

TERMS OF REFERENCE FOR AN INDIVIDUAL DIRECTOR

1.0 INTRODUCTION

1.1 These Terms of Reference outline the personal and professional characteristics required of all Directors. These Terms of Reference are used as the basis for the evaluation of individual Director performance and serve as a model for establishing the general attributes and expectations in screening and selecting Board nominees within the limitations of the Unanimous Shareholders Agreement. The Board will ask Shareholders to take into account these Terms of Reference when nominating Directors under the Unanimous Shareholders Agreement.

2.0 DEFINITIONS

In these Terms of Reference the following terms 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 “Board” means the board of directors of ABCRC.

2.4 “Board Chair” means the board chair of ABCRC appointed by the Board.

2.5 “Common Collection System” means the Alberta collection system that collects and processes all non-refillable beverage containers.

2.6 “Directors” mean the members of the Board.

2.7 “President” means the person appointed by the Board to serve as the most senior operating officer of ABCRC.

2.8 “Shareholders” mean the beneficial holders of all of the issued and outstanding shares in the capital of ABCRC.

2.9 “Unanimous Shareholders Agreement” means the agreement dated April 21, 2011 among ABCRC and the Shareholders, as amended from time to time.

3.0 INTERPRETATION

In these Terms of Reference, except if defined in Section 2.0 or the context does not permit:

3.1 words and expressions defined in the Act have the meaning given to them in the Act;

3.2 words importing the singular include the plural and vice versa; and

3.3 words importing gender include masculine, feminine and neuter genders.

4.0 GENERAL MATTERS

Broadly speaking, a Director has three fundamental elements to keep in mind:

4.1 Honesty and Good Faith

The Act requires a Director to act honestly and in good faith with a view to the best interests of ABCRC. To meet this standard of care, Directors must:

- 4.1.1 Act in the best interests of ABCRC and not in the best interests of some special interest group or constituency or in their own self-interest;
- 4.1.2 Not take advantage personally of opportunities that come before them in the course of performing their corporate duties;
- 4.1.3 Disclose to the Board any personal interests that they hold that may conflict with the interests of ABCRC; and
- 4.1.4 Be mindful of the confidential nature of information disclosed and respect ABCRC's privacy policies.

4.2 Skillful Management

The Board requires that each Director will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. This means:

- 4.2.1 The standard of behavior expected of each Director will depend upon the particular qualities or characteristics that the applicable Director brings to ABCRC in relation to the particular matters under consideration;
- 4.2.2 The Director must be proactive in the performance of his duties by:
 - 4.2.2.1 attending Board meetings;
 - 4.2.2.2 serving on at least one Board committee;
 - 4.2.2.3 participating in the stewardship of the Common Collection System in a meaningful way; and
 - 4.2.2.4 being vigilant to ensure ABCRC is being properly managed and is complying with all applicable laws and regulations, bylaws approved by the Beverage Container Management Board and ABCRC's bylaws and policies.

4.3 Best Interests

- 4.3.1 Each Director must always act in the best interests of ABCRC, as he or she sees those best interests.

- 4.3.2 Each Director will make decisions so as to:
 - 4.3.2.1 ensure transparency and accountability;
 - 4.3.2.2 minimize the cost operating the Common Collection System;
 - 4.3.2.3 promote and encourage effective stewardship of the Common Collection System;
 - 4.3.2.4 strive for continuous improvement in operations;
 - 4.3.2.5 maintain a safe and healthy environment for employees;
 - 4.3.2.6 provide a culture of honesty and integrity; and
 - 4.3.2.7 ensure each container type (material/size) is self-funding.

5.0 STANDARD ESTABLISHED BY THE BOARD

To execute the Board's responsibilities, Directors must possess certain characteristics and traits. The Board has established the following standards for ABCRC Directors:

5.1 Board of Directors Activity

As a member of the Board, each Director will:

- 5.1.1 demonstrate high ethical standards and integrity in their personal and professional dealings, and be willing to act on – and remain accountable for – Board decisions. The Board will deliberate in many voices but govern with one voice;
- 5.1.2 provide wise, thoughtful counsel on a broad range of issues and develop the depth of knowledge to understand and question the assumptions upon which the strategic and business plans are based, and to form an independent judgment as to the probability that such plans can be achieved;
- 5.1.3 possess or acquire financial literacy, know how to read financial statements, and understand the use of financial ratios and other indices for evaluating ABCRC's performance;
- 5.1.4 respect confidentiality;
- 5.1.5 be available as a resource to management and the Board;
- 5.1.6 advise the President or the Board Chair in advance of introducing significant and previously unknown information at a Board meeting;
- 5.1.7 as necessary and appropriate, communicate with the Board Chair and with the President between meetings; and
- 5.1.8 be a positive force, using abilities and influence constructively.

5.2 **Preparation and Attendance**

5.2.1 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. Directors are expected to come prepared to meetings, having read the materials.

5.2.2 To enhance the effectiveness of Board and Committee meetings, each Director will:

5.2.2.1 maintain an excellent Board and committee meeting attendance record;

5.2.2.2 prepare for each Board and committee meeting by reading the reports and background materials provided for the meeting; and

5.2.2.3 request any additional information necessary for decision making.

5.3 **Communication**

Directors who value Board and team performance over individual performance, and who possess respect for others, facilitate superior Board performance. Communication is fundamental to Board effectiveness and therefore each Director will:

5.3.1 participate fully and frankly in the deliberations and discussions of the Board;

5.3.2 demonstrate an openness to others' opinions and the willingness to listen; and appreciate that this quality ranks as highly as the ability to communicate persuasively;

5.3.3 approach others assertively, responsibly and supportively, and be willing to raise tough questions in a manner that encourages open discussion;

5.3.4 establish an effective, independent and respected presence and a collegial relationship with other Directors;

5.3.5 focus inquiries on issues related to strategy, policy and results rather than issues relating to the day-to-day management of ABCRC; and

5.3.6 respect the fact that the President, and in some instances the Board Chair, is the chief spokesperson for ABCRC and individual Directors are only involved in external communications at the request of and/or with the approval of, and in coordination with, the President or the Board Chair.

5.4 **Independence**

Independence is a critical quality of an effective Director. Each Director will:

5.4.1 think, speak and act independently with confidence and courage;

- 5.4.2 be critical and responsive to change and new thinking;
- 5.4.3 resist behaving independently merely for the sake of being a revolutionary character; being objective when considering tradeoffs and consequences; and
- 5.4.4 be willing to risk rapport with the Board Chair and other Directors and/or the President in taking a reasoned, independent position.

5.5 **Committee Service**

- 5.5.1 Each Director is expected to serve on at least one standing committee of the Board. Committee meetings are held quarterly and usually last for two to three hours, and preparation time is roughly one hour. Committee members receive their meeting materials approximately one week before each meeting date.
- 5.5.2 All Directors should strive for 100% attendance at meetings of committees for which they are members 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.

5.6 **Industry and Corporate Knowledge**

Recognizing that decisions can only be made by well-informed Directors, each Director will:

- 5.6.1 participate in Director orientation and development programs developed by ABCRC from time to time;
- 5.6.2 maintain a current understanding of the legislative, business, social and political environments within which ABCRC operates;
- 5.6.3 become generally knowledgeable about the Common Collection System; and
- 5.6.4 establish an effective, independent and respected presence and a collegial relationship with senior management.

6.0 **DIRECTOR SELECTION**

6.1 **Unanimous Shareholders Agreement**

The Unanimous Shareholders Agreement provides how many Directors each of the Shareholders is entitled to nominate. The Board has established a skills matrix to identify general and specific skills and experiences required or desired in Directors, or sought in prospective Directors. When a Shareholder is asked by the Board Chair to nominate someone to serve as a Director, the Board Chair will ask that Shareholder to keep this skills matrix in mind and the time commitment herein identified.

7.0 TIME COMMITMENT

7.1 Board Meetings and Preparation

Board meetings are held quarterly and Directors are expected to attend. Meetings are generally held in Alberta and usually last about six hours. Once per year, ABCRC holds a Board retreat for the spring quarterly Board meeting. The retreat is normally two evenings plus a day and a half of meetings which include the regular Board meeting, the annual general meeting and strategic planning/generative discussions.

7.2 Preparation

Directors receive their meeting materials approximately one week before the meeting date. Directors are expected to come to the meetings prepared and ready to discuss all subjects on the agenda. Preparation usually takes about three hours.

7.3 Additional Duties

Directors are sometimes asked to assist ABCRC by attending other industry meetings or events on behalf of ABCRC, depending upon their expertise and availability.