

TERMS OF REFERENCE FOR THE BOARD OF DIRECTORS

I. INTRODUCTION

1. The primary responsibility of the board of directors (“Board”) is to foster the long term success of the Company consistent with the Board’s responsibility to the shareholders to maximize shareholder value.
2. These terms of reference are prepared to assist the Board and management in clarifying responsibilities and ensuring effective communication between the Board and management.

II. COMPOSITION AND BOARD ORGANIZATION

1. Nominees for directors are initially considered and recommended by the Board’s Corporate Governance and Compensation Committee, approved by the entire Board and elected annually by the shareholders of the Company.
2. Certain of the Board’s responsibilities referred to herein may be delegated to Board committees. The responsibilities of those committees will be as set forth in their terms of reference, as amended from time to time.

III. DUTIES AND RESPONSIBILITIES

A. Managing the affairs of the board

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. Subject to legal obligations and to the articles of the Company, the Board retains the responsibility for managing its own affairs, including:

- (a) planning its composition and size;
- (b) selecting its Chair;
- (c) nominating candidates for election to the Board;
- (d) appointing committees;
- (e) determining compensation for independent directors; and
- (f) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.

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B. Management and human resources

The Board has the responsibility for:

- (a) the appointment and succession of the Chief Executive Officer (CEO) and monitoring CEO performance, approving CEO compensation and providing advice and counsel to the CEO in the execution of the CEO's duties;
- (b) approving terms of reference for the CEO;
- (c) approving the corporate objectives that the CEO is responsible for meeting;
- (d) reviewing CEO performance at least annually, against agreed upon objectives;
- (e) to the extent feasible, satisfying itself as to the integrity of the CEO and other senior officers, and that the CEO and other senior officers create a culture of integrity and compliance throughout the Company;
- (f) approving certain decisions relating to the Chief Executive Officer and those senior officers reporting directly to the Chief Executive Officer, including the:
 - (i) appointment and discharge of those officers;
 - (ii) compensation and benefits for those officers; and
 - (iii) acceptance of outside directorships on public companies by those officers (other than not-for-profit organizations);
- (g) ensuring succession planning programs are in place, including programs to train and develop management; and
- (h) approving certain matters relating to all employees, including:
 - (i) the annual salary policy/program for employees; and
 - (ii) new benefit programs or material changes to existing programs.

C. Strategy and plans

The Board has the responsibility to:

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- (a) adopt a process to develop a strategic plan for the Company that takes into account, among other things, the opportunities and risks of the business;
- (b) participate with management in the development of, and ultimately approve, the Company's strategic plan;
- (c) approve annual capital and operating plans which support the Company's ability to meet its strategic plan;
- (d) approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company;
- (e) approve material divestitures and acquisitions; and
- (f) monitor the Company's progress towards its goals, and revise and alter its direction through management in light of changing circumstances.

D. Financial and corporate issues

The Board has the responsibility to:

- (a) take reasonable steps to ensure the implementation and integrity of the Company's internal control and management information systems;
- (b) monitor operational and financial results;
- (c) approve annual financial statements and quarterly financial results;
- (d) declare dividends;
- (e) approve financings, changes in authorized capital, issue and repurchase of shares, issue of debt securities, listing of shares and other securities, issue of commercial paper, and related prospectuses and trust indentures; and
- (f) recommend appointment of external auditors and approve auditors' fees.

E. Business and risk management

The Board has the responsibility to:

- (a) ensure management identifies the principal risks of the Company's business and implements appropriate systems to manage these risks;
- (b) assess and monitor management control systems:

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- (i) evaluate and assess information provided by management and others (e.g., internal and external auditors) about the effectiveness of management control systems;
- (ii) understand principal risks and review whether the Company achieves a proper balance between risk and returns, and that management ensures that systems are in place to address the risks identified;
- (iii) review an annual report of the Chief Compliance Officer which would include results of IIROC audit, changes in regulatory environment and other compliance initiatives; and
- (iv) engage in quarterly discussions with the Chief Risk Officer on the principal risks of the company to ensure that systems and plans are in place to manage risks and that appropriate actions have been taken within the context of risk parameters established by the firm.

F. Policies and procedures

The Board has the responsibility to:

- (a) review compliance with all significant policies and procedures by which the Company is operated;
- (b) direct management to ensure the Company operates at all times within applicable laws and regulations; and
- (c) review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and other regulatory requirements).

G. Compliance reporting and corporate communications

The Board has the responsibility to:

- (a) ensure the Company has effective statutory and regulatory compliance reporting and systems;
- (b) ensure the Company has in place effective communication processes with shareholders and other stakeholders and financial, regulatory and other recipients, including the adoption of a communication policy for the Company;

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- (c) approve interaction with shareholders on all items requiring shareholder approval;
- (d) ensure the Company's financial performance is adequately reported to shareholders, other securityholders and regulators on a timely and regular basis;
- (e) ensure the financial results are reported fairly and in accordance with generally accepted accounting principles;
- (f) report annually to shareholders on the Board's stewardship for the preceding year (the Annual Report).

IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

1. The Board is responsible for:
 - (a) directing management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained; and
 - (b) approving changes in the articles, matters requiring shareholder approval and agendas for shareholder meetings.
2. In British Columbia law, the directors of the Company are subject to fiduciary duties and obligations that are defined partly by common law and partly by statute. It is not possible to define comprehensively what the duties and obligations are, but the most important of them are the following:
 - (c) subject to the *Business Corporations Act* and the articles of the Company, the directors must manage or supervise the management of the affairs and business of the Company (s. 136(1), *Business Corporations Act*);
 - (d) each director must act honestly, in good faith and in the best interest of the Company (s. 142(1)(a), *Business Corporations Act*);
 - (e) each director must exercise the care, diligence, and skill of a reasonably prudent person in comparable circumstances (s. 142(1)(b), *Business Corporations Act*);
 - (f) every director who, in any way, directly or indirectly, is interested in a proposed contract or transaction with the Company must disclose the nature and extent of their interest at a meeting of the directors and will be liable to account for any profit made unless the procedures in the *Business*

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Corporations Act and the articles are followed (ss. 147 and 148, *Business Corporations Act*); and

- (g) the directors will be personally liable under a number of provincial and federal statutes for such things as unpaid wages, unpaid GST and provincial social service tax remittances, unpaid employment insurance premiums, unpaid Canada Pension Plan remittances and unpaid income tax source deductions.
3. Such duties and obligations may be enforced by the Company, its shareholders or government agencies. Because the Company operates in a highly regulated environment, the special risk that the directors face is that these duties and obligations will be taken into account by the securities regulators in the context of the fitness of the directors to act as directors or to continue to be registered under securities legislation.