

GOVERNANCE GUIDELINES

1.0 INTRODUCTION

- 1.1 The Regulation provides that no manufacturer shall sell or distribute, offer to sell or distribute or permit to be sold or distributed in Alberta any Beverage Container unless the manufacturer uses the Common Collection System.
- 1.2 The Regulation also provides that manufacturers shall appoint a collection system agent satisfactory to the Beverage Container Management Board to act on behalf of the manufacturers with respect to the operation of the Common Collection System.
- 1.3 ABCRC is the collection system agent appointed to act on behalf of beverage manufacturers to operate the Common Collection System.
- 1.4 ABCRC is a corporation amalgamated under the Act, whose guiding principles are to:
- 1.4.1 ensure transparency and accountability;
 - 1.4.2 minimize the cost operating the Common Collection System;
 - 1.4.3 promote and encourage effective stewardship of the Common Collection System;
 - 1.4.4 strive for continuous improvement in operations;
 - 1.4.5 maintain a safe and healthy environment for employees;
 - 1.4.6 provide a culture of honesty and integrity; and
 - 1.4.7 ensure each container type (material/size) is self-funding.
- 1.5 The Board is responsible for the stewardship of ABCRC, providing effective leadership to oversee the management of ABCRC's business and affairs in a responsible, efficient and sustainable manner.
- 1.6 The Board acts according to high ethical standards and compels ABCRC's staff to those same high standards, as identified in ABCRC's Code of Conduct and Ethics.
- 1.7 ABCRC has adopted a Charter of Expectations which sets out the specific responsibilities to be discharged by the Board. A purpose of the Charter of Expectations is to assist the Board in annually assessing performance.
- 1.8 The Board links governance and management functions through the President. While the Board is called upon to manage the business and affairs of ABCRC, this is done by proxy through the President who is charged with the leadership and management of ABCRC. To this end, the Board has adopted the following guidelines to assist it in its governance responsibilities.

2.0 DEFINITIONS

In these Governance Guidelines, the following terms shall have the meaning ascribed to them:

- 2.1 “ABCRC” means Alberta Beverage Container Recycling Corporation.
- 2.2 “Act” means the *Business Corporations Act* (Alberta).
- 2.3 “Articles” mean the articles of amalgamation of ABCRC filed with the Registrar of Corporations (Alberta) on February 1, 1996, as amended from time to time.
- 2.4 “Beverage Containers” means non-refillable containers as defined in the Regulation that have not previously entered the Common Collection System.
- 2.5 “Board” means the board of directors of ABCRC.
- 2.6 “Board Chair” means the board chair of ABCRC appointed by the Board.
- 2.7 “Committees” mean all committees of the Board, including the Governance Committee, the Audit Committee, the Public Affairs and Communications Committee and ad-hoc committees established by the Board from time to time, and “Committee” refers to any one of them, as applicable.
- 2.8 “Committee Chair” means the chair of one of the Committees.
- 2.9 “Common Collection System” means the Alberta collection system that collects and processes all non-refillable beverage containers.
- 2.10 “Directors” mean members of the Board.
- 2.11 “President” means the person appointed by the Board to serve as the most senior operating officer of ABCRC.
- 2.12 “Regulation” means the Beverage Container Recycling Regulation, AR 101/97, as amended or replaced.
- 2.13 “Secretary” means the corporate secretary of ABCRC.
- 2.14 “Shareholders” mean the beneficial holders of all of the issued and outstanding shares in the capital of ABCRC.
- 2.15 “Unanimous Shareholders Agreement” means the agreement dated April 21, 2011 among ABCRC and the Shareholders, as amended from time to time.

3.0 **THE BOARD**

3.1 **Composition**

The Articles provide that the Board may consist of not less than one nor more than 15 Directors in total. The Unanimous Shareholders Agreement provides that the Shareholders shall cause to be elected from time to time a Board that will consist of nominees of the Shareholders and of certain other persons. The Unanimous Shareholders Agreement provides that the Board shall consist of 10 Directors.

3.2 **Criteria for Board Membership**

Every five years ABCRC will review the market share based on unit sales volume of each market sector and will bring this information to the Shareholders. The Shareholders will then determine whether the market shares have changed sufficiently to change their respective rights to nominate candidates for election to the Board, for which any change will require the approval of 100% of the Shareholders.

3.3 **Selection of New Director Candidates**

3.3.1 The Shareholders have the responsibility for assessing potential nominees to the Board and screening their qualifications. The Board Chair sends a letter to a Shareholder prior to the nomination to advise the Shareholder of the Directors' time commitment and any particular skills of which the Board is in need of, and encloses a copy of the Terms of Reference of an Individual Director, all so that a Shareholder can make an informed nomination to the Board. The Shareholders are responsible for nominating suitable candidates to be recommended for election to the Board.

3.3.2 If a Director of the Corporation dies or resigns or is removed from office as a Director before the expiration of his or her term of office, or a vacancy is otherwise created on the Board of Directors, the remaining members of the Board of Directors shall, as the first item of business at the next meeting of the Board of Directors, fill the vacancy among the Directors with a new nominee submitted by the Shareholder that nominated the Director for which the vacancy exists. If the party that nominated the Director for which the vacancy exists fails to nominate a replacement Director within 2 months of the date the vacancy arose, the remaining Directors shall fill that vacancy.

3.4 **Position Descriptions**

The Board has developed Terms of Reference for an Individual Director which outlines the personal and professional characteristics required of all Directors. Those terms of reference are used as the basis for the evaluation of individual Director performance and also serve as a model for establishing the general attributes and expectations in recommending Board nominees within the limitations of the Unanimous Shareholders Agreement. The Board, together with the Board Chair and the President, has developed terms of reference for the

Board Chair and the President. The Board has approved goals and objectives that the President is responsible for meeting.

3.5 New Director Education and Ongoing Education

New Directors are required to participate in an orientation by ABCRC within 90 days of being elected as a Director, which provides information about ABCRC and the Common Collection System, the duties and obligations of Directors, the business and operations of ABCRC, updates of recent meetings of the Board and opportunities for meetings and discussions with other Directors and senior management. The Board is fully supportive of ongoing education programs for Directors and provides educational elements to Board and Committee meetings. Each Director receives access to up-to-date information about ABCRC's corporate and organizational structure, governance documents and important policies. The Governance Committee is responsible for reviewing the governance documents and the new Director orientation process from time to time, but at least annually.

3.6 Board Communication Policy

The Board has determined that it is the function of the President to speak for ABCRC in its communications with the community, the media, suppliers, depots, employees, governments and the Beverage Container Management Board and that such communications be in compliance with ABCRC's Media & External Relations Policy. It is understood that the Board Chair or other individual Directors may from time to time be requested to assist the President with communications.

4.0 BOARD MEETINGS AND MATERIALS

4.1 Board Meetings Agendas

The Board will have control over the agenda for the Board's meetings. The Board Chair will exercise this control on behalf of the Board. In the normal course, the Board Chair and the President work together to prepare agendas for Board meetings. Any Director, with a majority agreeing, may add or delete business from any agenda.

4.2 Meeting Materials Distributed in Advance

The Board has determined that information and data that are important to the Directors' understanding of issues be distributed to the Board before each Board meeting in sufficient time to ensure adequate opportunity exists for review. Management shall make every attempt to make this material as concise as possible while still providing the desired information and focusing attention on critical issues to be considered by the Board. Time is allocated at all Board meetings to ensure that Directors' questions about the material can be answered.

4.3 **Presentations**

As a general rule and when appropriate, presentation materials and relevant notes will be sent to the Directors in advance.

4.4 **Attendance**

4.4.1 All Directors should strive for 100% attendance at Board meetings while recognizing that from time to time there may be compelling reasons for a Director to miss a meeting. While attendance in person at Board meetings is much preferred, there may be circumstances where a Director can only participate via telephone or other telecommunication device, which may be acceptable with the consent of the Board Chair.

4.4.2 The Board appreciates the value of the regular attendance at each Board meeting of non-Directors who are members of management. Attendance of management is determined by the President with the concurrence of the Board Chair. Management attendees are excused for any agenda items that are reserved for discussion among Directors only.

4.5 **In-Camera**

4.5.1 Directors who are not members of management have an opportunity to meet at the end of each Board meeting in-camera to discuss matters of interest independent of management.

4.5.2 Minutes of the in-camera session will be kept and maintained when decisions are made or the Board Chair decides that a record of the session is appropriate. The Secretary will maintain a separate minute book for the minutes of the in-camera session. The minutes will not be circulated but will be made available to any Director, upon request from a Director to the Secretary.

5.0 **COMMITTEE ORGANIZATION AND MEETINGS**

5.1 **Board Committees**

5.1.1 Each Committee operates according to Board-approved terms of reference. The standing committees are:

5.1.1.1 Audit Committee;

5.1.1.2 Public Affairs and Communications Committee; and

5.1.1.3 Governance Committee.

5.1.2 The Board may create ad-hoc committees for specific purposes.

5.1.3 The Board Chair shall appoint the Committee Chair for each Committee.

5.2 **Assignment and Rotation of Committee Members**

5.2.1 The Governance Committee is responsible for recommending to the Board the assignment of Directors to Committees in consultation with the Board Chair and the President, and taking into account the skills, experience, knowledge and preference of individual Directors.

5.2.2 The Board favours the rotation of Committee members, when recommended. Such rotation will be made in a way that recognizes and balances the needs for renewal of ideas, continuity and utilization of each Director's particular expertise as identified in the skills matrix.

5.3 **Committee Meetings**

5.3.1 Committee Chairs, in consultation with Committee members, determine the frequency (consistent with the Committee's terms of reference) and length of meetings, provided that Committees meet on a quarterly basis, at minimum. Each Committee Chair will report to the Board on the results of each meeting.

5.3.2 All Committee members, including the applicable Directors, should strive for 100% attendance at Committee meetings while recognizing that from time to time there may be compelling reasons for a person to miss a meeting. While attendance in person at Committee meetings is preferred, particularly for individuals residing in Calgary, Alberta, participation via telephone or other telecommunication device is acceptable.

5.4 **Committee Agendas**

5.4.1 The Committee will have control over the agenda for the Committee's meetings. The Committee Chairs, as applicable, will exercise this control on behalf of the Committees. In the normal course, the Committee Chair and the most senior representative from management providing support to the Committee work together to prepare agendas for Committee meetings. Any Director, with a majority agreeing, may add or delete business from any agenda.

5.4.2 Each Committee will provide for an in-camera session at the end of each meeting.

5.4.2.1 Minutes of the in-camera session will be kept and maintained when decisions are made or the Committee Chair decides that a record of the session is appropriate. The Secretary will maintain a separate minute book for the minutes of the in-camera session. The minutes will not be circulated but will be made available to any Director, upon request from a Director to the Secretary.

6.0 **BOARD AND MANAGEMENT RESPONSIBILITIES**

6.1 **Board Relationship with Management**

6.1.1 Directors have complete and open access to ABCRC's management. It is expected that Directors will be prudent and ensure that this contact is not

distracting to ABCRC's business operations and that such contact, if in writing, be copied to the President.

6.1.2 The Board supports and encourages the members of management in the performance of their duties and Directors are encouraged to provide their counsel, when requested. Management is encouraged to make appropriate use of the Board's skills before decisions are brought forward on key issues.

6.1.3 The Governance Committee monitors the quality of the relationship between management and the Board and may recommend changes as deemed necessary or desirable.

6.2 **Business Plan**

It is the role of the Board to review and approve the plans developed by management including, without limitation ABCRC's strategic plan, business plan and capital plans.

6.3 **Formal Evaluation of the President**

The Governance Committee conducts an annual review of the performance of the President as measured against objectives established by the Board and the President. The Governance Committee then makes an evaluation of the overall performance of the President. This performance evaluation is communicated to the President by the Board Chair. The evaluation is used by the Governance Committee in its deliberations concerning the President's compensation.

6.4 **Succession Planning and Management Development**

The Board believes that succession planning and management development are key to the ongoing process that contributes substantially to ABCRC's success. Succession planning documents have been developed and circulated among members of the Governance Committee to address both an ongoing President succession planning process and an emergency President succession plan if the President becomes unexpectedly incapacitated. The planned succession process for the President is activated when either the President provides advance notice of his intention to retire and the expected exit date, if known, or the Board determines that it wishes to explore an exit strategy with the President.

6.5 **Principal Risks**

The Board is responsible for understanding the principal risks associated with ABCRC on an ongoing basis and for ensuring that management has implemented appropriate systems to manage these risks. It is the responsibility of management to ensure that the Board and Committees are kept well informed of these changing risks on a timely basis. It is important that the Board understand and support the key risk decisions of management, which includes comprehending the appropriate balance between risks and benefits.

6.6 **Internal Controls and Management Information Systems**

6.6.1 Fundamental to the discharge of the Board's overall responsibilities is the existence of control systems that can in part ensure the effective discharge of these responsibilities. The Board has delegated to the Audit Committee the responsibility for the oversight of internal control procedures, to determine their effectiveness and to monitor compliance with ABCRC's policies and Code of Conduct and Ethics. The Audit Committee reports on these matters to the Board.

6.6.2 Management is required to implement and maintain appropriate systems of internal controls; and to review these controls with the Audit Committee and the external auditors on at least a quarterly basis to oversee the effectiveness of these systems.

6.7 **Assessing the Performance of the Board, Committees and Individual Directors**

The Governance Committee develops and reports to the Board annually on the process for assessing the performance and operation of the Board, the Board Chair, each Committee, including its Committee Chair and members, and individual Directors. The Governance Committee also reports to the Board annually on the evaluation of the performance of the Board, each Committee, including its Committee Chair and members, and individual Directors, based on the results of the annual self-assessment questionnaire. In addition, formal interviews are undertaken annually by the Board Chair, based on the results of the questionnaire and the Terms of Reference of an Individual Director. The performance of the Board Chair is annually evaluated against the Terms of Reference of the Board Chair by means of formal interviews.