

From: [Bown, Charles W.](#)
To: [Burt, Paula](#)
Subject: FW: Presentations on Governance and Org Evolution.
Date: Thursday, October 30, 2014 8:03:53 AM
Attachments: [Corporate Governance Framework - Final - October 2014.pptx](#)
[GovernanceEvolution_SmallSlides_102214.pptx](#)
[OrganizationalEvolution_SmallSlides_102214.pptx](#)
[Integrated Transition to Operations Deck_102114 Ver2.pptx](#)

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Sent: Monday, October 27, 2014 5:00 PM
To: Bown, Charles W.
Cc: MarkKing@nalcenergy.com
Subject: Presentations on Governance and Org Evolution.

As requested.

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(See attached file: Corporate Governance Framework - Final - October 2014.pptx)(See attached file: Integrated Transition to Operations Deck_102114 Ver2.pptx)(See attached file: GovernanceEvolution_SmallSlides_102214.pptx)(See attached file: OrganizationalEvolution_SmallSlides_102214.pptx)

Corporate Governance Model

Boundless Energy



October 21, 2014



Purpose / Overview

- To obtain alignment on outstanding steps to advance the corporate governance and accountability framework for Nalcor Energy and its subsidiaries.
 - Why this is an important issue
 - Benefits for the Province
 - Board Roles & Responsibilities
 - Current Corporate Governance Model / Opportunities for Continuous Improvement
 - Summary of Recommended Changes
 - Next Steps

Important Issue for the Province

- A strong effective corporate governance system brings a number of significant benefits to the organization and for the Shareholder
- Valuable oversight provided by the Board is a key component of how the Shareholder exercises and demonstrates its accountability over Nalcor
 - Tangible demonstration of the measures put in place to ensure the organization has the appropriate skillset and long-term continuity at the governance level to continue to operate and grow in a manner that benefits and protects the interests all of the Shareholders (the people of the Province)
- Setting up the governance structure for long-term success is amongst the most important decisions the Province as Shareholder can make to influence and ensure the long-term continued success of Nalcor

Benefits of Strong Corporate Governance

- Nalcor has made significant progress in formalizing and improving the quality of its corporate governance and public accountability activities over the past 7-8 years.
- The company is now moving to the next phase of its development and the time is right to consider the improvements required to bring the corporate governance and accountability model to the next level.
- Key Benefits:
 - Public confidence that a strong corporate governance model exists to provide oversight of Nalcor on behalf of the Shareholder
 - An enhanced corporate governance process to enable the Shareholder and Management to bring the organization to the next level.
 - To increase the ability to continue to execute the vision of Nalcor and have continuity of the decisions and direction required to implement and execute on the long-term strategy and investments
 - Bring increased depth of knowledge, contacts, advice to the company to make everyone better.

Normal Governance Evolution

- It is common practice that the corporate governance needs and requirements of an organization evolve over time – particularly in organizations like Nalcor that are undergoing significant growth and change
- Continuous renewal of the individuals in the organizations governance structure is normal to provide for orderly succession of directors and to continuously match required skills with directors
- Nalcor's governance structure has continued to evolve to meet the needs of the business
 - Currently 13 active legal entities, each with a separate and active Board of Directors (see Appendix A for complete listing)
 - There are currently 23 external directors appointed by the Province to serve on the various Nalcor Boards (see Appendix A for complete listing)
 - In the first nine months of 2014 to Sept 30th there were a total of 45 Board and committee meetings (with another 21 scheduled to year-end)
- The existing Boards of Directors have made a significant contribution to advancing the organization to where it is today - the contribution by individual directors has been impressive
- Significant progress has been made.....purpose of this presentation is to highlight the progress and several additional changes that will help the governance structure move to the next level in its evolution

Key Board Roles & Responsibilities

- Ensure the organization acts in the best long-term interests of the Shareholder and the people of the Province.
- Provide advice and oversight in establishing the strategic direction of the business and monitor ongoing progress against the strategy, including monitoring of risk management activities;
- Provide valuable guidance and advice to the CEO and the senior leadership team;
- Approve budgets, financial statements, financing plans, annual reports, financial targets, financial risk management plans and monitor progress;
- Provide oversight over the external audit and internal audit processes;
- Receive regular reports and updates on the progress of the business against its strategic plan, corporate goals, and financial targets;
- Provide valuable oversight over key investments, growth initiatives and major projects;

Current Corporate Governance Model / Opportunities for Improvement



Corporate Governance Framework

- In 2006 the Board undertook a review of existing corporate governance practices and benchmarked itself against general best practices in other leading crown corporations and publicly-traded corporations
- The focus of the review was to prepare the governance structure for the new phase in its evolution that the company was entering
- A Corporate Governance Committee of the Board was created and this Committee worked with senior management to undertake the review
- The review highlighted a number of opportunities for improvement, most of which have been implemented by the Board
- A small number of important opportunities for improvement however were not implemented and continue to remain as key opportunities to improve the corporate governance Framework today.

Corporate Governance Framework

- The corporate governance review initiated by the Board in 2006 focused on the following five primary areas:
 - 1) Determining and defining roles of the Board, Committees of the Board and Management (the “What”)
 - 2) Ensuring we were doing all the right things to ensure the appropriate Board Composition (the “Who”)
 - 3) Determining how the Board should effectively and efficiently operate (the How and When”)
 - 4) Identify the key supporting policies, procedures, and other infrastructure required to achieve success.
 - 5) Framework to ensure the company is demonstrating its public accountability.

Current Status

	Status
Determining Roles	
Board Mandate and Charter	Complete
Committee Mandates	Complete
Corporate Governance Committee	Complete
Director Position Descriptions	Complete
Board and Management Roles	Complete
Board Composition	
Director Independence / Conflict of Interest	Complete
Director Skills/Experience Matrix	Incomplete - Skills matrix needs to be updated to reflect the current configuration and key issues facing the company.
Director Appointment Process	Incomplete – work with Shareholder to obtain alignment on process for appointment of directors for Nalcor and subsidiary Boards.
Subsidiary Boards	Complete
Board Operations	
Meeting plans, frequency, structure	Complete
Understanding the Business	Complete
Quality and timeliness of Board Materials	Complete
Board Self-Assessment	Outstanding
In-Camera Sessions	Complete
CEO and Management Performance	Complete

Current Status

	Status
Supporting Policies, Procedures & Infrastructure	
Code of Ethics	Complete
Whistle-Blower Process	Implementation Ongoing
Internal Audit	Complete
External Audit	Complete
Independence Guidelines	Complete
Director Orientation	Complete
Director Education	Complete
Director Compensation	Incomplete - Develop and implement director compensation framework to ensure compensation is appropriate to recruit directors.
Audit Committee	Complete
Pre-Approval of Non-Audit Services	Complete
Public Accountability	
Annual Consolidated Financial Statements	Complete
Quarterly Financial Statements	Complete (commencing public release of F/S in Q3 2014)
Management Discussion and Analysis (MD&A)	Complete
Annual General Meeting	Complete
Annual Report	Complete
Transparency & Accountability Report	Complete

Additional Considerations

- In addition to the work completed as part of the corporate governance review, management has undertaken a current review of some best practices by CICA, OECD, and Government of Canada and identified corporate governance improvement opportunities that support the findings of the 2006/07 corporate governance review:
 - Undertake a robust director evaluation process to assist in recommendations regarding renewal of directors.
 - In respect of the appointment process generally, confirm with government an agreed-upon, transparent appointment process for your Crown corporation encompassing: specified skills, experience and background for each vacant position, advertised vacancies, and proactive identification of potential candidates.
 - Ensuring that remuneration schemes for board members foster the long term interest of the company and can attract and motivate qualified professionals.
 - Ensure the board chair is a proactive, strong advocate to the Responsible Minister for director appointments – to inform the minister of the needs of the board and identified candidates.

Additional Considerations (continued)

- An additional consideration is that the composition of the Nalcor and NLH Boards are currently identical. In order to increase the appearance of greater independence of the NLH Board (and to align it with the structure of other subsidiary Boards), consideration should be given to placing some directors on the NLH Board such that the Boards of Nalcor are not identical, but continue to have some overlap like the other subsidiary Boards.

Summary of Recommended Changes



Recommended Actions

- Update directors skills matrix to reflect the current configuration and key issues facing the company
- Formalize process for identification, selection and appointment of directors for Nalcor and subsidiary Boards
- Implementation of Self-Assessment process for the Board
- Develop and implement director compensation framework to ensure compensation is appropriate to recruit directors
- Modify NLH Board structure to ensure appropriate level of independence from the Nalcor Board

Next Steps



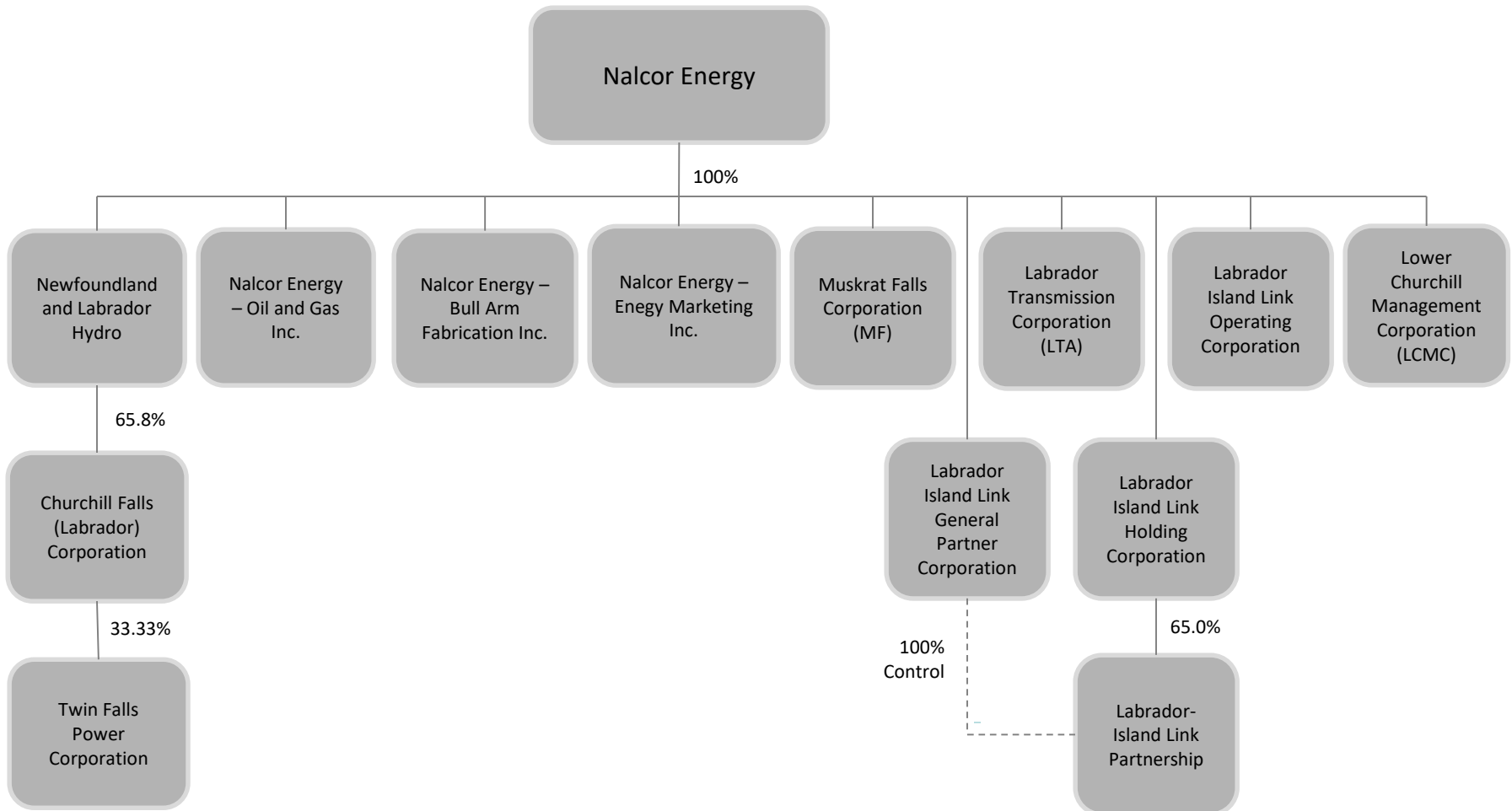
Next Steps

- Engage Knightsbridge Robertson Surette to provide an independent piece of work focused on the following areas:
 - Directors skills matrix
 - Director selection process
 - Director compensation
- Come back to this group with options and a recommendation to address the director selection and compensation issues

Appendix A – Current Legal Entities and Board of Directors



Legal Entity Structure



External Directors

CIMFP Exhibit P-00428

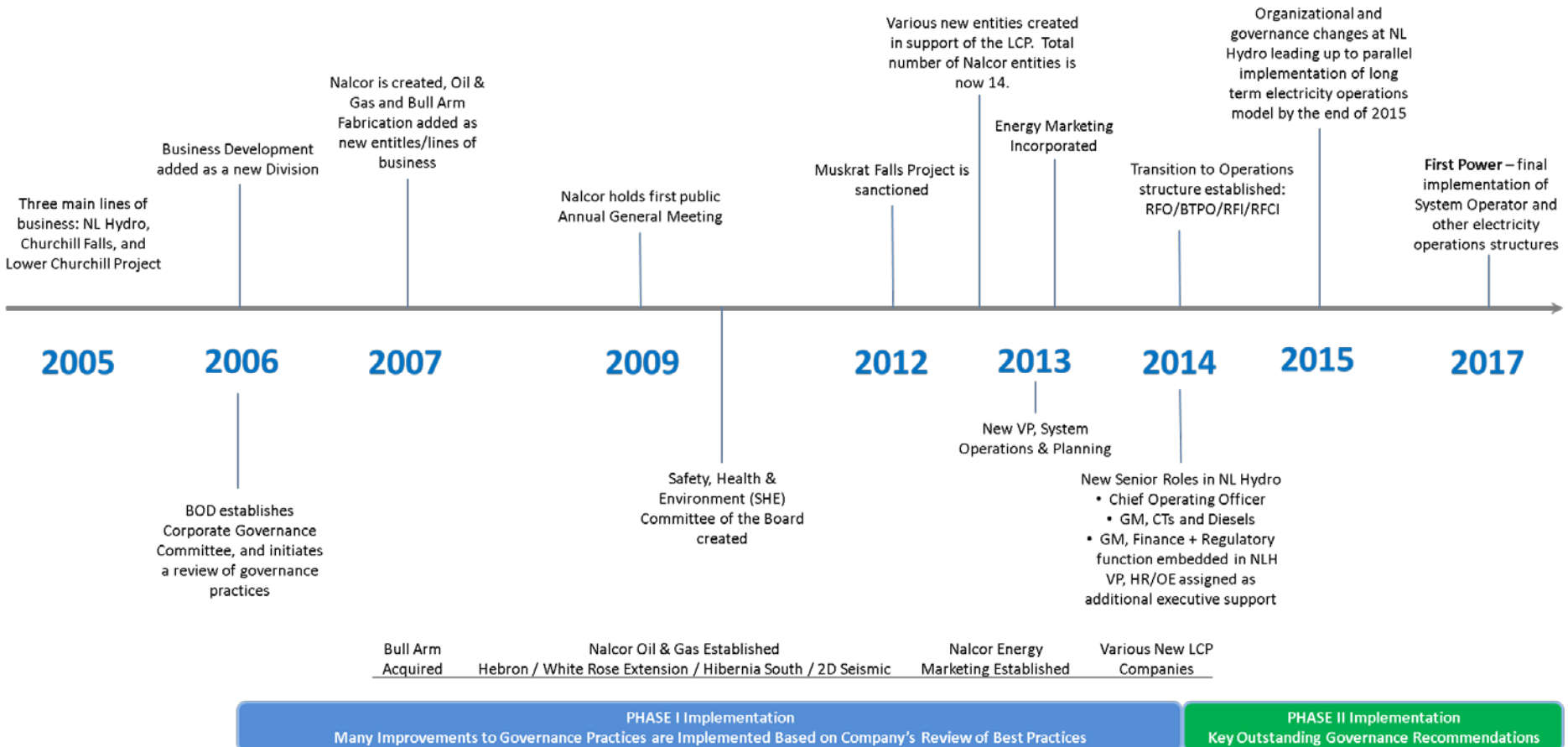
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(President & CEO sits on all Boards as a director and several subsidiary Board also have some Nalcor senior management serving in Director roles)

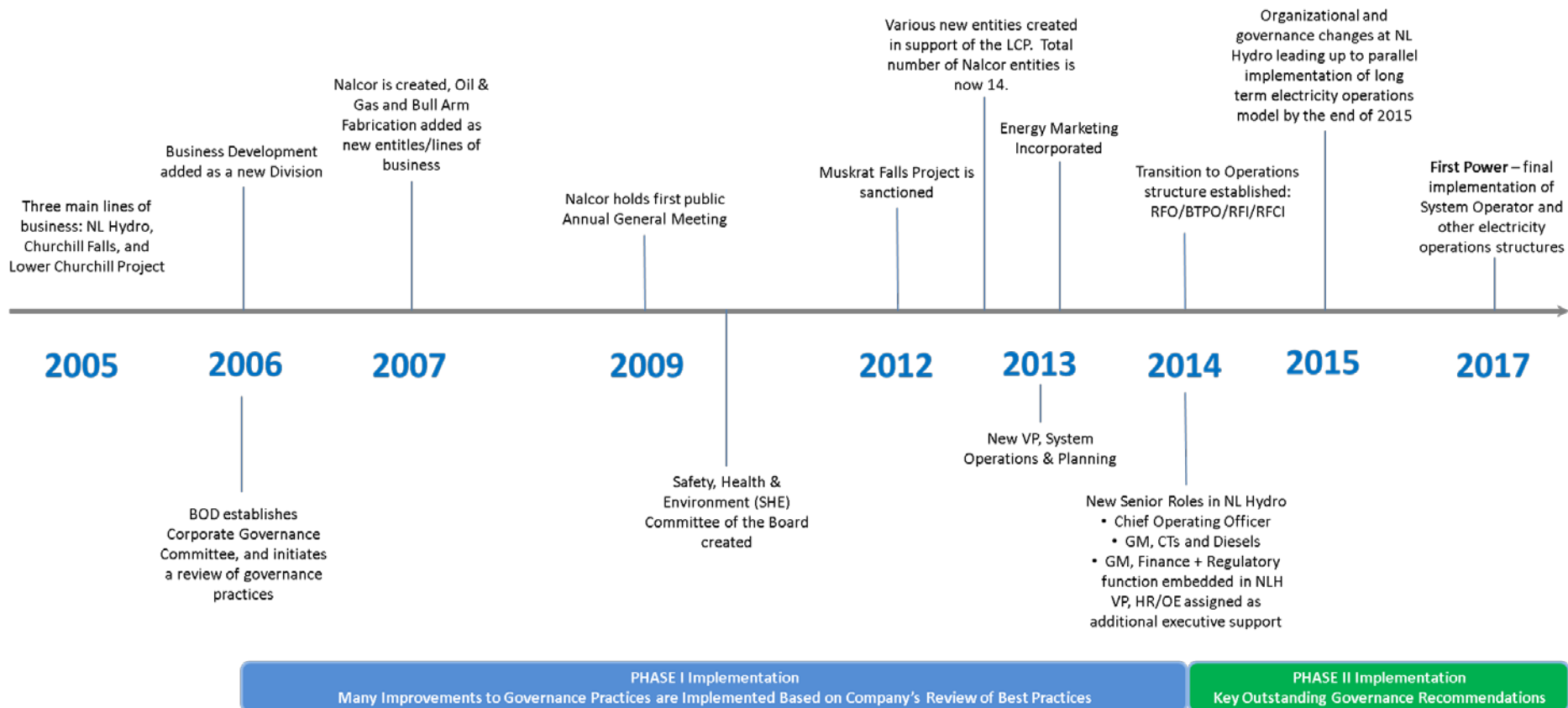
Name	Year First Appointed	Nalcor	Hydro	CF(L)Co.	Twin Falls	Oil & Gas	Bull Arm	Energy Mkt.	MF	LTA	LCMC	LIL-GP	LIL Holdco	LIL Opco
Ken Marshall	2004	X (c)	X (c)	X (c)		X (c)	X (c)	X (c)	X (c)			X (c)		
Gerald Shortall	2005	X	X	X		X	X	X	X			X		X (c)
Tom Clift	2005	X	X					X					X (c)	
Erin Breen	2012	X	X										X	
Leo Abass	2012	X	X											
Robert Warr	1999			X										
Justin Ladha	2013					X								
Gilbert Dalton	2005					X								
Mike Mulrooney	2009						X							
John Quaicoe	2013								X					
Richard Daw	2013								X					
Ann Marie Hann	2013									X				
Chris Woodford	2013									X				
Libby Burnham	2012											X		
Ron Ellsworth	2012											X		
Sheila Kelly-Blackmore	2012												X	
Tom O'Brien	2012												X	
Chris Loomis	2013													X
Desmond Whalen	2013													X
Donna Stone	2013										X			
June Perry	2013										X			
John Green	2014							X						
Dennis Clarke	2014							X						
Nalcor Management		1	1	2	5 (c)	1	1	1	1	4 (c)	4 (c)	1	1	1
3 rd Party Appointments				2	4									

(c) = Board Chair

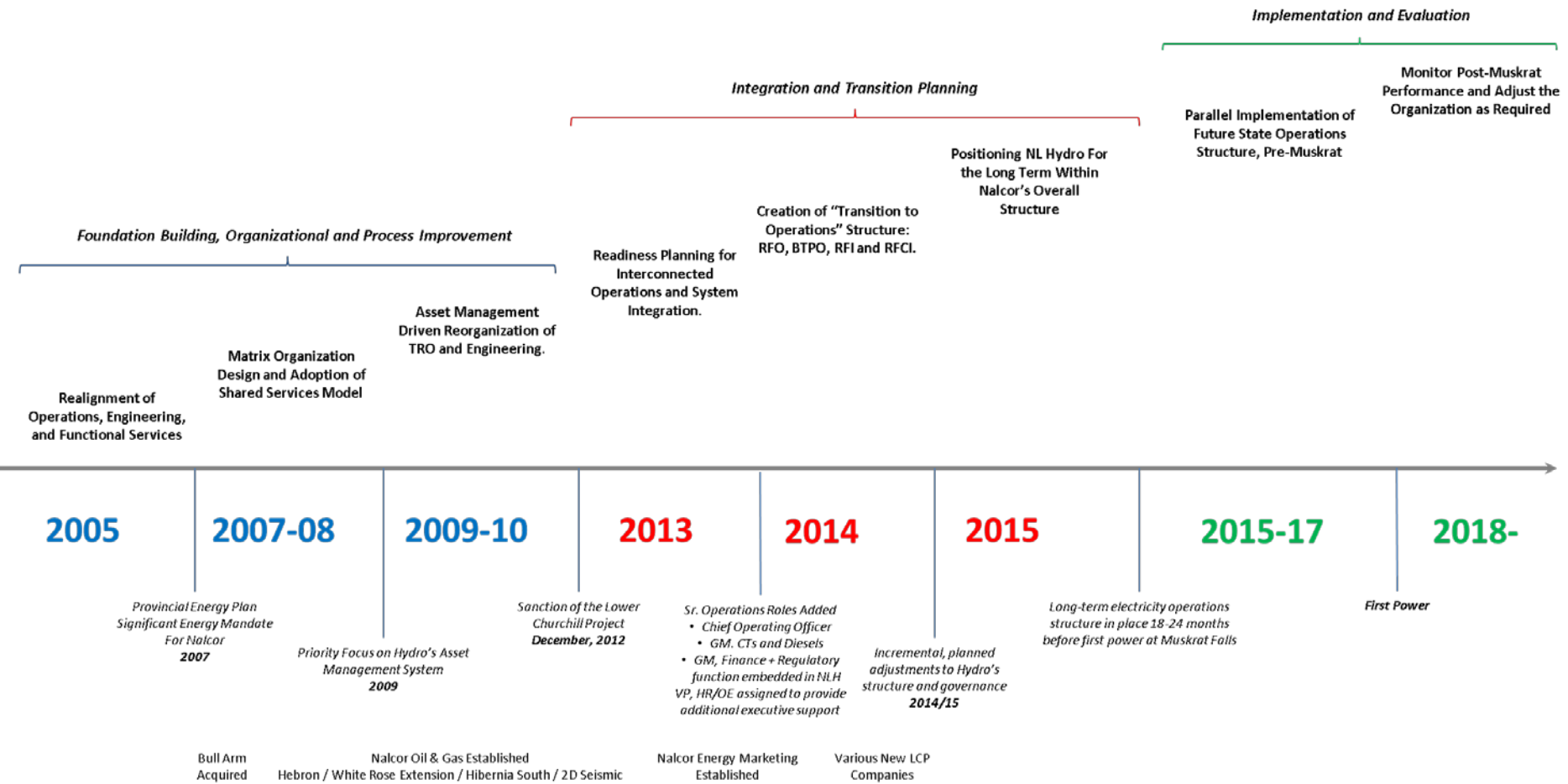
Corporate Governance at Nalcor/NL Hydro



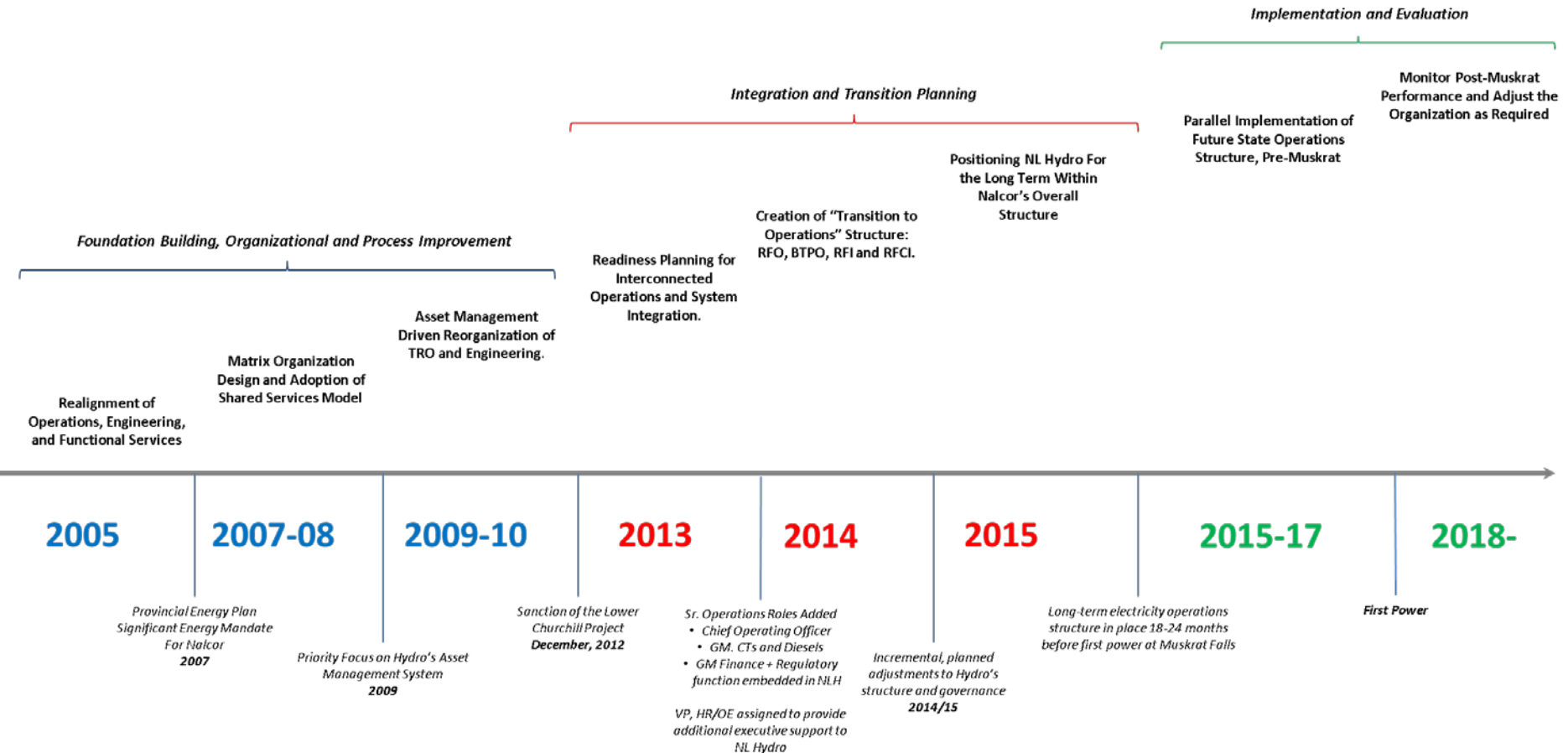
Corporate Governance at NL Hydro



Organizational Evolution of Nalcor/NL Hydro



Organizational Evolution of NL Hydro



MF/LIL Transition From Project State to Operations and Operations Readiness

October 21, 2014

Boundless Energy



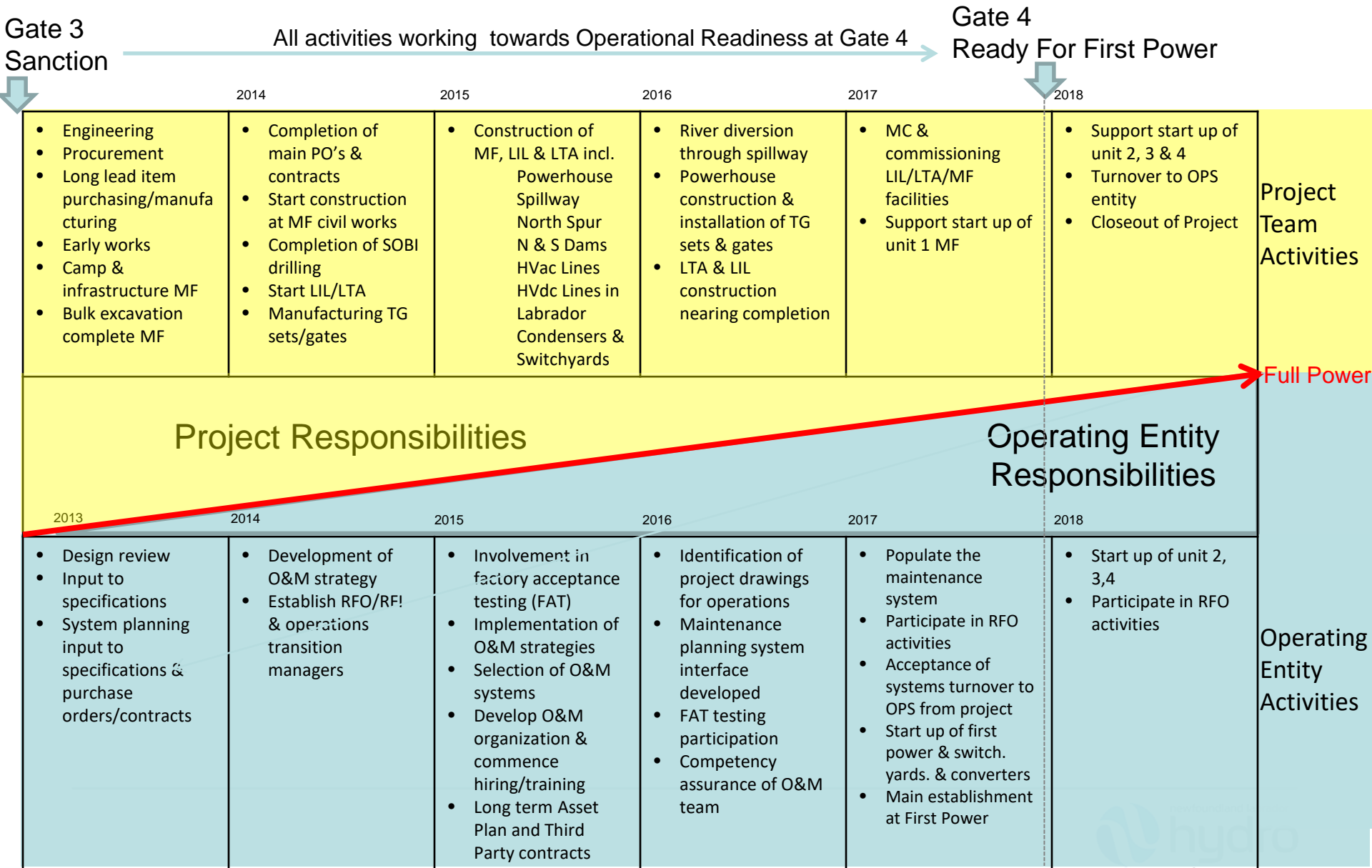
Contents/Outline

1. Purpose
2. Drivers
3. Transition Timelines
4. Transition Teams – Mandates and Responsibilities
5. Organization
6. Key 90 Day Priorities

Purpose & Definitions

- Purpose
 - To provide clarity on how the transition from a Project State to Operational State will be organized, managed, and efficiently executed for the Lower Churchill project.
- Definitions
 - **RFO**: Ready For Operations
 - **BTPO**: Building The Production Organization (Operational Readiness)
 - **RFI**: Ready For Integration
 - **RFCI**: Ready for Commercial Integration

Transition Timeline – Key Activities



Drivers

- The ultimate success of the LCP will be a seamless transition from construction to operations, in a new interconnected world
- The MF and LIL assets will represent a “step change” addition to NL’s electricity system, requiring extensive preparation from a technical system integration and operations readiness standpoint to ensure overall system performance and reliability
- Operations readiness and both technical and commercial integration cannot be within the project team’s scope; these areas of expertise are with the asset manager/operator
- The scale, scope and complexity of the transition planning required dictates early and extensive readiness preparation involving dedicated transition resources, consistent with mega project best practice
- Nalcor’s desire is to be Best in Class in all aspects of its business; the scale of MF and LIL offer an opportunity to leverage new systems and processes for Nalcor and its other lines of business

Team Mandates & Responsibilities

RFO Team

- Project execution
- Safety and Environmental performance
- Quality , Cost and Schedule
- Design/build the facilities
- Mechanical Completion and overall Completion of the facilities
- Establishing the RFO Team to perform the MC and completions
- Provide Turnover documentation to operations

BTPO Team

- Prepare the operations and maintenance strategy for MF and LIL, including frame agreements with third parties
- Design the O&M organization within Nalcor post project
- Develop and work towards Operational Readiness
- Develop the plans, systems, procedures necessary for a world class facility
- Prepare the maintenance plans, critical tasks, populate the maintenance system
- Hire, train and ensure competency of the O&M team
- Leverage opportunities to bring Nalcor's systems up to a "best in class" level across all Lines of Business, e.g., Planning and Reporting; IS/IT; Document Control; Maintenance Planning.

RFI Team

- Ensure the system planning input is provided prior to completion of design and award of contracts
- Participate in the factory and site acceptance tests
- Provide personnel into project design/construction/MC & completions phases
- Ensure no changes post contract award
- Integrate and co-operate

RFCI Team

- Work across Nalcor and LOBs to ensure seamless and timely implementation of the four key requirements
 - Commercial
 - Legislative
 - Control over hydro-electric resources
 - Regulatory
- Develop plan for successful implementation
- Lead cross-functional teams to develop strategy and execute solutions and arrangements
- Work with the Province to establish protocol for NR integration into work effort and approvals process
- Interface with Province's review process

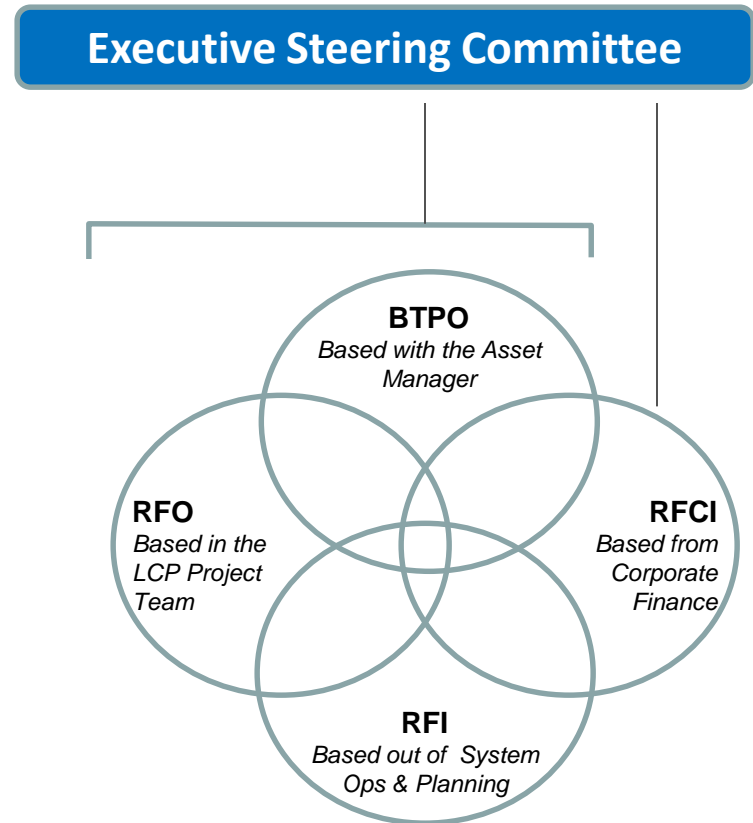
Organization

Working Together:

- Highly integrated, free flow of information
- Integrated RFO/RFI/BTPO oversight committee chaired by Project Director
- All teams physically co-located

Reporting Lines:

- RFO: LCP Project Director
- RFI: VP, System Operations and Planning
- RFCI: VP, Finance and CFO
- BTPO: VP, NL Hydro



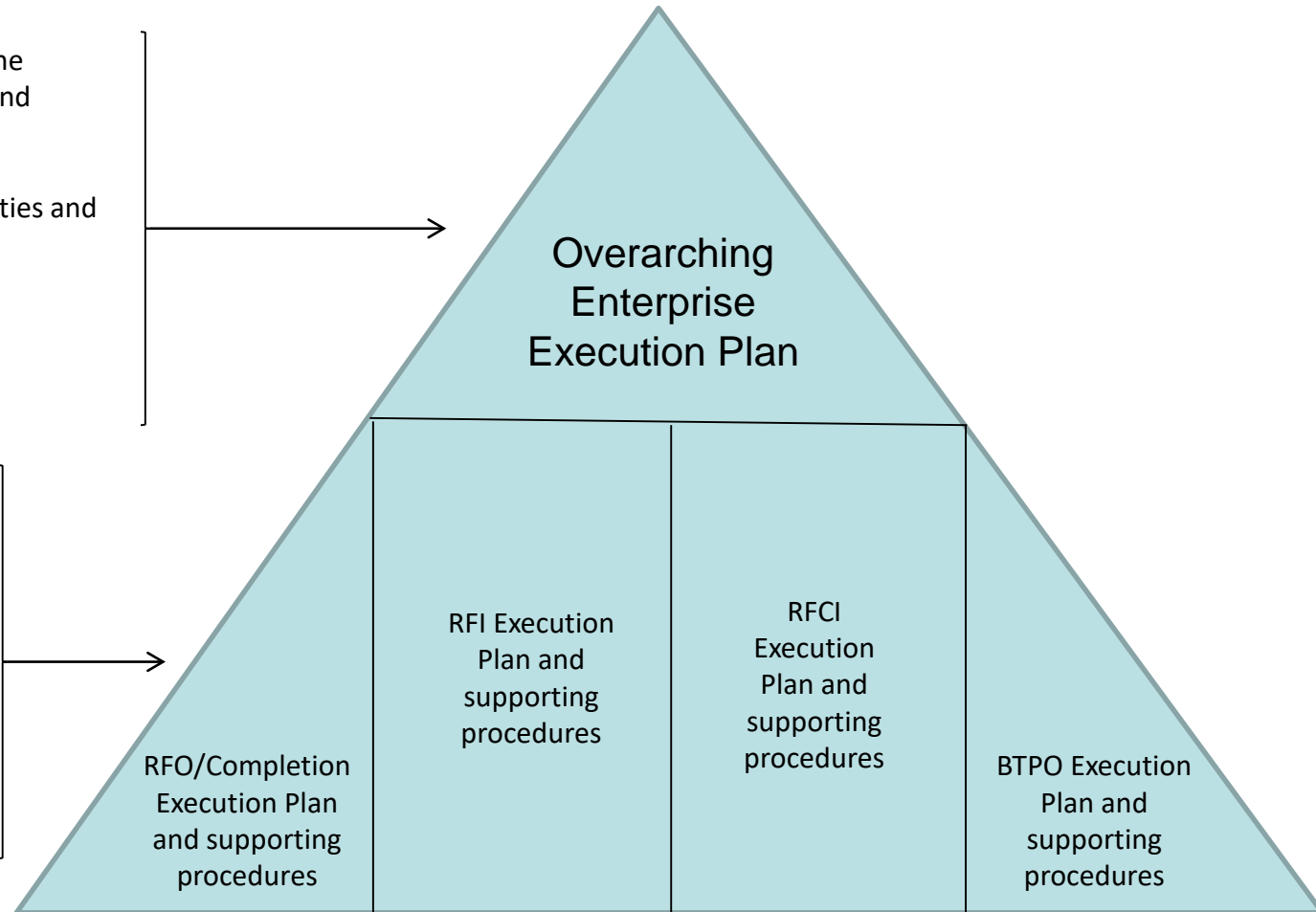
Key Guiding Documents

This document is approved by the Executive Steering Committee and describes:

- Purpose
- Accountabilities, Responsibilities and Roles,
- Governance,
- Reporting,
- Execution Methods,
- Timing

These documents are approved by the respective Team Leads and describe the specific actions that RFO, RFI, RFCI and BTPO teams will perform in the following format:

- Purpose
- Accountabilities, Responsibilities and Roles,
- Governance,
- Reporting,
- Execution Methods,
- Timing



Key 90 day priorities

- Tasks to be completed by year-end 2014
 - People Readiness
 - All managers and 2IC's are mobilized with roles and responsibilities defined.
 - Company wide notice issued of organization changes re- RFO/RFI/BTPO
 - Process Readiness
 - First Draft of Enterprise Execution Strategy for RFO/RFI/BTPO issued
 - RFO Execution Plan issued and approved
 - RFI Execution Plan issued and approved
 - BTPO Execution Plan first draft issued
 - System Readiness
 - Offices and IS/IT infrastructure operational

A proud, diverse energy company, whose people are committed to building a bright future for Newfoundland and Labrador, unified by our core values.

Teamwork

Sharing our ideas in an open and supportive manner to achieve excellence.

Open Communication

Fostering an environment where information moves freely in a timely manner.

Honesty and Trust

Being sincere in everything we say and do.

Safety

Relentless commitment to protecting ourselves, our colleagues, and our community.

Respect and Dignity

Appreciating the individuality of others by our words and actions.

Leadership

Empowering individuals to help, guide and inspire others.

Accountability

Holding ourselves responsible for our actions and performance.