non-Management Directors

- 16.1 Non-Management Directors of the Board will meet *in camera* for a portion of every Board and Committee meeting.
- 16.2 Non-Management Directors will also meet *in camera* with the President and CEO at every Board and Committee meeting.
- 16.3 In addition, Non-Management Directors will normally meet once each year in a special session led by the Board Chair. Immediately thereafter, the Chair will discuss the results of the special session with the President as further described in Section 28 of these Guidelines.

### 17. Board Relations with Management

- 17.1 Board policies and guidelines are issued to Management for their adherence. Directors who have questions or concerns on Management performance may direct these to the Chair, to the President, or through Board and Committee meetings.



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17.2 Directors must respect the organizational structure of Management. A non-Management Director has no authority to direct any employee.

### 18. Size of the Board

The By-laws allow for up to fifteen Directors. The Governance Committee will review the number of Directors annually and make recommendations to the Board with a view to the best interests of the Authority.

### 19. Board Composition

19.1 The Board is composed of nine nominated Directors, and the CEO, and can have up to five at-large Directors. The following organizations appoint Directors:

- 19.1.1 one Director by the Association of Professional Engineers and Geoscientists of British Columbia;
- 19.1.2 one Director by the City of Richmond;
- 19.1.3 one Director by the City of Vancouver;
- 19.1.4 two Directors by the Government of Canada;
- 19.1.5 one Director by Metro Vancouver;
- 19.1.6 one Director by the Chartered Professional Accountants of British Columbia;
- 19.1.7 one Director by The Law Society of British Columbia; and
- 19.1.8 one Director by The Greater Vancouver Board of Trade.

### 20. Criteria for Board Membership

20.1. The Governance Committee will review annually the general and specific criteria applicable to candidates to be considered for nomination to the Board. The objective of this review will be to maintain the composition of the Board in a way which provides the best mix of skills and experience to guide the long-term strategy and ongoing business operations of the Authority. This review will take

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into account the desirability of maintaining a balance of skills, experience and background, with appropriate diversity, along with the key common characteristics required for effective Board participation.

20.2. The following are specifically barred from membership on the Board subject to the exceptions provided for in Section 3.3 (b) of the By-laws that permit at any one time one member to be exempted from the exclusion set out in subparagraph 20.2.3 and one member to be exempted from the exclusion in subparagraph 20.2.4:

- 20.2.1 a corporation;
- 20.2.2 a person who is less than 18 years of age;
- 20.2.3 a person who is not a citizen of Canada;
- 20.2.4 a person who is not a resident of British Columbia;
- 20.2.5 a person holding, or nominated for, federal, provincial or municipal elected office;
- 20.2.6 a person employed by or providing services on a full time basis under contract to a federal, provincial or municipal government department or agency, or a corporation owned by Her Majesty in right of Canada or any province of Canada;
- 20.2.7 a person employed by or providing services on a full time basis under contract to a Nominating Entity;
- 20.2.8 a person who has the status of a bankrupt;
- 20.2.9 a person who has been declared incapable by a Court in Canada or in another country;
- 20.2.10 a person who has been convicted of an offense in connection with the promotion, formation or management of a corporation, or involving fraud.

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20.3. The By-laws provide that Directors must possess the requisite technical skills in transportation, aviation, business, finance, law, government, the organization of workers and the representation of the interests of consumers.

### 21. Communicating Director Criteria to the Nominating Entities

21.1 The Board Chair and the Governance Committee Chair have the responsibility to ensure that the skills and experience criteria developed by the Governance Committee, along with the Board's Diversity Policy, are communicated to the Nominating Entities at least three months before the end of the current appointee's term. The communication should: explain the reason the skills and experience criteria were developed; review the Diversity Policy and any gaps in the Board's reflection of the communities that the Authority serves; and encourage the Nominating Entity to consider the needs of the Authority.

21.2 The communication must be written and whenever possible be supported by a personal visit by the Board Chair or the Governance Committee Chair to the person(s) charged with the responsibility of making the appointment.

### 22. Selection of New Director-at-Large Candidates

The Board is responsible for identifying suitable candidates to be recommended for election to the Board as Directors-at-large and, in so doing, will consider the Board's Diversity Policy. The Governance Committee has the responsibility of: gathering names of potential nominees; screening their qualifications against the current skill and experience needs of the Board and any gaps in the Board's reflection of the communities that the Authority serves; and making recommendations to the full Board. All Directors are encouraged to identify and recommend potential candidates to the Governance Committee. Additional input to the

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process is provided by the President. An invitation to a candidate to stand as a nominee for election to the Board will normally be made by the Board through the Chair.

### 23. New Director Orientation

New Directors will be provided with an orientation and education program that will include an interactive session with members of the Executive Team referred to as “Aviation 101”, written information about the duties and obligations of Directors and about the business and operations of the Authority, documents from recent Board meetings and opportunities for meetings and discussion with senior Management and with other Directors. The orientation program for each new Director will be tailored to that Director’s needs and areas of interest. An outline of the Director Development and Education Plan for all Directors can be found at Tab 8 of this Board Manual.

### 24. Assessing the Board’s Performance

The Governance Committee is responsible for ensuring that there is an annual assessment of 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 the Board or Management considers that the Board could make a better collective contribution to overseeing the affairs of the Authority. The process is set forth at Tab 10.

### 25. Individual Director Peer Evaluation

The annual individual Director peer evaluation process is set forth at Tab 10. It is designed to provide each Director with an opportunity to examine his or her own effectiveness, compare his or her personal assessment with the assessment of all other Directors, to identify areas of improvement and have a candid conversation with the Board Chair. The process is

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confidential and the results are shared only with the Director and the Board Chair.

### 26. Board Compensation

25.1 Details regarding Director compensation are outlined in Tab 11 of the Board Manual.

25.2 The Governance Committee will review Director compensation every two years and, guided by the Compensation Principles set out at Tab 11, will recommend changes in compensation to the Board.

### 27. Term of Service

Directors are elected for three-year terms. Other than the Chair and the President, Directors may not serve on the Board for longer than nine years as set out in Section 3.5 of the By-laws. There is a limited exception allowing a Director to serve for up to one additional year if the turnover on the Board in a given year would otherwise be greater than two.

### 28. Evaluation of the President

28.1 The Human Resources and Compensation Committee will conduct an annual Performance Evaluation Process for the President, measured against objectives and other relevant criteria established in the previous year by the Board and the President. An outline of the Performance Evaluation Process for the President can be found in Tab 9 of the Board Manual.

28.2 This performance evaluation will be communicated to the President by the Board Chair. The evaluation also will be used by the Human Resources and Compensation Committee in its deliberations concerning the President's annual compensation.

### 29. Levels of Authority for Management and the Board

Directors have no authority to make financial commitments for the Authority other than as a secondary approval as set out in the document

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entitled “Signing Authorities” for Management and the Board set out in Tab 20.

### **30. Outside Advisors for Individual Directors**

Occasionally, a Director may need the services of an advisor to assist with matters involving responsibilities as a Director. A Director who wishes to engage an outside advisor at the expense of the Authority must obtain the written authorization of the Board Chair or the Chair of the Governance Committee.

### **31. Corporate Secretariat**

The Board and individual Directors are assisted in their work by the Corporate Secretary whose role is generally described in the Terms of Reference at Tab 14 of these Rules.

### **32. Office and Secretarial Services for Directors**

32.1 An office is maintained at the Authority’s head office for use of the Chair while conducting Authority business. The office is available at all other times for use by other Directors.

32.2 The Authority will make available secretarial services for the purpose of taking and issuing minutes of meetings, dealing with Authority correspondence and, for making travel arrangements for Directors traveling at the Authority’s request. No other personal secretarial assistance is offered or available.

### **33. Board Guidelines Review**

These Board Guidelines are reviewed and approved annually by the Board through the Governance Committee.

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### Appendix 1

#### Procedure for Election of the Chair

1. Four weeks before the Board meeting at which the Chair's term will expire and an election be held, the Secretary will advise all Directors in writing:
  - a. that the term of the Chair is about to expire;
  - b. whether or not the current Chair is eligible for re-election; and,
  - c. the procedures for making nominations and conducting an election by secret ballot, all as set forth in this Appendix 1 to the Administrative Guidelines.
2. Each Director is entitled to nominate one non-Management Director to serve as Chair by submitting a name to the Secretary, in writing, not less than two weeks prior to the Board meeting at which the Chair's term will expire and an election be held.
3. The Secretary, without disclosing the source of the nomination, will ask each of the persons so nominated if he or she is willing to let his or her name be placed on the ballot;
4. One week before the Board meeting at which the Chair's term will expire and an election be held, the Secretary will advise the Board of the names that will appear on the ballot. If there is only one name on the ballot then at the next meeting of the Board, that Director will be declared elected as Chair.
5. At the meeting at which the election is to be held:
  - a. In the order the names appear on the ballot, each nominee shall be given two minutes to address the meeting;
  - b. the Secretary will give one ballot to each Director and
  - c. voting will be conducted by secret ballot.

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6. The Director with the greatest number of votes will be declared elected Chair, PROVIDED that Director receives more than one half the votes cast.
7. If there are several nominees and no nominee receives more than one half the votes cast, the name of the Director who receives the lowest number of votes will be dropped from the ballot and another round of voting conducted.
8. The Secretary, and if the Board so directs, another person of the Board's choosing, will count the ballots and announce the results, but he (or they) will not disclose to any person the actual number of votes received by any Director and will destroy all ballots used.



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**Appendix 2**

**BOARD COMMITTEE MEMBERSHIP SURVEY**

(To be completed once a year by every Board member)

**NAME:** \_\_\_\_\_

**Date:** \_\_\_\_\_

*(Director completing survey)*

The Terms of Reference for the Chair state that: The Chair will conduct an annual written survey of Directors asking for a statement of preferences setting out which committee assignments would be sought, which would be acceptable and which would be unwanted. This information will be taken into account but shall not necessarily be determinative of the committees to which a Director may be appointed.

Please check the appropriate boxes below with regard to your Committee membership preferences.

Committee	Sought	Acceptable	Unwanted
Finance and Audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Human Resources & Compensation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Planning and Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Task Force (if applicable)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Task Force (if applicable)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please return to the Board Secretariat, by \_\_\_\_\_.