



BOARD OF DIRECTORS CHARTER

APPROVED BY THE BOARD OF DIRECTORS ON NOVEMBER 20, 2006

PREFACE

1. This Charter has been adopted by the Board of Directors ('the Board') of Defence Construction (1951) Limited ('the Corporation') to guide the Board in the exercise of its responsibilities.
2. For the purposes of this charter, 'the Minister' throughout this document refers to the Minister of Public Works and Government Services.

SUMMARY OF ROLES AND RESPONSIBILITIES

3. Director Responsibilities: The Board, through the Chairperson, is accountable to the Minister for the stewardship and governance of the Corporation. The primary responsibility of the Directors is to exercise their judgment to act in what they reasonably believe to be in the best interests of the Corporation and its stakeholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Corporation's officers and its outside advisors and auditors. The Chief Executive Officer is accountable to the Board for the day-to-day operations of the Corporation.

In furtherance of its responsibilities, the Board will effectively work with management to undertake the following:

- Strategic and Corporate Planning: Provide input into the setting of strategic direction of the Corporation, review and recommendation for approval by the Government, of the Corporation's corporate plan and annual operating and capital budgets.
- Governance and public policy objectives: Assume responsibility for developing the Corporation's approach to governance. This includes the regular review and evaluation of principle risks areas, public policy objectives and relevance of the Corporation's mandate. Ensure that management is maintaining a balance between public policy objectives and private sector business practices. From time to time, oversee compliance with government mandated governance policies.
- Values and Ethics: Ensure that the Corporation's management maintains an ongoing program and policy related to values and ethics. Review its effectiveness from time to time.
- Audit: Through the use of internal and external auditors, assess the integrity of the Corporation's internal controls and the information received by the Board.



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- Assessing the Relevance of the Mandate: On a regular basis, review and evaluate the effectiveness of the Corporation in meeting its mandate, priorities and accountabilities as established by the Minister.
 - Succession: Ensure that skilled management is available for the ongoing and longer-term fulfillment of the Corporation's mandate by regularly reviewing and evaluating plans for management development and succession.
 - Evaluating Performance: Annually, through the Chair, formally evaluate the CEO's performance.
 - Communications: Maintain effective communications with the shareholder, key stakeholders and the public on the Corporation's plans and performance.
4. In addition to these responsibilities, the Minister may communicate other priorities and expectations from time to time.
 5. Directors and the Chairperson shall fulfill these in accordance with this charter, the *Financial Administration Act*, the *Canada Business Corporations Act*, policies of the Government of Canada (Treasury Board), the Corporation's Letters Patent and By-laws and the *Conflict of Interest and Post-Employment Code for Public Office Holders*.

BOARD MEMBERSHIP

6. Size of the Board: The Corporation's by-laws prescribe that the number of Directors of the Corporation shall be seven. The optimum number of Directors shall be reviewed from time to time by the Board, with recommendations for changes to be made to the Minister.
7. Management Representation on the Board: The Chief Executive Officer shall be the sole management representative on the Board.
8. Selection and Appointment of Directors: The responsibility for the appointment of directors rests with the Governor in Council, upon the recommendation of the Minister.
9. Selection and Appointment of the Chairperson: The appointment of the Chairperson rests with the Governor in Council, upon the recommendation of the Minister.
10. Selection and Appointment of the CEO: Near the expiry of each appointment term for the CEO, the Nominating Committee shall either (1) evaluate and recommend the current CEO for reappointment, or (2) identify and recommend candidates for consideration by the Board and recommendation to the Minister. The Nominating Committee shall undertake its deliberations in accordance with its own charter/terms of reference.



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11. Director Qualifications and Selection Criteria: In accordance with its charter, the Nominating Committee will review such characteristics at least annually and recommend any appropriate changes to the Board for consideration.
12. Term Limits: The length of service for any individual director is outlined in each appointment made by the Governor in Council. To the extent possible, term expiry dates should be staggered to ensure long-term succession planning of the Board. For greater clarity, it should be noted that a Director remains a member of the Board until reappointed or replaced, irrespective of the expiry date of their term.
13. Resignation from the Board: A Director may resign at any time by giving notice in writing or by electronic transmission to the Chairperson, the Chief Executive Officer or the Secretary-Treasurer of the Corporation. Such resignation shall take effect upon receipt thereof or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.
14. The Chairperson shall immediately inform the Minister and the Privy Council Office of any Director resignations.
15. Chairperson Vacancy: In the case where the position of Chairperson is vacant, the Board will elect an Interim Chairperson until an appointment is made.

BOARD MEETINGS

16. Frequency of Board Meetings: Board meetings will be scheduled on a regular basis, normally in conjunction with significant planning and reporting events. Special meetings of the Board will be called by the Chairperson as necessary.
17. Directors may meet without the Chief Executive Officer being present, as required.
18. The Chairperson, Chief Executive Officer or Committee Chairpersons may from time to time invite corporate officers, other employees and advisors to attend Board or committee meetings when appropriate.
19. Schedule of Meetings: A schedule of dates of the regular, annual shareholder and any public meetings will be provided to the Directors well in advance.
20. Notice of Meeting: In accordance with the Corporation's by-laws, notice for any meeting of the Board must be provided by the Secretary-Treasurer a minimum of two working days in advance of a meeting. Normally, 30 days notice is provided. Notices may be provided to Directors in writing or by electronic transmission. A preliminary agenda for the meeting will be provided with the notice.



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21. Agenda Items for Board Meetings: The Chairperson, in consultation with the Chief Executive Officer, will establish the agenda for each Board meeting. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions will be provided to the Directors approximately one week prior to each Board meeting. Subject to any applicable notice requirements, Directors having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairperson or Secretary-Treasurer in advance of all meetings.

BOARD COMMITTEES

22. The Board shall establish those standing or *ad hoc* committees required either by legislation/policy or otherwise deemed required by the Board to assist in carrying out a specified portion of the Board's duties.
23. The following are constituted as standing committees of the Board:
- the Audit Committee; and
 - the Nominating Committee
24. Committee Membership: Committee members will be appointed by the Board with consideration of the desires of individual Directors, workload and individual committee.
25. Committee Charters: Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board.
26. Committee Authority: In general, committees of the Board will examine issues and prepare recommendations for full Board action, in accordance with their charters. Authority to act on behalf of the Board should normally be reserved for special circumstances and shall have prior approval of the Board.
27. Governance Member: A director may be appointed by the Board as the lead for corporate governance issues.

BOARD MANAGEMENT

28. Director and Chairperson Compensation: Eligible directors and the Chairperson shall receive an annual retainer and *per diem* compensation for their services in accordance with individual appointment Orders in Council.

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29. Public Servants: Unless specifically authorized by the appointment Order in Council, Directors who concurrently are appointed to a position in the public service of Canada shall receive no additional compensation for serving as Directors.
30. Reimbursement of Expenses: Expenses for all Directors shall be reimbursed in accordance with the Corporation's travel and hospitality policies.
31. Director Orientation and Education: The Minister and/or Privy Council Office may provide an initial orientation for all new Directors. In addition, the Corporation's management will offer to provide new Directors additional orientation in order to familiarize them with their statutory responsibilities, the Corporation, its strategic plans, significant financial, accounting and risk management issues, its compliance programs, the *Conflict of Interest and Post-Employment Code for Public Office Holders*, its senior management, and its internal and independent auditors.
32. In order to facilitate continuing education, and to enhance each Director's knowledge of the Corporation, the Board will be informed of specific training opportunities.
33. Educational programs relating to corporate governance responsibility are provided through the Canada School of Public Service.
34. CEO Evaluation and Management Succession: The Chairperson will lead and the Board will endorse the annual review of the Chief Executive Officer's performance and the establishment of performance objectives for the following year. With the CEO, the Board will evaluate management succession planning for executive officers of the Corporation, including the annual appointment of officers.
35. Director Access to Officers and Employees: Directors have full and free access to officers and employees of the Corporation. Any meetings or contacts that a Director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary-Treasurer.
36. Independent Advice: The Board has the authority to engage experts or advisors, including independent legal counsel, deemed appropriate by the Board, without consulting or obtaining the approval of any officer of the Corporation. The Corporation will provide for appropriate funding, as determined by the Board, for payment of compensation to any such counsel, experts or advisors.

OTHER BOARD PRACTICES

37. Review of Roles and Responsibilities of Directors: The Chairman of the Board will review with each Director on a periodic basis or as required, his/her role and responsibilities and contribution to the Board.
38. Limitation of Liability: All directors of the Corporation are expected to exercise the care, due diligence and skill that a reasonably prudent person would in comparable circumstances. In carrying out his or her duties, each director is asked to exercise



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good business judgement based on common sense and his or her personal experience. Various Canadian laws place responsibility on directors of both public and private corporations to ensure that certain public goals are respected by their corporation (e.g. environmental protection, employment standards or tax deductions).

In recognition of this exposure to liability, the accountability framework set out in Part X of the *Financial Administration Act* for federal Crown corporations, the *Canada Business Corporations Act*, the Treasury Board Policy on the Indemnification of and Legal Assistance for Crown Servants and the *Crown Liability and Proceedings Act* provides directors, heirs and legal representatives with indemnification protection for the financial costs of any liability that might be realized, provided that the director:

- acted honestly and in good faith, with a view to the best interests of the Corporation; and
- in the case of any criminal or administrative action or proceeding enforced by a monetary penalty, believed on reasonable grounds that the conduct was lawful.

BOARD EVALUATION

39. Performance Evaluation of the Board: The Board will conduct an annual self-evaluation to determine whether it and its Committees are functioning effectively. Such an assessment will focus on the Board's contribution to the Corporation and specifically focus on areas in which the Board or management believes that the Board could improve.
40. If requested to do so, the Chairperson will communicate the results of these annual evaluations with the Minister.

REVIEW OF THIS CHARTER

41. The Board of Directors will review this Charter at least annually and, if appropriate, revise this Charter from time to time.