

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 such manufacturers shall appoint a collection system agent satisfactory to the BCMB 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 for non-refillable Beverage Containers.
- 1.4 ABCRC is a corporation incorporated under the *Business Corporations Act* (Alberta) whose guiding principles are to:
- 1.4.1 ensure excellent transparency and accountability;
 - 1.4.2 minimize the cost of operating the system;
 - 1.4.3 promote and encourage effective environmental stewardship of beverage containers;
 - 1.4.4 strive for continuous improvements 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 & 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 its 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. The prime responsibility of the President is to lead ABCRC. To this end, the Board has adopted the following guidelines to assist it in its governance responsibilities.

2.0 **DEFINITIONS**

In this Governance Guidelines 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 "Articles" means the articles of amalgamation of ABCRC filed with the Registrar of Corporations (Alberta) on February 1, 1996, as may be amended from time to time.
- 2.4 "Beverage Containers" means the used non-refillable registered beverage containers as described in the Regulation that have been sold in Alberta and have not previously entered the common collection system at any point.
- 2.5 "Board" means the Board of Directors of ABCRC.
- 2.6 "Board Chair" means the chair of the Board.
- 2.7 "Committee Chair" means the chair of one of the Governance, Audit or Public Affairs or Communications Committees.
- 2.8 "Directors" means members of the Board.
- 2.9 "President" means the person appointed by the Board to serve as the most senior operating officer of ABCRC.
- 2.10 "Regulation" means the Beverage Container Regulation, AR 101/97, as amended or replaced.
- 2.11 "Shareholders" means the beneficial holders of all of the issued and outstanding shares in the capital of ABCRC.
- 2.12 "Unanimous Shareholders Agreement" means the agreement dated January 1, 2011 among ABCRC and all of its shareholders, as may be amended from time to time.

3.0 **THE BOARD**

3.1 **Composition**

- 3.1.1 The Articles provide that the Board shall 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 and shall be composed of three Directors nominated by Refreshments Canada Association, one Director nominated by Cott Corporation, one Director nominated by Alberta Dairy Council, two Directors nominated by Alberta Beverage Council Ltd, one Director nominated by The Alberta Gaming and Liquor Commission and two Directors nominated by Alberta Beer Container Corporation.

3.2 **Criteria for Board Membership**

- 3.2.1 Every five years ABCRC will determine 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 the rights to nominate to the Board, with the approval of 100% of the Shareholders being required to make any changes.

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 a more 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 the 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 Shareholders 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 with someone from within the same market as the departing Director.

3.4 **Position Descriptions**

- 3.4.1 The Board has developed Terms of Reference for an Individual Director which outlines the personal professional characteristics of all Directors. The 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. The Board, together with the Board Chair and the President, has developed a 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**

- 3.5.1 New Directors are invited to an orientation by ABCRC that provides information about ABCRC, the duties and obligations of the 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 from time to time.

3.6 Board Communication Policy

3.6.1 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 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 by the President to assist with communications.

4.0 BOARD MEETINGS AND MATERIALS

4.1 Board Meetings Agendas

4.1.1 The Board, not the staff, shall have control over the agenda for the Board's meetings. The Board Chair will exercise this control on behalf of the Board, though any Director may suggest the inclusion of the items on the agenda. Normally the agenda will be established by the Board Chair and the President.

4.2 Meeting Materials Distributed in Advance

4.2.1 The Board has determined that information and data that are important to the Board's understanding of issues be distributed to the Board before each Board meeting in sufficient time to ensure adequate opportunity exists for Directors' review. Management makes 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.

4.3 Presentations

4.3.1 As a general rule and when appropriate, presentation materials are sent to the Directors in advance. Time is allocated at all Board meetings to ensure that Directors' questions about the material can be answered.

4.4 Non-Directors at Board Meetings

4.4.1 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.

5.0 **COMMITTEE ORGANIZATION AND MEETINGS**

5.1 **Board Committees**

5.1.1 Each committee operates according to Board-approved terms of reference. The committees are: (1) Audit Committee; (2) Public Affairs and Communications Committee; and (3) Governance Committee.

5.1.2 The Board Chair shall appoint the Committee Chair.

5.2 **Assignment and Rotation of Committee Members**

5.2.1 The Governance Committee is responsible for recommending to the Board the assignment of members to various 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 periodic rotation of committee members. Such rotation, when recommended, will be made in a way that recognizes and balances the need for renewal of ideas, continuity, and the 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. Each Committee Chair will report to the Board on the results of each meeting.

5.3.2 Each Committee provides for an In-Camera session.

5.3.3 Minutes of the in-camera session will be kept and maintained when decisions are made or the Board Chair or Committee Chair, as the case may be, decides that a record of the session is appropriate. The Corporate 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.

5.4 **Committee Agendas**

5.4.1 Each Committee Chair, in consultation with management, develops the committee's agendas.

6.0 **BOARD AND MANAGEMENT RESPONSIBILITIES**

6.1 **Board Relationship with Management**

6.1.1 Board members 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 the business operation of ABCRC 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 as needed. 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**

- 6.2.1 The Board believes that management is responsible for development of the business plan. It is the role of the Board to review, question, validate and approve the plan and any material changes to the strategies.

6.3 **Formal Evaluation of the President**

- 6.3.1 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**

- 6.4.1 The Board believes that succession planning and management development are key to the ongoing process that contributes substantially to ABCRC's success. The President provides a detailed annual report to the Governance Committee and a summary presentation to the Board. The President makes available to the Governance Committee a recommendation as to a successor in the event of the unexpected incapacity of the President.

6.5 **Principal Risks**

- 6.5.1 The Board is responsible for understanding the principal risks associated with ABCRC on an ongoing basis and for ensuring that management has implemented appropriate strategies to manage these risks. It is the responsibility of management to assure that the Board and its 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 & Ethics. The Audit Committee reports on these matters to the Board.

6.6.2 The Audit Committee requires management to implement and maintain appropriate systems of internal controls and meets with ABCRC's external auditors in executive sessions, and with management, on at least a quarterly basis to oversee the effectiveness of these systems. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

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

6.7.1 The Governance Committee develops and reports to the Board annually on the process for assessing the performance and operation of the Board, Board Chair, each committee and individual Directors. The Governance Committee also reports to the Board annually on the evaluation of the performance of the Board, each of its committees, and that of 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 Individual Directors. The performance of the Board Chair is annually evaluated against his terms of reference by the chair of the Governance Committee by means of formal interviews.