

# TERMS OF REFERENCE FOR AN INDIVIDUAL DIRECTOR

## 1.0 INTRODUCTION

1.1 The Terms of Reference for an Individual Director outlines the personal and professional characteristics required of all Directors. The Terms of Reference are used as the basis for the evaluation of individual Director performance, and also serves 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 the Shareholders to take into account the Terms of Reference when appointing Directors under the Unanimous Shareholders Agreement.

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

### 1.2.1 **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. The key elements of this standard of behaviour are:

1.2.1.1 A Director must act in the best interests of ABCRC and not in his or her self-interest. This also means a Director should not be acting in the best interests of some special interest group or constituency or in his/her own self-interest.

1.2.1.2 A Director cannot take advantage personally of opportunities that come before him/her in the course of performing his/her corporate duties.

1.2.1.3 A Director must disclose to the Board any personal interests that he/she holds that may conflict with the interests of ABCRC.

1.2.1.4 The Directors must respect ABCRC's confidentiality requirements.

### 1.2.2 **Skillful Management**

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

1.2.2.1 The standard of behavior expected of a Director will depend upon the particular qualities or characteristics that the Director brings to ABCRC in relation to the particular matters under consideration.

1.2.2.2 The Director must be proactive in the performance of his duties by:

1.2.2.2.1 attending board meetings;

1.2.2.2.2 serving on at least one board committee (except for the Board Chair);

1.2.2.2.3 participating in meetings in a meaningful way; and

1.2.2.2.4 being vigilant to ensure ABCRC is being properly managed and is complying with the law.

**1.2.3 General Principles**

Each Director will make decisions so as to:

- 1.2.3.1 ensure excellent transparency and accountability;
- 1.2.3.2 minimize the cost operating the system;
- 1.2.3.3 promote and encourage effective environmental stewardship of beverage containers;
- 1.2.3.4 strive for continuous improvement in operations;
- 1.2.3.5 maintain a safe and healthy environment for employees;
- 1.2.3.6 provide a culture of honesty and integrity; and
- 1.2.3.7 ensure each container type (material/size) is self-funding.

**2.0 DEFINITIONS**

In this Charter of Expectations 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 the Board.
- 2.5 "Directors" means members of the Board.
- 2.6 "President" means the person appointed by the Board to serve as the most senior operating officer of ABCRC.
- 2.7 "Shareholders" means the beneficial holders of all of the issued and outstanding shares in the capital of ABCRC.
- 2.8 "Unanimous Shareholders Agreement" means the agreement dated June 22, 2009 among ABCRC and all of its shareholders, as may be amended from time to time.

**3.0 INTERPRETATION**

In the Terms of Reference for an Individual Director, 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 STANDARD ESTABLISHED BY THE BOARD**

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

##### **4.1 Board of Directors Activity**

As a member of the Board, each Director will:

- 4.1.1 demonstrate high ethical standards and integrity in their personal and professional dealings, and be willing to act on – and remain accountable for – their boardroom decisions; The Board will deliberate in many voices but govern in one;
- 4.1.2 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;
- 4.1.3 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;
- 4.1.4 respect confidentiality;
- 4.1.5 be available as a resource to management and the Board;
- 4.1.6 advise the President or the Board Chair in advance of introducing significant and previously unknown information at a Board meeting;
- 4.1.7 as necessary and appropriate, communicate with the Board Chair and with the President between meetings; and
- 4.1.8 be a positive force, using abilities and influence constructively.

##### **4.2 Preparation and Attendance**

All Directors should make every effort to attend all Board meetings. In those few exceptional circumstances where a Director finds it impossible to be present in person at a Board meeting, that Director may, with the consent of the Board Chair, participate by telephone conference. However, for many reasons, participation by telephone conference is far less effective than in-person attendance. Directors are expected to come prepared to the meetings, having read the materials.

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

- 4.2.1 maintain an excellent Board and committee meeting attendance record;
- 4.2.2 prepare for each Board and Committee meeting by reading the reports and background materials provided for the meeting; and
- 4.2.3 request information necessary for decision making.

#### 4.3 **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:

- 4.3.1 participate fully and frankly in the deliberations and discussions of the Board;
- 4.3.2 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;
- 4.3.3 approach others assertively, responsibly and supportively, and be willing to raise tough questions in a manner that encourages open discussion;
- 4.3.4 establish an effective, independent and respected presence and a collegial relationship with other Directors;
- 4.3.5 focus inquiries on issues related to strategy, policy, and results rather than issues relating to the day-to-day management of ABCRC; and
- 4.3.6 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.

#### 4.4 **Independence**

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

- 4.4.1 think, speak and act independently with confidence and courage;
- 4.4.2 be critical and responsive to change and new thinking;
- 4.4.3 resist behaving independently merely for the sake of being a revolutionary character; being objective when considering tradeoffs and consequences; and
- 4.4.4 be willing to risk rapport with the Board Chair and other Directors and/or the President in taking a reasoned, independent position.

#### 4.5 **Committee Service**

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 may participate in these meetings by telephone conference. Committee members receive their meeting materials approximately one week before each meeting date. Committee members are expected to come prepared to the meetings, having read the materials.

#### 4.6 **Industry and Corporate Knowledge**

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

- 4.6.1 become generally knowledgeable of the business of ABCRC;

- 4.6.2 participate in Director orientation and development programs developed by ABCRC from time to time;
- 4.6.3 maintain a current understanding of the legislative, business, social and political environments within which ABCRC operates; and
- 4.6.4 become acquainted with the senior management of ABCRC.

## **5.0 DIRECTOR SELECTION**

### **5.1 Unanimous Shareholders Agreement**

The Unanimous Shareholders Agreement provides how many Directors each of the Shareholders is entitled to nominate and that number will be reviewed every five years.

- 5.2 The Board has established, a skills matrix, to identify general skills and experiences and specific skills and experiences, required or desired in Directors, or sought in prospective Directors. When a Shareholder is asked by ABCRC to forward a nominee to serve as a Director, ABCRC will ask that Shareholder to keep this skills matrix in mind and the time commitment herein identified.

## **6.0 TIME COMMITMENT**

### **6.1 Board Meetings and Preparation**

Board meetings are held quarterly and Directors are expected to attend. Meetings are held in Alberta and the meetings usually last for six hours. Directors receive their meeting materials approximately one week before the meeting date. Directors are expected to come prepared to the meetings, having read the materials, and the preparation time is roughly three hours. ABCRC also holds a retreat somewhere in Alberta each year that lasts for one and a half days and includes a social activity, annual general meeting, Board meeting and strategic planning session.

### **6.2 Additional Duties**

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