

From: Theresa M Rahal <strategy@[REDACTED]>
Sent: Friday, March 30, 2012 11:54 AM
To: dawndalley@nalcenergy.com
Subject: RE: Board governance
Attachments: Nalcor Board Orientation & Engagement project v1.docx

Hi Dawn,

As discussed yesterday, attached is the interim draft report for your review and comment. If you have any questions or concerns with the report, please do not hesitate to contact me.

We should plan to touch base early next week. My schedule is pretty flexible on Monday and Tuesday so whatever time is convenient for you should be fine.

Hope things are well with you!

All the best,

Theresa

From: DawnDalley@nalcenergy.com [mailto:DawnDalley@nalcenergy.com]
Sent: March 28, 2012 7:47 AM
To: strategy
Subject: Re: Board governance

That's great. Thanks.

Dawn Dalley,
VP, Corporate Relations
Nalcor Energy

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From: "Theresa Rahal" [strategy@[REDACTED]]
Sent: 03/28/2012 10:15 AM GMT
To: Dawn Dalley
Subject: Re: Board governance

Hi Dawn,

Still working on the report. I have a meeting this morning from 9 to 12:30 and then back at the orientation doc this afternoon.

I expect to have a draft completed today/tonight. Is tomorrow morning ok for you?

I spoke with Julia Dines yesterday - Ken Marshall is out of the country until Friday. Julia expects he will contact me next week.

Theresa

Sent wirelessly from my BlackBerry device on the Bell network.

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From: DawnDalley@nalcenergy.com

Date: Mon, 26 Mar 2012 07:59:24 -0400

To: <[strategy@](#) >

Subject: Re: Board governance

Now is good. I'm on my cell


Dawn S. Dalley

Vice President, Corporate Relations

Nalcor Energy

t. 709.737.1315 c. 709.727.7715

e. ddalley@nalcorenergy.com

From: "Theresa Rahal" <strategy@ >
To: "Dawn Dalley" <DawnDalley@nalcorenergy.com>
Date: 03/26/2012 07:56 AM
Subject: Re: Board governance

Hi Dawn,

I received the emails. Thanks.

Is it possible to have a 2 minute call this morning?

Theresa

Sent wirelessly from my BlackBerry device on the Bell network.

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From: DawnDalley@nalcenergy.com

Date: Mon, 26 Mar 2012 07:02:09 -0400

To: <strategy@>

Subject: Fw: Board governance

Note from Sasha to Stephen in case we need to follow up.

Dawn S. Dalley

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e. ddalley@nalcenergy.com

----- Forwarded by Dawn Dalley/NLHydro on 03/26/2012 07:01 AM -----

From: "IRVING, SASHA" <Sasha.Irving@emera.com>

To: "Dawn Dalley (DawnDalley@nalcenergy.com)" <DawnDalley@nalcenergy.com>

Cc: "AFTANAS, STEPHEN" <STEPHEN.AFTANAS@nspower.ca>

Date: 03/26/2012 06:59 AM

Subject: Board governance

HI Dawn,

As a follow up to my last email I have spoken with Emera's Corporate Secretary, Stephen Aftanas, and he would be happy to discuss board governance with you and/or your colleagues.

Stephen is travelling for Board meetings in the Caribbean this week so he may be a bit tough to reach but feel free to contact him this week or next to connect.

Thanks

Sasha

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Nalcor Energy Board Orientation and Engagement Plan/Program

March 29, 2012

**Nalcor Energy Board Orientation and Engagement Plan/Program
March 29, 2012**

Strategic Directions Inc. (SDI) has prepared this Report for Nalcor Energy based in part upon information provided by Nalcor Energy and others. While SDI believes such information to be reliable, it cannot warrant it. The reader assumes responsibility for decisions made or actions taken based upon this Report.



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March 29, 2012**

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1. Introduction

Nalcor Energy has undertaken a review of its Board Orientation and Engagement Plan/Program. Interviews were conducted with the President and CEO, VP Finance and CFO, General Counsel and Corporate Secretary and Assistant Corporate Secretary, and Strategic Planning and Business Development. The project was conducted under the guidance of the VP Corporate Relations.

Interviews are also in progress with the members of the Board of Directors of Nalcor Energy. At the time of writing this interim report, one interview had been conducted.

Information provided by Emera and Bell Aliant regarding their board orientation practices was also reviewed.

2. Nalcor Energy's Board Orientation

2.1 Orientation Manual

Directors appointed to Nalcor Energy's Board of Directors receive the Nalcor Energy Board of Directors Orientation Manual. Table 1 below lists the documents included in the Manual.

Tab	Document
1	Hydro Corporation Act
2	Board of Directors' Mandate and Committee Terms of Reference (concise description of the duties, accountabilities and responsibilities of the Board of Directors)
3	Corporate Values, Code of Conduct
4	Safety & Health Orientation
5	Corporate Environmental Policy and Guiding Principles
6	Annual Report for Nalcor Energy (most recent)
7	Nalcor Energy Consolidated Budget Review (most recent)
8	Financial Report to the Board of Directors (most recent)
9	Corporate Plan and Transparency and Accountability Report (most recent)
10	Corporate Plan – Performance Report (most recent)
11	Minutes of four recent Boards of Directors Meetings - reference
12	Two Organization Charts – Nalcor Energy and Senior Personnel
13	List of Directors and Officers of Nalcor Energy
14	Meeting Schedule for Nalcor Board
15	Memo Outlining Directors and Officers Liability Coverage
16	Memo Outlining Directors and Officers Accident Insurance Coverage
17	Memo Relating to Travel Expenses
18	Legal Opinion Provided by McInnes Cooper on the Roles and Duties of Directors

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Tab	Document
19	Copy of the most recent issues of the "Outlet," Nalcor Energy's employee newsletter

Table 1 – Contents of the Nalcor Energy Board of Directors Orientation Manual

Suggested additions to the Manual are:

- "Focusing Our Energy - The Energy Plan" as it provides the long term strategic framework/direction for Nalcor Energy.
- Minutes of the four most recent meetings of any committees to which the incoming director is to be appointed. (Bell Aliant practice)

It is suggested that the Orientation Manual be provided as a reference document with some of the information being incorporated into presentations by the CEO and the Executive. Table 2 provides suggestions as to the information that should be considered for inclusion in the presentations for the Directors' orientation.

Tab	Document	Suggested for Inclusion in Orientation Presentations
1	Hydro Corporation Act	
2	Board of Directors' Mandate and Committee Terms of Reference (concise description of the duties, accountabilities and responsibilities of the Board of Directors)	Part of Governance presentation
3	Corporate Values, Code of Business Conduct and Ethics	Core Values - Part of CEO presentation, Code of Business Conduct and Ethics – Part of Governance presentation
4	Safety & Health Orientation	Safety and Health - Part of CEO presentation
5	Corporate Environmental Policy and Guiding Principles	Environmental Policy - Part of CEO presentation
6	Annual Report for Nalcor Energy (most recent)	Part of Financial presentation
7	Nalcor Energy Consolidated Budget Review (most recent)	Part of Financial presentation
8	Financial Report to the Board of Directors (most recent)	Part of Financial presentation
9	Corporate Plan and Transparency and Accountability Report (most recent)	Part of Governance or CEO/Strategic Planning presentation
10	Corporate Plan – Performance Report (most recent)	Part of CEO presentation
11	Minutes of four recent Boards of Directors Meetings - reference	

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Tab	Document	Suggested for Inclusion in Orientation Presentations
12	Two Organization Charts – Nalcor Energy and Senior Personnel	Part of CEO presentation
13	List of Directors and Officers of Nalcor Energy	
14	Meeting Schedule for Nalcor Board	
15	Memo Outlining Directors and Officers Liability Coverage	
16	Memo Outlining Directors and Officers Accident Insurance Coverage	
17	Memo Relating to Travel Expenses	
18	Legal Opinion Provided by McInnes Cooper on the Roles and Duties of Directors	Part of Governance presentation - consider a brief presentation using the Summary and Concluding Remarks (pp. 46 & 47) and Best Practices (p. 48) if these are not already addressed in the information in Tab 2 and 3.
19	Copy of the most recent issues of the "Outlet," Nalcor Energy's employee newsletter	

Table 2 – Contents of the Nalcor Energy Board of Directors Orientation Manual and Suggestions for Inclusion in Orientation Presentations

2.2 Other Proposed Components of the Board Orientation and Engagement Plan/Program

Based on discussions to date with the Executive and Board Directors, and a review of the orientation program information from Emera and Bell Aliant, the following components are presented for consideration in the development of the Board Orientation and Engagement Plan/Program.

2.2.1 CEO Presentation

While the Orientation Manual is an important component of the orientation, presentations by the CEO and the Executive responsible for the business lines and key corporate functions allows the information to be presented in a manner which creates a framework or context for understanding the business. Equally important it facilitates developing the relationship between the Board and the Executive.

CEO Presentation – "The Journey"

The CEO expressed interest in presenting to incoming Directors the following information:

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- 25 year corporate strategy framework for Nalcor Energy (based on the province's Energy Plan). As noted previously, it was suggested that the Energy Plan should be included in the Board of Directors' Orientation Manual.
- Vision, values, goals, 25 year plan, and 5 year plans for each of the businesses (these may be presented by the Business Leads)
- Operations:
 - ◆ Priorities for the corporation - safety and asset management.
 - ❖ Excellence in operations and safety is a must before growth is pursued.
 - ❖ Key messages: Operations are 90% of the business. Focus on results. Review the performance statistics history for the last five years.
- Growth:
 - ◆ Growth opportunities - Lower Churchill and oil and gas.
 - ◆ Churchill Falls is a priority.
- Focus and Performance (Highlights):
 - ◆ Generation – Hydro and Churchill Falls are focusing on capital reinvestment in the infrastructure. Such investment enables the long term vision beyond 2041.
 - ❖ Show the top notch team for the Lower Churchill. Lower Churchill is a construction project. For the next 2 or 3 years the focus is Churchill, safety and asset management.
 - ◆ Show the financial forecast: net income/ cash flow from operations in 6 or 7 years, then other intervals up to 2041.
 - ◆ Once the Lower Churchill project is off the ground, then another focus will be a major acquisition in the oil business.
 - ◆ Bull Arm will have 4 or 5 years of activity related to the Hebron project. Beyond that a decision will be made whether to keep it or sell it.
 - ◆ Nalcor Energy marketing company will eventually market electricity and oil. At present, Suncor Energy markets Nalcor's oil.

This information is available in existing presentations such as Dalton Sept.pptx which was provided for review. Since the CEO presentation in the Directors' orientation program is intended to be a high level view of the direction of the company, and will be complemented by presentations and discussions with the Executive, the presentation could be more concise.

2.2.2 Presentations by the Executive Team

Presentations by the Executive Team will provide an opportunity to present and discuss the fundamental understanding and context of the business of each of the business lines and key functional areas, as well as providing an opportunity for relationship building and discussion among the incoming Directors and the Executive.

Suggestions for information to be presented to incoming Directors include:

- Each line of business by the Executive/Business Leads
 - ◆ Financial, technical and fiduciary responsibility for each line of business
- Financial status

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- ◆ Financial literacy briefing (one to two hours) provided by the CFO
- ◆ Overview of the most recent Budget, Financial Statements – monthly and quarterly financial information, annual risk management plan and the financing plan (which the Board approves). Some of this would translate to the Board package.
- Strategic plan – Presentation of the Goals and Objectives and Performance - Quilt (KPIs) and brief overview of Board responsibilities for strategic planning (i.e., Transparency and Accountability Report and Annual Report for Nalcor Energy).
- Board governance - the Role of the Board Directors, Code of Conduct and Ethics
- Overview of the global and national energy markets, and Nalcor's generation capacity relative to others (e.g., Churchill Falls is the 6th largest electrical project in the world and after Muskrat it will be the 2nd largest generation facility in the world.) This provides a perspective on the national/international nature of the business. Nalcor is selling energy on the spot markets.

2.2.3 Facilities Tours

Tours of the facilities/sites (Churchill Falls, offshore (possibly), Bull Arm, and others) combined with a background of the performance statistics history and forecast will provide the Directors with a perspective of the business, essentially highlighting that it is an asset based business, the importance of safety, and the up time requirements of an operating business. Tours should be part of the Directors' orientation program and throughout Board members' tenure.

3. Conducting the Board Orientation and Engagement Plan/Program

The purpose of the Board Orientation is to begin the process of fostering an understanding of the business and providing a foundation and framework for informed decision-making.

Suggestions to present the orientation to Directors include:

- Customize the orientation to each Director based on his/her background, interests and assignment to Board Committees.
- Consider providing the information/presentations in a series of shorter sessions rather than full day sessions. This is more effective from a learning perspective. Select the priority areas for the initial orientation presentations and provide additional information sessions over the following months.
- In the past (pre-2005), Directors' orientations usually occurred the day before a Board meeting. It is suggested that the orientation be conducted as soon as possible after the Directors appointment to the Board, and well in advance of the next scheduled Board meeting if possible. This will provide time to conduct the more formal orientation proposed and give the Director time to review the Orientation Manual materials. It will allow the Director to feel more prepared for participating in the first Board meeting and reduces the "information overload" in a compressed timeframe.

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Suggested topics for Directors' ongoing orientation/engagement and professional development include:

- Broader education in safety, environmental and operations matters.
- Understanding the decision making models: the Board's decision making process and the Shareholder's decision making process. Before a decision is made, particularly with regard to policy, alignment is needed between the Board and the provincial government (at the political level and among officials). The Director represents the interests of the Shareholder.
 - ♦ The Board makes decisions regarding the capital budget, etc. This is understood by the Shareholder.
- Understanding the Cabinet process and decision making. Understanding the legislation vis a vis the company's relationship with the province.
- Understanding the CFLCo shareholders agreement. Understanding the CFLCo relationship with Quebec.
- Need a primer every now and then about what the Directors can communicate about the Lower Churchill project regarding the Environmental Assessment, Financing Assessment, and technical options. Given the level of activity on the project, it is more challenging to be up-to-date on the public aspects of the project between Board meetings.
- Present the oil and gas growth strategy to the Board. Although it does not require their approval, it would increase their understanding and receptivity to the strategy.

3.1.1 Education – Professional Development

To raise the Board's awareness of and foster greater interest in participating in professional development opportunities, during the orientation highlight the policy on the Directors' eligibility for professional development courses and on an ongoing basis inform the Board about new training opportunities. Suggested professional development opportunities include:

- Membership in the Institute of Corporate Directors (ICD) for Board members. At present membership in ICD is optional for Board members. Some of those interviewed indicated membership should be mandatory.
- Completion of the ICD Directors Course, optional but eligible for support from Nalcor.
- Participation in various conferences. At present, Board members can participate in OTC, NOIA, and Board of Trade functions.

3.1.2 Social Engagement

Inviting incoming Directors to a dinner with the Board and the Executive during the orientation provides an opportunity to introduce the incoming Directors and to begin to build working relationships.

On an ongoing basis, pre-Board meeting dinners for the Directors and Executive will allow networking and discussions in a more casual setting. It was recognized that it is important for

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new Directors to be given opportunities to get to know the other Directors and the Executive. Of note, Emera indicated they sometimes have a guest speaker at the Board dinner immediately preceding the Board's annual strategy session. The idea of inviting guest speakers to the Board dinners is worth considering.

With the introduction of the six or seven legal entities related to the Lower Churchill later this year the demands on the Directors' time will increase. Respecting the Directors' time commitments will be increasingly important so there is a need to balance the introduction of social engagements to the ongoing engagement of the Board Directors.

3.1.3 Communications

At present, Directors are notified of media releases and invited to events such as press conferences, CEO's speaking events such as at those with the Board of Trade, etc.

As noted previously, the interviews with the Board Directors will not be complete until the week of April 2nd, 2012. Feedback from the Directors regarding communications will be provided upon completion of the interviews.

3.1.4 Recognition

In the past, the contributions of Board members were recognized at an event upon their departure from the Board. It was suggested that recognition should be part of the Board Orientation and Engagement Program/Plan.

3.1.5 Other Considerations

Board assessment/evaluation is part of a Board Orientation and Engagement Plan/Program. It was suggested that the Board may have a session to discuss whether board assessment/evaluation should be conducted and if so how.

Other topics raised for consideration were the small number of Directors at present, and the desirability of functional expertise in various areas as part of the Board complement.

4. Other Companies

CEO and Executive Participation in Orientation

The CEO and Executive of Emera and Bell Aliant present and or participate in orientation sessions for new board members.

Emera indicates its "CEO and leadership team spends a full day with the new board members reviewing the information for their sections and answering questions."

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“Bell Aliant’s CEO/Executive support: have key executives present the material and the CEO participate in the sessions. Not only is this an invaluable opportunity for exposure for both management and the director, but it adds credibility to the process and signals that the director’s successful orientation is a priority for - and expectation of - the organization.”

Strategy Session

In addition to four board meetings a year, Emera has “a day-long strategy session with the Board and Emera leadership. Strategy sessions begin with a board dinner (in a private dining room) with Board members, leadership team members and employees assigned to strategy. A guest speaker on a topic of interest to board members such as electric cards, shale gas, etc, is invited. A full day strategy session is held, concluding with a dinner for board members and leadership team only.”

Social Aspects

Emera indicates “Board dinners held before each Board meeting are attended by Board members and Emera leadership, and sometimes a guest speaker is invited.

Once a year “high potentials – employees at Emera who have been identified as upcoming leaders in the business” are invited to the board dinner to mix and mingle and get to know our board members.”

4.1 Bell Aliant’s Strategies for Delivering a Successful Orientation Program

“In [Bell Aliant’s] experience, the keys to making the orientation program meaningful and successful are:

- **Schedule immediately:** if possible, do so in connection with the directors’ appointment, as a mandatory part of the “on-boarding” process (delay risks making the program appear optional or an afterthought). In light of the time commitment involved, often the team travels to the director to make the process as convenient as possible.
- **Customize:** one size does not fit all. Design the program to meet the individual director’s needs, interests and expertise.
- **Remain flexible:** be responsive to the director’s cues in terms of topics and/or depth of focus or the need to schedule further sessions covering additional subject matter.
- **Deliver efficiently:** ensure presenters appreciate the appropriate level of detail to provide.
- **CEO/Executive support:** have key executives present the material and the CEO participate in the sessions. Not only is this an invaluable opportunity for exposure for both management and the director, but it adds credibility to the process and signals that the director’s successful orientation is a priority for - and expectation of - the organization.”