

From: dsturge@nlh.nl.ca
To: Clift_Thomas
Subject: RE: Board Selection Criteria Memo
Date: Friday, December 15, 2006 11:13:44 AM
Attachments: [.png](#)
[Outstanding Issues - Excerpts.doc](#)

Tom, here it is.



Outstanding Issues - Excerpts.doc

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"Clift, Thomas" <tclift@mun.ca>

	To
"Clift, Thomas" < tclift@mun.ca >	cc
12/15/2006 11:05 AM	Subject

Hi Derrick,

Can you send me the latest version of the memo that you crafted for the Board Governance Committee so that I can get an electronic copy sent to Dean.

This is the memo that you put together for the November 17th Board Meeting. The sub-title is 'outstanding issues' and it was forwarded to the Board based on the meeting of the Board Governance Committee on November 16th.

Thanks

Tom

From: DSturge@nlh.nl.ca [<mailto:DSturge@nlh.nl.ca>]
Sent: Wednesday, December 13, 2006 6:30 PM
To: WChamberlain@nlh.nl.ca
Cc: Clift, Thomas
Subject: Re: Comp Committee Charter

Wayne, changes look fine to me.

Derrick

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Wayne Chamberlain/NLHydro

cc:clift@mun.ca
Subject: Comp Committee Charter

12/13/2006 05:47 PM

Derrick

Please review the attached revision and advise if the changes reflect Tom's comments. I will also copy Tom in case he may get a chance to read. Please advise as I will need to have ready first thing tomorrow morning.

Wayne D. Chamberlain
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**Newfoundland and Labrador Hydro
Board of Directors Meeting
November 17, 2006
Outstanding Issues**



At its November 16, 2006 meeting, the Corporate Governance Committee identified three issues that required additional discussion at the November 17th Board of Directors Meeting:

1. Director Selection Process
2. Director Independence
3. Director Compensation

The following are excerpts related to these issues from the draft documents that are under consideration by the Corporate Governance Committee. These issues were discussed at the August 25th Board meeting. However, the Corporate Governance Committee would like to receive additional feedback on these matters. The discussion will focus on the Board's views on these matters and how the position of the Board should be communicated to the Shareholder.

Corporate Governance Committee Mandate

Process for Nominating Directors

With respect to Director nominations, the Committee shall:

- (a) Recommend and implement a selection and screening process to ensure that suitable Director candidates are identified and recommended to the Board in a timely manner, such process to consider:
 - the needs of individual committees, particularly with respect to upcoming retirements of Chairs and committee members, and
 - Board succession planning, in light of the opportunities and risks facing Hydro;
- (b) Recommend for approval by the Board selection criteria for identifying Director candidates to be recommended to the shareholder;
- (c) Identify Director candidates who have the requisite elements of integrity, diversity, knowledge, skill, time availability, and experience and judgment to meet the selection criteria approved by the Board from time to time.

Board, Committee and Director Assessment

The Committee shall be responsible for assisting the Board in discharging assessment duties and to this end shall:

- (a) Develop and recommend to the Board a process for assessing the performance and effectiveness of the Board as a whole and committees of the Board;
- (b) On an annual basis, be responsible for overseeing the implementation of the assessment process approved by the Board and management; and
- (c) Report annually to the Board with the results of its assessments of Board and Committee performance.

Director Independence

Annually, the Committee shall review the Corporation's Director Independence guidelines and make recommendations to the Board as appropriate.

Director Independence Policy

Director Independence

In order for the Board of Directors to be able to exercise an appropriate level of oversight on behalf of the Shareholder, it is important that the Board exercise its independent frame of mind. This is an integral component of recent corporate governance reforms for publicly-traded companies. More recently, many public sector entities are starting to adopt similar requirements.

Independence Policy

The Corporation's Independence Policy consists of the following:

1. A majority of the Board of Directors, including the Board Chair and all Committee Chairs shall be independent in accordance with the criteria established by the Corporation.
2. All of the members of the Audit Committee, Compensation Committee, Corporate Governance Committee, and Environment Committee shall be independent Directors.
3. Annually, the Directors will be required to provide a formal declaration indicating that they satisfy the Corporation's Independence Criteria.
4. Directors have a responsibility to discuss any potential conflicts that might impact the Director's independence with the Board Chair or the Chair of the Corporate Governance Committee. If, based on these discussions, it is determined that the independence of the Director has been impacted, the Board should be advised.
5. If Directors do not satisfy the Independence Criteria, they should not participate in any discussion or voting relating to matters that contribute to the Independence issue.

Independence Criteria

In order to be considered independent, individual Directors should satisfy the following criteria:

1. The Director is not employed by the Corporation or its subsidiaries, or was not employed in such capacity during the past three years.
2. The Director does not have a family member (as defined in the Corporations By-Law No. 4) employed by the corporation or its subsidiaries at the Manager level or above.
3. The Director did not benefit from a business relationship with the Corporation or its subsidiaries in the past year that could reasonably be perceived to materially interfere with his/her independent judgment.
4. The Director did not receive remuneration from the Corporation or its subsidiaries other than Director's fees and disbursements.
5. The Director was not a partner or employee of the current external auditor during the past three years.

Definition of Family Member

"Family" means a person who is:

- (a) a Director's spouse
- (b) a minor child of the Director, or a minor who is dependent primarily on the Director or the Director's spouse for financial support and toward whom the Director has demonstrated a settled intent to treat as a family member, or
- (c) a relative of the Director or the Director's spouse who lives as part of the Director's household and is primarily dependent on the Director or the Director's spouse for financial support.

Director Selection Process*Search Process*

When a vacancy occurs on the Board, the Corporate Governance Committee (the "Committee") will follow the following process:

A. Corporate Strategic Objectives

The Committee will review the company's current strategic objectives to determine the implications of such objectives for the composition of the Board of Directors.

B. Current Skill, Experience and Board Dynamics Analysis

The Committee will review the background, experience and skills of each director along with the current Board dynamics to determine current Board strengths and needs. For this purpose, the Committee will develop a matrix of existing directors' skills, knowledge and experience.

C. Skills and Experience Gap

The Committee will review the information it has assembled about existing skills and dynamics in light of the company's strategic objectives. This information will be used to assess whether the current Board represents a mix of skills, experience and individual characteristics required for collective effectiveness.

D. Development of Criteria

Bearing in mind the skills and experience gap, the Committee will develop the criteria for the selection of new directors to ensure it complements the current Board composition and fills any gaps. Using the results of the gap analysis, the Committee will develop a profile of skills, knowledge and experience required of potential candidates, that is consistent with the general selection criteria outlined below and that reflects Hydro's values.

The Committee will report to the Board with its findings. The Board Chair, upon the direction of the Board, will advise the Shareholder of the Corporation's need for new directors, including a recommendation with regard to the specific skills and experience desired. The final decision on the appointment of directors is made by the Shareholder.

General Section Criteria

Individual Qualifications

In general, the Board will consider individuals:

- A. prominent and active in any of a broad variety of businesses, institutions or professions and who would bring a diversity of views and experience to the Board;
- B. with knowledge of/experience relevant to the success of a diversified energy company;
- C. familiar with Newfoundland and Labrador and the electricity, wind, and oil and gas industries;
- D. who demonstrate the ability to take into account and incorporate many perspectives at once, who are incisive and exercise sound business judgment and who demonstrate independence of mind;
- E. who demonstrate integrity, honesty and the ability to generate public confidence and maintain the goodwill and confidence of the Corporation's Shareholder whom they represent;

