

BOARD OF DIRECTORS CHARTER

APPROVED BY THE BOARD OF DIRECTORS ON APRIL 19, 2016

PREFACE

1. This Charter has been adopted by the Board of Directors (Board) of Defence Construction (1951) Limited (operating as Defence Construction Canada or DCC) to guide the Board in the exercise of its responsibilities.

SUMMARY OF ROLES AND RESPONSIBILITIES

2. Director Responsibilities: DCC's Board of Directors is responsible for the management of the businesses, activities and other affairs of the Corporation. The Minister responsible for DCC is the Minister of Public Services and Procurement (Minister). DCC's Chief Executive Officer (CEO) 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 DCC management in furtherance of the following:
 1. Strategic Planning: Provide input into the setting of the strategic direction of the Corporation, review and recommend for approval by the Government, the Corporation's corporate plan and annual operating and capital budgets.
 2. Governance: Develop DCC's Corporate Governance Framework and annually assess its appropriateness.
 3. Risk Management: Review DCC's Risk Management Framework on a regular basis and Risk Register at each meeting, and provide input into the identification, prioritization and systems in place to manage principal risks.
 4. Internal Controls: Through the use of internal and external auditors, assess the integrity of the Corporation's internal control systems and the information received by the Board.
 5. Mandate: On a regular basis, review and evaluate the effectiveness of the Corporation in meeting its mandate, and the expectations, priorities and accountabilities of the Government of Canada as expressed through the Minister. Review and approve core Corporate frameworks and policies.
 6. Succession Planning: Ensure that DCC's Succession Planning Framework is appropriate for the Corporation.
 7. Performance Management and Evaluation: Monitor DCC's corporate performance against strategic plans and the reporting thereof in such documents as DCC's Corporate Plan and Annual Report; and annually, through the Chair of the Board, formally evaluate the CEO's performance.
 8. Relationship Management: Maintain relationship management opportunities and communications with the shareholder, key stakeholders and the public through various activities, including DCC's Annual Public Meeting.

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9. Values & Ethics: Monitor DCC's Frameworks and policies related to values and ethics, including DCC's Integrity Management Framework, which is comprised of DCC's Code of Business Conduct for employees and Procurement Code of Conduct for suppliers. Directors shall comply with the Board Code of Conduct and annually review and sign DCC's Annual Declaration for Members of DCC's Board of Directors regarding their Code as well as the *Conflict of Interest Act*.
3. Directors shall fulfill these roles and responsibilities in accordance with this Charter, the Corporation's Letters Patent and By-laws as well as relevant legislation, including, the *Financial Administration Act*, the *Canada Business Corporations Act*, the *Conflict of Interest Act*, the *Defence Production Act*, and Government of Canada guidance and directives, as articulated, for example, by the Privy Council Office or Treasury Board of Canada Secretariat.

BOARD MEMBERSHIP

4. 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.
5. Management Representation on the Board: The CEO shall be the sole DCC management representative on the Board.
6. Selection and Appointment of Directors: Each director, other than an officer-director, shall be appointed by the Minister, with the approval of the Governor in Council.
7. Selection and Appointment of the Chair: The Chair of DCC's Board is an officer-director and shall be appointed by the Governor in Council.
8. Selection and Appointment of the CEO: As part of Board succession planning, near the expiry of each appointment term of DCC's CEO, the Governance and Human Resources Committee (Governance & HR Committee) shall determine whether the CEO wishes to continue in office, then either:
 - 1) evaluate and recommend the current CEO for reappointment; or
 - 2) identify and recommend other candidates for consideration by the Board and the Minister. Further to the FAA, before the CEO of DCC is appointed, the Minister shall consult the Board of Directors with respect to the appointment.
9. Board of Director Profile: The Board Profile will set out the roles and responsibilities of the Board as well as challenges facing DCC. It will also note the core attributes and specific skills required of Board members.
10. Term: Board member terms are established by the Governor in Council. To the extent possible, term expiry dates should be staggered for Board member succession planning purposes. A Director is eligible for reappointment on the expiration of the term of office, and, if no one is appointed to take office on the expiration of the term of an incumbent director, the incumbent director continues in office until a successor is appointed.

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11. Resignation: DCC's CEO, Chair or Director may resign at any time by giving notice in writing or by electronic transmission to the Chair, the CEO or the Corporate Secretary (Secretary) of the Corporation. Such resignation becomes effective at the time DCC receives it or at the time specified in the resignation, whichever is later. The Chair shall ensure that a copy of the resignation is sent to the Clerk of the Privy Council within fifteen days after it is received as well as to the Minister.
12. Chair Vacancy: In the case where the position of Chair is vacant, the Board will elect from one of its member Directors an Interim Chair until an appointment is made.

BOARD MEETINGS

13. Frequency of Board Meetings: Board meetings will be scheduled on a regular (quarterly) basis, in conjunction with significant planning and reporting requirements.
14. Directors may meet without DCC's CEO being present, as required.
15. The Chair, CEO or Committee Chairs may from time to time invite Corporate Officers, other employees and advisors to attend Board or committee meetings when appropriate.
16. Schedule of Meetings: A schedule of proposed dates for the regular Board and Board Committee meetings and annual public meetings will be provided to the Directors at each Board meeting and will be posted on the Board Portal.
17. Notice of Meeting: A Notice of any meeting of the Board should be provided by the Secretary no less than seven days prior to the date of the meeting.
18. Agenda Items for Board Meetings: The Chair, in consultation with Board members and/or the CEO, will establish the agenda for each Board meeting. A preliminary draft agenda will be provided to all Board members, to the extent possible, along with the Official Notice, at least one month prior to meetings. Directors may propose agenda items at any time and are to advise the Chair or Secretary of such items for inclusion on the agenda. An agenda and supporting documents will be provided to the Directors two weeks prior to each Board meeting.

BOARD COMMITTEES

19. 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.
20. The following are constituted as standing committees of the Board:
 - the Audit Committee; and
 - the Governance and Human Resources Committee
21. Committee Membership and Chair: Committee members will be appointed by the Board with consideration of the skills and experience, preferences, and workload of the

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member. The Chair of a Board Committee shall be designated by the Chair of the Board from among the Committee members.

22. Committee Charters: Each committee will have its own Charter. The Charters will outline the Committee's purpose, goals and responsibilities, as well as the committee structure and reporting requirements to the Board. The Board is to approve these Charters, based on the recommendations of the Governance & Human Resources Committee.
23. 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.

BOARD MANAGEMENT

24. Director and Chair Remuneration: Directors are to be remunerated in accordance with the Board's Remuneration Policy. Directors and the Chair shall receive an annual retainer and *per diems* for their services in accordance with their appointment Order in Council and the overarching Order in Council PC 2009-1403 dated August 6, 2009, effective March 5, 2007.
25. Director Orientation and Education: The Canada School of Public Service provides a mandatory initial orientation for all newly appointed Directors which must be taken within one year of appointment. In addition, the Corporation's management is to provide new Directors with orientation in order to familiarize them with their statutory responsibilities, the Corporation, its strategic planning process, significant financial, accounting and risk management issues, its compliance programs, the *Conflict of Interest Act*, its senior management, and its internal auditors and the Office of the Auditor General, DCC's auditors. In order to facilitate continuing education, and to enhance each Director's knowledge of the Corporation, the Board will also be informed of specific and relevant training opportunities.
26. CEO Evaluation: The Chair will lead and the Board will endorse the annual review of the CEO's performance and the establishment of performance objectives for the following year pursuant to the Privy Council Office's Performance Management Program.
27. Officers of the Corporation and Succession: With the CEO, the Board will annually appoint/re-appoint the Officers of the Corporation, and in collaboration with the CEO, the Board will evaluate DCC's succession planning for these Officers.
28. Director Access to Officers and Employees: Directors have full and free access to Officers and to employees of the Corporation. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Secretary.
29. 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.

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OTHER BOARD PRACTICES

30. Limitation of Liability and Indemnification: Every director and every officer of a Crown corporation in exercising powers and performing duties shall act honestly and in good faith with a view to the best interests of the corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Treasury Board shall indemnify a present or former director or officer of a Crown corporation or a person who acts or acted at the request of a Minister or a Crown corporation as a director or officer of another corporation, and his or her heirs and legal representatives, against the costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, that are reasonably incurred by him or her in respect of any civil, criminal, administrative or investigative action or proceeding to which he or she is a party by reason of being or having been such a director or officer, if he or she (a) acted honestly and in good faith with a view to the best interests of the Crown corporation or other corporation; and (b) in the case of any criminal or administrative action or proceeding that is enforced by a monetary penalty, believed on reasonable grounds that the director's or officer's conduct was lawful.

BOARD EVALUATION

31. Performance Evaluation of the Board: The Board will conduct a regular 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 will serve as a gap analysis of the skills required of Directors.
32. The Chair will communicate the results of such evaluations to the Minister.

REVIEW OF THIS CHARTER

33. Through the Governance and HR Committee, the Board will review this Charter at least once every three years and, if appropriate, revise this Charter from time to time.