

## TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

### 1. PURPOSE

- 1.1. The primary responsibility of the Board of Directors (the “Board”) is to foster the long-term success of the Authority consistent with the Board’s responsibilities to the communities it serves.
- 1.2. The Board has the responsibility to oversee the conduct of the business of the Authority and to supervise Management, which is responsible for the day-to-day conduct of business. In performing its functions, the Board also considers the legitimate interests which others such as employees, suppliers, customers and communities have in the Authority. In supervising the conduct of the business, the Board, through the President, will set the standards of conduct for the Authority and ensure the safety of its operations.

### 2. PROCEDURES AND ORGANIZATION

- 2.1. The Board operates by delegating to Management certain of its authorities, including spending authorizations, and by reserving certain powers to itself. The current signing authorizations are outlined in Tab 20 of the Board Manual.
- 2.2. The Board retains the responsibility for managing its own affairs including:
  - 2.2.1. selecting the Chair and the Corporate Secretary;
  - 2.2.2. nominating Director-at-large candidates for election to the Board;
  - 2.2.3. providing guidance to the Nominating Entities regarding the criteria they should consider in making their appointments to the Board;
  - 2.2.4. constituting committees of the Board; and,
  - 2.2.5. determining Director compensation.

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2.3. Subject to the By-laws of the Authority and the *Canada Not-for-profit Corporations Act*, the Board may constitute, seek the advice of, and, delegate powers, duties and responsibilities to, committees of the Board.

### 3. DUTIES AND RESPONSIBILITIES

#### *Selection of Management*

3.1. The Board has the responsibility:

- 3.1.1. to appoint and replace the President; to monitor the President's performance; to approve the President's compensation and to provide advice and counsel to the President in the execution of the President's duties;
- 3.1.2. acting upon the advice of the President and the recommendation of the Human Resources and Compensation Committee, to approve the appointment and compensation of Vice Presidents; and,
- 3.1.3. to ensure that plans are made for Management succession and development.

#### *Monitoring and Acting*

3.2. The Board has the responsibility:

- 3.2.1. to monitor the Authority's health and safety Management systems and its safety Management system under the Canadian Aviation Regulations Sec. 302.501
- 3.2.2. to monitor the Authority's progress towards its goals, and to revise and alter its direction through Management in light of changing circumstances including ensuring that the annual Board Budget Workshop incorporates a review and discussion of

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the financial structure of the Authority which includes the long term financial model and the concomitant long term capital plan;

- 3.2.3. to approve any financing;
- 3.2.4. to monitor the Authority's Enterprise Risk Management System (ERM);
- 3.2.5. to direct Management to ensure that systems are in place for maintaining the integrity of and implementing the Authority's internal financial control and Management information systems.

### *Strategy Determination*

- 3.3. The Board has the responsibility:
  - 3.3.1. to review, with Management, the mission of the Authority, its objectives and goals, and the strategies by which it proposes to reach those goals; and,
  - 3.3.2. to review progress in achieving the goals established in the strategic plans.

### *Policies and Procedures*

- 3.4. The Board has the responsibility:
  - 3.4.1. to approve and monitor compliance with all major policies and procedures which govern the Authority's operations; and
  - 3.4.2. to direct Management to implement systems designed to ensure that the Authority operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.

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### *Compliance Reporting and Corporate Communications*

#### 3.5. The Board has the responsibility:

- 3.5.1. to ensure that the financial performance of the Authority is adequately and promptly reported to the public, security holders and regulators;
- 3.5.2. to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles;
- 3.5.3. to ensure that the sustainability performance of the Authority is adequately and fairly reported to the public;
- 3.5.4. to ensure timely reporting of any other developments that have a significant and material effect on the performance of the Authority and as required under the terms of reference of the Authority's charter;
- 3.5.5. to report annually to the public and the Nominating Entities on the Board's stewardship for the preceding year; and
- 3.5.6. to ensure that the Authority has in place a policy to enable the Authority to communicate effectively with its Nominating Entities, employees, airport partners and the communities it serves.

## 4. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

- 4.1. The Authority is a not-for-profit corporation originally incorporated under Part II of the *Canada Corporations Act* and continued under the *Canada Not-for-profit Corporations Act*.
- 4.2. There is no share capital and thus there are no shareholders, but instead there are *Members*. In the case of the Authority the *Members* and Directors are the same people. Thus, the odd circumstance arises where *Members* vote to ratify the actions they took as Directors. The practical

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effect is slight. For some large matters, such as a change in the By-laws, it means the Members and Directors will receive 21 days written notice of the proposed action and often a two-thirds majority will be required to pass the resolution.

4.3. Legal duties are imposed on Directors. The basic legal duties are not set out in legislation; they are imposed at common law.

4.4. Directors are under a fiduciary<sup>1</sup> duty to the Authority to carry out the duties of their office:

4.4.1. Honestly and in good faith;

4.4.2. in the best interests of the Authority; and,

4.4.3. with the care, diligence, and skill of a reasonably prudent person.

4.5. Directors have specific statutory duties and obligations under employment, environmental, and financial reporting law as well as under the withholding provisions of taxation law.

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<sup>1</sup> Without being legally precise, a fiduciary duty is duty to act for the benefit of another, like a trustee.