

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**BOARD OF DIRECTORS MANDATE**

~~June 29, 2007~~

~~(Approved by Board of Directors)~~

November 20, 2008

(Draft)

## **NEWFOUNDLAND AND ALBRADOR HYDRO BOARD OF DIRECTORS MANDATE**

### **DUTIES OF THE BOARD OF DIRECTORS**

1. The Board of Directors of Newfoundland and Labrador Hydro (the “Board”) is responsible for the stewardship of, and has the duty to supervise the management of, the business and affairs of the Corporation.
2. The Board is appointed by the sole Shareholder, the Province of Newfoundland and Labrador, as represented by the Minister of Natural Resources (the “Shareholder”). The Board is responsible for seeking and recommending suitable Board candidates to the Shareholder.
3. For director appointments, the Shareholder in the appointing Order-in-Council shall specify that the director will continue to serve after the expiration of his/her term until a replacement is appointed. This will ensure continuity on the Board while director replacements are being identified and appointed.

### **ACCOUNTABILITIES AND RESPONSIBILITIES**

The Board shall have the accountabilities and responsibilities set out below. In addition, the Board shall perform such duties as may be required under, and act in accordance with, the Corporation’s by-laws.

#### **1. Corporate Governance**

- (a) The Board is responsible for developing the Corporation’s approach to corporate governance in accordance with the overall corporate governance framework established by its parent corporation, including developing appropriate policies and procedures and delegating such other matters as it sees fit to the Corporate Governance Committee for its review and consideration.
- (b) The Board is responsible for the Corporation’s approach to its governance relationship with its sole Shareholder to ensure the Corporation can operate independent from the Shareholder.

#### **2. Strategic Planning**

The Board is responsible for:

- (a) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which lays out the strategic direction of the Corporation in the context of the opportunities and risks of the business and the business and commercial environment in which it operates;

- (b) reviewing and approving the business, financial, strategic and other plans proposed by management to enable the Corporation to execute its strategy; and
- (c) adopting processes for monitoring the Corporation's progress toward its strategic and operational goals, and to revising and altering its directions to management in light of changing circumstances affecting the Corporation.

### 3. Operational and Financial Performance

- (a) taking action when corporate performance falls short of its performance targets or other special circumstances warrant;
- (b) approving the audited financial statements and management discussion and analysis accompanying such financial statements following a review of the recommendation of the Audit Committee; and
- (c) reviewing and approving material transactions outside the ordinary course of business.

### 4. Risk Management

The Board is responsible for:

- (a) Ensuring that management has a process for identifying the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Corporation;
- (b) overseeing the integrity of the Corporation's internal control and management information systems;
- (c) approving, and monitoring compliance with, all significant policies and procedures that impact the way in which risk is identified and managed; and
- (d) approving policies and procedures designed to ensure that the Corporation operates at all times within applicable laws and regulations.

### 5. Human Resources Management

- (a) The Board is also responsible for developing and implementing human resource policies and procedures in accordance with the compensation philosophy and framework developed by its parent company. ~~approving the compensation of the President and CEO following a review of the recommendations of the Compensation Committee.~~

- (b) The Board is responsible for ensuring a process is in place to measure the performance of senior executives of the Corporation.
- (c) The Board will, to the extent feasible, satisfy itself as to the integrity of the President and CEO and other executive officers, and that the President and CEO and other executive officers create a culture of integrity throughout the organization.
- (d) The Board is responsible for ensuring that succession planning programs are in place, including programs to train, develop, monitor and retain senior management, including the President and CEO.

**6. Board Meetings and Materials**

- (a) The Chair, in consultation with the President and CEO and the General Counsel and Secretary, shall develop the agenda for each Board meeting.
- (b) Meeting materials shall be provided to directors before each Board meeting in sufficient time to ensure adequate opportunity for review.
- (c) Independent directors shall hold regularly scheduled meetings at which non-independent directors including members of management are not present.

**7. Committees of the Board**

- (a) The Board discharges its responsibilities both directly and through its committees: the Audit Committee, the Corporate Governance Committee, the Compensation Committee, and the Safety, Health and Environment Committee. In addition to these standing Committees, the Board may, from time to time, appoint ad hoc Committees to address certain issues of a more short-term nature.
- (b) The Board is responsible for approving the mandates for each Board Committee.
- (c) The Board is responsible for the appointment of Committee Chairs and members. The Board has the ability to point and replace Committee Chairs and members as deemed necessary.
- (d) To facilitate communication between the Board and each Board Committee, each Committee Chair is responsible for reporting to the Board on material matters considered by the Committee at the first Board meeting after the Committee's meeting.

**DIRECTOR DEVELOPMENT AND EVALUATION**

- 1. Each new director shall participate in Hydro's Director Orientation Program and any continuing director development programs.

2. Annually, with the assistance of the Corporate Governance Committee, the Board shall evaluate and review the performance of the Board and the adequacy of this mandate.